The City of New York
Executive Budget
Fiscal Year 2009

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,

Nationally the economy is slowing. New York City is not immune to the factors responsible for this slowdown. In fact, our local Wall Street firms have suffered severely from the turmoil in the subprime mortgage market and the ongoing credit crunch. Wall Street firms have already announced thousands of layoffs along with over $200 billion of writedowns since last fall.

One bright spot in the economy continues to be tourism, and especially the increase in foreign tourists. While the rest of the country has seen a drop of 20% in foreign tourists between 2000 and 2007, New York City has seen a 33% increase.

Our proposed $59.1 billion budget for FY2009 is in balance. We will use excess resources generated in FY2008 to help close the budget gaps in FY2009, FY2010 and FY2011. We will also make an early payment on debt due in FY2010.

When the credit crunch began last summer, we acted immediately and cautioned agencies to act prudently. When the crisis lingered, we identified an Agency Program to reduce City-funds spending in January for FY2008 and beyond. Since that time, we have identified an additional Agency Program in this Executive Budget to help close the budget gaps we face. In total, these actions will save 3% in City funds (excluding expenses which cannot be reduced), or over $600 million, in FY2008, and 6.4%, or over $1.3 billion in FY 2009.

We are also implementing a measured delay in capital commitments of 20% in FY2009-2012. Our capital goals will now be met one year later, in 2013 than we had planned for in January. This will be detailed in the next update of the capital commitment plan in September.

In FY2009, we expect to continue the $400 property tax rebate to homeowners, who were there for the City when we needed them. We will also be able to continue the seven percent, across-the-board property tax cut for one additional year, FY2009. However, our current financial plan does not anticipate continuing the seven percent property tax cut in the years beyond FY2009.

All New Yorkers should be confident that we will watch the City's economy and budget closely over the next few months and take whatever actions are necessary to ensure that the budget remains in balance.

The good times do not last forever, as we all recognize. It is appearing increasingly likely that the boom has ended, nationally and locally. And though the future is always unknown, we must be prepared. We have emphasized responsible fiscal management, and we have worked hard to address long-term budget balance through our actions. Our prudence during the boom years should help us weather the bad times when they inevitably arrive.

Very truly yours,

Michael R. Bloomberg
Mayor

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Printed on paper containing 30% post-consumer material.

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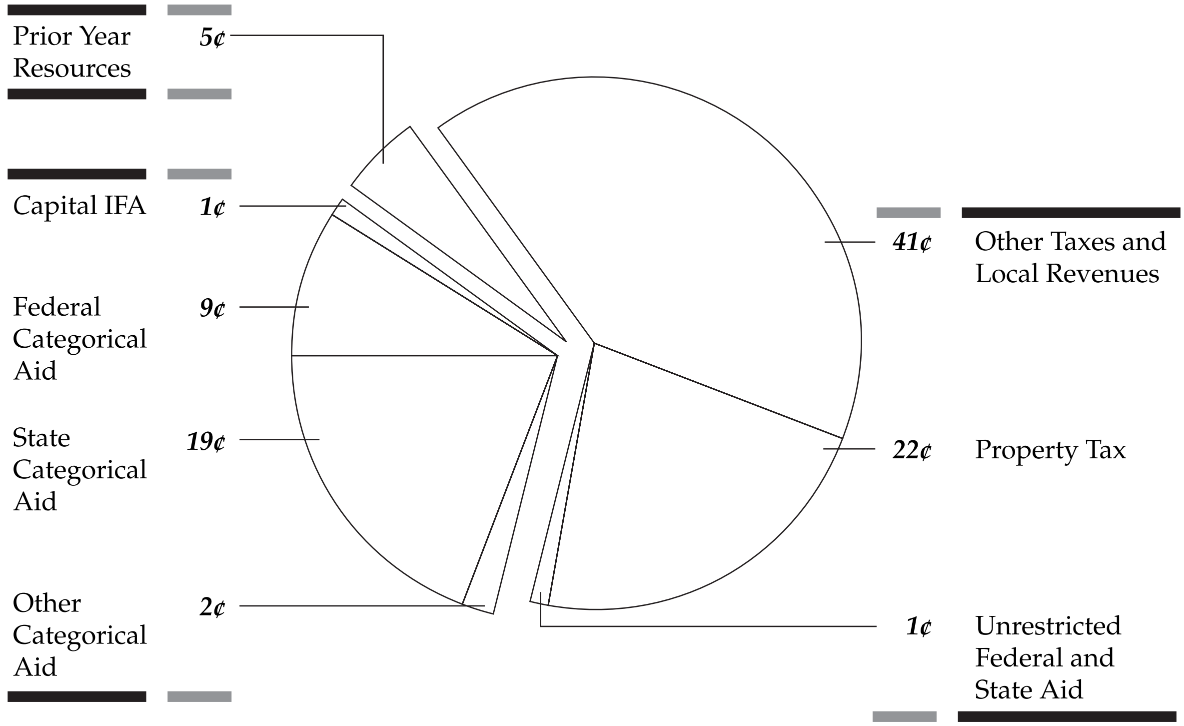
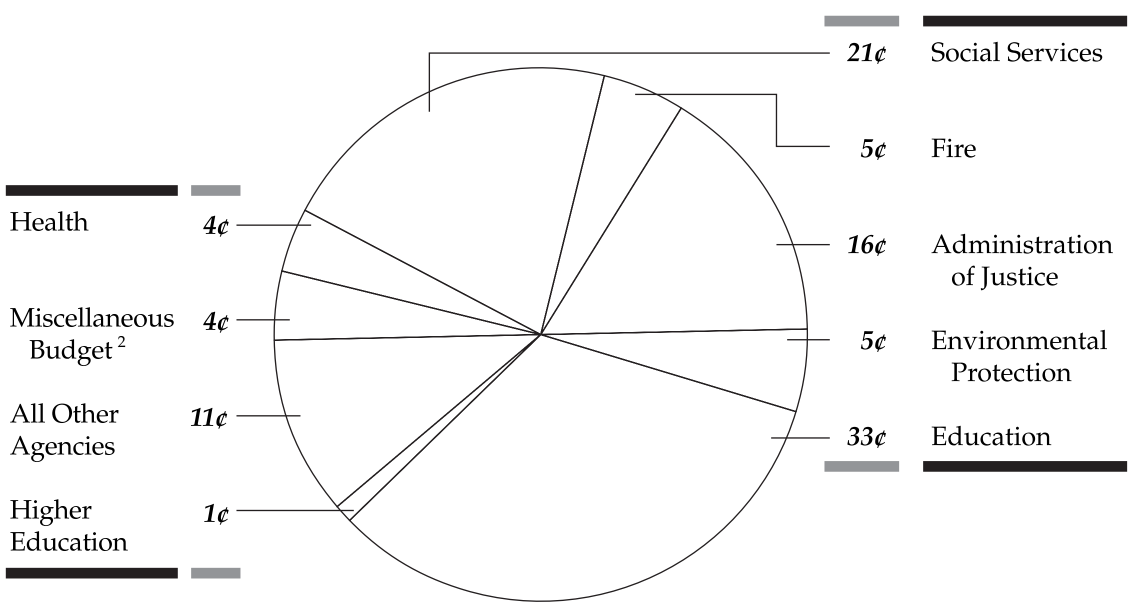


Where the 2009 Dollar Goes To[1]



[1] Reflects the allocation of Fringe Benefits, Pensions, Debt Service, Judgments and Claims, and Legal Services to the agencies. Excludes the impact of prepayments.
[2] Includes Labor Reserve, General Reserve, MTA Subsidies, and Indigent Defense Services.

BUDGET AND FINANCIAL PLAN OVERVIEW

The 2009 Executive Expense Budget is $59.1 billion. This is the twenty-ninth consecutive budget which is balanced under generally accepted accounting principles.

Major highlights of the Executive Budget and Financial Plan since the 2008 Adopted Financial Plan are:

- available funds of $4,519 million are projected for 2008, which will be used to help balance the 2009 budget and reduce projected budget gaps in 2010 and 2011. Discretionary transfers of $3,073 million to the Budget Stabilization Account and prepayments of $225 million to the Library Systems, $275 million for Transit Authority subsidy payments and $400 million for Retiree Health Benefits are provided in fiscal year 2008, which reduce equivalent costs in fiscal year 2009. In addition, a Miscellaneous Budget grant of $546 million to the Transitional Finance Authority in 2008 will increase personal income tax revenues by $546 million in 2009.

- the 2009 budget includes an appropriation of $1,319 million to the Budget Stabilization Account to prepay 2010 debt service and the 2010 budget includes an appropriation of $350 million to the Budget Stabilization Account to prepay 2011 debt service.

- forecasted tax revenues have increased by $2.2 billion in fiscal year 2008, and decreased by $620 million, $2.0 billion and $1.6 billion in fiscal years 2009 through 2011, respectively. The higher than expected revenues in 2008 are being applied to help close out-year budget gaps.

- early payment of outstanding debt in 2008 of $1,986 million will provide budget relief of $1,986 million in 2010.

- the 7% reduction in the property tax rate is continued in fiscal year 2009 only. However, due to out-year budget gaps it is not extended beyond fiscal year 2009.

- the $400 real property tax rebate is continued, amounting to $256 million.

- the 2009 budget includes a general reserve of $300 million, while the 2008 budget provides for a general reserve of $100 million to offset any adverse changes, which may surface during the remainder of the fiscal year or during the audit of the operating results.

- gap closing actions totaling $618 million, $1.3 billion, $1.2 billion and $1.1 billion in 2008 through 2011, respectively, are assumed in the current budget and four year financial plan from agency actions. The gap closing program also includes $200 million in savings from restructuring employee health insurance costs beginning in fiscal year 2010 and continuing through fiscal year 2012.

- revenues and expenditures are balanced for 2008 and 2009 and gaps of $1.3 billion, $4.6 billion and $4.5 billion are projected for fiscal years 2010, 2011 and 2012 respectively, after implementation of the gap closing program, rescinding the 7% property tax cut in 2010 and restructuring employee health insurance costs.

Financial Summary—2003-2009
($ in Millions)

	Fiscal Years Ending June 30						
	2003*	2004*	2005*	2006*	2007*	2008**	2009***
Revenues							
Taxes:							
General Property Tax	$9,943	$11,445	$11,464	$12,471	$12,958	$13,009	$13,838
Other Taxes [1]	12,846	16,144	18,802	20,964	23,799	24,625	21,985
Tax Audit Revenues	571	576	600	776	1,085	1,059	577
Tax Reduction Program	—	—	—	—	—	—	(3)
Subtotal Taxes	$23,360	$28,165	$30,866	$34,211	$37,842	$38,693	$36,397
Miscellaneous Revenues	4,258	4,583	6,352	5,258	5,630	6,423	5,567
Transitional Finance Authority – 9/11	1,500	—	—	—	—	—	—
Unrestricted Intergovernmental Aid	1,443	963	604	494	35	255	340
Less: Intra-City Revenue	(1,110)	(1,213)	(1,279)	(1,396)	(1,387)	(1,502)	(1,506)
Disallowances	(47)	(27)	(87)	(542)	(103)	(15)	(15)
Subtotal City Funds	$29,404	$32,471	$36,456	$38,025	$42,017	$43,854	$40,783
Other Categorical Grants	1,006	956	862	1,150	1,037	1,100	1,006
Inter-Fund Revenues	300	328	346	365	421	451	458
Total City, Capital IFA & Oth. Cat. Funds	$30,710	$33,755	$37,664	$39,540	$43,475	$45,405	$42,247
Federal Categorical Grants	5,618	5,415	6,654	5,243	5,471	5,993	5,395
State Categorical Grants	8,317	8,455	8,823	9,586	10,186	11,201	11,505
Total Revenues	$44,645	$47,625	$53,141	$54,369	$59,132	$62,599	$59,147
Expenditures							
Personal Service	$23,608	$24,410	$26,885	$29,136	$31,762	$32,837	$34,565
Other Than Personal Service	18,684	19,874	22,285	22,277	23,696	24,976	24,725
Debt Service	2,496	2,917	3,128	3,168	4,132	5,713	3,717
MAC Debt Service Funding	225	502	111	10	10	10	—
Net Impact of Discretionary Transfers							
Debt Service	(187)	563	894	1,341	202	(342)	(1,754)
MAC Debt Service	—	—	—	—	—	—	—
Other [1]	924	567	1,112	(172)	712	807	(900)
	737	1,130	2,006	1,169	914	465	(2,654)
General Reserve	—	—	—	—	—	100	300
	$45,750	$48,833	$54,415	$55,760	$60,514	$64,101	$60,653
Less: Intra-City Expenditures	(1,110)	(1,213)	(1,279)	(1,396)	(1,387)	(1,502)	(1,506)
Total Expenditures	$44,640	$47,620	$53,136	$54,364	$59,127	$62,599	$59,147
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] Discretionary transfers in the Miscellaneous Budget for delayed receipt of revenues from the Transitional Finance Authority include $624 million, $400 million and $947 million in 2003 through 2005, respectively; $546 million in 2007 and $546 million in 2008.

The City's Executive Budget Financial Plan sets forth projected revenues and expenditures on a GAAP basis for the 2009 through 2012 fiscal years. 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)

	2009	2010	2011	2012
Revenues				
Taxes:				
General Property Tax	$13,838	$14,868	$15,862	$16,664
Other Taxes	21,439	20,938	21,934	23,409
Discretionary Transfers [1]	546	—	—	-
Tax Audit Revenues	577	579	579	579
Tax Reduction Program	(3)	1,219	1,293	1,353
Subtotal Taxes	$36,397	$37,604	$39,668	$42,005
Miscellaneous Revenues	5,567	5,278	5,355	5,363
Unrestricted Intergovernmental Aid	340	340	340	340
Less: Intra-City Revenues	(1,506)	(1,436)	(1,436)	(1,436)
Disallowances Against Categorical Grants	(15)	(15)	(15)	(15)
Subtotal City Funds	$40,783	$41,771	$43,912	$46,257
Other Categorical Grants	1,006	1,001	1,003	1,006
Inter-Fund Revenues	458	425	419	419
Total City, Capital IFA & Oth. Cat. Funds	$42,247	$43,197	$45,334	$47,682
Federal Categorical Grants	5,395	5,313	5,303	5,313
State Categorical Grants	11,505	11,938	12,801	13,101
Total Revenues	$59,147	$60,448	$63,438	$66,096
Expenditures				
Personal Service				
Salaries and Wages	$21,646	$22,688	$24,132	$24,401
Pensions	6,179	6,700	6,793	6,891
Fringe Benefits [1]	6,740	7,028	7,627	8,229
Subtotal – PS	$34,565	$36,416	$38,552	$39,521
Other Than Personal Service				
Medical Assistance	$5,602	$5,756	$5,916	$6,089
Public Assistance	1,177	1,176	1,176	1,176
All Other [1]	17,946	18,435	19,076	19,579
Subtotal – OTPS	$24,725	$25,367	$26,168	$26,844
Debt Service [1,2,3]	3,717	2,111	4,789	5,319
FY 2008 Budget Stabilization & Discretionary Transfers [1]	(3,973)	—	—	—
FY 2009 Budget Stabilization [2]	1,319	(1,319)	—	—
FY 2010 Budget Stabilization [3]	—	350	(350)	—
General Reserve	300	300	300	300
	$60,653	$63,225	$69,459	$71,984
Less: Intra-City Expenses	(1,506)	(1,436)	(1,436)	(1,436)
Total Expenditures	$59,147	$61,789	$68,023	$70,548
Gap To Be Closed	**$—**	**$(1,341)**	**$(4,585)**	**$(4,452)**

1. Fiscal Year 2008 Budget Stabilization and Discretionary Transfers total $4.519 billion, including prepayments of subsidies of $500 million, Retiree Health Benefits of $400 million, Budget Stabilization of $3.073 billion and a TFA grant which increases FY 2009 revenues by $546 million.
2. Fiscal Year 2009 Budget Stabilization totals $1.319 billion.
3. Fiscal Year 2010 Budget Stabilization totals $350 million.

When the 2008 budget was adopted in June 2007, budget gaps of $1.6 billion, $3.4 billion and $4.4 billion were projected for 2009, 2010 and 2011 respectively. The following table details how expenses and revenues have changed from last year's Adopted through the 2009 Executive Budget Plan.

FINANCIAL PLAN UPDATE
(Increases Gap)/Decreases Gap
($ in Millions)

	2008	2009	2010	2011	2012
2008 Adopted Budget					
Gap to be Closed	**$—**	**($1,550)**	**($3,397)**	**($4,369)**	**($4,369)**
Revenue Changes					
Property Tax Forecast	$25	($262)	($318)	($309)	$493
Other Tax Revenue	1,643	(578)	(1,903)	(1,594)	(119)
Tax Audit	500	—	—	—	-
PIT Reallocation from Smart Fund	50	220	260	275	275
Non-Tax Revenues	126	222	—	45	64
Total Revenue Changes	**$2,344**	**($398)**	**($1,961)**	**($1,583)**	**$713**
Net Expense Changes					
Collective Bargaining	($93)	($439)	($1,075)	($1,611)	($2,264)
Pensions	(17)	211	(152)	(56)	54
Early Payment of Outstanding Debt	(1,986)	—	1,986	—	—
Employee and Retiree Health Insurance	(2)	(39)	(42)	(46)	(50)
Debt Service (Including 20% Capital Reduction Savings)	71	200	214	253	(280)
Energy	(17)	(81)	(158)	(174)	(176)
Agency Expenses	123	(524)	(293)	(282)	(1,038)
Federal Fringe Benefits Reimbursement Rate Increase	126	116	89	89	89
Re-estimate of Prior Year Expenses	500	—	—	—	—
Reduce General Reserve	200	—	—	—	—
Pay-Go Capital	100	200	200	200	200
Total Net Expense Changes	**($995)**	**($356)**	**$769**	**($1,627)**	**($3,465)**
Remaining Surplus / (Gap)	**$1,349**	**($2,304)**	**($4,589)**	**($7,579)**	**($7,121)**
Gap Closing Program					
Agency Programs	$618	$1,306	$1,206	$1,146	$1,110
Restructure Employee Health Insurance	—	—	200	200	200
Rescind 7% Property Tax Cut	—	—	1,223	1,298	1,359
Total Gap Closing Program	**$618**	**$1,306**	**$2,629**	**$2,644**	**$2,669**
Prepayments of 2009 Expenses	**($1,967)**	**$1,967**	**—**	**—**	**—**
Prepayments of 2010 Expenses	**—**	**($969)**	**$969**	**—**	**—**
Prepayments of 2011 Expenses	**—**	**—**	**($350)**	**350**	**—**
Gap to be Closed 2009 Executive Budget	**$—**	**$—**	**($1,341)**	**($4,585)**	**($4,452)**

The following table reflects the changes in revenues and expenses assumed in the four year plan.

City Revenue and Expense

	2008	2009	2010	2011	2012
Revenues	**$43,308** [1]	**$40,237** [1]	**$41,771**	**$43,912**	**$46,257**
Year-to-Year Change		($3,071)	$1,534	$2,141	$2,345
Year-to-Year Change		-7.1%	3.8%	5.1%	5.3%
Expenditures					
Controllable Agency Expenses	$19,739	$20,334	$21,697	$23,007	$23,478
Year-to-Year Change		$595	$1,363	$1,310	$471
Year-to-Year Change		3.0%	6.7%	6.0%	2.0%
Non-Controllable Expenses [2]	$23,650	$23,103	$22,384	$25,840	$27,231
Year-to-Year Change		($547)	($719)	$3,456	$1,391
Year-to-Year Change		-2.3%	-3.1%	15.4%	5.4%
Total Expenditures	**$43,389**	**$43,437**	**$44,081**	**$48,847**	**$50,709**
Year-to-Year Change		$48	$644	$4,766	$1,862
Year-to-Year Change		0.1%	1.5%	10.8%	3.8%
Operating Results- Surplus/(Deficit)	**($81)**	**($3,200)**	**($2,310)**	**($4,935)**	**($4,452)**
Current Year Roll (Cost)	($4,519)	($1,319)	($350)	$—	$—
Prior Year Roll (Benefit)	$4,600	$4,519	$1,319	$350	$—
Net Impact of Surplus Roll	**$81**	**$3,200**	**$969**	**$350**	**$—**
Gap to be Closed	**$—**	**$—**	**($1,341)**	**($4,585)**	**($4,452)**

[1] Excludes $546 million from discretionary transfer of TFA debt in 2007 and 2008.
[2] Non-controllable agency expenses include pensions, fringe benefits, debt service, medicaid, re-estimate of prior year's expenses, general reserve, judgments and claims, subsidies to the MTA and public assistance.

CONTRACT BUDGET

The Contract Budget is presented as part of the 2009 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. Purchase orders and open market orders, as well as small purchases that do not require registration by the Comptroller's Office, are included in the Contract Budget. Contracts for the purchase of supplies, materials and equipment are not included.

The 2009 Executive Contract Budget contains an estimated 17,993 contracts totaling over $8.95 billion. Approximately 77 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, the Department of Health and Mental Hygiene and the Department of Education. The Administration for Children's Services has over $1.53 billion in contracts, over 75 percent of which represents contracts allocated for Children's Charitable Institutions ($558 million) and Day Care ($605 million). Of the over $3.04 billion in Department of Education contracts, over 34 percent is allocated for pupil transportation contracts ($1.06 billion).

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 2008 Modified Budget condition for these contract object codes.

Agencies in preparing their contract budgets were requested to categorize their contracts into 51 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.	4,599	$4,021	44.9%
Youth and Student Related Services . . . . • (including Transportation of Pupils and Payments to Contract Schools)	1,499	2,251	25.1%
Other Services . . . . • Custodial, Security Services, Secretarial, Cultural Related, Employee Related, Economic Development, Transportation, Municipal Waste Exporting, etc.	3,275	1,064	12.0%
Professional Services/Consultant . . . . • Accounting, Auditing, Actuarial, Education, Investment Analysis, Legal Engineering & Architectural, System Development & Management Analysis, etc.	4,702	1,175	13.1%
Maintenance & Operation of Infrastructure . . . . • Lighting, Street Repair, Buildings, Parks, Water Supply, Sewage and Waste Disposal, etc.	1,665	227	2.5%
Maintenance of Equipment . . . . • Data Processing, Office Equipment, Telecommunications & Motorized Equipment, etc.	2,253	218	2.4%
TOTAL	17,993	$8,956	100.00%

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 and Manhattan Borough Presidents submitted proposals.

The Queens Borough President proposed allocation changes of $308 million including elimination of targeted reductions and proposed spending increases. Among the suggested increases are $7 million to the Queens Public Library, $5.5 million to Cultural Affairs, $9.8 million for youth programs, $13.5 million for seniors, $43 million for the City University of New York, $4.7 million for Parks, $7 million for housing programs, $58 million for health and mental health programs, $70 million for the Police, $10.8 million for Sanitation, $2 million for the Borough President's office and $.8 million for the community boards, .

The proposed funding sources come from retention of the City share of the 4 percent sales tax on luxury items, sales tax on aviation fuel, procurement consolidations and efficiencies, expanding the bottle bill in New York City to capture unclaimed deposits, energy conservation at municipal agencies, eliminating school year jury duty for teachers, eliminating the property tax exemption for Madison Square Garden, converting the multiple dwelling registration flat fee to per unit fee, and extending the general corporation tax to insurance company business income.

The Manhattan Borough President stated that in recognition of the serious budgetary challenges in FY 2009, only one increase in agency funding is recommended: $2.5 million for Borough of Manhattan Community College (BMCC) operating support.

The Manhattan Borough President proposed funding this increase by using revenues from his bill to amend the tax code by ending the special tax treatment of vacant residential lots above 110th Street. Assessing all vacant lots in Manhattan at Class 4 rates would generate approximately $2.5 million in additional revenue.

The Queens Borough President did not propose 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 2009 the uniform base budget for each community board is $189,895. 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 for the cost of the move and telephone installation for community boards which plan to move in 2009.

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 2009 community boards submitted 1,589 capital requests to 28 agencies and 1,285 expense requests to 35 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 2009 community boards ranked 85 programs within 24 agencies. The top five programs are police patrol, services to the elderly, parks maintenance, emergency medical services and youth programs. 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 2009 budget.

Register of Community Board Budget Requests for the Executive Budget, Fiscal Year 2009 – 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 2009 – details the expense budgets of fourteen agencies that deliver local services by borough and service district. Includes 2009 Executive Budget information as well as 2008 current modified budget and budgeted headcount data (as of April 25, 2008).

Executive Capital Budget for Fiscal Year 2009 – 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 2009 Executive Budget Commitment Plan – presents information on capital appropriations and commitments by community board, including implementation schedules for each month of 2008 and the succeeding four years for all active project identifications by budget line.

ECONOMIC OUTLOOK

Overview

The economic weakness that started in the housing market and spread into the financial system will most likely culminate in a mild recession in the first half of 2008. An unmistakable symptom is the path of national employment. The economy has already lost 300,000 private sector jobs since November 2007 and total job losses are projected to more than double by the third quarter of 2008. In addition, the acute loss of housing and financial wealth, tightening credit standards and soaring energy bills are putting a severe squeeze on consumption spending. However, households are going to receive an estimated $107 billion in rebate checks on account of the Fiscal Stimulus Package, which boosts consumption and GDP during the latter half of this year. Overall, real GDP is forecast to grow 1.1 percent in 2008.

In addition to the Fiscal Stimulus Package, the Federal Reserve has been active in salvaging credit markets, with a three percentage point reduction in short-term interest rates over the last six months and a bevy of new lending facilities. These new loan channels are injecting much needed liquidity into the financial system. Besides these discretionary actions, a number of economic fundamentals should limit the severity of the current downturn. Business inventories are lean – with the exception of financial, housing-related, and auto industries – and the cash positions of companies are strong by historical standards. Furthermore, the expansion out of the 2001 recession saw relatively restrained job creation, which implies that job cuts should be limited. Finally, the weakness of the dollar means that net exports will contribute strongly to GDP growth through 2008. As long as the global economic outlook remains positive, this will help mitigate the U.S. downturn.

While the downturn is expected to be brief, there are substantial risks to the recovery. Housing slumps generally take several years to play out and as long as prices continue to decline, construction activity will languish. Moreover, unprecedented losses in the financial sector may bring about a deleveraging of the economy, resulting in tighter credit and lower lending volume, which are necessary tools to finance business and investment activities. It will take time before banks are able to fully purge their balance sheets of substandard assets and recapitalize. Finally, the recent emergence of inflationary pressures due to elevated energy and commodity prices threaten to tie the hands of the monetary authorities. While the Fed's current bias tilts decidedly towards stimulating growth and employment, it may soon need to slow down or reverse its path of interest rate cuts to head off growing inflation expectations.

While New York City has been relatively insulated from the direct effects of the national housing market problems, the City's economy will be negatively affected by Wall Street's performance. The severe turmoil in credit markets has already started to take a toll on the City's economy. New York Stock Exchange (NYSE) member firms lost $3.8 billion and $16.4 billion in the third and fourth quarters of 2007, respectively. These losses, due primarily to write-offs of mortgage-backed securities, have resulted in announced layoffs of over 40,000 nationally. Local securities sector employment is projected to contract by 25,000 through the second quarter of 2009. By its close association with the financial sector, professional & business services are also expected to lose jobs through 2009. However, employment in non-cyclical sectors, such as education and health services, and tourism-related sectors, are expected to add jobs in 2008. In aggregate, it is anticipated that the City's private sector will shed 11,000 jobs in 2008 and another 44,000 in 2009. Job losses will lead to weaker demand for commercial real estate; higher vacancy rates are expected across the City. The credit crunch will result in diminished commercial sales as financing becomes more difficult. Likewise, the loss of jobs and stricter mortgage conditions will impede residential sales.

Although the expected employment losses in the City do not appear as severe as the last two recessions, the impact on total wage earnings could be deep and protracted. The record $11.3 billion loss posted by

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* *All economic data are reported on a calendar year basis.*

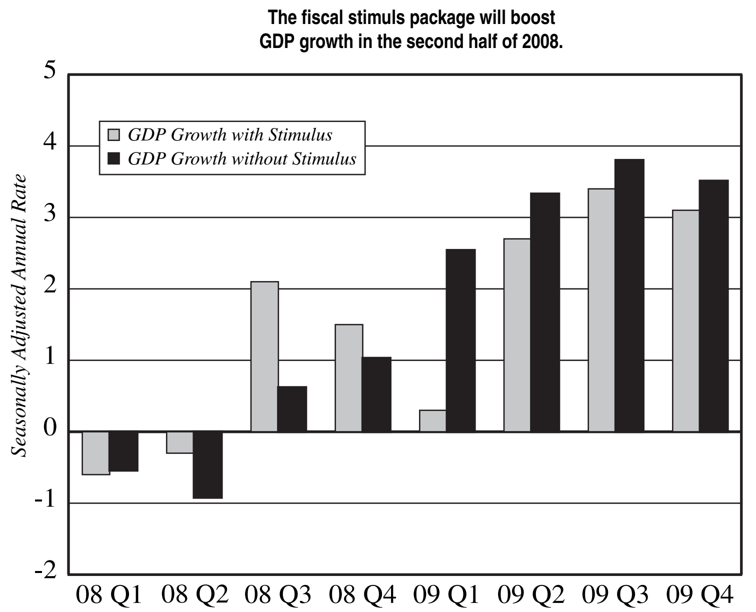
NYSE member firms followed by the projected profit of only $7.1 billion in 2008 and $12.1 billion in 2009 severely dampens securities wages in these years. As a result, wage earnings drop by 1.2 percent in 2008 and then by another 3.6 percent in 2009.

The U.S. Economy

Most analysts believe that the nation's economy has fallen into a mild recession that will last for the first half of 2008. It is anticipated that real GDP growth will pick up to 1.8 percent in the second half of the year due to the federal Fiscal Stimulus Package. For the year, the economy is expected to expand by a mere 1.1 percent. However, there is still considerable uncertainty regarding the nation's economic growth in 2009, after the bulk of the stimulus has run its course. Given the housing market collapse, weakness in the labor market and the widening credit crunch, conditions are not favorable for a quick recovery.

While the baseline macro outlook envisions only a mild downturn, current conditions remain dependent upon the fate of the housing market, which began to unravel in early 2006. Residential fixed investment subsequently erased 0.3 percentage points from real GDP growth in 2006 and a full percentage point in 2007. Prices fell as inventories accumulated. According to the S&P/Case-Shiller index, home prices for the top 20 metropolitan areas were down 11.0 percent year-over-year in January 2008. As home prices decline further and adjustable rate mortgages continue to reset, delinquency on residential loans are likely to worsen from the current 5.8 percent, the highest share since the series began in 1985.

GDP GROWTH WITH AND WITHOUT STIMULUS



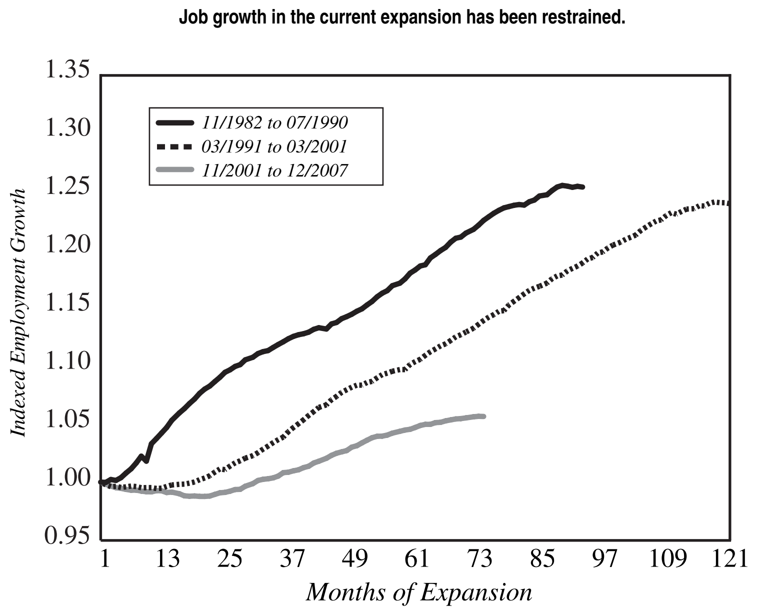
The forecasted losses in the value of real estate and financial assets will erase over $2.8 trillion in household net worth from the third quarter of 2007 to the fourth quarter of 2008. The associated negative wealth effect could potentially offset the $107 billion of household rebates coming through the Fiscal Stimulus Package.[1] Falling home prices and credit tightening are also taking a toll on mortgage equity withdrawal. Data through the fourth quarter of 2007 show that cash-outs from such financing have plummeted an estimated $120 billion from a year ago.[2] Household asset deflation, tightened credit standards, high energy and food prices would certainly subdue discretionary purchases. As a result, real consumer durable spending is forecast to decline by 1.6 percent in 2008, which will constrain overall consumer spending to 1.2 percent growth. Consumer confidence is already at recessionary levels and the expectations index indicates the possibility of even steeper declines in durable purchases. As it stands, real consumption grows by 1.5 percent in 2009 and gradually picks up as the job market improves.

Job losses still remain concentrated in the housing-related sectors and manufacturing. However, the turmoil in the labor markets has spilled over into the cyclically sensitive service-producing industries. Unemployment claims and continued claims have both risen sharply, pointing to more losses to come. Nonetheless, the numbers of claimants are still well short of past recessionary peaks. This may lend support to the notion that firms have kept much tighter control on hiring in this expansion. Job growth averaged less than

1. *Joint Committee on Taxation, "Economic Stimulus Act of 2008", February 8, 2008*
2. *Estimate provided by Moody's Economy.com*

one percent per year in this expansion compared to approximately 2.0 percent in the past two expansions. Therefore, the layoffs may not be as massive. Employment losses are forecast to worsen through the third quarter of 2008 and then stabilize by the end of the year. Growth picks up to around 350,000 per quarter by the middle of 2009, an annualized rate of growth of 1.0 percent. In the out-years employment expands by 1.5 percent per year.

INDEXED EMPLOYMENT GROWTH



While businesses have started to reduce payrolls, the impact on capital investment has generally been muted. Spending on equipment & software and structures contributed to real GDP growth through the fourth quarter of 2007. However, the deceleration of domestic final sales will impede future business expansion. Non-residential fixed investment hardly shows growth in this forecast until 2010. The earnings environment has already deteriorated. Currently, domestic profits of financial corporations are being affected the most. Foreign profits have performed relatively better, reaping the remittance advantage of the low value of the dollar. With rising costs and lowered expectations of growth abroad, earnings of foreign companies will deteriorate, as will U.S. corporate profits from foreign sources. Overall, corporate profits are expected to remain flat in 2008 and rise by 3-4 percent in the out-years.[3]

The financial sector, which accounts for 30-40 percent of corporate profits, has been severely impaired by the credit market turmoil. Through the first quarter, estimates of total worldwide write-downs of nonperforming assets exceeded $200 billion, with further write-downs expected. Ominously, other credit sectors are showing signs of stress including commercial mortgage-backed securities, home equity credit, student loans, auto loans and parts of the normally staid municipal bond market. In February, the auction-rate securities market froze as demand evaporated and sponsor banks refused to absorb the excess supply.

The Federal Reserve has introduced a number of unconventional methods to mitigate the credit crisis after the standard monetary toolkit of controlling short-term interest rates and lending at the discount window proved ineffective in restoring liquidity and market confidence. The Fed Funds target has been lowered six times, and stands a full three percentage points below September 2007's target. Since the end of last year, the Fed has introduced three new credit facilities and modified its discount window lending conditions [See Box]. Most significantly, the Primary Dealer Credit Facility and the Term Securities Lending Facility are aimed specifically at non-depository primary dealers. This group includes investment banks that were previously ineligible for Fed loans because they are not subject to reserve requirements or Fed regulation.

The tipping point came in March during the Bear Stearns buyout, which required significant commitment by the Fed. J.P. Morgan was only willing to close the deal after the Fed agreed to provide up to $29 billion in

3. *Figures reflect corporate profits with inventory valuation and capital consumption adjustments compatible with GDP accounts.*

loans against Bear Stearns' less liquid assets, largely mortgage-backed securities. This is in contrast to the Fed's role in the 1998 bailout of Long Term Capital Management, when the Fed coordinated the major creditors, but did not explicitly pledge its own resources. In historical context, the Fed has not taken such drastic steps since the Great Depression. The net effect of the new lending channels is that the Fed has pledged or swapped a growing fraction of its liquid portfolio of Treasury securities for more exotic and risky assets. In July 2007, before the start of the credit crunch, 87 percent of the Fed's $910 billion stock of assets was composed of Treasury bills or bonds. By the beginning of April 2008, commitments and loans had shrunk the level of safe assets to less than 50 percent.[4]

Facilitating Credit: New Fed Lending Channels

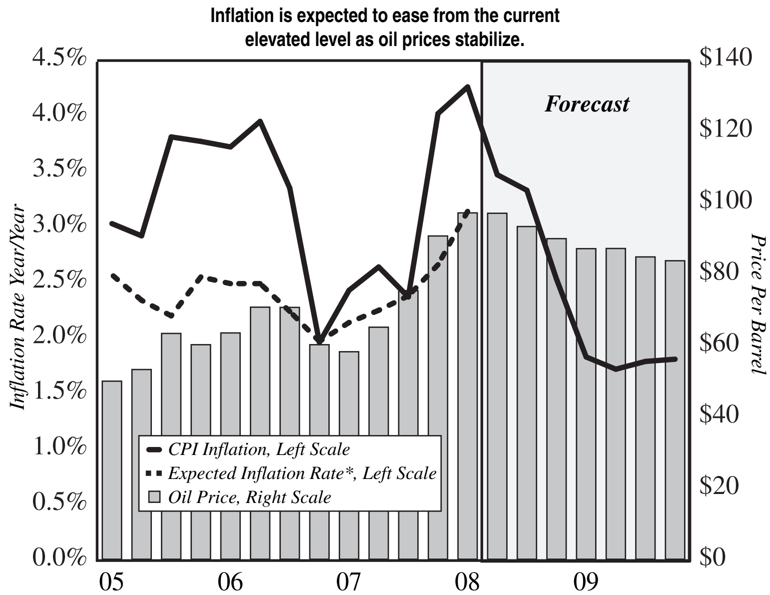
Since the start of the credit crunch in August 2007, the Federal Reserve has introduced three new lending mechanisms. In mid-December 2007, the Fed announced the Term Auction Facility (TAF), which serves as an alternative discount window, with rates set through periodic auctions and without the stigma that is normally associated with discount window borrowing. Because the TAF funds are only available to depository institutions, the Fed introduced two additional facilities targeted at the banks and primary brokers who trade in government securities with the Fed. The first, called the Primary Dealer Credit Facility (PDCF) was opened on March 17, the day the Bear Stearns takeover was announced. The PDCF gives brokers access to overnight cash loans based on the same collateral requirements that apply to depository banks using the discount window. Finally, the Term Securities Lending Facility (TSLF), which opened on March 27, provides up to $200 billion of high-quality government securities to banks and brokers for a limit of 28 days in exchange for other paper such as highly rated mortgage-backed securities. Unlike the other two facilities, the TSLF is a securities for securities exchange, and therefore does not have a direct effect on the money supply.

Congress has also introduced measures to assist the mortgage market to supplement the creative policy activism by the Fed. The most relevant to the credit markets are changes to the operations of Freddie Mac and Fannie Mae, the government sponsored enterprises (GSE) that underwrite and securitize residential mortgages. The GSEs will be allowed to relax their capital requirements, which combined with additional capital, is expected to expand their potential funding capacity by $200 billion. Also, the Economic Stimulus Act of 2008 permits the GSEs to raise their conforming loan limits in high-cost markets. This will allow larger jumbo mortgages to be securitized and insured by the GSEs.

The likelihood of a protracted credit squeeze remains high. The main source of the breakdown in credit markets – the subprime mortgage mess and the deflation of the housing bubble – will take many months, if not years, to work off. Consequently, write-downs through the first quarter of 2008 have been substantial, and analysts are still calling for further losses. In its first quarter earnings, Merrill Lynch revealed $6.7 billion in write-downs above and beyond the previously announced losses of $25 billion. Similarly, Citigroup took first quarter markdowns and provisions against bad credit of $13.9 billion, bringing its total writeoffs to more than $35 billion since last summer. Smaller banks are also on the defensive, with Washington Mutual and Wachovia each announcing recapitalization efforts of $7 billion in the form of stock sales. On the other side of the balance sheet, banks are attempting to shed illiquid assets by selling them at a discount, mainly to private equity groups. Citigroup announced a deal to sell $12 billion of its leveraged-loan portfolio at a 10 percent discount. Likewise, Deutsche Bank is seeking to rid itself of $20 billion of debt related to leveraged buyout financing. One reflection of the poor state of bank balance sheets is the spread between European interbank interest rates (LIBOR) and same-duration U.S. Treasury rates. Prior to the credit crunch, this measure averaged less than 50 basis points (bps). Even with several hundred billion dollars of new liquidity injected by the Fed, the spread still remains elevated at 150 bps. This indicator will not return to normal levels until banks reduce their backlog of unwanted assets and recapitalize sufficiently.

4. *Wall Street Journal*

QUARTERLY INFLATION



* Expected inflation: Federal Reserve Bank of Cleveland

The poor condition of the financial sector has taken a toll on equity prices. The investment banking and brokerage sub-sector of the S&P500 index was down 27 percent over the first quarter of 2007, compared to a 9.5 percent decline by the broader S&P500. Over the same period, the other major indices were down, with the Dow and the NASDAQ declining 7.3 and 14.2 percent, respectively.

As if the flagging economy and a prolonged financial crisis were not challenging enough, the potential for stagflation – declining growth with high inflation – has increased. Oil prices and other commodity prices continue to soar. Oil set a new record of nearly $120 bbl in April, up over 75 percent since April 2007. Food prices have also jumped due to shifts in cropland toward biofuel production, higher input costs and increased demand from developing countries. These factors have boosted headline CPI inflation, which was 4.0 percent in March, up from an average of 2.9 percent in 2007. Moreover, measures of inflation expectations are climbing. After adjusting for risk premiums, the yield spread between 10-year Treasuries and the inflation-protected version is about 3.3 percent, up nearly a full percentage point from a year ago. The Reuters/University of Michigan consumer survey, the Wall Street Journal survey, and the Blue Chip Consensus survey are all showing increases in short-term inflation expectations. Clearly, the Fed is mindful of these pressures. During the March Federal Open Market Committee meeting, which cut short-term interest rates by 75 bps, two members dissented, arguing for a tighter stance to head off impending inflation.

Nonetheless, core inflation measures, which omit volatile food and energy components, have remained relatively tame. The Fed's preferred inflation measure, the core personal consumption expenditure index, reached a peak of 2.2 percent at the end of 2007 – outside of the Fed's informal one to two percent target band – but settled back to two percent in January and February. Core CPI inflation was stable over the second half of 2007, averaging around 2.4 percent. Going forward, lower demand for energy, a more stable dollar, and less speculation in the energy markets contribute to a forecasted decline in oil prices to about $90 bbl by the end of 2008. This will lead to slower aggregate price growth; headline CPI inflation is expected to fall to 2.5 percent by the end of the year. Of course, the potential for an oil disruption, such as an active hurricane season or more turmoil in the Middle East, is significant and would lead to further energy price spikes.

U.S. Recession Comparison

There are several factors that support the forecast of a relatively shallow national contraction despite the massive scale of the housing downturn and the strong contractionary effects stemming from financial deleveraging. From an historical context, business cycles have become less pronounced over time, especially after the 1981 recession. Moreover, U.S. recessions have never been deep without a synchronized global contraction among major trading partners. Although conditions in the G7 countries and the newly emerging economies of Asia have decelerated, the global economic outlook is still comfortably positive.

Business inventories are also leaner compared to previous pre-recessionary periods. The inventory-to-sales ratio has turned up prior to both of the last two recessions. Through the end of 2007, the ratio has steadily fallen, posting an historical low of 1.25. Confirming that trend, the Institute for Supply Management's inventory index, which hovered around 45 during the latter months of 2007, did not dip below 40 as it did prior to the 2001 and 1990-91 recessions. Besides having low inventories, export-based manufacturing will continue to enjoy the benefits of the weak dollar.

Excluding financial, housing-related, and auto industries, corporate cash positions remain quite strong, which should mitigate the expected decline in capital investments and layoffs. In addition, the phenomenon of the "jobless recovery" was particularly true of the financial sector, especially when considered relative to the immense growth of business volume and activity. Now that the sector is declining, the impact on payroll cutbacks is not expected to be quite so severe this time.

Overall, the positive factors that will help support the economy include aggressive policy actions on the part of fiscal, monetary and regulatory authorities and the generally sanguine condition of firms with limited exposure to finance, autos, and housing. On the downside, the housing correction promises to be deep and drawn out and the related mortgage and credit mess will take time to abate. The forecast assumes that the correction will be relatively quick and that the national economy will return to growth later this year. In 2009 once the effects of the stimulus package wear off, growth will pause before returning to trend by the end of the year.

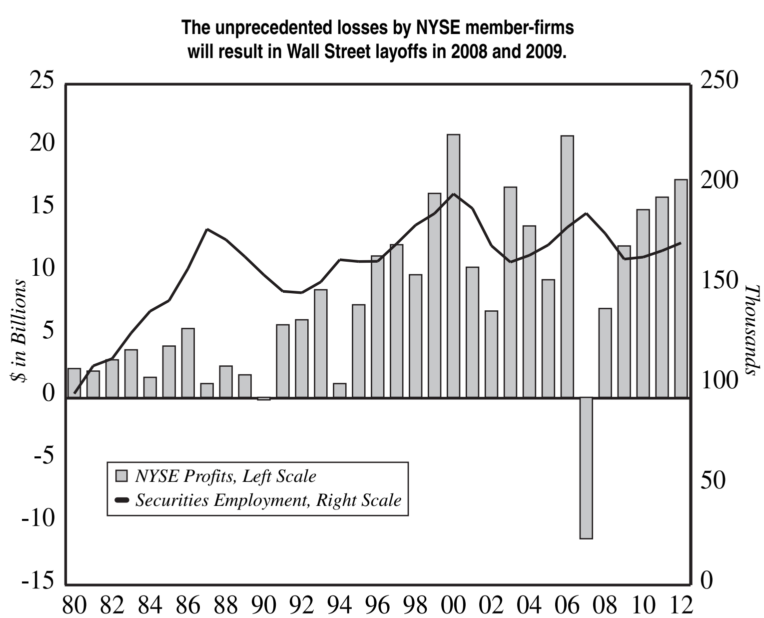
The New York City Economy

New York City's economy is facing a number of obstacles that will impede growth over the next few years. The bursting of the housing bubble, which wreaked havoc across the nation, has spilled over into the financial markets. Local financial firms that had securitized several hundred billion dollars of loans into collateralized debt, saw their balance sheets implode. Because of the finance sector's importance to the City, the local economy as a whole will suffer from this financial downturn. Labor market growth has already decelerated and private employment is expected to contract in each of the next two years. Both the commercial and residential real estate markets have softened and will weaken further as employment declines. On a positive note, the tourism industry will provide some measure of support to the City's economy as the lower dollar continues to attract foreigners.

The degree to which the City relies on Wall Street has grown during this business cycle. While employment in the securities sector has held steady at around 5 percent of total employment for much of the past two decades, the sector's share of total wage earnings has grown from 9 percent in 1990 to 21 percent in 2001, and is now estimated at 25 percent for 2007. In addition, it appears that the City's share of nationwide securities earnings is also at an all-time high of nearly 43 percent, while the City's share of nationwide employees has held steady at around 21 percent. As such, the collapse of the credit markets will have a disproportionate impact on the City's economy. The demise of Bear Stearns, once one of the largest investment banks in the nation and a survivor of the Great Depression, exemplifies the broad nature of the financial disruption. In aggregate, New York Stock Exchange (NYSE) member firms posted a record quarterly loss of $3.8 billion in the third quarter, and then, set another record four times greater in the fourth quarter with a $16.4 billion loss. For the year, the industry lost over $11 billion. This represents a negative swing of over $30 billion from the near-record profit of $20.9 billion in 2006.

Through the first quarter of 2008, firms continued to write off billions of dollars of bad debt and underwent a broad-based decline in business activity. With credit market issues unresolved, the pace of leveraged buyouts, mergers & acquisitions and underwriting fell off substantially, along with the fees associated with these lucrative business lines. The decline in equity markets has hampered trading profits; commodities growth, though typically not one of the local brokers' specialties, has provided some upside. It is anticipated that these tough conditions will persist through much of 2008. Firms are expected to post a profit of only $1.5 billion in the first half of the year. Business lines pick up in the second half and firms are projected to earn a total of $7.1 billion in 2008. NYSE member firms are expected to post a relatively healthy profit of $12.1 billion in 2009.

NYSE PROFITS AND SECURITIES EMPLOYMENT



The losses and lack of new business have forced securities firms to cut back. Nationally, over 40,000 financial sector layoffs have already been announced, many of which will occur locally. By the second quarter of 2009, securities sector employment is forecast to contract by approximately 25,000 jobs from the peak in the third quarter of 2007. Financial activities, which include real estate and other finance jobs, will lose about 40,000 jobs over the same period. Those who remain employed will likely receive smaller bonuses in 2008 and 2009. As a result, the average securities sector wage declines by 7.3 percent in 2008 and by 11 percent in 2009.[1]

The financial stress and general national economic slowdown has already caused the New York City labor market to decelerate sharply. As of July 2007, the City's private sector was expanding at a brisk 2.7 percent annual pace, or approximately 85,000 jobs year-over-year. After credit markets tightened, growth slowed to only 1.3 percent annually or 40,000 jobs by the first quarter of 2008. It is expected that the City will lose jobs in 2008 and 2009, the first labor market contraction since 2003.

As financial firms reduce staff, there is often a contemporaneous decline in the professional & business services sector. From 2005 to 2007 professional & business services greatly expanded, adding 17,000 jobs per year, an average growth rate of 3.0 percent. Recent data show that the pace of growth has slowed to a meager 0.4 percent. Accounting, legal, and employment services experienced the biggest drop. Until financial firms get back on track, professional & business services will continue to struggle. The sector is expected to contract by 12,000 jobs in both 2008 and 2009. The local information sector is also sensitive to financial sector weakness and national slowdowns. The information industry has been slow to recover from the dot-com collapse. When firms cut down on expenses in downturns, they trim advertising budgets, which hurts media companies. As a result, the information sector is forecast to lose 4,000 jobs in 2009, before stabilizing in the out-years.

NYC Job Growth Forecast

	2008 *Level* *(000s)*	2008 *Change* *(000s)*	2009 *Change* *(000s)*
Total	3,734	-10.7	-46.3
Private	3,175	-11.1	-44.3
Construction	126	-1.0	-1.6
Manufacturing	95	-5.7	-5.2
Financial Activities	453	-14.7	-22.1
Securities	176	-10.1	-12.7
Information	168	2.4	-3.6
Transportation & Utilities	125	0.3	-1.8
Health & Education	721	14.3	13.4
Leisure & Hospitality	301	3.7	-0.2
Wholesale & Retail Trade	448	2.2	-9.1
Professional & Business Services	579	-12.4	-12.0
Other Services	158	-0.1	-2.0
Government	560	0.4	-2.0

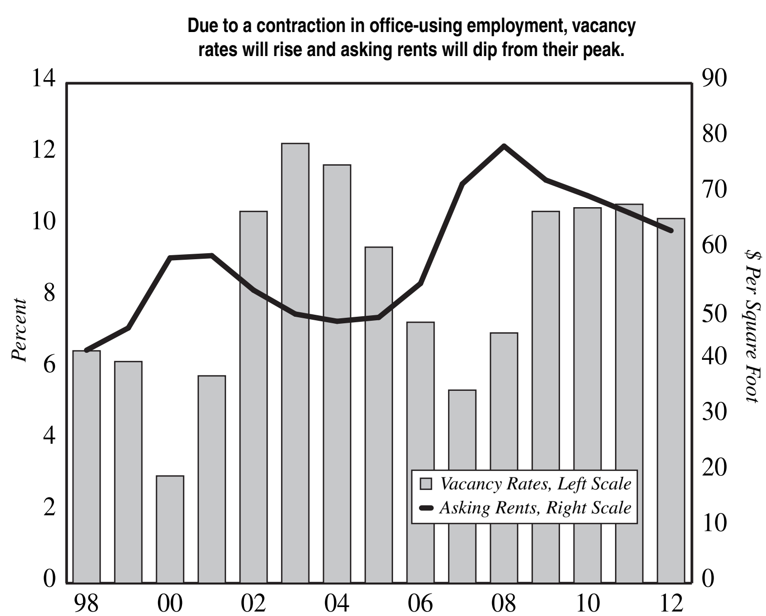
1. *Bonus payments generally occur in the fourth quarter of the calendar year and in the first quarter of the subsequent year, with a larger share of payouts in the latter quarter. Therefore, bonus payouts for activity in 2008 will result in weaker wages in both 2008 and 2009, with a larger decline in 2009.*

Construction is a local industry that has done well despite mounting jobs losses at the national level. The local construction sector added 9,000 jobs in 2007, the biggest increase since 1999. However, by the end of 2009, a slight reduction of 3,000 construction jobs is expected. Nonetheless, it is anticipated that construction activity will not drop off significantly because residential development requires near-term workers and the numerous large non-residential projects in the pipeline will require workers well into the out-years.

The relative strength of the construction industry has been due mainly to the growth in the City's residential real estate market. Over the past three years, 30,000 building permits were issued on average. Even with the sizeable development, supply could not keep up with demand, causing prices to rise, dramatically so in the Manhattan condo market. Although prices continued to climb in the first quarter of 2008, preliminary data suggest that sales activity in the Manhattan market has tailed off. Still, there are plenty of new developments in the pipeline as local developers rush to get their foundations into the ground to take advantage of the expiring tax benefits and to capture the record market prices. Permit activity has already slowed and will fall further in the second half of the year and continue to be sluggish in 2009 and beyond. Weaker demand will result from contraction in the labor markets and decreased bonus payouts. This will lead to diminished sales activity, a slight glut of new inventory and price declines. Sales activity in the condo and co-op market is expected to drop by 16 percent in 2008, well below the activity of the last few years, but better than in previous cycles. Prices fall by approximately 20 percent by the end of 2009, before stabilizing.

The market for single-family homes, primarily located in the outer boroughs, has already fallen off considerably. Transaction activity peaked in the third quarter of 2005 at an annual rate of nearly 45,000 sales. By the fourth quarter of 2007, the pace had slowed to 20,000 sales per year. As a result of the steep decline in demand, prices in the first quarter of 2008 are off seven percent from peak.[2] It is anticipated that demand will remain subdued in 2008 and 2009 with annual sales of just over 21,000 homes per year and prices falling by a total of 16.9 percent from peak to trough.

COMMERCIAL VACANCY RATES AND ASKING RENTS



The City's commercial real estate market is also expected to weaken. Through the first quarter of 2008 the office market remained relatively tight, although leasing activity had slowed and vacancy rates across the City crept up from their lows in 2007. As firms begin to cut employees over the next year and some new supply comes to the market, vacancy rates will climb from about six percent in the first quarter of 2008 to around ten percent by the middle of 2009.[3] Midtown rates peak at 10 percent in 2010, then fall back as hiring increases. Downtown vacancy rates jump to over 13 percent with Goldman Sachs' new headquarters, the re-skinned Verizon building and the Freedom Tower all coming on line. In turn, average rents in Midtown Class-A buildings are forecast to fall by nearly $10 to $75 per square foot (psf) from 2008 to 2010, while Downtown rents fall from $55 psf to around $49 psf.

2. *Prices are for the broader New York Metropolitan Division, based on the S&P/Case-Shiller home price index.*
3. *Commercial real estate statistics compiled using Cushman & Wakefield data.*

In addition to lower rents and higher vacancy, the lack of credit will diminish commercial sales in the City from the feverish pace of 2005-2007. In fact, transaction activity has largely ceased since the second half of 2007. The cheap dollar is expected to buffer the weaker credit markets. However, the market awaits the fate of Harry Macklowe's seven-building portfolio, purchased at the peak of easy credit, to establish the new price level.[4]

Despite the downturn, a few key sectors have bolstered the local labor markets. New York City's global appeal as a cultural destination, the City's low crime rate and the weak dollar have fueled tourism-related industries. Hotel occupancy rates remain at record highs, averaging 86 percent in 2007, pushing the cost of a hotel room up by double-digit rates to over $300 per night. This has stimulated hotel development and labor demand in the industry. Through the first quarter of 2008, the leisure & hospitality sector was expanding at a 2.7 percent annual rate, approximately 8,000 jobs. Retail sales have also greatly benefited by the surge in tourism and the cheap dollar. As of March 2008, year-over-year growth in retail trade employment stood at 3.3 percent, which eclipsed the 2005-2007 average annual growth of 2.7 percent. However, both leisure & hospitality and retail face a tough road ahead as the economy weakens, and travel and discretionary spending are curbed. Leisure & hospitality is still expected to expand but at a significantly slower rate of 3,000 jobs per year in 2008-2010. Retail trade, on the other hand, contracts in 2009, shedding 6,000 jobs, before picking up in 2010.

Apart from tourism and retail, other sectors that have sustained strong growth despite the surrounding turmoil are the City's non-cyclical sectors, such as education and health services. These sectors will expand along with the City's growing population. Collectively, these two sectors added an estimated 14,000 jobs in 2007 and are expected to gain 14,000 in 2008.

On average the private sector will shed 11,000 jobs in 2008 and, as losses spread to other sectors such as retail trade and information, employment will be reduced by 44,000 in 2009. Weak labor markets will result in less wage pressure. Financial wages are anticipated to fall in 2008 and 2009. Outside of the financial sector, wages will also remain restrained. After four consecutive years of greater than 4 percent wage growth, reaching 5.5 percent in 2007, private non-finance wages increase by only 2.2 percent in 2008 and 2009. Corresponding to the downturn in the labor market and lower wages, total wage earnings is expected to contract by 1.2 percent in 2008 and by an additional 3.6 percent in 2009 before returning to trend growth of approximately five percent in the out-years.

NYC Recession Comparison

The impending slowdown in the City's labor market is not anticipated to be as severe as the 1990s recession, when the local private sector contracted by about 360,000 jobs peak-to-trough. One of the major differences between now and then is the parsimonious hiring practices of New York City-based financial firms. From 1980-1987, financial firms were adding staff at an average annual rate of 3.5 percent, accumulating 105,000 jobs. About 80 percent of those new jobs were gone by 1995, due to both real economic changes and relocation outside of the City. Financial firms demonstrated some restraint in this last, much shorter, expansion from 2004-2007. The 2.1 percent rate of expansion or 28,000 jobs is much lower compared to the rate of hiring in the 1980s. In addition, the cost of New York City real estate has acted as a barrier to prevent back-office financial jobs from returning to the City. While the job losses are not expected to be as dramatic, it is important to reiterate that each Wall Street job generates significantly more income than in the past. The average wage of securities employees is estimated at nearly $400,000 in 2007, up from $130,000 in 1992. The much higher average earnings in the securities sector means their loss will weigh more

4. Harry Macklowe purchased a seven building portfolio directly from Equity Office Properties in the beginning of 2007 for $7 billion. Macklowe financed the deal almost entirely with short-term loans. Once the credit markets froze, Macklowe was unable to refinance the loans and essentially defaulted on the deal. This jeopardized the rest of his portfolio including the GM Building, which is currently on the market and is likely to sell for $2.5 to $3 billion.

heavily on City revenues and high-end local consumption, although the new structure of the financial labor marker should mean more long-term stability.

While this is undoubtedly a tough time for the City's commercial real estate market, it is still much healthier than it was in the early 1990s. The speculative development prior to that recession produced nearly 80 million square feet of office space. The glut of inventory left buildings empty and real estate markets depressed, further weakening the overall economy. As a result of that painful correction, banks and developers became more conservative, essentially putting an end to speculative building in New York City. In this expansion period, there has been minimal speculative development, with nearly all new buildings pre-leased. In fact, the total inventory of office space is currently still below that of the late 1990s as many Class-B buildings have been converted to residential and the 13 million square feet destroyed at the World Trade Center (WTC) has yet to be replaced. This trend is expected to continue, with little new development anticipated as some in the planning stages are either scaled back or withdrawn. For instance, J.P. Morgan decided to forgo building a new tower at the WTC after the purchase of Bear Stearns. Instead, they will now occupy Bear Stearns' five-year old tower on Madison Avenue.

There is no question the local housing market has been in a building boom. The City added well over 100,000 new housing units over the past seven years. While this certainly dwarfs the development of residential space in the 1980s, and is the strongest pace since the late 1960s, there is an important difference from that period. During the 1980s boom, while there was minimal new residential development constructed, there were over 315,000 units of co-op conversions from rentals and lower grade commercial buildings. This flooded the residential purchase market with new inventory and depressed prices, which peaked in 1989 and did not return to that level for nearly 10 years.

The general health and growth of the City's tourism industry is another point of contrast from the 1990s. The City is currently one of the most popular destinations in the world. This is markedly different from the early 1990s. At that time, a much higher crime rate in the City, the war in the Persian Gulf, and the strong dollar hindered international tourism. Even with approximately 10,000 fewer hotel rooms than now, occupancy rates fell below 70 percent for three consecutive years, 1991-1993, and nominal room rates were flat.

These facts suggest that the City's economy is somewhat better prepared to weather the national recession. However, that current forecast is predicated on a relatively shallow national recession and a swift rebound due to the stimulus package. It also assumes an expedient return to profitability on Wall Street in the second half of the 2008 as credit markets improve. If financial conditions do not improve quickly or if the national recession is longer than currently forecast due to a more severe housing correction, higher oil prices, or a drop off in consumption, the local economy will face a more severe downturn.

Executive Budget Fiscal Year 2009
Forecasts of Selected United States and New York City Economic Indicators
Calendar Years 2007-2012

	2007	2008	2009	2010	2011	2012	1976-2006*
NATIONAL ECONOMY							
Real GDP							
Billions of 2000 Dollars	11,567	11,695	11,898	12,281	12,689	13,069	
Percent Change	2.2	1.1	1.7	3.2	3.3	3.0	3.1
Non-Agricultural Employment							
Millions of Jobs	137.6	137.7	138.2	140.1	142.4	144.6	
Change from Previous Year	1.5	0.1	0.6	1.8	2.4	2.2	
Percent Change	1.1	0.0	0.4	1.3	1.7	1.5	1.8
Consumer Price Index							
All Urban (1982-84=100)	207.3	214.4	218.2	222.4	226.8	231.4	
Percent Change	2.9	3.4	1.8	2.0	2.0	2.0	4.3
Wage Rate							
Dollars Per Year	46,214	47,824	49,410	51,085	52,917	54,919	
Percent Change	4.5	3.5	3.3	3.4	3.6	3.8	4.6
Personal Income							
Billions of Dollars	11,659	12,137	12,597	13,251	14,021	14,865	
Percent Change	6.1	4.1	3.8	5.2	5.8	6.0	6.9
Before-Tax Corporate Profits							
Billions of Dollars	1,882	1,625	1,949	1,962	1,987	1,967	
Percent Change	4.2	-13.7	20.0	0.7	1.2	-1.0	8.0
Unemployment Rate							
Percent	4.6	5.4	5.9	5.7	5.3	4.9	6.2 (avg)
10-Year Treasury Bond Rate							
Percent	4.6	3.5	3.9	5.2	5.5	5.5	7.7 (avg)
Federal Funds Rate							
Percent	5.0	2.2	2.4	4.3	4.8	4.8	6.6 (avg)
NEW YORK CITY ECONOMY							
Real Gross City Product**							
Billions of 2000 Dollars	507	469	463	475	489	501	
Percent Change	3.2	-7.5	-1.3	2.7	2.9	2.4	3.0
Non-Agricultural Employment							
Thousands of Jobs	3,745	3,734	3,688	3,715	3,756	3,795	
Change from Previous Year	78.8	-10.7	-46.3	26.7	41.5	38.3	
Percent Change	2.1	-0.3	-1.2	0.7	1.1	1.0	0.4
Consumer Price Index							
All Urban NY-NJ Area (1982-84=100)	226.9	235.1	240.2	245.3	250.7	256.4	
Percent Change	2.8	3.6	2.1	2.2	2.2	2.3	4.4
Wage Rate							
Dollars Per Year	79,494	78,432	76,916	79,538	82,700	86,241	
Percent Change	8.1	-1.3	-1.9	3.4	4.0	4.3	5.9
Personal Income							
Billions of Dollars	400	400	398	416	438	463	
Percent Change	7.9	0.0	-0.3	4.6	5.3	5.6	6.1
NEW YORK CITY REAL ESTATE MARKET							
Manhattan Primary Office Market							
Asking Rental Rate***							
Dollars Per Sq Ft	71.83	78.65	72.49	69.75	66.55	63.41	
Percent Change	33.2	9.5	-7.8	-3.8	-4.6	-4.7	N.A.
Vacancy Rate***							
Percent	5.4	7.0	10.4	10.5	10.6	10.2	N.A.

* *Compound annual growth rates for 1976-2006. Compound growth rate for Real Gross City Product covers the period 1980-2006; for NYC wage rate, 1976-2006; for NYC personal income, 1976-2005.*
** *GCP estimated by OMB.*
*** *Office market data are based on statistics published by Cushman & Wakefield.*

TAX REVENUE

Overview

New York City's economic and tax revenue expansion seen in the past five years has come to an end this year, with total tax revenue growth of 2.2 percent expected by the close of 2008. Tax revenues grew by 74.2 percent over the five years from 2003 through 2007, a compound average growth of 11.7 percent. The recent strength in revenue had come from two volatile sources – personal and business income taxes from Wall Street firms as well as real estate transaction taxes. In 2008, both of these sources of revenue strength have been threatened by the national housing correction and financial market turmoil sparked by the crisis in subprime loans. The real estate boom that lifted City revenues since 2003 is over. Residential real estate transactions, which had already seen moderate declines the last several years, saw volume decline sharply as the year wore on. Declines in residential sales prices, which had not previously appeared in the City despite price declines in surrounding suburbs, are now starting to materialize. The boom in large commercial transactions, that pushed the number and prices of large "trophy building" transactions to unprecedented levels, has also come to a halt as a result of the credit crunch. The recently published NYSE member-firm profits reported a loss of $11.3

2008 and 2009 Tax Revenue Forecast
($ in Millions)

Tax	2008 Forecast	2009 Executive Budget	Increase/(Decrease) From 2008 to 2009 Amount	Growth
Real Property	$13,009	$13,838	$829	6.4%
Commercial Rent	550	566	16	2.9%
Real Property Transfer	1,414	1,063	(351)	(24.8%)
Mortgage Recording	1,167	871	(296)	(25.4%)
Personal Income †	8,439	7,350	(1,089)	(12.9%)
General Corporation	2,894	2,623	(271)	(9.4%)
Banking Corporation	863	647	(216)	(25.0%)
Unincorporated Business	1,929	1,668	(261)	(13.5%)
Sales and Use	4,817	4,666	(151)	(3.1%)
Utility	382	377	(5)	(1.3%)
Cigarette	121	102	(19)	(15.7%)
Hotel	371	394	23	6.2%
All Other	423	404	(19)	(4.5%)
Subtotal	**$36,379**	**$34,569**	**($1,810)**	**(5.0%)**
STAR Aid	1,255	1,254	(1)	(0.1%)
Tax Audit Revenue	1,059	577	(482)	(45.5%)
Tax Initiatives	—	(3)	(3)	—
Total††	**$38,693**	**$36,397**	**($2,296)**	**(5.9%)**

† After TFA retention *of $156.5 million in 2008 and $226.3 million in 2009.*

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

billion in calendar year 2007. The previous annual loss posted by NYSE member firms was in 1990, and it was only $162 million. To use a year-over-year comparison, the change in profitability ran from net profits of $20.9 billion in 2006 to a loss of $11.3 billion in 2007, a swing of $32.2 billion. These losses highlight the severity of the financial market turmoil, which is expected to negatively impact tax revenue growth into 2009.

Total tax revenue*, excluding audits, is forecast to increase 5.1 percent in 2008 and to decline 3.9 percent in 2009. The property tax is forecast to increase 8.7 percent in 2008 and 6.8 percent in 2009. The non-property taxes, excluding the real property transfer and mortgage recording taxes, are forecast to increase 5.9 percent in 2008 and to decline 7.9 percent in 2009. After the inclusion of tax law changes and retention by the Transitional Finance Authority (TFA), total tax revenue is forecast to increase 2.2 percent in 2008 and decline 5.9 percent in 2009.

Non-property tax collections growth is forecast to slow to 3.6 percent in 2008 after four years of double-digit growth averaging 15.4 percent. During the first half of 2008, employment gains, wage rate growth and a resilient New York City real estate market, taken together, have offset the impact of the financial market turmoil caused by the subprime credit crisis. In calendar year 2007, NYSE member firms ended the year with a loss of $11.3 billion, yet surprisingly, the bonus payout for calendar year 2007, though down a little over seven percent, was still at a historically high level. For the transaction taxes, it is a mixed story. While the sales volume of single family homes in the other boroughs has been declining, the Manhattan condominium market is still strong, buoyed by a weak dollar and strong Wall Street bonuses in 2007. Sales of commercial properties that went to contract before the onset of the credit market turmoil created a pipeline of large commercial transaction closings, which held activity up through December. Since then there have been only two large commercial building sales due largely to a lack of available financing. The confluence of these factors led to non-property tax growth slowing to 3.6 percent in 2008, compared to the robust 16.5 percent growth seen in 2007.

The personal income tax in 2008 is forecast to grow 13.3 percent, reflecting wage earnings growth driven by employment gains and the strong bonus payout. In addition, collections were lifted by an estimated 16 percent growth in capital gain realizations, and strong payments from final returns on extension for tax year 2007 liability (attributable in part to a strong year by a number of New York City hedge fund managers). The general corporation and the banking corporation taxes, taken together, are expected to finish the fiscal year with a decline of 11.7 percent from 2007 levels, mostly attributable to a decline in finance sector payments and higher refund payouts. Unincorporated business tax collections are forecast to grow 17.0 percent, due to continued payment strength from smaller finance sector firms in addition to strong growth in payments from hedge funds and private equity firms that are reported to have had a banner year. Sales tax collections are expected to grow 6.6 percent, reflecting employment gains through calendar year 2007 as well as growth in both international and domestic visitor spending.

Real property transfer tax collections are forecast to decline by 18.0 percent in 2008 (after growing 34.0 percent last year) as the combined impact of the slowing residential market and a fall off in high value commercial transactions ends the real estate boom in the City. Mortgage recording tax is forecast to decline 25.7 percent in 2008 (compared to last year's growth of 16.1 percent), steeper than the real property transfer taxes as the residential mortgage refinancing boom ground to a halt, while tighter credit markets and higher lending standards intensifies the decline in commercial mortgage collections.

Property tax revenue is forecast to increase 8.7 percent in 2008, based upon 8.0 percent growth in billable assessed value. The commercial rent tax is forecast to grow 5.3 percent.

In 2009, non-property tax growth is forecast to decline 8.9 percent. Personal income tax revenue is expected to decline 10.5 percent reflecting City job losses, a drop in the bonus payout stemming from Wall Street employment losses, and a decline in capital gain realizations. Additionally, hedge fund manager incomes in calendar year 2008 are not expected to repeat the strength seen in the prior year, reducing final settlement payments on calendar year 2008. Payments from business taxes decline 11.7 percent and reflect a

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* *The tax revenue in this section is reported on a common rate and base unless otherwise noted. The May 2007 report, "Tax Revenue Forecasting Documentation" discusses the tax forecasting techniques used in this Executive Budget.*

lagged impact from the steep drop in Wall Street profitability in 2007 as businesses continue to adjust their payment stream after updating their estimates of 2007 liability. The sales tax is forecast to decline 3.1 percent, reflecting a wage earnings decline of 5.7 percent as well as the effects of the national recession.

Residential collections from the real property transfer and mortgage recording taxes are forecast to decline 22.3 percent and 13.3 percent, respectively, in 2009. This reflects the continued slowdown in transaction activity as well as an acceleration in price declines. Commercial collections from the real property transfer and mortgage recording taxes are forecast to decline 26.9 percent and 34.9 percent, respectively, in 2009. Non-property taxes are forecast to decline 7.9 percent in 2009 after excluding the real property transaction and mortgage recording taxes.

In 2009, property tax collections are forecast to grow 6.8 percent. The levy is forecast to increase 7.2 percent over 2008, driven by a similar growth in billable assessed value. The commercial rent tax is forecast to grow by 2.9 percent in 2009 due to moderating rents and slightly higher vacancy rates for commercial office space in Manhattan caused by employment losses in New York City.

TAX PROGRAM

Restore Full Property Tax: The Mayor proposes to restore the full property tax starting in 2010 to achieve outyear budget balance. This action will raise property tax revenues of $1,223 million, $1,298 million and $1,359 million for fiscal years 2010 through 2012, respectively.

Solar Electric Abatement: This proposal would provide a four-year property tax abatement to building owners who install solar electric systems on their roofs. The value of the abatement will be based upon the eligible installation costs of the system. The solar electric abatement is expected to save taxpayers $0.4 million, $1.1 million, $1.9 million and $2.6 million from 2009 through 2012, respectively.

Green Roof Abatement: This proposal would provide a one-year property tax abatement to building owners who install “green roofs”. The value of the abatement will be based on the eligible installation costs. This proposal is expected to save taxpayers $1.0 million each year from 2009 through 2012.

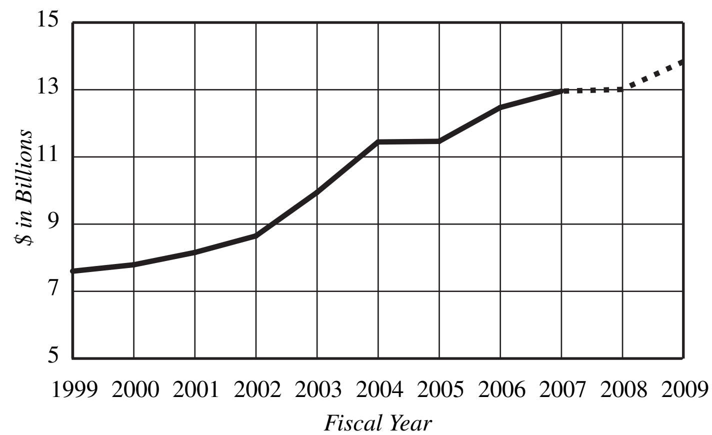
Hybrid Vehicle Sales Tax Exemption: This proposal would provide a City sales and use tax exemption for the purchase of eligible hybrid automobiles and is expected to save taxpayers $1.6 million, $1.9 million, $2.3 million and $2.8 million from 2009 through 2012, respectively.

REAL PROPERTY TAX

The real property tax is projected to account for 38.6 percent of tax revenue in 2009, or $13,838 million.

State law requires the New York City Department of Finance (DOF) to assign every property to one of four tax classes. Class 1 consists of residential properties with up to three units and vacant land zoned for residential use. Class 2 comprises all other residential properties including co-ops and condos. Class 3 consists of utility properties. Class 4 represents all other properties including office buildings, factories and stores. There are about 988,420 parcels in the City, 70.55 percent of which are Class 1, the largest among the four tax classes. Classes 2, 3, and 4 account for 20.88 percent, 0.03 percent and 8.54 percent, respectively.

REAL PROPERTY TAX 1999-2009



Distribution of Property Parcels by Class

	Parcels*	Percentage Share
Class 1	697,345	70.55%
Class 2	206,366	20.88%
Class 3	328	0.03%
Class 4	84,381	8.54%
Citywide	988,420	100.00%

* *FY 2008 final roll*

State law also requires that all properties in each class are assessed at the same percentage of full market value, known as the assessment ratio. The tax levy for a property is determined by multiplying the full market value by the assessment ratio applicable for that class of property and then multiplying the resulting assessed value by the appropriate class tax rate. The tax rates are different for each class and are set annually by the City Council at the beginning of the fiscal year. The practice in recent years has been that the City Council holds the average tax rate constant, allowing the class tax rates to fluctuate moderately. Some portion of the tax levy is uncollectible each year due to delinquency, cancellation of tax liability and tax abatements. The uncollectible taxes are forecast and reserved against the levy. The tax levy less the reserve for uncollected taxes yields the annual property tax revenue.

Further tax detail and legislative history can be found in the OMB publication "Tax Revenue Forecasting Documentation, Financial Plan, Fiscal Years 2007-2011".

Forecast: The real property tax revenue is forecast at $13,009 million in 2008, growth of 0.4 percent over the prior year including lien sale proceeds. The projected 2008 revenue growth is based on the billable assessed value growth of 8.0 percent on the 2008 final roll and reflects the 7.0 percent rate reduction in the average tax rate enacted on June 15, 2007.

For 2009, property tax revenue is forecast at $13,838 million including lien sale proceeds, growth of 6.4 percent over 2008. The 2009 property tax revenue forecast is based on the tentative roll, released by DOF on January 15, 2008, but also incorporates information on DOF changes-by-notice issued to certain property owners since the tentative roll release. The tentative roll's billable assessed value (after veterans and STAR exemptions and before any changes-by-notice) increased by $9.8 billion to $134.3 billion, growth of 7.9 percent over last year.

Class 1 properties saw a decline of 0.9 percent in market value on the tentative roll based on sales price, the first decline in market value seen since 1994. The Class 1 market values had been registering double-digit growth rates since 2001, at an annual average growth of 14.6 percent. Class 1 properties saw billable assessed value growth of 5.3 percent (after veterans and STAR exemptions) on the tentative roll, slightly higher than the prior year's 4.5 percent growth rate. The statutory caps in assessed value growth (six percent per year and twenty percent over five years) that have prevented steep increases in assessed values in recent years also allow assessed value to increase even in years with declining market values. The billable assessed value on the final roll is expected to show a growth of 4.3 percent over the prior year. With forecast declines in the Class 1 sales prices and market values, Class 1 billable assessed value growth is expected to slow to an annual average of 2.8 percent from 2010 through 2012.

Class 2 properties saw market value growth of 8.1 percent on the tentative roll, substantially lower than last year's 24.7 percent growth. The billable assessed value growth on the tentative roll is 8.7 percent (after veterans and STAR exemptions), slightly higher than last year's 8.0 percent. The billable assessed value on the final roll is expected to show growth of 8.1 percent over the prior year. The market value growth seen in the prior years, buoyed by the addition of new luxury condominium units in Manhattan, is not expected to continue beyond 2009. As a result, market values for Class 2 are expected to slow from 2010 through 2012, reflecting an anemic growth in gross income. Nevertheless, with a substantial level of existing 'pipeline' of deferred assessment increases yet to be phased in, Class 2 billable assessed value is forecast to grow at an annual average rate of 5.9 percent from 2010 through 2012.

Class 3 properties saw market value growth of 7.4 percent on the tentative roll after a decline of 2.9 percent in 2008. The billable assessed value growth on the tentative roll is 3.1 percent, after a decline of 3.9 percent in 2008. Class 3 billable assessed value is expected to grow at an annual average rate of 1.0 percent from 2010 through 2012.

Class 4 properties saw a moderate market value growth of 6.2 percent on the tentative roll, substantially lower than last year's 19.0 percent growth. Class 4 properties saw billable assessed value growth of 8.6 percent (after veterans and STAR exemptions) on the tentative roll. Growth in Class 4 billable assessed value from 2010 through 2012 is forecast to average 7.5 percent buoyed by the existing 'pipeline' of deferred assessment increases to be phased in from prior years' strong market value growth.

The final roll, to be released in May, is currently estimated to be about $772 million lower than the tentative roll as a result of Tax Commission actions, Department of Finance changes-by-notice and completion of exemption processing. With the estimated tentative-to-final roll reduction, billable assessed value growth (before accounting for the veterans and STAR exemptions) is expected to be 7.2 percent, reflecting a slowdown in market value growth to 2.9 percent on the 2009 tentative roll – the slowest market value growth seen since 1998. For the forecast period, despite a softening in market value growth for the City's real estate market, the overall billable assessed value is forecast to grow 6.0 percent on average from 2010 through 2012 strengthened by the 'pipeline' of billable assessed values to be phased in from the robust market value growth seen in the prior years for Class 2 and Class 4 properties.

In 2009, the levy is expected to increase by $1,032 million to $15,388 million, growth of 7.2 percent over 2008. For 2009, revenue from the property tax is forecast at $13,838 million, a decrease of $81 million over the January plan, resulting from an increase to the refunds forecast of $85 million (to reserve for potential refunds exposure arising from large certiorari tax refunds to utility taxpayers).

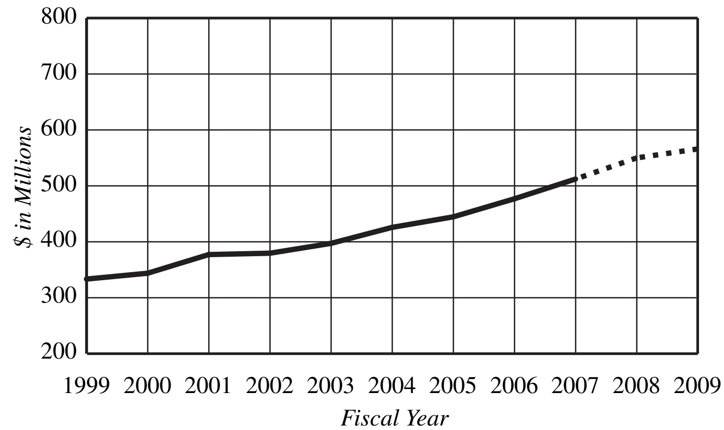
The property tax revenue is expected to grow 7.4 percent in 2010. The Mayor proposes to restore the full property tax in 2010 to acheive out-year budget balance. This proposal, if enacted, will raise property tax growth in 2010 by 16.3 percent.

Property tax collections are expected to grow at an annual rate of 5.9 percent from 2011 through 2012, consistent with the levy growth forecast of 5.4 percent during the same period.

COMMERCIAL RENT TAX

The commercial rent tax is projected to account for 1.6 percent of tax revenue in 2009, or $566 million.

COMMERCIAL RENT TAX 1999-2009



This tax is imposed on tenants of premises that are used to operate businesses, professions, or commercial activities in Manhattan south of 96th Street at an effective rate of 3.9 percent. Tenants whose annual or annualized gross rents are less than $250,000 are not subject to this tax; those with annual taxable rents between $250,000 and $300,000 are eligible for a sliding-scale credit that partially offsets tax liability. This tax is administered by the New York City Department of Finance (DOF).

Further tax detail and legislative history can be found in the OMB publication "Tax Revenue Forecasting Documentation, Financial Plan, Fiscal Years 2007-2011".

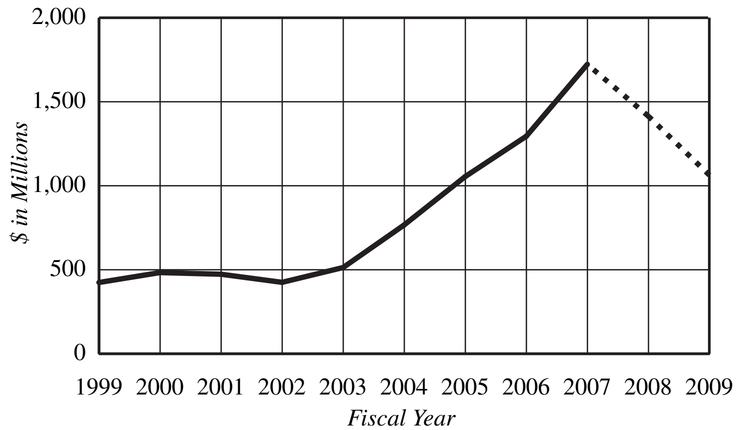
Forecast: Commercial rent tax revenue for 2008 is forecast at $550 million, 7.4 percent growth over the prior year. This growth reflects continued strength in the commercial office market exhibited through March of 2008. The primary office vacancy rate was 5.9 percent in March of 2008, still historically low. In addition, asking rent rose to $79.8 per sq. ft. in March from $64.5 per sq. ft. in the prior year.

For 2009, revenue is forecast at $566 million, 2.9 percent growth. The slower growth is attributed to the declines in overall employment spurred by the national recession and employment losses on Wall Street. Primary market asking rents are forecast to decline by 8.5 percent, and vacancy rates are expected to rise to 10.6 percent at the end of 2009, a level not seen in the last four years, but still lower than the high vacancy rates seen during the last recession. The fundamental strength of the Manhattan office market due to the lack of new construction scheduled over this business cycle, makes the Manhattan office market reasonably positioned to withstand the effects of the economic slowdown.

Commercial rent tax collections are projected to grow a compound average growth of 3.3 percent from 2010 through 2012, as the local economy slowly adds jobs (55,000 jobs in office employment) between 2010 and 2012.

REAL PROPERTY TRANSFER TAX

REAL PROPERTY TRANSFER TAX 1999-2009



The real property transfer tax is projected to account for 3.0 percent of tax revenue in 2009, or $1,063 million.

The real property transfer tax (RPTT) is imposed upon the conveyance of real property (at closing) but is typically not collected until the deed is registered with the City. For non-deeded transactions, payments are made directly to the New York City Department of Finance (DOF), which administers the tax. The tax is imposed on transfers that include assignments of leasehold interests, economic interest in real property and shares of stock in cooperative housing corporations. 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 two major components of RPTT - residential and commercial transactions - are taxed differently. Residential transactions include Class 1 and 2 properties sold as individual units. Commercial properties include Class 3 and 4 properties as well as any Class 2 properties sold in their entirety (i.e. the sale of a building as a whole).

Further tax detail and legislative history can be found in the OMB publication "Tax Revenue Forecasting Documentation, Financial Plan, Fiscal Years 2007-2011".

2008 Forecast: The real property transfer tax in 2008 is forecast at $1,414 million, a 17.9 percent decline over the prior year.

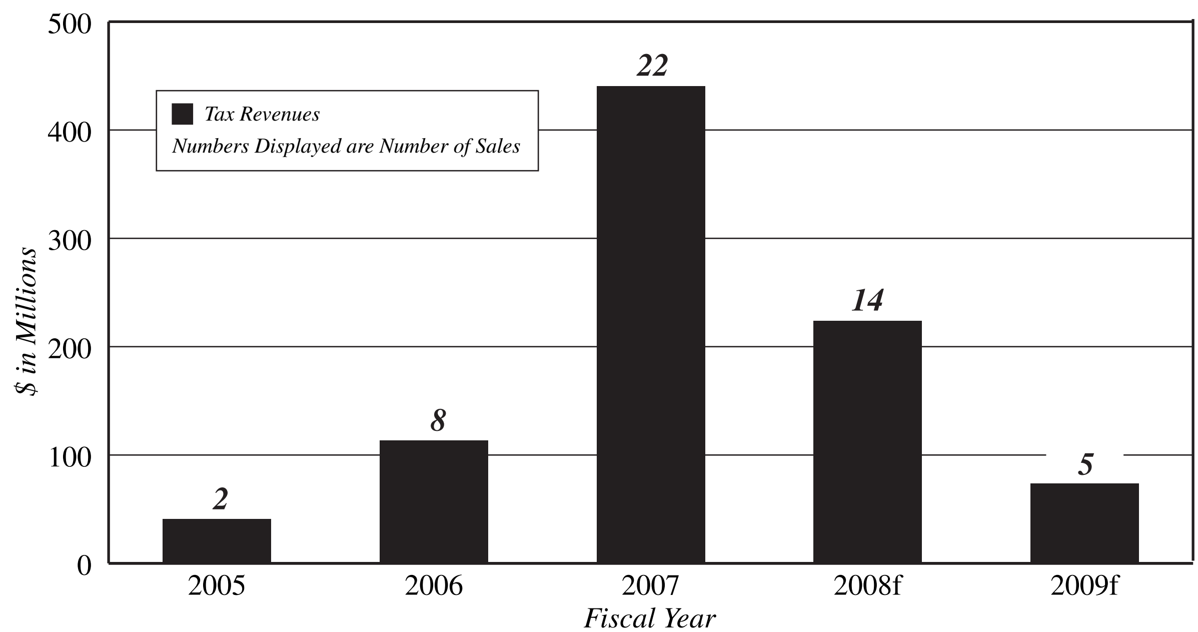
The New York City real estate boom has undeniably ended. Over the past several years, the real property transfer tax has reached record levels, growing roughly $1.3 billion or a cumulative 305 percent from 2003 through 2007, reflecting the national residential real estate boom as well as keen investor interest in the Manhattan commercial market. In 2008, the City has seen steeper declines of residential transactions in the outer-boroughs, partially offset by strength in Manhattan condominium sales, and a severe drop-off in the sale of high value (greater than $500 million) commercial office buildings since December. Collections through March are down 12.7 percent from the prior year, reflecting the sharp decline in volume for residential and smaller commercial transactions. This weakness had been offset through December by the strength in high-value commercial office buildings -- transactions that were initiated before the start of the current credit crunch. This strength in office building sales is not expected to continue with the recent turmoil seen in the credit markets. In fact, after recording 10 sales of high-value buildings in the first half of the year, there have been only two sales since December.

Revenue from residential transactions in 2008 is forecast at $636 million, a decline of 6.6 percent over the prior year. This follows an unprecedented compound average growth of 22.3 percent from 2004 through 2007, fueled by low mortgage interest rates, strong income growth and employment gains in the City and investor interest from non-residents. The boom in residential transaction activity started to slow in the fourth quarter of 2005, and the decline has accelerated since the second half of 2006 as the regional housing market slowed along with the rest of the nation. In 2008, the pace of decline in residential transaction activity has markedly accelerated, led by a decline of 33.3 percent in sales of one-to-three family homes in the first six months of this fiscal year. This retrenchment is only partially offset by the strong transaction activity in the condominium market which had been growing at 13.9 percent during the same period, with high-value

Manhattan condominium sales accounting for practically all of the increase. Total residential transactions, which peaked in the first quarter of 2005, are expected to trough in the third quarter of 2009 at a level 42.7 percent below the peak. Typically, in housing market downturns, sales price declines lag the declines seen in transaction activity. Average sales prices are expected to decline 16.6 percent from the peak in the first quarter of 2008 to the trough in the third quarter of 2010. The forecast declines in transaction volume and average price translate into revenue declines of 6.6 percent in 2008 and 22.3 percent in 2009, before collections start to rebound in 2012.

Revenue from commercial transactions in 2008 is forecast at $778 million, a decline of 25.3 percent over the prior year as the Manhattan commercial real estate boom comes to an end. This follows a compund average growth of 48.0 percent from 2003 through 2007. The demand for large commercial properties in the City was driven by local private sector employment gains, shrinking office vacancies, strong growth in asking rents as well as a flood of cheap financing. This demand was further fueled by the shortage of new office space, especially in Midtown where the vacancy rates have fallen to 5.3 percent and the asking rents are approaching $77 per square foot in calendar year 2007. With very little inventory coming on line, the attractiveness of commercial office space in New York City remains; however, the credit market turmoil has temporarily suspended financing for large office buildings. Despite the significant number of transactions seen in the first half of the year, the lack of any activity since December speaks volumes of the impact of the credit crunch. Collections from commercial property transactions above $25 million, which grew by a compound average growth of 60.3 percent from 2003 through 2007, are projected to decline by 24.7 percent in 2008. While the market fundamentals for commercial properties are expected to remain reasonable healthy, commercial transaction activity is forecast to return to a more sustainable level over the next two years and the revenue from all commercial transactions is forecast to decline 25.3 percent in 2008 and 26.9 percent in 2009 before collections rebound again in 2012.

Collections from Large Commercial Transactions (Over $500 Million in Sale Price) Have Slowed in 2008 and Are Forecast to Return to Normal Levels



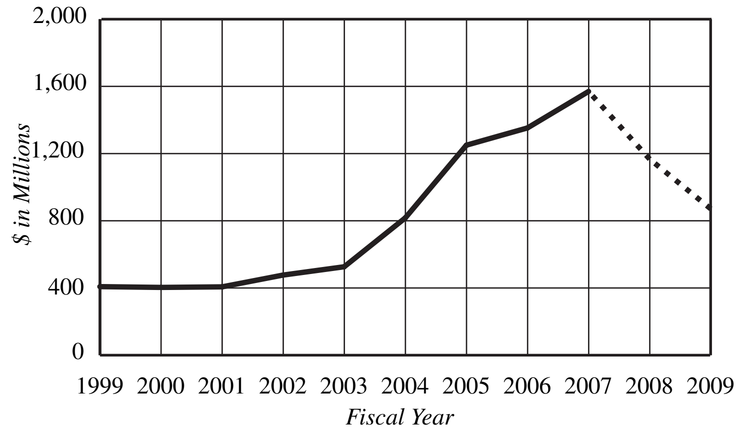
f = Forecast; FY 2008 comprises year-to-date collections through March, 11 properties totaling $168.4 Million.
Source: Automated City Register Information System (ACRIS)

2009 Forecast: For 2009, the real property transfer tax is forecast at $1,063 million, a decline of 24.8 percent from 2008. Collections from residential transactions are forecast to decline 22.3 percent, reflecting a further decline in the number of transactions as well as sharper sales price declines -- with one-to-three family homes seeing volume and price decline an additional 6.9 and 7.6 percent, respectively. The volume and price for co-ops and condos decline by an additional 4.5 and 10.8 percent, respectively. Meanwhile, the collections from commercial transactions are forecast to continue declining by 26.9 percent due to lack of financing, with transactions and price declining an additional 10.1 and 19.8 percent, respectively. Transactions over $500 million are forecast to decline precipitously by 64.3 percent while their average price declines 8.0 percent.

Real property transfer tax collections are projected to decline by 2.8 and 1.2 percent in 2010 and 2011, respectively before growth returns in 2012.

MORTGAGE RECORDING TAX

MORTGAGE RECORDING TAX 1999-2009



The mortgage recording tax is projected to account for 2.4 percent of tax revenue in 2009, or $871 million.

The mortgage recording tax (MRT) is imposed on all mortgages on real property recorded with the New York City Register (or in the case of Staten Island, with the Richmond county clerk). The tax is payable upon registration of the mortgage. The New York City Department of Finance (DOF) administers the tax. The two major components of MRT are mortgages on residential and commercial transactions, which are taxed differently. Mortgages on residential transactions include Class 1 properties and Class 2 properties sold as individual units. Commercial properties include Class 3 and 4 properties as well as any Class 2 property sold in its entirety (i.e. the sale of a building as a whole). In addition, the refinancing of an existing mortgage, in most cases, also triggers a mortgage recording tax liability.

Further tax detail and legislative history can be found in the OMB publication “Tax Revenue Forecasting Documentation, Financial Plan, Fiscal Years 2007-2011”.

2008 Forecast: The mortgage recording tax for 2008 is forecast at $1,167 million, a decline of 25.7 percent over the prior year.

The end to the city real estate boom is also seen in the mortgage recording tax. Residential transaction activity has slowed, residential refinancings are down from the prior year, and the slowdown in both large and small commercial transactions are reducing MRT payments this year. The boom in MRT collections, which reached record levels with growth of 229 percent from 2003 through 2007, is now ended. Year-to-date collections through March for residential mortgages (both for purchases and refinancings) have declined 30.4 percent over the prior year. Commercial year-to-date collections from mortgages are down 9.5 percent from the prior year reflecting the tightening credit market.

Revenue from residential mortgage recordings in 2008 is forecast at $513 million, a decline of 33.6 percent from the prior year. This follows robust revenue growth of 29.7 percent, compound average growth, seen from 2002 through 2006. With higher lending standards, MRT collections from residential purchases are expected to parallel the real property transfer tax residential transaction forecast. Mortgage activity peaked in the fourth quarter of 2004 and has since declined 55 percent through the third quarter of 2008. The volume of residential purchases in the City started to decline in the second quarter of 2006 and is forecast to decline through the fourth quarter of 2009. Residential mortgage refinancings are also forecast to decline steeply, paralleling the Mortgage Bankers Association forecast of mortgage originations for refinancing.

Revenue from commercial mortgage recordings in 2008 is forecast at $654 million, a decline of 18 percent over the prior year. This follows robust collections growth of 37.2 percent, compound average growth, seen from 2003 through 2007, fueled by low interest rates and increased sales of high-value properties. The 2008 decline reflects a much slower market for high-value commercial mortgages as well as much tighter credit standards requiring substantial purchaser equity. The first half of 2008 has posted a 4.1 percent decline over the prior year, and the second half of 2008 is expected to post an even greater decline due to the unavailability of credit, as banks deleverage and rebuild their balance sheets.

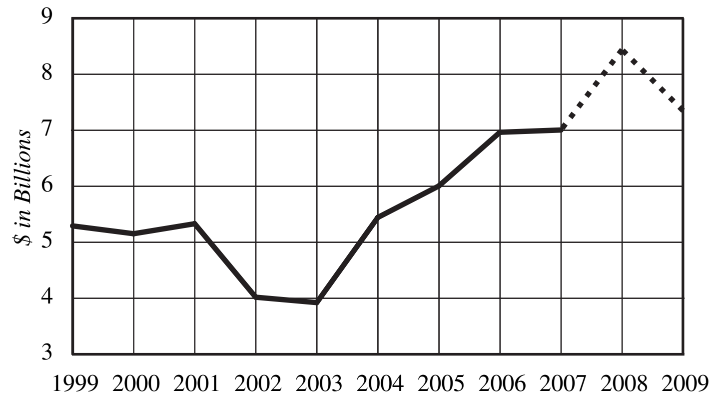
2009 Forecast: Mortgage recording tax for 2009 is forecast at $871 million, a decline of 25.4 percent from 2008 paralleling the decline in the real property transfer tax. Residential collections from the MRT are forecast to decline 13.3 percent in 2009 and remain flat through 2011, before collections start to grow again in 2012. Collections from commercial mortgage recordings are expected to decline 34.9 percent and 5.2 percent in 2009 and 2010, as lenders maintain tighter lending standards and continue to demand larger down-payments from borrowers. Growth returns in 2012 as the current credit market turmoil works its way through the excesses of the recent past. From 2009 through 2011, the mortgage recording tax collections are forecast to remain flat, before growth returns in 2012.

PERSONAL INCOME TAX

The personal income tax is projected to account for 20.5 percent of tax revenue in 2009, or $7,350 million.

The personal income tax is imposed on the taxable income of City residents, estates and trusts. The tax conforms to the New York State (NYS) personal income tax with respect to the determination of taxable income. The starting point for determining taxable income is Federal adjusted gross income (AGI). This is adjusted for statutory modifications to yield NYS AGI. Taxable income results from subtracting the New York deduction and exemptions from NYS AGI. Taxpayers may claim either the NYS standard deduction or the itemized deductions. The City tax rates are imposed directly on NYS taxable income of City residents. Additionally, credits are given to eligible City taxpayers against their personal income tax liability.

PERSONAL INCOME TAX 1999-2009



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

The City's personal income tax rates and brackets have changed over the years. The top rate for tax year 2008 is 3.648 percent. The City rates are lower than the State rates and are paid by City residents, who are also responsible for Federal and State income taxes. State authorization is required to change the City's rates and its brackets. Current rates are extended every two years.

Beginning in 1998, the personal income tax cash flow to the City 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. The TFA reserves the first claim on personal income tax revenues for the purposes of meeting its debt service and administrative costs, with the remaining personal income tax revenues distributed to the City.

New York State and New York City laws enacted in tax year 2007, and effective the same year, that affect the City personal income tax are as follows: (1) the NYC Child Care credit for families whose NYS AGI is $30,000 or below, with children under four years old with eligible child care expenses; and, (2) the increase in the school tax relief (STAR) credit from $230 to $290 for married couples filing joint returns and surviving spouses and from $115 to $145 for single individuals, heads of households and married individuals filing separately.

New York State in its' 2008-2009 budget enacted several changes affecting New York City personal income tax collections: (1) the scheduled increases for the school tax relief (STAR) credit (enacted in tax year 2007) for those with NYS AGI of $250,000 and under, are delayed one year starting in tax year 2008; and, (2) the STAR credit is entirely eliminated for those with NYS AGI greater than $250,000 starting in tax year 2008.

Further tax detail and legislative history can be found in the OMB publication entitled "Tax Revenue Forecasting Documentation, Financial Plan, Fiscal Years 2007-2011".

2008 Forecast: Personal income tax revenue is forecast at $8,439 million in 2008, after TFA retention, growth of 20.5 percent over the prior year. A sharp decline in the TFA retention in 2008 of $528 million, coupled with continuing strength in the local economy in calendar year 2007, lifts collections above the prior year. Adjusting for tax law changes and TFA retention, the personal income tax is forecast to grow 13.3 percent in 2008. In 2009, the personal income tax is forecast at $7,350 million, after TFA retention, a decline of 12.9 percent from the previous year. This steep year-over-year decline stems from the effects of the national recession reaching the local economy and a sharp decline in bonus payouts (combined with an increase in TFA retention). After adjusting for the tax law changes and TFA retention, the personal income tax is forecast to decline 10.5 percent in 2009.

In the fifth consecutive year of strong growth, 2008 personal income tax revenue is forecast at 11.8 percent growth, before TFA retention. Strong employment gains in calendar year 2007, a high level of bonus payouts and extraordinary settlement payments fuel further personal income tax revenue growth in 2008. On a common rate and base, collections growth is forecast at 13.3 percent in 2008, after four years of compound average growth of 15.8 percent.

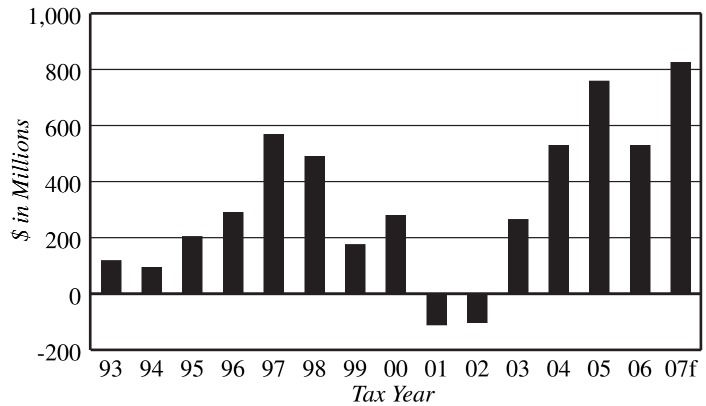
Personal income tax withholding in 2008 is forecast to grow 7.5 percent, on a common rate and base, following growth of 10.9 percent in 2007. This continuing strength in withholding stems from strong wage earnings growth in the first half of 2008, resulting from the addition of 75,000 private sector jobs in calendar year 2007, of which 7,000 jobs were in the very high-paying securities industry and another 21,000 jobs were in the high-paying professional services and information sectors. In July through November, withholding collections, buttressed by large private employment gains in calendar year 2007, grew 10.1 percent on a common rate and base. The fact that NYSE member firms posted record losses for calendar year 2007, a net loss of $11.3 billion, did not stop Wall Street from paying out generous bonuses on calendar year 2007 earnings. Although this bonus payout is a decline from the previous record-breaking year, it is still very high. As announced job losses take hold in the fourth quarter, though partially offset by considerable severance pay income, withholding growth during the final quarter of the fiscal year is forecast to slow.

Installment payments on liability year 2007 are forecast to grow 20.5 percent, following 14.0 percent growth in liability year 2006. The strength in installment payments stems from robust growth across a variety of non-wage income sources. Capital gain realizations are estimated to have grown 15.6 percent in calendar year 2007 based on moderate gains in equity markets and continued strength in both the residential and commercial real estate markets in Manhattan. Though volatility had increased sharply over the year, the Standard & Poor's 500 index ended the year with a 7.2 percent gain, fourth quarter over fourth quarter. Also, despite a decline in sales volume across the rest of the City, the volume of sales and the average price of high valued condominiums in Manhattan continued strong growth in calendar year 2007. Additionally, robust sales of large commercial properties continued in calendar year 2007, as the pipeline of deals struck before the credit crisis buoyed commercial sales through December, further lifting capital gain realizations. The strength in real estate markets also supported strong realtor commission income over the course of the year and employment growth over the year was concentrated in sectors that also have large self-employment participation (the professional services and information sectors), further lifting non-wage income. Finally, hedge fund and private equity managers reaped extraordinarily large increases in investment and fee income in calendar year 2007, supporting strong liability year installment payment growth.

Settlement payments (final returns, extension, and State/City offsets) on calendar year 2007 liability are forecast to exceed the prior year record level by about $300 million. Hedge fund managers' extraordinary investment and fee income this year likely played a major role in this year's unprecedented level of settlement payments. Recent media attention has highlighted the concentration of hedge funds managers located in New York City among those with multi-billion dollar paychecks in tax year 2007. As reported by the Wall Street Journal, the combined income of the top 25 hedge fund managers exceeded the combined income of all the CEOs of all Standard & Poor's 500 companies. Total liability on tax year 2007 is forecast to grow 16.3 percent, on a common rate and base.

2009 Forecast: Personal income tax revenue in 2009, before TFA retention, is forecast at $7,576 million, or a decline of 11.9 percent from 2008 due to the national recession reverberating through the local economy and the impact of the financial market turmoil on Wall Street profitability. The decline in 2009 tax payments results from a forecast decline in calendar year 2008 bonus payouts, the expectation of private sector employment losses, and a forecast decline in capital gain realizations. After adjusting for tax law changes and TFA retention, personal income tax revenue is forecast to decline 10.5 percent in 2009.

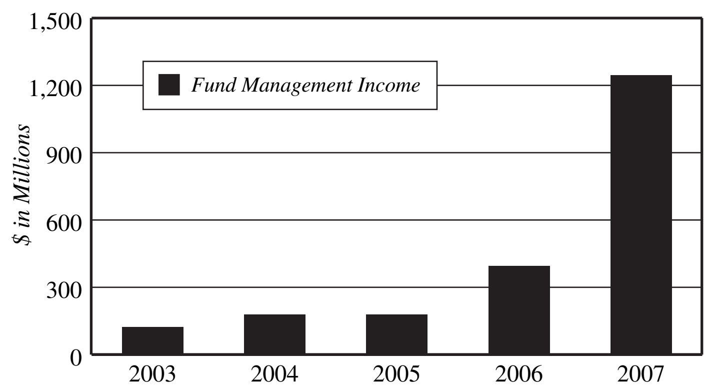
SETTLEMENT PAYMENTS



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

Personal income tax withholding in 2009 is forecast to decline 6.9 percent as a result of a decline in bonus payouts and losses in the private sector employment. Although Wall Street profits are forecast to rebound to $7.1 billion in calendar year 2008 from the record loss seen in calendar year 2007, bonuses are estimated to decline 27.8 percent from the prior year as the result of finance sector job cuts of 14,000 in calendar year 2008 and the sharp decline in finance firm profitability resulting from the very large CDO write-downs in calendar years 2007 and 2008. The national recession and the multiplier effects of Wall Street job cuts lead to near flat job growth in the non-finance sectors of the City economy in calendar year 2008, further suppressing withholding growth in 2009. On a common rate and base, withholding collections are forecast to decline 6.9 percent, reflecting the forecast decline of wage earnings of 5.7 percent in 2009.

TOP NYC HEDGE FUNDS PROFITABILITY BOOMING



Source: OMB estimates are based on Barron's online and BarclayHedge online.

Installment payments in 2009 are forecast to decline 11.8 percent. This is due in part to the steep falloff in forecast capital gain realizations in calendar year 2008, reflecting the deepening retrenchment in the local real estate markets as well as a forecast decline in equity appreciation. Also dampening installment growth is the forecast decline in employment growth in sectors with large self-employed participation, the professional services and information sectors.

Remittances for settlement payments (final returns, extension, and State/City offsets) in liability year 2008 are forecast to decline significantly from the prior year due to the expectation that much of the sharp growth in hedge fund manager income seen in 2007 will not be repeated in calendar year 2008. The recession in both the nation and the City also contribute to the drop off in settlement payments.

Personal income tax revenue, on a common rate and base, is forecast to decline 6.4 percent in 2010, reflecting continuing and broader job losses in calendar year 2009. The City is forecast to lose 44,000 private sector jobs in calendar year 2009. A further deterioration of both the residential and commercial real estate markets in calendar year 2009 adds to this weakness. Capital gain realizations on calendar year 2009 are forecast to be virtually unchanged from the prior year. Despite a strengthening in Wall Street profitability in calendar year 2009, bonus payouts are forecast to decline from the prior year, the result of further finance sector job losses. As a consequence, income subject to personal income taxation in calendar year 2009 is expected to decline from the prior year.

Personal income tax revenue, on a common rate and base, is forecast to have a compound average growth of 8.3 percent in 2011 and 2012 as local income rebounds and trend growth is forecast for the national and local economies.

Personal Income Tax Collections By Component
($ in Millions)

	2006	2007	2008 *f*	2009 *f*
Withholding	$5,128	$5,568	$5,984	$5,570
Estimated Payments [1]	1,954	2,191	2,926	2,297
Final Returns	587	522	465	442
Other [2]	618	623	580	528
Gross Collections	$8,287	$8,904	$9,953	$8,837
Refunds	(973)	(1,214)	(1,357)	(1,261)
Net Collections	$7,315	$7,690	$8,596	$7,576
Less TFA Retention	(350)	(685)	(157)	(226)
Total	$6,965	$7,005	$8,439	$7,350

1. Includes extension payments.

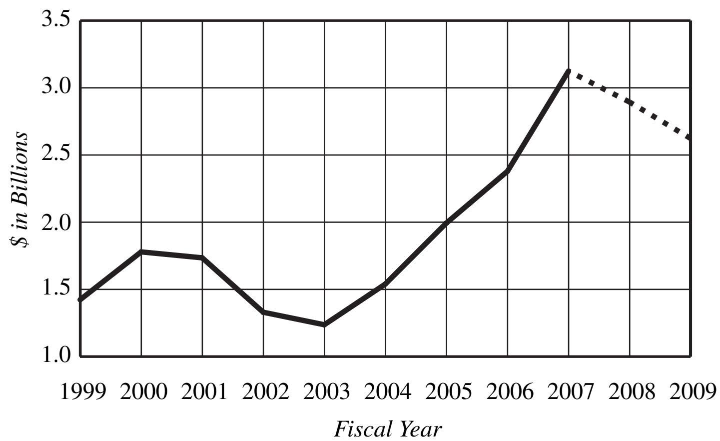
2. Offsets, charges, assessments less City audits.

f = Forecast.

Totals may not add due to rounding.

GENERAL CORPORATION TAX

GENERAL CORPORATION TAX 1999-2009



The general corporation tax is projected to account for 7.3 percent of tax revenue in 2009, or $2,623 million.

The tax was first enacted in 1966 and is imposed on all corporations, domestic and foreign doing business, employing capital, owning or leasing property, or maintaining an office in the City. To determine its tax liability, a corporation is required to make three alternative calculations, compare these to a fixed minimum tax, and pay the largest amount. The majority of the total general corporation tax liability is paid on the City-allocated net income tax base at a rate of 8.85 percent. Banking corporations are subject to City bank 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.

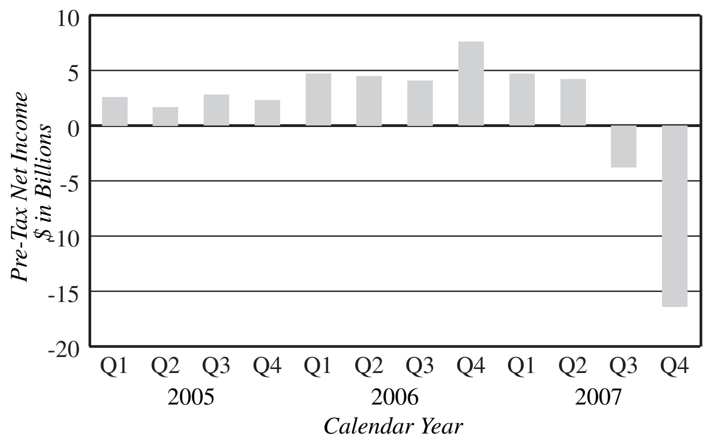
The New York City Department of Finance (DOF) administers the general corporation tax, but New York State must authorize most changes to the City's general corporation tax law, including tax rate and tax base changes, and tax rate extensions. The general corporation tax rates must be extended every two years by the State.

Tax detail and legislative history with updates can be found in the OMB publication "Tax Revenue Forecasting Documentation, Financial Plan, Fiscal Years 2007-2011".

2008 Forecast: General corporation tax revenue is forecast to decline 7.4 percent from the prior year, after cumulative growth of 153 percent from 2004 to 2007. In 2009, general corporation tax revenue is forecast to decline 9.4 percent from the prior year.

Year-to-date through March, general corporation tax collections have declined 2.5 percent from the prior year. This moderate decline in collections is out of step with the daily stream of news detailing losses suffered during the credit crisis in the financial markets. Tax payments this year have been supported by liability growth from the non-finance sector and continued strong payments from most finance sector firms, despite the large losses posted in calendar year 2007. In the City, non-finance sector firms are forecast to have had a good year in calendar year 2007, as 75,000 private sector jobs were added, with the largest non-finance job growth seen in the professional services, health care, and construction sectors. This resulted in a forecast liability growth of 5.6 percent in the non-finance sector in calendar year 2007. Finance sector liability, on the other hand, is forecast to have declined 39 percent in calendar year 2007, after growing 32 percent in calendar year 2006. Tax payments from finance firms in 2008 reflecting calendar year 2007 liability appear to be only slightly down from payments made on the liability of calendar year 2006, a year of near record profitability. This is particularly surprising as Wall Street profits fell from a recent high of $20.9 billion in calendar year 2006 to a loss of $11.4 billion in calendar year 2007. Since the subprime mortgage crisis erupted, asset write-downs at financial institutions mounted from $33 billion in the third quarter to $109 billion in the fourth quarter, resulting in the plunge in profitability. However, many corporate taxpayers typically take two years to complete a final estimate of tax liability, and consequently utilize the "safe harbor" rules by paying estimates of current year liability based on prior year liability. As a result, tax payments in 2008 from many finance firms have not declined as precipitously as their calendar year profits have. Their tax payments are expected to converge with their estimated liability over the next two years, suppressing current- and future-year tax payments.

QUARTERLY NYSE MEMBER-FIRM PROFITS



2009 Forecast: In 2009, general corporation tax revenue is forecast to decline 9.4 percent. Tax payments made in 2009 will reflect calendar year 2008 earnings which are forecast to be down based upon the national recession, the weakening City economy, and the lowered profitability of financial firms. National GDP is forecast to decline 0.6 percent and 0.3 percent in the first and second quarters of calendar year 2008, respectively, on a seasonally adjusted annual basis. In addition, national pre-tax corporate profits are forecast to decline 13.7 percent in calendar year 2008, after a growth of 4.2 percent in calendar year 2007. The City is expected to suffer from the national recession and lose about 44,000 jobs in 2008. As a result, the liability of the non-finance sector is forecast to decline 7.7 percent in calendar year 2008, suppressing tax payments in 2009. In the finance sector, the City's six largest investment banks reported another $8.2 billion pre-tax loss in the first quarter of calendar year 2008, due to continuing asset write-downs and declining profitability. Despite a forecast moderate rebound in profitability in calendar year 2008, finance sector payments on calendar year 2008 liability are expected to be very weak, as overpayment carryforwards from tax year 2007 further suppress tax payments.

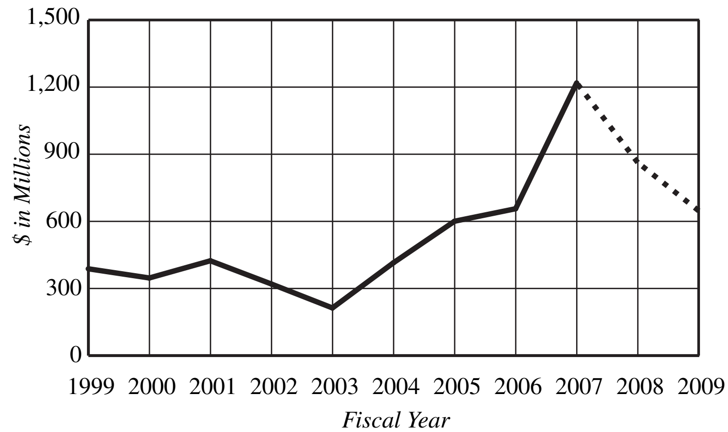
General corporation tax collections are forecast to increase 2.1 percent in 2010, reflecting a recovery in the national economy in calendar year 2009 and the positive effects of the Federal stimulus package. General corporation tax collections are expected to have a compound average growth of 8.7 percent in 2011 and 2012 as Wall Street profitability returns to trend levels.

BANKING CORPORATION TAX

The banking corporation tax is projected to account for 1.8 percent of tax revenue in 2009, or $647 million.

The tax was first enacted in 1966 and is imposed on banking corporations 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.

BANKING CORPORATION TAX 1999-2009



The New York City Department of Finance (DOF) administers the banking corporation tax, but New York State must authorize most changes to the City's banking corporation tax law, including tax rate increases, tax base changes, and tax rate extensions. Banking corporation tax rates must be extended every two years by the State. Tax detail and legislative history with updates can be found in the OMB publication "Tax Revenue Forecasting Documentation, Financial Plan, Fiscal Years 2007-2011".

2008 Forecast: The banking corporation tax collections are forecast to decline 29.2 percent to $863 million in 2008, after a cumulative growth of 472 percent from 2004 through 2007. Bank corporation tax revenue is forecast at $647 million in 2009, a decline of 25.0 percent from the prior year.

Year-to-date collections through March are down 20.5 percent from the prior year's record level. Before the financial market distress began last August, the City's three largest money center banks had earned pre-tax profits of $21.2 billion in the first six months of calendar year 2007, growth of 72 percent over the same period a year prior. Yet profits quickly unraveled in the second half of the year, as large asset write-down losses eroded firms' second half earnings to a mere $6.5 billion, reducing annual earnings to a level 47 percent below the prior year. Due to the differences between the bank tax law and the corporate tax law, large banks typically adjust their tax payments much sooner than non-bank finance firms. However, current year payments from large foreign banks have partially offset payment declines from large commercial banks this year. For the last several years, payments from certain foreign banks increased significantly as these banks expanded their presence in the City, fueled by favorable exchange rates. Nonetheless, large asset write-down losses and the continuing financial market instability are still expected to take a toll on tax collections. In addition to the payment declines seen this year, large bank refund payouts are also expected. Bank tax refunds so far this year have exceeded the 2007 level by about $100 million, bringing net collections from banking corporations to a forecast decline of 29.2 percent from prior year in 2008.

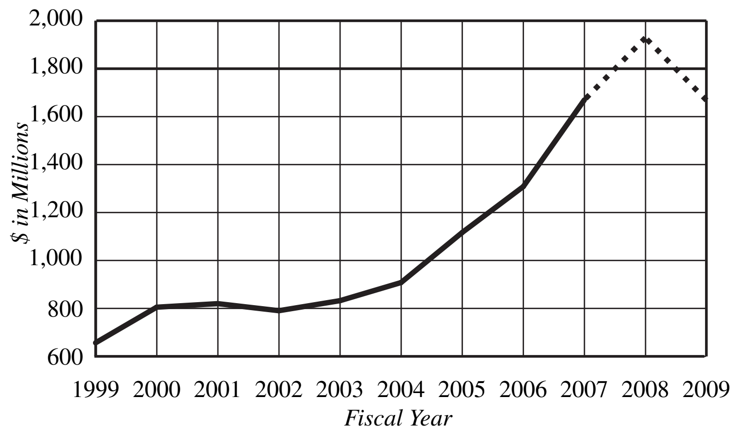
2009 Forecast: Banking corporation tax collections are forecast to decline again by 25.0 percent in 2009, reflecting suppressed earnings in calendar year 2008 due to the recession and continuing financial market instability. In the first quarter of calendar year 2008, asset write-downs appear to be nearly as severe as the unprecedented levels seen in the fourth quarter of calendar year 2007. These extreme asset write-downs have created a need for deleveraging and recapitalization that will further constrain banks revenue growth. Even when the asset write-downs are over, commercial banks are expected to continue to struggle with liquidity issues and lower profit margins. As profitability challenges force business restructuring, the finance sector is expected to cut 14,000 jobs in calendar year 2008 and cut a further 19,000 jobs in calendar year 2009.

Additionally, overpayment carryforwards from calendar year 2007 are expected to further suppress current year payments in 2009.

Banking corporation tax collections are expected to rebound 6.6 percent in 2010, as the interest rate and liquidity facility measures taken by the Federal Reserve gradually stabilize the financial markets and capital infusions from outside sources rebuild banks' balance sheet. A continued recovery in Wall Street profitability and the financial markets in calendar year 2010, coupled with growth in both the national and local economies, will increase banking corporation tax revenues by a compound average growth of 8.1 percent in 2011 and 2012.

UNINCORPORATED BUSINESS TAX

UNINCORPORATED BUSINESS TAX 1999-2009



The unincorporated business tax is projected to account for 4.7 percent of tax revenue in 2009, or $1,668 million.

New York City's unincorporated business tax is levied on the NYC-allocated taxable income of all proprietorships, partnerships and limited liability companies doing business in New York City. The tax is paid in addition to the City's personal income tax. Entities engaged in real estate transactions for their own account, or trading and investing for their own account, are exempt from the tax. The tax rate has been 4.0 percent since its imposition in 1966. An unincorporated business is required to calculate its gross income to determine if the business should make estimated quarterly tax payments or file a final return.

The New York City Department of Finance (DOF) administers the unincorporated business tax. Most changes to the City's unincorporated business tax law must be authorized by the New York State legislature, including tax rate increases and tax base changes.

Tax detail and legislative history with updates can be found in the OMB publication "Tax Revenue Forecasting Documentation, Financial Plan, Fiscal Years 2007-2011".

2008 Forecast: Unincorporated business tax revenue is forecast to increase 15.5 percent in 2008 after cumulative growth of 101 percent in four years form 2004 through 2007. In 2009, unincorporated business tax revenue is forecast to decline by 13.5 percent.

Year-to-date through March, unincorporated business tax revenue grew 14.7 percent over the prior year. The strength in tax payments seen this fiscal year has been supported by liability growth from the non-finance sector as well as continued strong payments from financial firms, despite their unprecedented losses. Virtually all of the losses seen in the finance sector in calendar year 2007 are concentrated at large finance corporations and large commercial banks, rather than the smaller finance firms who pay the unincorporated business tax.

In the City, non-finance firms saw strong job growth in calendar year 2007, especially within the professional and managerial services sector. These gains are concentrated in sectors with high percentages of self employed and unincorporated business taxpayers. These strong job gains are forecast to result in non-finance sector liability growth of 7.5 percent in calendar year 2007, leading to strong non-finance sector tax payments in 2008. Finance sector liability is forecast to have grown 8.4 percent in calendar year 2007, despite the steep decline in NYSE member-firm profits. NYSE member-firms reported a loss of $11.4 billion in calendar year 2007. This total for all firms can be further broken down into $17.4 billion in losses from large finance corporations and $6.3 billion in profits for other finance firms. These smaller firms had a reasonably prosperous calendar year 2007. In addition, finance sector payments this year have been buoyed by payments from hedge funds and private equity firms, many of whom are LLP's and unincorporated business taxpayers. According to press reports, the 2007 earnings of those among the top 50 hedge fund managers that are based in New York City increased over 102 percent to $16.8 billion in 2007 from the $8.3 billion earned in calendar year 2006. Unincorporated business tax growth is expected to continue into the final quarter of 2008 leading to a forecast of 15.5 percent growth in 2008.

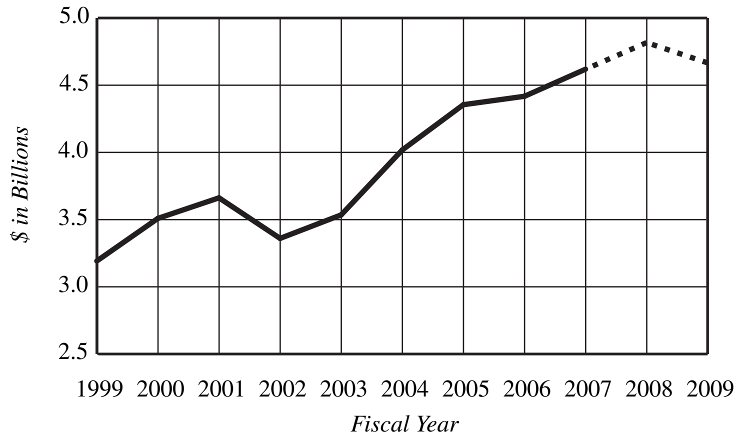
2009 Forecast: In 2009, the unincorporated business tax is forecast to decline 13.5 percent. Finance sector liability is forecast to decline 20.9 percent in calendar year 2008, reflecting finance sector job losses. Also negatively impacting finance sector payments is the expectation that hedge fund managers' recent extremely strong performance will not be repeated in calendar year 2008. Additionally, the impact of the credit crisis will dampen the profitability of many finance sector business lines. Non-finance sector payments are forecast to weaken considerably in 2009, reflecting recession related job losses in calendar years 2008 and 2009, particularly in the professional, technical and managerial services sector. In addition, the deepening decline in both commercial and residential real estate transactions further suppresses tax payments from non-finance sector firms in 2009.

In 2010, unincorporated business tax revenue is expected to decline 7.6 percent over the prior year, as continued employment declines in calendar year 2009 and an increase in refund payouts lowers cash collections. In 2011 and 2012, unincorporated business tax revenue is forecast to rebound with compound average growth of 7.2 percent.

SALES AND USE TAX

The sales and use tax is projected to account for 13.0 percent of total tax revenue in 2009, or $4,666 million.

SALES TAX 1999-2009



This tax was first enacted in 1934 and is imposed on sales of tangible personal property and certain services. This tax is administered for the City by New York State. Effective June 1, 2005 the NYC sales tax rate is 4.0 percent, the State rate is 4.0 percent and an additional 0.375 percent rate is levied in all localities located within the Metropolitan Commuter Transportation District (MCTD), making the aggregate sales tax rate in NYC 8.375 percent. Exemptions include food, rent, prescription and non-prescription drugs, textbooks for college students and public transportation. Effective September 1, 2007, the City portion of the sales tax exempts all clothing and footwear; the State and MCTD only exempts clothing and footwear costing under $110. The exemptions are designed to reduce the regressivity of the tax. Sales tax is also applied to charges for parking, garaging or storing motor vehicles at a rate of 6.0 percent, including an additional 8.0 percent surcharge for the borough of Manhattan, bringing the aggregate parking sales tax rate in Manhattan to 18.375 percent.

New York State in its 2008-2009 budget enacted several changes affecting New York City sales tax collections. First, the State enacted the extension of the 4.0 percent local City sales tax after the expiration of the Municipal Assistance Corporation (MAC) 4.0 percent sales tax. The 4.0 percent City MAC sales tax law remains in effect until the defeasance of all MAC debt, expected in early 2009. Second, New York State increased its cigarette tax from $0.75 a pack to $2.75, which has the effect of lowering sales taxes collected in the City from cigarette sales as smokers either cease smoking or purchase cigarettes from jurisdictions outside both the City and State. Finally, the State enacted two measures expanding the sales tax base: (1) the inclusion of goods sold by stores managed by non-profit organizations; and, (2) levying the sales tax on certain internet-based purchases made by New York State residents from retailers such as Amazon.com or similar web-based retailers.

Tax detail and legislative history with updates can be found in the OMB publication "Tax Revenue Forecasting Documentation, Financial Plan, Fiscal Years 2007-2011".

2008 Forecast: Sales tax revenue is forecast at $4,817 million in 2008, 4.3 percent growth over the prior year. Sales tax revenue is forecast at $4,666 million in 2009, a decline of 3.1 percent from 2008. Adjusted for tax law changes, sales tax collections are forecast to grow 6.6 percent in 2008 and then decline 3.1 percent in 2009.

Sales tax collections grew moderately in 2008 as City employment gains and visitor consumption offset employment declines starting in the fourth quarter. Year-to-date through March, sales tax collections have grown 6.0 percent over the prior year. Adjusted for tax law changes, collections have grown 8.3 percent.

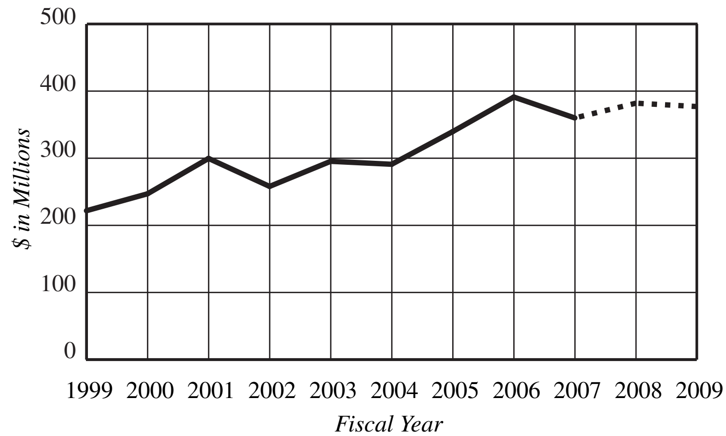
Consumption momentum stemming from a variety of sources has buoyed sales tax collections through March. First, the City added 75,000 jobs in calendar year 2007, providing a base for consumption growth over the course of the year. Second, retailers fearing a poor holiday season as consumers hesitated due to high energy and food prices and uncertain economic news, aggressively slashed prices post-Christmas, sharply lifting third quarter sales tax collections growth statewide. Third, sales tax revenues from visitor consumption have grown significantly due to an increase in international visitors taking advantage of the weak U.S. dollar. Additionally, high gas and jet fuel prices, the weak purchasing power of the dollar abroad and uncertain economic times have resulted in increasing numbers of domestic visitors choosing the City as a lower-cost alternative to international destinations. Sales tax growth is expected to slow in the remaining quarter, leading to an annual growth of 4.3 percent (6.6 percent common rate and base), as forecast employment declines lead to a slowdown in consumption.

2009 Forecast: In 2009, sales tax revenue is forecast at $4,666 million, a decline of 3.1 percent from the 2008 level, despite tax law changes passed in the enacted New York State budget that will positively impact collections by $24 million. The decline in sales tax collections is the result of the weakening local economy, as the national recession and financial woes on Wall Street take hold. Wage earnings are forecast to decline 5.7 percent in 2009 due to expected private sector job losses and a decline in the bonus payout, leading to suppressed consumption in 2009. Further, as the decline in commercial and residential real estate transactions continues, real estate-related consumption is also expected to decline. Finally, the rising cost of food will shift discretional spending away from taxable consumption.

Sales tax revenue is forecast to have compound average growth of 3.4 percent in 2010 through 2012, reflecting the forecast growth of wage income over the period. This growth reflects the gradual recovery of the City economy and the slow addition of jobs.

UTILITY TAX

UTILITY TAX 1999-2009



The utility tax is projected to account for 1.1 percent of tax revenue in 2009, or $377 million.

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 telecommunication firms whose services include wireless, fiber optic and other types of transmissions. Tax details and legislative history with updates can be found in the OMB publication "Tax Revenue Forecasting Documentation, Financial Plan, Fiscal Years 2007-2011".

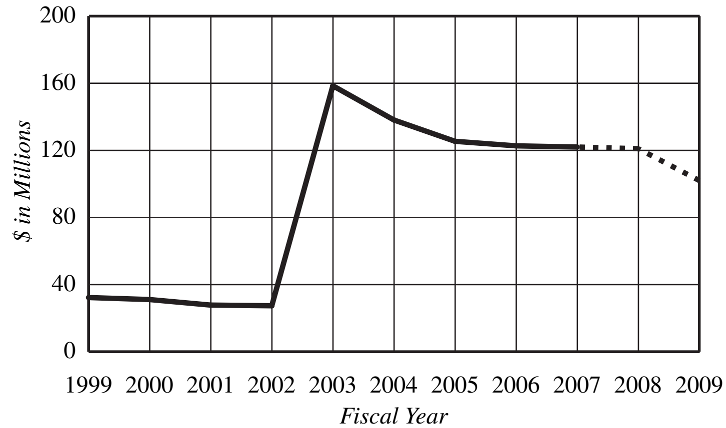
2008 Forecast: Utility tax revenue is forecast at $382 million in 2008, an increase of 6.1 percent over the prior year. In 2009, utility tax revenue is forecast at $377 million, a decline of 1.3 percent from the prior year.

Year-to-date through March, utility tax collections are down 2.4 percent from the prior year. This decline is attributed to a delay in cash payments, which were shifted to early April. Adjusting for this payment shift, year-to-date collections grew 10.9 percent over the prior year. The strong year-to-date collections result from a rise in electricity prices of 7.5 percent over the prior year. In addition, an increased demand for natural gas as a substitute for fuel oil has lifted collections, as the price of fuel oil continues to increase (fuel oil is not taxed under the utility tax, while natural gas is). The demand for electricity and natural gas is also boosted by employment gains; the City added 79,000 jobs in calendar year 2007. Additionally, the Con Edison electric delivery rate increase of 4.7 percent beginning on April 1, 2008 will further increase collections in the fourth quarter. The 2008 price increases were partially offset by warmer than normal winter temperatures, which lowered demand.

2009 Forecast: The 2009 utility tax revenue is forecast at $377 million, a 1.3 percent decline from the prior year. The decline stems from the expectation of a decline in energy demand due to a fall in employment levels. The City is forecast to shed 63,000 jobs in fiscal year 2009. As employment stabilizes, the utility tax collections are forecast to have compound average growth of 6.2 percent for 2010 through 2012.

CIGARETTE TAX

CIGARETTE TAX 1999-2009



The cigarette tax is projected to account for 0.3 percent of tax revenue in 2009, or $102 million.

The sale of cigarettes within NYC is regulated by State and local law and enforced by the New York City Department of Finance (DOF). The cigarette tax is paid by an agent or distributor at the wholesale level and is then passed along to the consumer in the cost of each pack of cigarettes.

Further tax detail and legislative history can be found in the OMB publication "Tax Revenue Forecasting Documentation, Financial Plan, Fiscal Years 2007-2011".

Forecast: Cigarette tax revenue for 2008 is forecast at $121 million, a 0.9 percent reduction from the prior year. Revenue for 2009 is forecast at $102 million, after accounting for the decline of packs sold due to the recent New York State cigarette tax increase.

New York State enacted a cigarette tax increase of $1.25 per pack as part of the 2008-2009 budget agreement that increased the State cigarette tax from the current $1.50 per pack to $2.75 per pack effective June 3, 2008. The State's cigarette tax increase raises the combined City/State cigarette taxes paid in the City from $3.00 per pack to $4.25 per pack. This increase in the retail price of a pack of cigarette is expected to result in a decline in the number of packs sold within the City, from both smoking cessation and the diversion of purchases outside the City to jurisdictions with a lower cigarette tax rate.

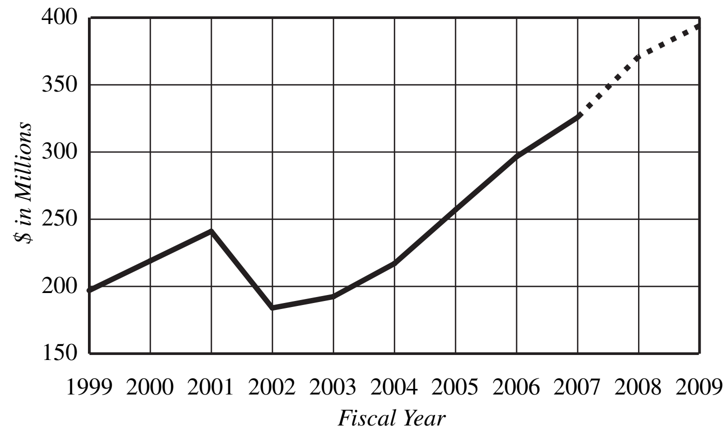
In 2008, cigarette tax is forecast to decline 0.9 percent. The cost of the State cigarette tax increase (one month) is estimated to be $1.5 million in revenue loss. This decline is offset by a $1.5 million increase in year-to-date collections. Revenue in 2009 is forecast at $102 million, a decline of 15.7 percent from the prior year. The full year impact of the State cigarette tax increase, estimated at $18 million. From 2010 through 2012 cigarette tax collections are projected to continue falling, declining 2.7 percent per year on average.

HOTEL TAX

The hotel tax is projected to account for 1.1 percent of tax revenue in 2009, or $394 million.

The City has imposed a hotel room occupancy tax since 1970. The current City hotel tax is a 5.0 percent tax on the rent or room charge. The City also charges a flat fee for rooms over $40.00 a night at the rate of $2.00 per day along with a hotel unit fee of $1.50 per unit per day. The hotel tax is levied in addition to the combined City, State, and MCTD sales tax (at 4.0 percent, 4.0 percent, and 0.375 percent, respectively), bringing the aggregate hotel occupancy tax and sales tax on a hotel room rental in the City to 13.375 percent.

HOTEL TAX 1999-2009



Tax detail and legislative history with updates can be found in the OMB publication "Tax Revenue Forecasting Documentation, Financial Plan, Fiscal Years 2007-2011".

2008 Forecast: Hotel tax revenue is forecast at $371 million in 2008 and $394 million in 2009, growth of 13.9 percent and 6.2 percent, respectively.

Hotel tax collections in 2008 reflect the record number of visitors to the City in calendar year 2007 (a 2.2 million increase over calendar year 2006). Leading the increase was the sharp growth in the number of international visitors arriving in the City due to the weak U.S. dollar. Calendar year 2007 saw the number of international visitors increase by 22.0 percent (7.6 million from outside of North America). Decreasing crime rates and aggressive advertising by NYC & Co. (the official tourism company for NYC) have maintained the City's distinction as being the top destination in the United States for international visitors. In addition, due to the aforementioned appeals combined with the decreasing value of the U.S. dollar abroad, domestic visitors are opting to visit the City as a desirable substitute to foreign destinations.

Due to the high demand of visitors seeking hotel lodgings in the City, hoteliers have had the ability to raise hotel room rates. As a result, the average room rate from July through February remains strong, growing 12.5 percent over the prior year ($313 per night). In 2008, hotel occupancy from July through February is continuing to grow at a rate of 2.1 percent (86.5 percent on average) due to hotel booking efficiencies as more hotels conduct business over the Internet.

2009 Forecast: In 2009, hotel tax revenue growth is forecast to slow to 6.2 percent over the prior year to $394 million, after several years of double-digit growth. The deceleration is due mainly to the slowing economy. Increased inventory (from 73,935 to 79,467 rooms) coupled with the demand slowdown eases the upward pressure on room rates and occupancy. The average daily room rate growth is forecast to slow to 4.2 percent over the prior year level to $322 per night, while the average occupancy rate is forecast to dip 5.0 percent to 83.0 percent. Looking forward, hotel tax collections are forecast to grow an average of 7.0 percent from 2010 through 2012, reflecting the slow rebound in the national and local economies.

OTHER TAXES

All other taxes are projected to account for 1.1 percent of total City tax revenue in 2009, or $404.4 million.

2008–2009 Other Taxes Forecast
Excluding Tax Audit Revenue
($000s)

Tax	2008 Forecast	2009 Executive Budget	Increase/(Decrease) From 2008 to 2009 Amount	Percent Growth
Auto Related Taxes				
Auto Use	$28,000	$28,000	$—	—
Commercial Motor Vehicle	46,000	46,000	—	—
Taxi Medallions Transfer	7,000	7,000	—	—
Excise Taxes				
Beer and Liquor	23,000	23,000	—	—
Liquor License Surcharge	4,000	4,000	—	—
Horse Race Admissions	35	35	—	—
Off-Track Betting Surtax	19,890	20,120	230	1.2%
Miscellaneous				
Other Refunds	(24,000)	(24,000)	—	—
Payment in Lieu of Taxes (PILOTs)	188,859	170,300	(18,559)	(9.8%)
Section 1127 (Waiver)	92,000	92,000	—	—
Penalty and Interest Real Estate (Current Year)	13,000	13,000	—	—
Penalty and Interest Real Estate (Prior Year)	30,000	30,000	—	—
Penalty and Interest - Other Refunds	(5,000)	(5,000)	—	—
Total	**$422,784**	**$404,455**	**($18,329)**	**(4.3%)**

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. Revenue from the tax is projected to be $28 million in 2008 and 2009.

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 1st 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 $46 million in 2008 and 2009.

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 $7 million in 2008 and 2009.

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 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 $23 million in 2008 and 2009.

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 $4 million in 2008 and 2009.

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. This tax is expected to generate $0.04 million in 2008 and 2009.

Off-Track Betting Surtax: A surcharge is levied 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. This tax is expected to generate $19.9 million in 2008 and $20.1 million in 2009.

MISCELLANEOUS

Other Refunds: These refunds are primarily paid out on the commercial rent tax and Section 1127 (waiver) and are projected to be $24 million in 2008 and 2009.

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 fixed sums based either 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: the New York City Housing Authority, the New York City Industrial Development Agency and the Battery Park City Authority. These agencies administer projects that comprise approximately 95 percent of PILOT payments received. Two smaller sponsors are the New York City Economic Development Corporation and the Port Authority of New York and New Jersey. PILOT revenue is expected to be $188.9 million in 2008 and $170.3 million in 2009, an increase of $13.3 million and $13.4 million from January Plan, respectively.

Stock Transfer Tax: The State repealed the City's stock transfer tax in 1980 and provided for annual appropriations of no 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.

Section 1127 (Waiver): 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 $92 million in 2008 and 2009.

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 $13 million in 2008 and 2009, while penalty and interest collections from prior year delinquencies are expected to be $30 million in 2008 and 2009.

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 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 $5 million in 2008 and 2009.

TAX ENFORCEMENT REVENUE

The Department of Finance targets delinquent taxpayers through agency audit activities, selected use of collection agencies and computer matches. Audit revenue is forecast at $1,058.6 million in 2008. The audit revenue target for 2009 is $577.1 million.

MISCELLANEOUS RECEIPTS

Forecast of Miscellaneous Receipts

The non-tax revenue portion of City Funds is referred to as miscellaneous revenues. The 2009 Executive Budget includes eleven classes of miscellaneous revenues which are discussed below.

Miscellaneous Revenues
($ in Millions)

	2008 Forecast	2009 Executive Budget	Forecast to Executive Budget Increase (Decrease)
Licenses	$50	$47	(3)
Permits	150	133	(17)
Franchises and Privileges	269	279	10
Interest Income	357	85	(272)
Tuition and Charges for Services	614	591	(23)
Water and Sewer Revenues	1,232	1,297	65
Rental Income	247	218	(29)
Fines and Forfeitures	823	748	(75)
Miscellaneous	1,179	663	(516)
Total Miscellaneous Revenues	$4,921	$4,061	(860)

Miscellaneous revenues are estimated at $4,061 million in 2009, a decrease of $860 million from 2008, 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 439,000 licenses. About 68,000 are non-recurring, 116,000 are renewed annually, 217,000 biennially, and 38,000 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 2009 forecast for license revenue is $47 million, $3 million less than 2008. The decrease is due to one-time event fees and the biennial renewal period for certain licenses.

Permits

Permits are issued to 995,000 individuals or entities for the use of facilities, premises or equipment. Approximately 351,500 permits are renewable on an annual, biennial or triennial basis. Seasonal or single occurrence permits, such as tennis and building permits, account for 643,500 additional permits, all of which are issued and regulated by twelve City agencies.

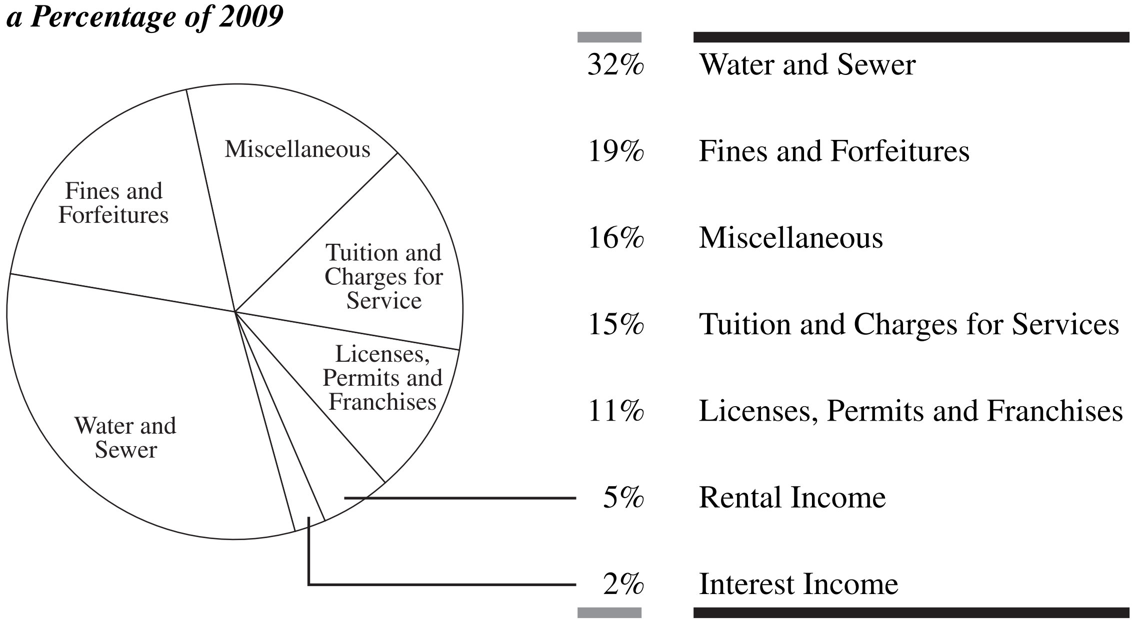
The major sources of revenue are permits for building construction and alterations, street openings, restaurants, hazardous materials, and air pollution control. The 2009 forecast for permit revenue is $133 million, $17 million less than 2008. The decrease is due to a decline in receipts for construction-related permits issued by the Department of Buildings, the Department of Transportation and the Department of Environmental Protection.

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 2009 forecast for tuition and charges for services is $591 million, $23 million less than 2008. This decrease is the result of non-recurring revenue collected by the City Register's Office, the processing of 421-a tax exemption applications, and the Department of Corrections' plan to issue a concession for commissary operations. This decrease is partially offset by fee increases in the Department of Finance.

COMPONENTS OF MISCELLANEOUS REVENUES

As a Percentage of 2009



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 14.5 percent rate increase for 2009. The forecast for Water Board revenue is $2.5 billion, including a City payment of $58 million for municipal water and sewer charges and $76 million for interest on funds held by the New York City Municipal Water Finance Authority. The Water Board will pay $1.086 billion for Water Board and Authority expenses and debt service. The City will receive $1.118 billion for services rendered in the delivery of water and the collection, treatment, and disposal of waste water, and $179 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 2009 forecast for interest earnings is $85 million, a decrease of $272 million from 2008. Cash balances are forecast to return to historical levels and interest rates have decreased from 5.25% at the beginning of 2008 to a current level of 2.25% and are projected to decline further and remain low for 2009.

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, and payments from utility companies for transformers on City property.

The 2009 forecast for franchise revenue is $279 million, an increase of $10 million from 2008. The increase is due to a contractual escalation for the street furniture concession in the Department of Transportation and increased payment from cable television 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 2,300 properties are rented from the City. Approximately 720 are *in rem* or condemnation sites, 180 are covered by long term agreements, and over 1,400 are schools that are rented on a per event basis after school hours.

The 2009 forecast for rental income is $218 million, $29 million less than in 2008. The decrease is due to a decline in rent collections from Urban Renewal properties managed by the Department of Housing Preservation and Development, one-time receipts from stadium rents and a change in percentage-based agreements collected by the Department of Citywide Administrative Services.

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 2009 forecast for forfeitures is $3 million, $1 million less than 2008. One-time bail bond forfeitures account for this change. The revenue expected from fines in 2008 and 2009 is listed below:

Fine Revenue

SOURCE ($ in 000's)	2008 FORECAST	2009 EXECUTIVE BUDGET
Parking Violations	$634,244	$584,644
Environmental Control Board	73,000	68,043
Department of Health	29,000	26,769
Traffic Violations	24,317	20,567
Department of Buildings	21,500	11,250
State Court Fines	8,000	7,085
Taxi and Limousine Commission	5,000	6,500
Department of Consumer Affairs	7,040	5,760
Other Sources	16,929	14,072
Total	$819,030	$744,690

The Parking Violation division of the Department of Finance is forecasted to collect $585 million in parking fines in 2009, $50 million less than 2008. The decrease is due to the incidence of unusually favorable hiring and retention patterns for enforcement agents in 2008 that are not expected to reoccur, and the natural decline in red light camera violations that takes place when continued enforcement changes drivers' behavior.

The Parking Violation division also processes and adjudicates Red Light Camera violations. This program is designed to promote safe, responsible driving by photographing and fining vehicles "running" red lights. To enhance the effectiveness of the Red Camera Light program, the Department of Transportation has 100 red light cameras, over 200 dummy red light cameras and 50 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.

The Environmental Control Board (ECB) adjudicates approximately 645,000 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 $68 million in 2009.

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 surcharges, 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 2009 forecast for miscellaneous revenue is $663 million, $516 million less than in 2008. The difference is attributable to one-time revenue collected in 2008 from Law Department affirmative litigation, prior year Medicaid and State reimbursement and the release of the trapping account associated with tobacco settlement revenue. This decrease is partially offset by the settlement of FICA refund claims in 2009.

Private Grants

The Executive Budget includes $1.006 billion in private grants in 2009, $94 million less than 2008. 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) are reimbursements from the Capital Fund to the General Fund for authorized first-line architectural, engineering, and design costs incurred by the City's own engineering and support staff. These costs also include employee costs for expenses incurred in connection with eligible capital projects for the development of computer software, networks and systems. All IFA costs are assigned to particular capital projects and are valid capital charges under generally accepted accounting principles. In 2009, expected reimbursements will be $458 million.

CAPITAL BUDGET

The Executive Capital Budget and Four-Year Plan, 2009-2012

The 2009 Executive Capital Budget includes new appropriations of $14.3 billion, of which $11.2 billion are to be funded from City sources. These appropriations, together with available balances from prior years, authorize total commitments of $15.4 billion for 2009, of which $12.1 billion will be City-funded. City funds include proceeds from City general obligation bonds as well as bonds issued by the City Municipal Water Finance Authority. By implementing a 20% reduction in the Capital Plan, as indicated in the following table, the targeted level for City-funded commitments is $11.5 billion in 2009. The aggregate agency-by-agency authorized commitments of $12.1 billion exceed the 2009 financial plan by $0.6 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 2009-2012 Capital Plan totals $38.0 billion for the construction and rehabilitation of the City's infrastructure. This will provide funding targeted to building and improving schools, maintaining the drinking water system, improving transportation, modernizing emergency response communications, improving major hospitals, and developing economic growth initiatives.

The Capital Plan provides $11.0 billion for new school construction and expansion, as well as the modernization, rehabilitation and improvements to existing school buildings. The City will invest $462.3 million for the continued reconstruction and rehabilitation of the four East River Bridges and the reconstruction and rehabilitation of 68 other bridge structures. An investment of $843.6 million 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 $252.0 million to modernize and renovate the facilities of the Health and Hospitals Corporation. Projects in design and construction include Harlem Hospital Center, Gouverneur Nursing Facility and Diagnostic and Treatment Center, and Kings County Hospital Behavioral Health Center.

Over $2.6 billion is provided in the Capital Plan for economic development. The City will invest $389.7 million in the redevelopment of Willets Point, another $186.8 million for various improvements at the Brooklyn Navy Yard, approximately $142.1 million for the Coney Island Strategic Plan, and $117.6 million for redevelopment projects in Downtown Brooklyn.

FY 2008 - 2012 Commitment Plan
($ in millions)

	2008		2009		2010		2011		2012	
	City Funds	All Funds	City Funds	All Funds	City Funds	All Funds	City Funds	All Funds	City Funds	All Funds
Environmental Protection										
• Equipment	$197	$207	$395	$590	$134	$134	$62	$62	$91	$91
• Sewers	238	238	170	170	326	326	255	255	333	333
• Water Mains, Sources & Treatment	2,020	2,023	954	960	507	507	1,144	1,144	475	475
• Water Pollution Control	954	958	1,439	1,439	1,048	1,048	803	803	555	555
• Water Supply	19	19	351	351	74	74	227	227	113	113
Subtotal	**$3,428**	**$3,444**	**$3,309**	**$3,510**	**$2,090**	**$2,090**	**$2,492**	**$2,492**	**$1,567**	**$1,567**
Transportation										
• Mass Transit	$106	$162	$97	$105	$90	$90	$75	$75	$69	$69
• Bridges	456	816	1,152	1,552	665	770	187	371	158	168
• Highways	447	525	458	619	485	597	410	452	405	411
Subtotal	**$1,009**	**$1,503**	**$1,707**	**$2,276**	**$1,240**	**$1,457**	**$672**	**$898**	**$632**	**$648**
Education										
• Education	$1,174	$3,253	$1,265	$3,300	$1,241	$2,481	$1,283	$2,565	$1,327	$2,653
• Higher Education	298	310	135	136	24	24	29	41	5	9
Subtotal	**$1,472**	**$3,562**	**$1,401**	**$3,436**	**$1,265**	**$2,505**	**$1,312**	**$2,606**	**$1,331**	**$2,662**
Housing & Economic Development										
• Economic Development	$1,426	$1,713	$697	$763	$108	$108	$189	$189	$114	$114
• Housing	676	838	417	561	404	505	336	437	369	470
Subtotal	**$2,101**	**$2,551**	**$1,114**	**$1,324**	**$512**	**$613**	**$525**	**$626**	**$483**	**$584**
Administration of Justice										
• Correction	$48	$48	$227	$231	$187	$187	$598	$598	$270	$270
• Courts	710	710	357	357	66	66	82	82	10	10
• Police	226	226	1,319	1,319	97	97	75	75	59	59
Subtotal	**$983**	**$983**	**$1,903**	**$1,906**	**$350**	**$350**	**$755**	**$755**	**$338**	**$338**
City Operations & Facilities										
• Cultural Institutions	$451	$476	$738	$763	$22	$22	$110	$110	$25	$25
• Fire	236	273	199	225	70	70	207	207	106	106
• Health & Hospitals	732	732	235	235	145	145	337	337	109	109
• Parks	1,009	1,231	833	875	609	612	258	267	123	123
• Public Buildings	400	401	481	481	161	161	131	131	175	175
• Sanitation	241	247	1,045	1,045	377	377	253	253	134	134
• Technology & Equipment	1,475	1,487	899	899	713	713	196	196	129	129
• Other	731	843	476	617	273	464	187	263	135	170
Subtotal	**$5,275**	**$5,690**	**$4,906**	**$5,138**	**$2,371**	**$2,565**	**$1,679**	**$1,763**	**$936**	**$971**
Subtotal Commitments	**$14,268**	**$17,734**	**$14,340**	**$17,591**	**$7,827**	**$9,580**	**$7,435**	**$9,140**	**$5,288**	**$6,771**
20% Capital Reduction Savings	**$0**	**$0**	**($2,206)**	**($2,206)**	**($1,147)**	**($1,147)**	**($989)**	**($989)**	**($744)**	**($744)**
Total Commitments	**$14,268**	**$17,734**	**$12,134**	**$15,385**	**$6,680**	**$8,433**	**$6,446**	**$8,151**	**$4,544**	**$6,027**
Reserve For Unattained Commitments	**($3,796)**	**($3,796)**	**($662)**	**($662)**	**$549**	**$549**	**$274**	**$274**	**$762**	**$762**
Total Commitment Plan	**$10,472**	**$13,938**	**$11,472**	**$14,723**	**$7,229**	**$8,982**	**$6,720**	**$8,425**	**$5,306**	**$6,789**
Total Expenditures	**$5,823**	**$8,686**	**$7,239**	**$10,294**	**$9,013**	**$10,014**	**$8,501**	**$10,554**	**$7,589**	**$9,565**

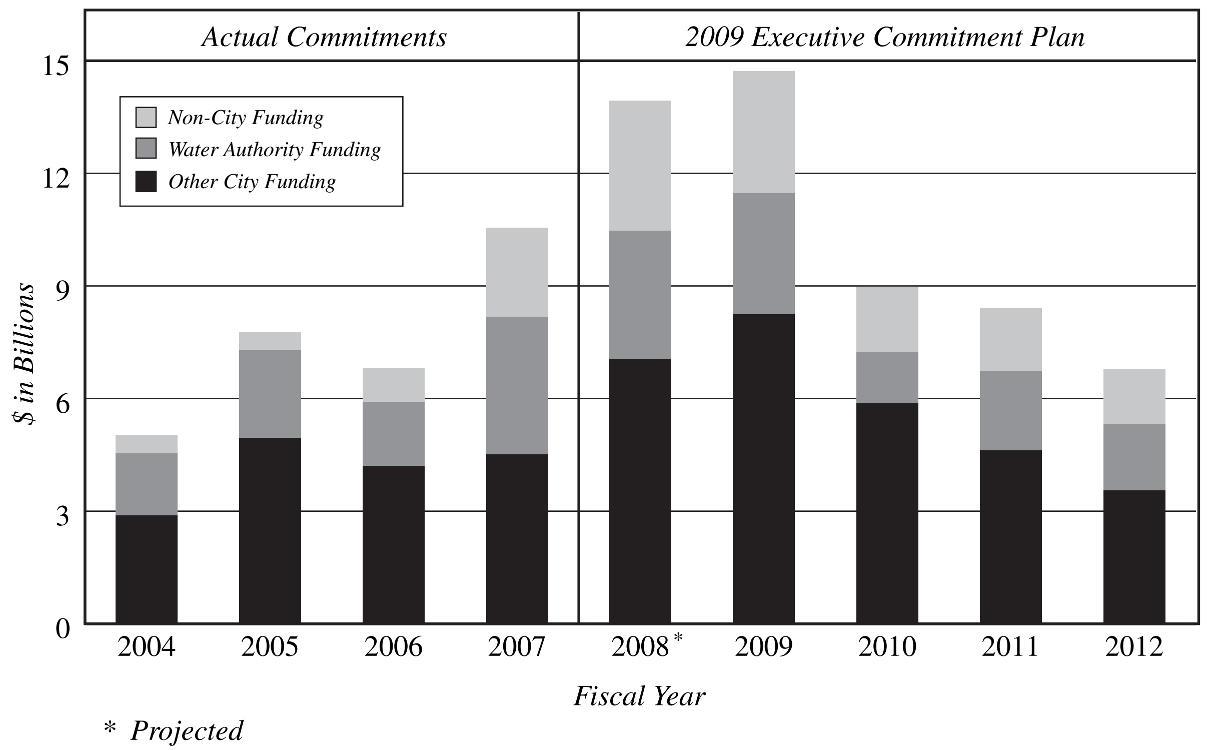
**Note: Individual items may not add to totals due to rounding*

Non-City Funding Sources

Non-City capital funding sources include $3.3 billion in the 2009 plan and $8.2 billion over the 2009-2012 four-year plan period. The majority of non-City funding supports Education, Transportation, Housing, Environmental Protection, and Economic Development programs.

Education programs anticipate receiving $5.9 billion in State funding over the 2009-2012 period. Transportation programs are projected to receive non-City funding of $1.4 billion over the 2009-2012 period, with $1.1 billion from the Federal government, $227.1 million from the State, and private funds of $97.5 million. Housing programs anticipate Federal funding of $507.1 million over the 2009-2012 period. Environmental Protection programs anticipate receiving $201.0 million in non-City funding over the 2009-2012 period, consisting of $198.0 million in State funding and $3.0 million in Federal funds. Economic Development programs are projected to receive $65.4 million over the 2009-2012 period, with $60.1 million from the Federal government and $5.3 million from the State.

FY 2004-2012 CAPITAL COMMITMENTS BY FUNDING SOURCE



The Capital Program since 2004

The table below illustrates the changes in the size of the City's capital program over the 2004-2007 period.

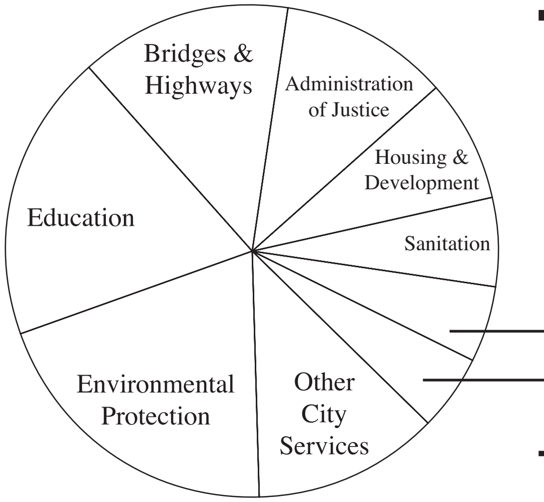
FY 2004 - 2007 Commitments
($ in millions)

	2004		2005		2006		2007	
	City Funds	All Funds	City Funds	All Funds	City Funds	All Funds	City Funds	All Funds
Environmental Protection								
• Equipment	$43	$43	$68	$69	$73	$107	$92	$93
• Sewers	216	216	186	187	191	192	177	177
• Water Mains, Sources & Treatment	480	481	499	498	568	568	2,253	2,253
• Water Pollution Control	877	935	838	839	843	848	1,071	1,102
• Water Supply	39	39	746	746	26	26	64	64
Subtotal	**$1,654**	**$1,713**	**$2,337**	**$2,338**	**$1,702**	**$1,741**	**$3,657**	**$3,690**
Transportation								
• Mass Transit	$80	$80	$180	$180	$83	$83	$43	$43
• Bridges	364	570	94	266	259	281	254	262
• Highways	202	227	224	246	200	215	319	345
Subtotal	**$646**	**$878**	**$498**	**$692**	**$541**	**$578**	**$616**	**$650**
Education								
• Education	$571	$593	$2,188	$2,188	$1,411	$1,990	$1,143	$3,216
• Higher Education	18	19	20	20	39	40	22	22
Subtotal	**$589**	**$612**	**$2,208**	**$2,208**	**$1,449**	**$2,029**	**$1,165**	**$3,238**
Housing & Economic Development								
• Economic Development	$206	$221	$207	$215	$154	$168	$134	$175
• Housing	216	283	275	423	238	356	218	299
Subtotal	**$422**	**$504**	**$481**	**$638**	**$393**	**$524**	**$353**	**$475**
Administration of Justice								
• Correction	$30	$30	$50	$50	$92	$92	$44	$44
• Courts	103	105	129	132	142	142	159	159
• Police	65	65	43	43	76	76	87	87
Subtotal	**$198**	**$200**	**$222**	**$225**	**$310**	**$310**	**$290**	**$290**
City Operations & Facilities								
• Cultural Institutions	$98	$101	$140	$140	$143	$151	$97	$102
• Fire	66	69	93	93	108	121	116	119
• Health & Hospitals	90	90	451	451	307	307	230	230
• Parks	116	143	211	225	262	279	464	476
• Public Buildings	175	176	78	78	108	110	95	95
• Sanitation	140	140	137	137	77	77	189	189
• Technology & Equipment	174	180	297	297	379	410	681	706
• Other	169	228	135	247	133	177	219	286
Subtotal	**$1,029**	**$1,127**	**$1,542**	**$1,668**	**$1,516**	**$1,631**	**$2,090**	**$2,203**
Total Commitments	**$4,539**	**$5,034**	**$7,288**	**$7,769**	**$5,911**	**$6,814**	**$8,171**	**$10,546**
Total Expenditures	**$5,133**	**$5,755**	**$5,274**	**$6,655**	**$6,211**	**$6,595**	**$5,098**	**$7,496**

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

2009 AUTHORIZED CAPITAL COMMITMENTS, BY PROGRAM

($ in Millions - All Funds)



% of Plan	Program	2009 Plan
20%	Environmental Protection	$3,510
19%	Education	3,436
14%	Bridges & Highways	2,488
11%	Administration of Justice	1,913
8%	Housing & Development	1,359
6%	Sanitation	1,045
5%	Technology	899
5%	Parks & Recreation	875
12%	Other City Services	2,066
	Subtotal	$17,591
	20% Capital Reduction Savings	(2,206)
	Total	**$15,385**

2009 Agency Highlights

Technology

- Information and Communication Systems: 911/Emergency Communications Transformation Project (ECTP) facilities, software, and equipment to update and integrate the City's computer aided dispatch capabilities ($276.0 million); Citywide Timekeeping and Workforce Management System (CityTime) ($132.3 million); upgrade of the City's Financial Management System (FMS), including its integration with the Department of Education ($71.2 million); development and implementation of the Citywide Integrated Human Resources System (NYCAPS), including implementation at the Department of Education ($59.2 million); development and implementation of a Citywide Human Services case management system and the implementation of the e311/human services call-taking capacity at the City's 311 Call Center (HHS-Connect/e311) ($30.7 million); upgrades and enhancements to the Coordinated Payment and Adjudication System (NYCServ) ($22.4 million); and continued rollout of the citywide wireless data network and other radio communications projects (NYCWiN) ($20.6 million).

Environmental Protection and Sanitation

- Sewers: reconstruction and augmentation of the City's sewer system ($169.7 million).

- Water Mains, Sources and Treatment: continued construction of the Croton Water Filtration Plant and related facilities ($249.7 million); construction of the New Croton aqueduct ($140.0 million); continued construction of in-City water mains and ancillary work ($100.5 million).

- Wastewater Treatment: continued upgrading portions of the Newtown Creek WPCP ($852.1 million); reactivation of Flushing Tunnel and Gowanus Canal force main ($151.5 million); implementation of initiatives to address water quality problems attributed to combined sewer overflow (CSO) discharges into the City's surrounding waterways during rainstorms ($90.2 million).

- Water Supply: installation of shaft equipment for City Tunnel No. 3 Lower Manhattan Leg Shafts 24B-33B ($240.0 million).

- Equipment: continued remediation of the Brookfield Landfill in Staten Island ($263.1 million); and continued implementation of an Automatic Meter Reading system for the City's water meters ($109.0 million).

- Sanitation: purchase of vehicles and other equipment ($158.2 million); construction and reconstruction of sanitation garages and other facilities, citywide ($428.2 million); and construction of solid waste management facilities ($458.4 million).

Transportation

- Bridges: the continued reconstruction/rehabilitation of the four East River Bridges ($424.5 million); the reconstruction of one bridge structure rated "poor" in addition to the continued reconstruction of other previously rated poor bridges ($190.7 million); and the reconstruction of ten bridge structures rated "fair" ($666.9 million). The total Bridge Program for 2009 is $1.6 billion.

- Highways: the reconstruction and/or resurfacing of 322.7 linear miles (1,071.9 lane miles) of streets ($511.2 million); and the reconstruction of sidewalks and the installation of pedestrian ramps ($65.7 million). The total Highway Program for 2009 is $618.9 million of which $35.5 million is for plaNYC 2030 initiatives, including the resurfacing of a supplemental 100 lane miles (30.3 linear miles) of street and arterial highways, in addition to the 900 lane miles (272.7 linear miles) in the DOT base program.

- Traffic: the modernization and expansion of the City's computerized traffic signal network to improve traffic flow ($99.6 million), the upgrade of the street lighting system ($75.0 million). The total Traffic program for 2009 is $223.6 million including $50.4 million for plaNYC 2030 initiatives, such as Bus Rapid Transit, Intelligent Traffic Systems, Bike Network Development, Bus Initiatives, and Congested Corridors for Growth Areas for the purpose of alleviating congestion by 2030.

- Ferries: the reconstruction and improvement of various ferry vessels ($32.9 million) and facilities ($37.7 million); and general construction work at the ferry maintenance facilities ($7.6 million). The total Ferries Program for 2009 is $78.3 million.

- 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 for New York City Transit, and bus purchases and facilities improvements for the MTA Bus Company. The Transit program for 2009 totals $104.6 million.

Education, Health and Social Sources

- Education: capital improvements that enhance educational programs ($781.0 million); rehabilitate, replace and upgrade building components, athletic fields, and playgrounds ($574.2 million); construct new schools ($801.8 million); modernize school buildings ($20.7 million); cover emergency projects, research and development, and prior plan completion costs ($248.9 million); expand facilities through leases, building additions, and modular classrooms ($758.0 million); and address the need for security systems, emergency lighting, and code compliance ($115.5 million). The total Education program for 2009 is $3.3 billion.

- Higher Education: design and construction of new academic buildings ($76.0 million); renovations and upgrades to existing facilities ($55.4 million); and purchase of computer, laboratory and other equipment ($4.8 million). The total Higher Education program for 2009 is $136.2 million.

- Health: Gouverneur Healthcare Services modernization ($6.5 million); Harlem Hospital Center consolidation and modernization ($53.7 million); Kings County Hospital Center behavioral health services consolidation ($10.3 million); Ambulance purchases ($10.0 million); HHC's ongoing maintenance, code compliance, facility and equipment expansion and upgrades ($43.5 million); design and construction of new Public Health Laboratory ($20.0 million); Information Technology upgrades ($7.5 million); design and construction of new Bronx Mortuary ($7.9 million); and renovation of Richmond and Riverside Health Centers ($27.3 million).

- Aging: rehabilitate senior centers ($2.0 million); and purchase computers for senior centers ($0.7 million).

- Administration for Children's Services: development of a new child care information system (ACCIS) to track and monitor the City's early childhood educational services including child care, Head Start, Universal Pre-K and Out-of-School Time ($6.0 million); continued development of CHILDSTAT ($1.5 million); renovation of the agency central office at 150 William Street in Manhattan and at various field offices throughout the City ($7.1 million); and renovations and upgrades at the Garity Center for Children Day Care Center ($2.0 million).

- Homeless Services: development of the new Client Tracking System, and IT infrastructure at the new Family Intake Center ($11.7 million); renovation, development, and upgrade of adult shelters ($15.8 million); and renovation, development, and upgrade of family shelters ($9.7 million).

- Human Resources: telecommuncations and technology upgrades ($4.7 million); creation of a secondary data warehouse in Long Island City ($2.9 million); and field office renovations ($8.5 million).

Housing and Development

- Housing: development of over 6,000 new rental and homeownership dwelling units through varied scattered site, large-scale, and multifamily initiatives ($211.8 million); provision of low-interest loans to finance the rehabilitation and preservation of over 7,000 units in privately-owned buildings under the Low Income Housing Tax Credit Year 15 Preservation, Article 7A, Article 8A, Participation Loan, Senior Citizens Home Assistance, and other housing preservation programs ($158.5 million); disposition and rehabilitation of approximately 350 *In Rem* dwelling units through various privatization initiatives ($74.8 million); and production and rehabilitation of approximately 800 units for low-income and formerly homeless individuals, including those with special needs, through the Supportive Housing Loan Program ($105.8 million).

- Housing Authority: interior work including upgrades to community centers and elevators ($2.5 million); system work including installation and/or replacement of closed circuit television (CCTV) security systems, instantaneous hot water heaters, boilers and lighting systems ($28.6 million); exterior work including building facades, roofs, front entrances, and exterior lighting ($2.6 million); and miscellaneous upgrades to playgrounds, outdoor recreational and open spaces, and other general ground improvements ($0.9 million).

- Economic Development: Willets Point site acquisition and offsite infrastructure development ($278.1 million); implementation of various elements of the Coney Island Strategic Plan ($95.4 million); 125th Street neighborhood plan in Manhattan ($49.0 million); various development and infrastructure improvement projects at the Brooklyn Navy Yard ($36.9 million); Jamaica Center transportation and economic development projects ($35.5 million); Governors Island redevelopment ($31.5 million); redevelopment of Pier A in Manhattan ($30.0 million); Downtown Brooklyn redevelopment projects ($27.3 million); streetscape development to support commercial growth in Long Island City ($25.2 million); Cruise Ship development in Manhattan and Brooklyn ($15.8 million); public investment to support growth of the Brooklyn Academy of Music ($14.0 million); Staten Island Railroad Arlington Yard and Travis extension ($8.8 million); infrastructural improvements and rehabilitation of the Battery Maritime Building in Manhattan ($8.5 million); and South Brooklyn Marine Terminal (SBMT) marine and upland work ($8.0 million).

Administration of Justice and Public Safety

- Correction: construction of facility additions for permanent capacity replacement projects ($71.0 million); infrastructure and upgrades to security ($149.8 million); technology upgrades ($2.5 million); and replacement of vehicles to transport inmates ($7.3 million).

- Courts: construction commitments related to the new Supreme Court building in Staten Island ($157.0 million), Bronx Civil/Civil Supreme Court building ($16.7 million), Bronx Family/Criminal Court building ($20.0 million), and the Brooklyn Criminal Court building ($7.1 million); facilities interior renovation work ($35.2 million); new chiller plants and boiler replacement work ($22.5 million); electrical upgrade work ($34.4 million); facilities exterior renovation work ($6.0 million); elevator upgrade ($6.8 million); and fire safety work ($3.8 million).

- Police: construction of a new Police Academy ($949.5 million); relocation, maintenance and rehabilitation of facilities citywide ($138.5 million); lifecycle replacement of vehicles including helicopters ($37.2 million); development and implementation of the Property and Evidence Tracking System (PETS) ($23.8 million); construction and development of a new Joint Operations Center ($13.8 million); and construction of the 120th Precinct ($39.9 million) and the 121st Precinct ($33.8 million).

- Fire: replacement of front-line fire-fighting apparatus, support vehicles and equipment ($60.6 million); renovation of firehouse components including boilers, electrical upgrades, kitchens, roofs, bathrooms, waterproofing, apparatus doors, floors and windows ($38.3 million); upgrade and rehabilitation of various buildings at the Fire Academy on Randall's Island ($3.3 million); replacement of the Rescue 2 Firehouse in Brooklyn ($20.0 million); construction of three new EMS Stations, two in the Bronx and one in Brooklyn ($35.5 million); purchase and upgrade of computer equipment to support agency operations ($3.5 million); implementation of the Department's Risk-Based Inspection Solution Roadmap aimed at creating a risk-based inspection scheduling and tracking system through enhanced intra- and inter-departmental information sharing and access and more robust accountability tools ($5.5 million); and the first phase of the new Fire Department Network Operation Center aimed at enhancing the Department's management and monitoring of its critical technology infrastructure ($4.7 million).

Recreation and Culturals

- Parks: planting new street and park trees and the construction of greenstreets citywide ($48.6 million); construction of the new Olmsted Center in Queens ($18.8 million); construction of a new rooftop park and other park improvements in the area of the new Yankee Stadium in the Bronx ($84.7 million); renovation of Corporal Thompson Park in Staten Island ($3.5 million); construction of the new Ferry Point Park in the Bronx ($75.4 million); construction of the Coney Island Center in Brooklyn ($49.5 million); renovation of Washington Square Park in Manhattan ($6.0 million); reconstruction of school playgrounds to make them accessible to the public during non-school hours as part of plaNYC 2030 ($74.7 million); construction of a new park at Fresh Kills in Staten Island, including fields, pathways, viewing areas, and other park features ($22.0 million); construction of the new Brooklyn Bridge Park in Brooklyn ($42.5 million); and construction of Hudson River Park in Manhattan ($20.0 million).

- Public Libraries: construction of a replacement facility for the Elmhurst Community Library in Queens ($22.7 million); construction of a replacement facility for the Far Rockaway community library in Queens ($18.0 million); various improvements and systems upgrades at the Brooklyn Central Library ($13.0 million, added to $2.8 million in 2008); design and construction of a new Kensington Branch Library in Brooklyn ($11.4 million); construction of a new Macomb's Bridge Branch Library in Manhattan ($6.0 million, added to $1.1 million in 2008); renovations and equipment for the Schomburg Center for Research in Black Culture in Manhattan ($5.0 million, added to $2.7 million in 2008); site acquisition and construction of a new branch library at Mariner's Harbor in Staten Island ($4.2 million, added to $2.7 million in 2008); site acquisition and expansion of the Stapleton Branch Library in Staten Island ($3.1

million, added to $4.5 million in 2008); full renovation of the Kingsbridge Branch Library in the Bronx ($2.0 million, added to $5.0 million in 2008); and the partial renovation of the Castle Hill Branch Library in the Bronx ($900,000 added to $480,000 in 2008).

- Department of Cultural Affairs: infrastructure improvements and stair reconstruction at the Metropolitan Museum of Art in Manhattan ($54.9 million, added to $15.8 million in 2008); funding for a new Visitor's Center at the Cherry Esplanade, a Children's Garden entrance and a new Water Garden at the Brooklyn Botanic Garden ($35.2 million); various reconstruction and improvement projects at the Bronx Zoo/Wildlife Conservation Society, including an upgrade to the co-generation facility ($34.1 million, added to $11.6 million in 2008); a new shark exhibit and other improvements at the New York Aquarium/Wildlife Conservation Society in Brooklyn ($33.9 million, added to $40.0 million in 2008); the Master Plan redevelopment projects and related work at Lincoln Center for the Performing Arts in Manhattan ($29.6 million, added to $73.1 million in 2008); various infrastructure improvements at the Brooklyn Academy of Music, including the redevelopment of the Strand Theater ($29.4 million, added to $13.4 million in 2008); renovation of the City Center Theater in Manhattan ($26.5 million, added to $6.5 million in 2008); various enhancement projects at the New York Botanical Garden in the Bronx, including improvements to parking areas and roads ($24.8 million, added to $10.6 million in 2008); various reconstruction projects at the Snug Harbor Cultural Center in Staten Island including the renovation of the Music Hall, implementation of a site-wide circulation plan of pedestrian walkways, and infrastructure and interior upgrades to Buildings F and H ($22.5 million, added to $1.5 million in 2008); expansion of the Queens Museum of Art ($15.4 million, added to $25.6 million in 2008); reconstruction of Buildings A and B for the Staten Island Institute for Arts and Sciences/Staten Island Museum ($15.1 million, added to $1.7 million in 2008); reconstruction of the interior systems in the Great Hall and new lighting for outdoor exhibits at the New York Hall of Science in Queens ($12.6 million, added to $12.9 million in 2008); renovation and expansion of the Museum of the Moving Image in Queens ($12.2 million, added to $24.5 million in 2008); various improvements at the Staten Island Historical Society, including the reconstruction of Tysen Court ($8.9 million); and reconstruction of the Bronx River Art Center ($6.9 million).

Department of Citywide Administrative Services

- Public Buildings: reconstruction of public buildings and City-owned facilities ($137.3 million), including renovations to the Manhattan Municipal Building ($11.8 million), Queens Borough Hall ($5.7 million), Brooklyn Borough Hall ($8.8 million), the Bronx Family Justice Center ($5.0 million), and the St. George Courthouse and Hyatt Street Plaza in Staten Island ($6.0 million); renovation of other city-owned facilities ($99.9 million), including the central administration of select energy efficiency projects citywide ($94.8 million); miscellaneous construction in other facilities and acquisition of real property ($64.3 million), including the Seaview Senior Housing in Staten Island ($12.5 million) and Police Athletic League facilities on the West Side of Manhattan and in the Northeast Bronx ($5.3 million); legal mandates ($36.8 million), including environmental remediation projects ($13.1 million) and reconstruction and replacement of underground petroleum storage tanks ($12.1 million); modernization of the Board of Elections ($93.8 million), including the consolidation and renovation of warehouse and office facilities for the Board of Elections ($43.4 million), as well as the purchase of electronic voting machines as required by the Help America Vote Act (HAVA) ($50.0 million); renovation of leased space ($36.8 million), including the Queens DCAS Storehouse renovations ($12.2 million); equipment and interagency services ($11.6 million), including the purchase of management information systems equipment; and reconstruction of waterfront properties and non-waterfront properties ($2.4 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 2009-2012 Borough Presidents' Allocations*
(City Funded Appropriations $ in thousands)

	2009	2010	2011	2012
Bronx Program				
Children's Services	$1,750	$2,500	—	—
Cultural Affairs	1,525	—	—	—
Education	7,272	—	—	—
Housing	19,755	4,100	—	—
Parks	1,850	—	—	—
GRAND TOTAL: BRONX	$32,152	$6,600	$0	$0
Brooklyn Program				
Economic Development	$10,750	—	—	—
Education	7,412	—	—	—
Housing	7,000	—	—	—
Parks	36,539	—	—	—
GRAND TOTAL: BROOKLYN	$61,701	$0	$0	$0
Manhattan Program				
Cultural Affairs	$500	—	—	—
Higher Education	6,937	—	—	—
Housing	750	—	—	—
Parks	3,600	—	—	—
GRAND TOTAL: MANHATTAN	$11,787	$0	$0	$0
Queens Program				
Cultural Affairs	$7,930	—	—	—
Education	1,450	—	—	—
Higher Education	900	—	—	—
Parks	12,510	—	—	—
Public Buildings	1,800	—	—	—
Queens Borough Public Library	31,250	2,500	—	—
Traffic	246	—	—	—
GRAND TOTAL: QUEENS	$56,086	$2,500	$0	$0
Staten Island Program				
Cultural Affairs	$4,000	—	—	—
Economic Development	1,400	—	—	—
Higher Education	2,290	—	—	—
Housing	400	—	—	—
GRAND TOTAL: STATEN ISLAND	$8,090	$0	$0	$0

** 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, including 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 more than 22 client agencies.

Capital Project Scope Development and Cost Estimation

Some capital projects contain significant risks and uncertainties that can lead to cost escalation. Construction or site complexity, unclear or evolving programmatic requirements, regulatory or legal issues, and conflicting stakeholder objectives are some of the factors which can result in projects exceeding their budgets. In an effort to control cost overruns, capital projects will undergo more intensive scope development and cost estimation prior to being included in the capital plan.

In 2009, $20 million will be allocated to comprehensive scope development and cost estimation by qualified outside architectural, construction management, or engineering firms. Projects will be selected that are determined to contain elements associated with cost overruns. In addition, projects may be selected that can serve as standards for later projects.

Requirements contracts will be developed to allow for the timely selection of pre-qualified firms who will develop scopes and cost estimates. The firms will subcontract for special expertise when required. The completed scopes will be approved by the Office of Management and Budget prior to advancing in the City's Financial Plan.

Capital Asset Inventory and Maintenance Program

The charter requires an annual assessment of the city's major assets including buildings, piers, bulkheads, marinas, bridges, streets and highways, and the preparation of maintenance schedules for these assets. This assessment report (AIMS), based on field surveys by technical professionals, details state-of-good-repair needs and is used by agencies for capital planning purposes. A separate volume, published as a reconciliation, reports on the amounts recommended in the annual condition surveys with amounts funded in 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.

AIMS will be upgraded and expanded to allow for more comprehensive inspections and reporting to improve the City's management of its facilities. An expanded Facility Condition Assessment Program (FCA) will be developed in order to improve the City's ability to prevent the escalation of capital project costs which are a result of deferred capital investment or maintenance. In addition, the upgraded system will improve the ability of agencies to define and prioritize state of good repair funding requirements. By reducing the deferred maintenance backlog, and by maintaining life-cycle replacement requirements, the City will be able to realize cost savings through the reduced downtime and costs associated with emergency repairs and breakdowns.

The project will evaluate the market of facility condition assessment systems providers, software, and inspectional services, and the potential integration of facility assessment systems resident at City agencies in order to develop an acquisition plan and management strategy for the City. This multiyear project will begin by piloting the new system in a small group of agencies prior to citywide implementation. New standardized reports will be developed that will allow for improved management of maintenance needs across the agency's portfolio of assets.

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 an ever-expanding group of projects, widening the scope and depth of project reviews to include Value Analysis (VA) reviews of the City's operational processes and functions to assist agencies in streamlining their procedures to effect increased efficiency and improvements.

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 26 years on mainly large-scale capital projects with a view to managing 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 and the Unit averages approximately 22 value methodology reviews per year. Studies scheduled for upcoming VE reviews include environmental projects, parks, courts, and a Value Analysis review of the revenue management system at city-owned hospitals.

FINANCING PROGRAM

The City's financing program projects $38.7 billion of long-term borrowing for the period 2008 through 2012 to support the City's current capital program. The Mayor has extended the implementation of the 2009-2012 commitment plan by one year which results in a 20 percent reduction in capital commitments in each year of the plan. Correspondingly, debt issuance has been reduced by $2.7 billion during the financial plan. Unless bonding capacity of the New York City Transitional Finance Authority (TFA) is increased, all of this 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). Figures below do not include state funded financing for education capital purposes through the Dormitory Authority of the State of New York (DASNY) and the TFA Building Aid Revenue Bonds (BARBs) which are footnoted and discussed separately:

Financing Program
($ in Millions)

	2008	2009	2010	2011	2012	Total
City General Obligation Bonds	$3,675	$4,800	$6,800	$6,200	$5,400	$26,875
TFA Bonds[1]	0	0	0	0	0	0
Water Authority Bonds[2]	2,484	2,514	2,320	2,305	2,206	11,830
Total	$6,159	$7,314	$9,120	$8,505	$7,606	$38,705

[1] *TFA Bonds do not include BARBs issued for education capital purposes. TFA expects to issue $700 milllion, $2.1 billion, and $600 million of such bonds in fiscal years 2008 through 2010, respectively.*

[2] *Includes commercial paper and revenue bonds issued for the water and sewer system's capital program. Figures do not include bonds that defease commercial paper or refunding bonds.*

The following three tables show statistical information on debt issued and expected to be issued by the financing entities described above, other than BARBs to be issued by the TFA.

Debt Outstanding
($ in Millions at Year End)

	2008	2009	2010	2011	2012
City General Obligation Bonds	$36,416	$39,644	$44,741	$48,907	$52,045
TFA Bonds	12,832	12,674	12,520	11,993	11,403
TSASC Bonds	1,295	1,271	1,244	1,215	1,183
Conduit Debt	1,831	1,750	1,708	1,642	1,574
Total	$52,373	$55,338	$60,212	$63,757	$66,204
Water Authority Bonds[1]	$19,371	$21,677	$23,727	$25,688	$27,531

[1] *Net of economically defeased debt.*

Annual Debt Service Costs
($ in Millions, Before Prepayments)

	2008	2009	2010	2011	2012
City General Obligation Bonds[1]	$5,491	$3,533	$1,862	$4,538	$5,073
TFA Bonds	719	772	763	1,149	1,158
TSASC Bonds	87	90	91	92	93
MAC	10	0	0	0	0
Conduit Debt[2]	219	184	249	251	246
Total Debt Service	$6,526	$4,579	$2,965	$6,030	$6,569
Water Authority Bonds[3]	$956	$1,160	$1,344	$1,547	$1,688

[1] *Includes interest on short-term obligations (RANs). Additional debt service expense of $2 billion has been added to 2008 and is applied to reduce 2010 debt service.*

[2] *Conduit Debt debt service includes interest on the $2 billion Hudson Yards Infrastructure Corporation (HYIC) debt issued in December 2006. Such debt is not included in the Debt Outstanding table above because the City is not required to pay principal of the HYIC debt.*

[3] *Includes First Resolution debt service and Second Resoluiton debt service net of subsidy payments from the NYS Environmental Facilities Corporation. Water Authority Bonds debt service is net of debt service on economically defeased debt.*

Debt Burden

	2008	2009	2010	2011	2012
Total Debt Service (NYC GO, Lease & TFA) as % of:					
a. Total Revenue[1]	10.2%	7.5%	4.7%	9.2%	9.6%
b. Total Taxes[2]	16.3%	12.1%	7.5%	14.5%	15.0%
c. Total NYC Personal Income	1.6%	1.1%	0.7%	1.4%	1.4%
Total Debt Outstanding (NYC GO, Lease & TFA) as % of:					
a. Total NYC Personal Income	12.3%	13.3%	14.1%	14.3%	14.1%

[1] *Total revenue includes amounts required to pay debt service on TFA bonds other than BARBs (PIT Bonds) and operating expenses.*

[2] *Total tax includes amount required to pay debt service on PIT Bonds and TFA operating expenses.*

TFA has exhausted its statutory bonding capacity for general capital purposes of $13.5 billion (excluding refunding bonds, Recovery Bonds to pay costs related to the September 11th terrorist attacks, and BARBs). TFA has been a cost-effective source of financing for the City since its inception. It has been an important source of diversification as a financing vehicle in the marketplace as well. Legislative approval is required to increase TFA's borrowing cap. If the TFA cap is not increased, the City will issue approximately $26.9 billion of GO bonds during the plan period, which will equal 69 percent of the total program. If the TFA cap is lifted, up to half of what otherwise would be issued in the form of GO bonds would be issued by the TFA instead, significantly reducing the City's financing costs. NYW's annual bonding amount, excluding refundings, will average approximately $2.4 billion. The aggregate NYW financing during the plan period will account for approximately 31 percent of the total financing program.

Bond Insurance and Floating Rate Debt

In light of the bond insurance companies' exposure to the domestic subprime mortgage market, credit rating agencies and investors have dramatically altered their views of debt enhanced by bond insurance. Beginning in December 2007, credit rating agencies began placing several bond insurers' ratings on negative outlook. By January 2008, rating agencies started downgrading various bond insurers.

While any market reevaluation of insured fixed rate debt would not impact the interest rate paid on existing insured fixed rate debt, interest costs on insured floating rate debt rose to the extent the insurance was perceived to be less valuable, or even detrimental. Two forms of floating rate debt issued by the City and its related entities were affected: variable rate demand bonds (VRDBs) with bond insurance and auction rate securities (ARS). With both forms of debt, the diminished view of the associated bond insurance caused investors to be less willing to hold the debt. In the case of the City and its related issuers, this was not related to perceptions of the credit of the issuer, but rather the impact on the marketability of the debt.

Interest rates rose due to the limitation on the marketability of the insured floating rate debt. For insured VRDBs, the rate increased in order to induce investors to purchase and hold the debt. For ARS, certain issues had maximum interest rates that were not high enough to induce buyers to purchase the debt in the auction. As a result, existing bondholders were unable to sell their ARS.

The City and its related entities have taken steps to address the impact of bond insurance on various forms of insured floating rate debt. With regard to insured VRDBs, the City has refunded some of this debt and reissued VRDBs without bond insurance. The City is also moving to mitigate the impact of the bond insurance on its VRDBs by amending certain legal documents so that credit events relating to the insurers will not result in investors losing their right to require that the bonds be purchased from them. With regard to ARS, the City has refunded all of its ARS except those with bond insurance that hasn't been downgraded or placed on negative outlook. The remaining City issued ARS are still providing bondholders with liquidity. However, the City will continue to monitor all its floating rate programs. Other City related issuers have also taken steps with regard to their ARS programs.

In spite of the increased interest rates on insured floating rate debt, floating rate debt continues to be a cost-effective financing vehicle. The differential between tax exempt uninsured and insured VRDBs backed by troubled insurers began in mid January. It was as great as 1.7 percent and has averaged 1.2 percent since the onset. However, the rates on VRDBs backed by troubled insurers since the trading differential began averaged 3.2 percent. While that is unattractive relative to uninsured VRDBs averaging 2 percent during the same period, it is quite attractive relative to the fixed rate of 4.9 percent in the current market for 30 year fixed rates. However, the appropriate comparison is to the fixed rates these troubled VRDBs would have carried had they been originally issued as fixed rate debt. The average 30 year rate between 1994 and 2002, the time during which the VRDBs were issued, was 5.8 percent. The interest rate performance on ARS is more complex because the results depend on the definition of maximum interest rate and the bond insurer, which vary among bond issues. However, the average rate borne on ARS issued by the City and its related issuers is 3.9 percent since auctions began to fail in mid February. This rate also compares favorably to fixed rate debt. It is also worth noting that the City's strong underlying credit has been a key factor in maintaining relatively attractive interest rates on variable rate debt backed by troubled insurers.

New York City General Obligation Bonds

In June through July 2007, the City received bond rating upgrades from three credit rating agencies. During the month of June, Standard & Poor's raised the City's credit rating from "AA-" to "AA" and Fitch raised the City's rating from "A+" to "AA-". In July, Moody's upgraded the City from "A1" to "Aa3". In commenting on the upgrades, the rating agencies cited the City's well institutionalized budgetary controls, conservative fiscal management, continued dedication of surplus revenue to manage future budget pressures, and strong economic performance. The City now has stronger credit ratings than many bond insurers.

Since July 1, 2007, the City has issued $4 billion in refunding bonds and $3.4 billion in bonds for capital purposes, totaling approximately $7.4 billion. The dates, principal amounts, and the true interest costs of the tax-exempt, fixed rate portion of these issues are as follows:

NYC GO Issuances
($ in Millions)

Series	New$/ Refunding	Issue Date	Tax Exempt Amount	Taxable Amount	TIC[1]	Total Par Amount
2008AB	R	8/15/07	1,245	0	4.269%*	1,245
2008C	N	10/4/07	800	250	4.526%*	1,050
2008D	N	12/4/07	700	125	4.777%*	825
2008EF	R	12/4/07	350	0	4.199%	350
2008GH	R	1/3/08	605	0	4.355%	605
2008I	N	2/28/08	475	75	4.271%	550
2008JK	R	4/1/08	1,331	425	3.694%*	1,756
2008L	N	4/23/08	950	50	3.653%*	1,000
Total			$6,456	$925		$7,381

[1] *The TIC represents the interest cost for only the fixed rate portions of these transactions*

* *A portion of the Series 2008AB, 2008C, 2008D, 2008JK, and 2008L transactions consists of floating-rate bonds.*

The four refunding transactions the City has completed to date in fiscal year 2008, totaling $4 billion in aggregate principal amount, generated $88 million of debt service savings in 2009 and 2010. The present value savings from the refunding issues were in excess of $131 million. The 2008 Series J & K issue refinanced approximately $1.4 billion of ARS. The savings from moving from ARS rates to much lower VRDB rates without bond insurance are not included in the above figures.

All of the $581 million of taxable fixed rate financing during the current fiscal year has been issued through competitive bidding. The City's taxable bonds are generally amortized in 12 years or less so that the higher cost taxable debt is paid off sooner than the longer-term lower cost tax exempt debt. In the current fiscal year, the City's fixed rate taxable bonds, with maturities ranging between 4 and 12 years, were priced approximately 60 to 160 basis points higher than those of the US Treasury bonds for comparable maturities.

In addition to the financings described above, the City plans to issue GO bonds for capital purposes of $4.8 billion, $6.8 billion, $6.2, and $5.4 billion in 2009 through 2012, respectively, assuming that TFA's statutory bonding cap is not increased.

Currently the debt service (or, in the case of MAC, the funding requirement) for the City and its related financing entities (TFA, TSASC, MAC and conduit debt, excluding the effect of pre-payments) is 10.2 percent of the City's total budgeted revenues in 2008. That ratio is projected to drop to 9.6 percent in 2012. As a percentage of tax revenues, the debt service ratio is 16.3 percent in 2008 and is projected to decrease to 15 percent in 2012. These ratios decline due to $2 billion of additional expense in 2008 which has been applied to reduce 2010 debt service.

While the ratios mentioned above are primarily influenced by the cost of the City's capital program relative to tax and total revenues, the ratios are also affected by the term of the debt financing the capital program. With the overlapping constraints of federal tax law and New York State Local Finance Law, the City's debt has been amortized, on average, up to five years shorter than the life of the assets being financed. This means that earlier generations are more heavily burdened by the cost of the capital program than future generations. Although it might be viewed as prudent to pay off debt sooner rather than later, accelerated debt repayment does not distribute the burden of the costs equitably across generations. The City will continue to balance the goals of spreading the debt burden equally over time and repaying debt as quickly as possible.

During 2008, short-term interest rates relating to the $6.8 billion of floating rate debt (including synthetic floating-rate debt, ARS and VRDBs) issued by the City have been 3.2% percent on average for tax-exempt and 5.1% percent for taxable floating rate debt. As mentioned earlier, these rates have provided attractive financing costs relative to fixed rate debt despite the recent market turmoil. Tax exempt floating rate debt has traded recently at rates that are at least 160 basis points lower than those for the City's fixed-rate debt, resulting in an annual savings of over $108 million. In many years, savings from variable rate debt often have been several multiples of this $108 million amount.

From 2005 through 2008, the City did not require a note issuance to satisfy cash flow needs. The City's financing program assumes the issuance of $2.4 billion annually from 2009 to 2012.

New York City Related Issuers - Floating Rate Debt

In spite of the recent problems with bond insurance and ARS, floating rate debt has been a reliable source of cost savings in City's capital program. In considering the proportion of the City's debt 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 bonds but also TFA, TSASC bonds and conduit debt. The City and its related entities have over $10.3 billion of VRDBs and ARS currently outstanding. The TFA VRDBs are supported by liquidity facilities while the City's floating rate general obligation and lease appropriation bonds are supported by credit enhancement facilities and liquidity facilities. Given the recent upgrade of the City credit, the City has issued VRDBs without credit enhancement. All ARS sold by the City or its related entities carry bond insurance for credit enhancement.

Swaps

The City has entered into various interest rate exchange agreements (swaps and swaptions) since 2002, taking on some risks similar to those of variable rate bonds. The City also bears the economic responsibility for certain swaps entered into through DASNY and the New York City Industrial Development Agency. The total notional amount of swaps outstanding as of April 2008 was $3 billion, on which the termination value was negative $93 million. This is the theoretical amount which the City would pay if all of the swaps terminated under market conditions as of March 31, 2008. However, most of the swaps entered into by the City have sufficient liquidity such that there should be relatively little cost to enter into replacement swaps.

The following table shows the City's and its related issuers' floating rate exposure. Floating rate exposure is of note because certain events can cause unexpected increased costs. Those events include rising interest rates, a change in the tax code (in the case of tax-exempt debt), and the deterioration of the City's credit. By contrast, the cost of outstanding fixed rate debt does not increase if any of the previously mentioned events takes place. On the other hand, fixed rate borrowing locks in a higher borrowing cost if interest rates do not change materially or if they decline. Overall, floating rate exposure benefits the City because it reduces the cost of financing. In short, interest costs on short term debt are almost always lower than long term debt. The City has assumed floating rate exposure using a variety of instruments, including tax exempt floating rate debt, taxable floating rate debt, synthetic floating rate debt through total return swaps, basis swaps, and certain types of synthetic fixed rate debt. The basis swaps and certain synthetic fixed rate debt provide exposure to changes in the tax code but are largely insensitive to changes in interest rates and changes in the City's credit. Given that those instruments provide only limited floating rate exposure, they are counted as variable rate exposure at less than the full amount of par or notional amount. Instruments that provide exposure only to changes in the tax code are counted at 25 percent of par or notional amount in the table below. Since an agreement to enter into a swap in the future, at the counterparty's option (a "swaption"), is a contingent liability, the swaptions which the City has entered into are not counted as floating rate exposure.

NYC Floating-Rate Exposure[1]
($ in Millions)

	GO	TFA	Lease	TSASC	Total
VRDB & Auction Rate Bonds	$5,858	$2,753	$553	$0	9,163
Synthetic Fixed	216	0	31	0	247
Taxable Basis Swap	161	0		0	161
Total Return Swap	500	0	74	0	574
Enhanced Basis Swap	125	0		0	125
Total Floating-Rate	$6,859	$2,753	$659	$0	$10,271
Total Debt Outstanding	$36,474	$12,832	$1,831	$1,295	$52,431

% of Floating-Rate / Total Debt Outstanding	19.6%
Total Floating-Rate Less $3 Billion Average Balance in General Fund (Floating-Rate Assets)	7,251
% of Net Floating Rate / Total Debt Outstanding	13.8%

[1] *Debt Outstanding as of the 2009 Executive Budget*

The 19.6 percent floating rate exposure, including the risk from the synthetic fixed rate swaps, the basis swaps, and the "total return" swaps, is even more manageable after taking into account the average $3 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 13.8 percent of its outstanding debt (the City's cash balance as of December 2007 was $6.7 billion). Moreover, the City uses conservative assumptions in budgeting expenses from floating rate instruments.

The events of the past few months dramatically illustrate the value of floating rate exposure. Despite the deteriorating financial condition of credit providers on City and its related entities' floating rate debt, this debt still provided interest costs below comparable fixed rate debt. Had the City and its related entities not had floating rate debt, it would have avoided the managerial challenges in dealing with the insured VRDBs and ARS. However, the City and its related entities would have paid more on fixed rate debt. Also, following the City's general approach of diversification, only 43% of GO floating rate debt was insured.

The New York City Municipal Water Finance Authority

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 $33.8 billion in General (First) and Second General (Second) Resolution bonds and subordinated special resolution crossover refunding bonds. Of this aggregate bond par amount, $18.3 billion is outstanding, $11.8 billion was refinanced with lower cost debt, $752 million was defeased with revenues prior to maturity, and $2.9 billion was retired with Authority revenues as it matured.

In addition to this long-term debt, NYW uses a Second Resolution $800 million tax-exempt commercial paper program as a source of flexible short-term financing. This program is comprised of $200 million of unenhanced extendable municipal commercial paper notes and $600 million of commercial paper notes backed by three lines of credit.

NYW Ratings

Resolution	Fitch	Moody's	Standards and Poor's
First Resolution	AA	Aa2	AA+
Second Resolution	AA	Aa3	AA

NYW participates in the State Revolving Fund (SRF) program that is administered by the New York State Environmental Facilities Corporation (EFC). The SRF provides a benefit to NYW in the form of lowered borrowing costs for NYW debt issued to EFC through the investment of Federal and matching state funds.

EFC Ratings

Resolution	Fitch	Moody's	Standards and Poor's
Senior SRF Bonds	AAA	Aaa	AAA
Subordinated SRF Bonds	AA+	Aa1	AA

On September 17, 2007, the Authority effected a conversion and reoffering of four series of bonds in the amount of $683.7 million from variable rate demand obligations to auction rate bonds.

On October 10, 2007, NYW closed its first new money offering in FY 2008. It issued $400 million of Second Resolution bonds. The bonds have been structured as one term bond and three bullet maturities.

On October 24, 2007, NYW issued $753.2 million of tax exempt bonds, which consisted of $401 million of new money variable rate demand bonds and $352.2 million of auction rate securities. The auction rate securities refunded Series 1998 A and C bonds to achieve a present value savings of $10 million.

On December 11, 2007, NYW issued $446.2 million of First Resolution new money bonds. The transaction was structured as a single term bond maturing in 2038.

As described in greater detail in the Bond Insurance and Floating Rate Debt section, in December 2007, constrained liquidity in the auction rate debt market, precipitated by the reevaluation of the creditworthiness of financial guarantors, led to a substantial rise in interest rates in this segment of the market. On March 19, 2008, after close monitoring of auction rate market developments, NYW initiated a refunding of auction rate bonds by issuing $535 million variable rate demand bonds and $144.9 million fixed rate bonds. These bonds refunded $683.7 million of FGIC-insured auction rate bonds referenced above. Both series of the refunding bonds were issued under First Resolution. The variable rate demand bonds consisted of four subseries, two of which were in the daily and two in the weekly reset modes.

The six bond series that have been closed to date in Fiscal Year 2008 are summarized in the following table. The proceeds of new money bonds were used to refinance commercial paper previously issued by NYW and to pay the costs of issuance. First Resolution bond proceeds were also used to fund a portion of the Debt Service Reserve Fund.

NYW Issuance

Series	(N)ew Money /(R)ef.	Issue Date	Par Amount	True Interest Cost (TIC)	Longest Maturity
2008 Series AA	N	10/10/07	$400,000,000	4.71%	2039
2008 Series BB	N	10/24/07	$401,000,000	2.49%*	2036
2008 Series CC	R	10/24/07	$352,200,000	4.02%*	2022
2008 Series A	N	12/11/07	$446,245,000	4.77%	2038
2008 Series B	R	3/19/08	$535,000,000	1.52%*	2025
2008 Series C	R	3/19/08	$144,945,000	4.54%	2021

* Bonds issued as variable rate, rates shown are averages through April 24th, 2008.

NYW is a party to four interest rate exchange agreements (swaps) with a total notional amount of $621 million:

- NYW entered into a swap with Morgan Stanley Capital Services, Inc. on July 9, 2002 in conjunction with its sale of $20 million of Muni-CPI bonds, which pay the holder a floating rate tied to the consumer price index. Under the swap, NYW receives a payment matching the rate paid on the bonds and pays a fixed interest rate of 4.15 percent, which was 11 basis points lower than conventional fixed rate debt at the time of issuance. As of March 31, 2008, the mark-to-market value of the swap was $166,234.

- On December 23, 2003, NYW entered into a $200 million synthetic variable rate swap with BNP Paribas. According to the terms of this agreement, NYW receives a fixed interest rate of 3.567 percent in exchange for paying a floating rate based on the SIFMA Municipal Swap Index. As of March 31, 2008, the mark-to-market value of the swap was $8,002,509.

- The Authority executed two Interest Rate Exchange Agreements in conjunction with its sale of $401 million of Adjustable Rate Fiscal 2008 Series BB Second Resolution Bonds effective on October 24, 2007. Under these agreements, the Authority pays a fixed interest rate of 3.439% in exchange for a floating rate based on 67% of one-month LIBOR on the combined notional amount of $401 million. The fixed interest rate of 3.439% was the lowest rate offered in a competitive bid process among four firms. Goldman Sachs Mitsui Marine Derivative Products (GSMMDP) was awarded 60% (or $240.6 million notional amount) of the swap and Bank of America was awarded 40% (or $160.4 million notional amount) of the swap. As of March 31, 2008, the mark-to-market value of the swap with GSMMDP was a negative $15,805,932 and the mark-to-market value of the swap with Bank of America was a negative $10,537,288. Mark-to-market values represent theoretical termination costs and fluctuate with market conditions. Such costs would only be incurred if the contracts were terminated.

NYW expects to issue approximately $1.2 billion of new money bonds over the remainder of Fiscal 2008. These bonds consist of bonds issued to EFC as well as bonds sold directly to the public.

During the period from 2009 to 2012, NYW expects to sell an average of approximately $2.3 billion of new money debt per year. Of this amount, NYW plans to issue a minimum of $300 million per year through EFC, taking advantage of the interest rate subsidy available for qualifying projects, and minimizing the overall costs of its financing program. Approximately 20 percent of new debt per year is expected to be issued as floating rate debt and 80 percent as fixed rate debt.

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. Subsequently, the TFA received an additional $4 billion of bonding capacity in 2000 and an additional $2 billion of bonding capacity in 2007, increasing its overall authorization to $13.5 billion.

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 Recovery 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).

TFA has $222 million of ARS still outstanding. The associated bond insurance remains at "AAA" with stable outlook. There have been no failed auctions. The average rate on TFA ARS has been 4.2 percent since the auction market began to fail. This compares unfavorably to TFA VRDBs averaging 2.1 percent over a comparable time period but favorably to fixed rates of 4.9 percent in the current market.

Hudson Yards Infrastructure Corporation

In December 2006, HYIC, a not-for-profit local development corporation, issued its first series of bonds in the principal amount of $2 billion. HYIC was established to provide financing for infrastructure improvements to facilitate economic development on Manhattan's far west side. Improvements include the extension of the No. 7 subway line west and south, construction of a system of parks, streets, and open spaces, as well as the acquisition of development rights over the MTA rail yards. Principal on the HYIC bonds will be repaid from revenues generated by this new development, notably payments-in-lieu-of-property taxes on the commercial development and various developer payments. To the extent these revenues are not sufficient to cover interest payments, the City has agreed to make interest support payments to HYIC subject to appropriation. Since the initial issuance of HYIC bonds, the City has not needed to make interest support payments because revenues and earnings on bond proceeds have been sufficient to cover interest payments. In addition, HYIC expects a second and final issuance of $1 billion of senior bonds in 2011. In November 2007, the board of the MTA approved the initial tunneling contract for the No. 7 line extension for a cost of $1.14 billion.

On March 26, 2008 the MTA selected Tishman Speyer to develop a 12 million square foot mixed-use project over the Eastern and Western sections of the MTA's West Side Rail Yard, including the construction of platforms over both Rail Yards. MTA estimated the present value of the lease payments to be made to the MTA to be $1 billion. In addition, Tishman Speyer will pay PILOT to HYIC.

Analysis of Agency Budgets

The following table reflects the allocation of pension and fringe benefit costs, debt service costs, legal 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 2009
($ in Millions)

	Personal Service Costs				Other than Personal Service Costs								
Agency	Salaries & Wages	Fringe Benefits	Pensions	PS Subtotal	Agency OTPS	PA, MA & Other Mandates	Legal Services	Judgments & Claims	Debt Service	OTPS Subtotal	Gross Total (Including Intra-City)	Net Total (Excluding Intra-City)	City Funds Total
Uniform Agencies													
Police Department	$3,573	$1,406	$1,987	$6,966	$280	$—	$41	$134	$67	$522	$7,488	$7,276	$7,158
Fire Department	1,367	506	892	2,765	136	—	6	28	76	246	3,011	3,001	2,803
Department of Correction	841	324	259	1,424	120	—	10	19	149	298	1,722	1,721	1,669
Department of Sanitation	718	307	202	1,227	549	—	6	32	195	782	2,009	2,007	1,968
Subtotal	**$6,499**	**$2,543**	**$3,340**	**$12,382**	**$1,085**	**$—**	**$63**	**$213**	**$487**	**$1,848**	**$14,230**	**$14,005**	**$13,598**
Health and Welfare													
Administration for Children's Services	$401	$118	$51	$570	$2,304	$—	$4	$2	$—	$2,310	$2,880	$2,864	$912
Department of Social Services	691	276	108	1,075	1,023	6,779	4	7	59	7,872	8,947	8,945	6,808
Department of Homeless Services	119	38	15	172	634	—	1	—	—	635	807	720	352
Department of Health and Mental Hygiene	386	108	45	539	1,191	—	1	4	27	1,223	1,762	1,758	787
Health and Hospitals Corporation [1]	—	23	—	23	174	—	5	190	146	515	538	465	243
Subtotal	**$1,597**	**$563**	**$219**	**$2,379**	**$5,326**	**$6,779**	**$15**	**$203**	**$232**	**$12,555**	**$14,934**	**$14,752**	**$9,102**
Education													
Department of Education	$9,696	$2,773	$2,226	$14,695	$5,226	$—	$17	$39	$857	$6,139	$20,834	$20,699	$10,368
City University	355	82	43	480	192	—	1	1	49	243	723	710	496
Subtotal	**$10,051**	**$2,855**	**$2,269**	**$15,175**	**$5,418**	**$—**	**$18**	**$40**	**$906**	**$6,382**	**$21,557**	**$21,409**	**$10,864**
Other Agencies	$2,083	$673	$294	$3,050	$4,025	$—	$73	$230	$1,689	$6,017	$9,067	$8,118	$6,584
Elected Officials	413	106	57	576	89	—	8	2	—	99	675	672	630
Miscellaneous Budget	1,003	—	—	1,003	—	1,439 [2]	—	—	285	1,724	2,727	2,727	2,575
Debt Service Costs (Unallocated)	—	—	—	—	—	—	—	—	118	118	118	118	84
Re-estimate of Prior Years' Expenses	—	—	—	—	—	—	—	—	—	—	—	—	—-
Total [3]	**$21,646**	**$6,740**	**$6,179**	**$34,565**	**$15,943**	**$8,218**	**$177**	**$688**	**$3,717**	**$28,743**	**$63,308**	**$61,801**	**$43,437**
City Funds	**$12,346**	**$5,803**	**$6,007**	**$24,156**	**$7,832**	**$7,205**	**$171**	**$498**	**$3,575**	**$19,281**	**$43,437**		
Less: Prepayments	$—	$400	$—	$400	$225	$275	$—	$—	$1,754	$2,254	$2,654	$2,654	$2,654
Total After Prepayments	$21,646	$6,340	$6,179	$34,165	$15,718	$7,943	$177	$688	$1,963	$26,489	$60,654	$59,147	$40,783

(1) Only reflects funding appropriated in the City's Budget.

(2) Includes subsidies to the MTA, General Reserve, Indigent Defense Services and Other Contractual Services.

(3) Excludes the impact of prepayments.

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 elementary, junior high, intermediate, and high schools as well as 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 1,400 schools.

Financial Review

The Department of Education's 2009 operating budget is $17,596.4 million, an increase of $797.2 million over the 2008 forecast of $16,799.3 million. In addition, education-related pension and debt service costs of $3,456.9 million are budgeted in separate agencies. These additional costs include a pension increase of $207.3 million from 2008 and a debt service decrease of $397.0 million. City funds including pensions and debt service support $10,491.7 million of the Department of Education's expense budget in 2009, an increase of $43.1 million, or 0.4 percent. State funds support $8,732.4 million, an increase of $618.5 million. The balance of the education budget is supported by $1,765.8 million in Federal aid (a decrease of $17.7 million from the 2008 forecast), $12.0 million in intra-city funds and $51.4 million in other categorical funds. Including those funds budgeted centrally, total funds budgeted on behalf of the Department of Education increase from $20,445.9 million in the 2008 forecast to $21,053.4 million in the 2009 Executive Budget.

Total Department of Education Expenses
2002-2009
($ in Millions)

	2002	2003	2004	2005	2006	2007	Forecast 2008	Executive Budget 2009	Change 2008 to 2009	Change 2002 to 2009
Department Of Education										
Operating Budget										
City	$4,785	$5,103	$5,464	$5,605	$6,306	$6,780	$7,013	$7,256	$243	$2,472
Other Categorical	51	107	88	84	62	72	86	51	($35)	$0
State	5,648	5,864	5,809	6,238	6,715	7,179	7,903	8,511	$608	$2,863
Federal	1,393	1,697	1,781	1,930	1,862	1,841	1,784	1,766	($18)	$372
Intra-City	6	9	7	14	14	13	14	12	($2)	$6
Total Operating Expenditures	**$11,883**	**$12,780**	**$13,149**	**$13,871**	**$14,959**	**$15,885**	**$16,799**	**$17,596**	**$797**	**$5,713**
Other City Funds Supporting Education										
Pensions	$452	$572	$848	$1,163	$1,245	$1,573	$1,894	$2,102	$207	$1,650
State Aid for Pensions	0	0	0	0	0	0	0	0	$0	$0
G.O. Bond Debt Service	473	383	518	595	796	891	1,272	857	($415)	$384
State Aid for Debt Service	(3)	(3)	(3)	(3)	(3)	(3)	(3)	(3)	$0	$0
TFA Debt Service	144	161	215	227	260	304	480	498	$18	$354
State Aid for TFA Debt Service	0	0	0	0	0	(62)	(208)	(219)	($11)	($219)
Total Additional City Funds	**$1,066**	**$1,113**	**$1,578**	**$1,982**	**$2,298**	**$2,704**	**$3,436**	**$3,235**	**($200)**	**$2,170**
TOTAL CITY FUNDS FOR EDUCATION	**$5,850**	**$6,216**	**$7,043**	**$7,599**	**$8,611**	**$9,484**	**$10,449**	**$10,492**	**$43**	**$4,641**
TOTAL STATE FUNDS FOR EDUCATION	**$5,651**	**$5,867**	**$5,812**	**$6,241**	**$6,716**	**$7,243**	**$8,114**	**$8,732**	**$618**	**$3,081**

The amounts shown for 2002 through 2007 represent actual expenditures including pensions and debt service funds budgeted in other agencies. The 2008 amounts represent the latest forecast as per the 2009 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

The Department provides a wide array of services to students that support the teaching and learning that occurs in the classroom. Students must be transported to a school facility that is safe, clean and well maintained and provided with at least one meal during the day. Students with special needs must be accommodated in appropriate vehicles, provided with speech and physical therapy and in some cases educated in special private "contract" schools. These services are centrally managed and centrally funded within the Department. Charter schools are also centrally funded.

The cost of classroom services, such as teacher salaries, rises each year. The costs for support services such as transportation, school facilities, school safety, energy, and special education contract schools also rise each year. While the State and the City share costs in some of these areas, the State's general unrestricted operating aid used to allow the City the flexibility to use state aid where it was most needed. The new Foundation Aid is less flexible, limiting State assistance for these essential support services. As a result, the remaining funding available for school distribution is limited. The actual distribution among different schools is also heavily dictated by spending requirements mandated by the State causing substantial differences in funding for individual schools.

The Department will be working with each school principal to assure as minimal an impact as possible on the educational services provided through the individual school allocations

Providing Core Services

- an additional $22.6 million for school food due to rising prices.
- an additional $70.2 million for projected increases in enrollment and opening of new charter schools.
- an additional $8.2 million for the increased cost of instruction of school-age special education students mandated to attend private facilities.

The $7,256.4 million City funds budget for 2009 provides the Department of Education with $243.4 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 decline 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.

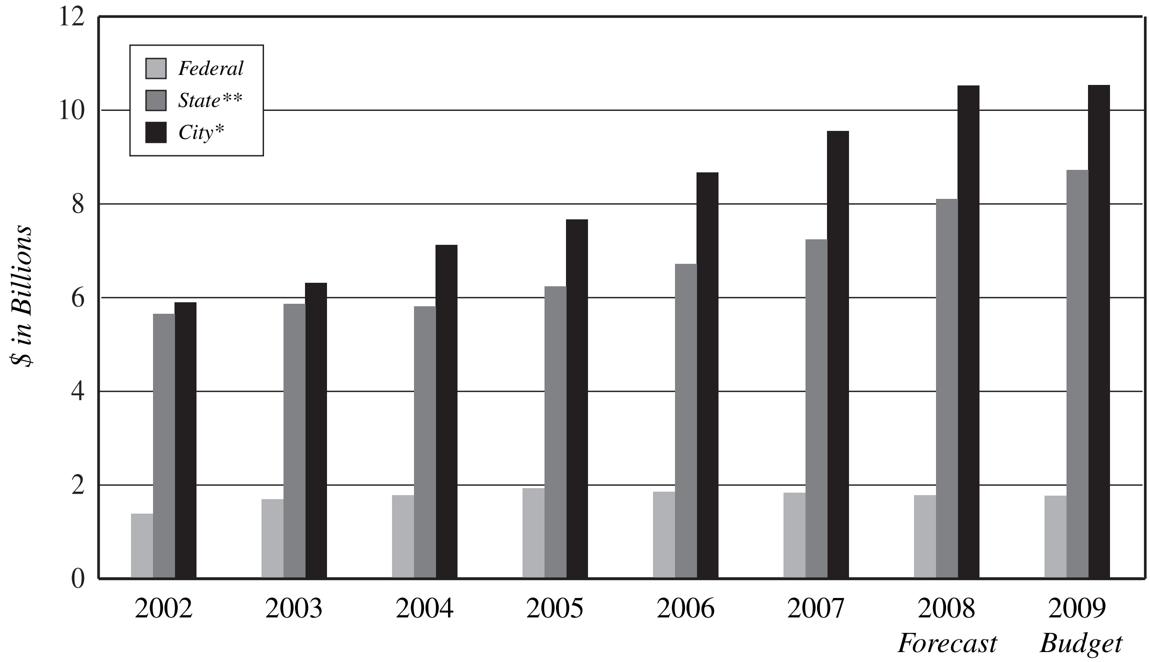
Summary of Agency Financial Data

The following table compares the 2009 Executive Budget with the 2009 Preliminary Budget, the 2008 forecast and actual expenditures for 2007, including costs budgeted centrally for fringe benefits, pensions, judgments and claims, legal services and debt service.

Summary of Agency Financial Data
($ in 000's)

	2007 Actual	2008 Forecast	2009 Preliminary Budget	2009 Executive Budget	Increase/(Decrease) 2008 Forecast	Increase/(Decrease) 2009 Preliminary Budget
Expenditures						
Salary and Wages	$8,913,327	$9,216,903	$9,997,237	$9,696,331	$479,428	($300,906)
Fringe Benefits	2,346,833	2,543,653	2,678,809	2,674,102	130,449	(4,707)
OTPS	4,624,240	5,038,703	5,136,149	5,226,006	187,303	89,857
Total	$15,884,400	$16,799,259	$17,812,195	$17,596,439	$797,180	($215,756)
Funding						
City	$6,779,894	$7,012,974	$7,174,757	$7,256,371	$243,397	$81,614
Other Categorical Grants	72,417	86,067	48,434	51,434	(34,633)	3,000
IFA	—	—	—	—	—	—
State	7,178,540	7,902,997	8,677,008	8,510,829	607,832	(166,179)
Federal CD	12,500	5,000	5,000	5,000	—	—
Federal Other	1,828,471	1,778,531	1,897,902	1,760,822	(17,709)	(137,080)
Intra-City Other	12,578	13,690	9,094	11,983	(1,707)	2,889
Total	$15,884,400	$16,799,259	$17,812,195	$17,596,439	$797,180	($215,756)
Additional Costs Centrally Funded						
Personal Services (PS)						
Fringe Benefits	$522,402	$90,529	$18,603	$99,231	$8,702	$80,628
Pensions	1,697,668	2,018,534	2,244,848	2,225,853	207,319	(18,995)
Other Than Personal Service (OTPS)						
Legal Services	14,332	17,490	15,788	17,434	(56)	1,646
Judgments and Claims	41,086	70,470	39,000	39,000	(31,470)	—
Debt Service	891,299	1,271,882	820,789	857,056	(414,826)	36,267
Total Additional Costs	$3,166,787	$3,468,905	$3,139,028	$3,238,574	($230,331)	$99,546
Funding						
City	3,039,593	3,341,637	3,012,006	3,111,444	(230,193)	99,438
Non-City	2,929	3,003	2,757	2,865	(138)	108
Intra-City Pensions	124,265	124,265	124,265	124,265	—	—
Full Agency Costs (including Central Accounts)						
Salary and Wages	$8,913,327	$9,216,903	$9,997,237	$9,696,331	$479,428	($300,906)
Fringe Benefits	2,869,235	2,634,182	2,697,412	2,773,333	139,151	75,921
Pensions	1,697,668	2,018,534	2,244,848	2,225,853	207,319	(18,995)
Total PS	$13,480,230	$13,869,619	$14,939,497	$14,695,517	$825,898	($243,980)
OTPS	$4,624,240	$5,038,703	$5,136,149	$5,226,006	$187,303	$89,857
Legal Services	14,332	17,490	15,788	17,434	(56)	1,646
Judgments and Claims	41,086	70,470	39,000	39,000	(31,470)	—
Debt Service	891,299	1,271,882	820,789	857,056	(414,826)	36,267
Total OTPS	$5,570,957	$6,398,545	$6,011,726	$6,139,496	($259,049)	$127,770
Total Agency Costs	$19,051,187	$20,268,164	$20,951,223	$20,835,013	$566,849	($116,210)
Less Intra-City	$12,578	$13,690	$9,094	$11,983	($1,707)	$2,889
Intra-City Pensions	124,265	124,265	124,265	124,265	—	—
Net Agency Cost	$18,914,344	$20,130,209	$20,817,864	$20,698,765	$568,556	($119,099)
Funding						
City	9,819,487	10,354,611	10,186,763	10,367,815	13,204	181,052
Non-City	9,094,857	9,775,598	10,631,101	10,330,950	555,352	(300,151)
Personnel (includes FTEs at fiscal year-end)						
City	116,240	120,576	118,350	120,219	(357)	1,869
Non-City	21,438	19,360	21,354	19,371	11	(1,983)
Total	137,678	139,936	139,704	139,590	(346)	(114)

FUNDING SOURCES 2002-2009



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

New York City Public School Enrollment

School Year 2005-2009

	2005 Actual	2006 Actual	2007 Actual	2008 Actual	2009 Projection
DOE Facilities Enrollment					
General Education*	928,809	906,517	889,217	874,993	854,898
Special Education**	82,162	86,050	89,762	95,811	101,096
Pre-Kindergarten	29,870	29,612	21,031	22,351	22,351
Subtotal	1,040,841	1,022,179	1,000,010	993,155	978,345
Non-DOE Facilities Enrollment					
Charter Schools	7,821	11,187	15,576	18,085	23,577
Contract Schools	7,137	6,960	7,679	7,649	7,839
Pre-Kindergarten at CBOs	15,963	15,722	27,396	32,610	32,610
Special Ed Pre-Kindergarten	20,895	22,824	29,309	30,332	31,806
Subtotal	51,816	56,693	79,960	88,676	95,832
TOTAL	1,092,657	1,078,872	1,079,970	1,081,831	1,074,177

* General Education enrollment includes General Education students served in CTT settings as well as those in regular classrooms.

** Special Education enrollment includes Community School District and High School Special Education students in self - contained classrooms, Citywide, Home and Hospital Instruction, and Special Education students served in CTT settings.

Programmatic Review

The Student Population

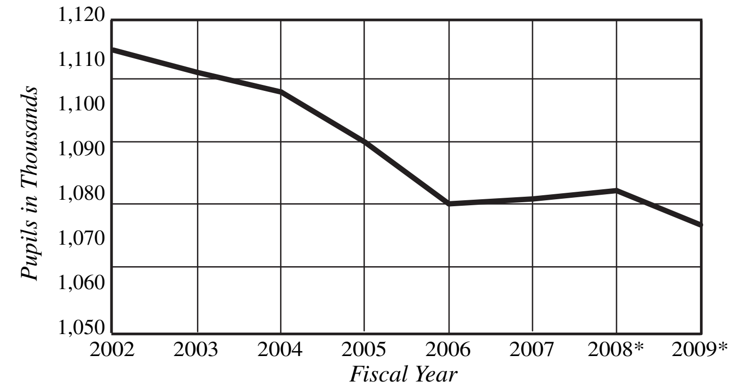
Total enrollment supported by the Department's budget, including pre-kindergarten, charter school and contract school students, will decrease 7,654 from 1,081,831 in 2008 to a projected 1,074,177 in 2009. In the coming fiscal year, the City projects that general education public school enrollment for kindergarten through twelfth grade will be 878,475, or 14,603 less than in 2008. Of these students, 854,898 are expected to attend schools run by the Department of Education, and 23,577 are expected to attend charter schools. Pre-Kindergarten enrollment is expected to be 54,961. Of these students, 22,351 are expected to attend Department of Education schools, and 32,610 are expected to attend programs run by community-based organizations.

In 2009, the City projects that 108,935 school-age students will be enrolled in full-time special education programs. This projected enrollment level is 5,475 students higher than the 2008 full-time special education population of 103,460. Of these students, 101,096 are expected to attend Department of Education facilities, and 7,839 are expected to attend specialized private facilities ("contract schools") paid for through the Department's budget. The City's total special education population also includes approximately 32,000 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

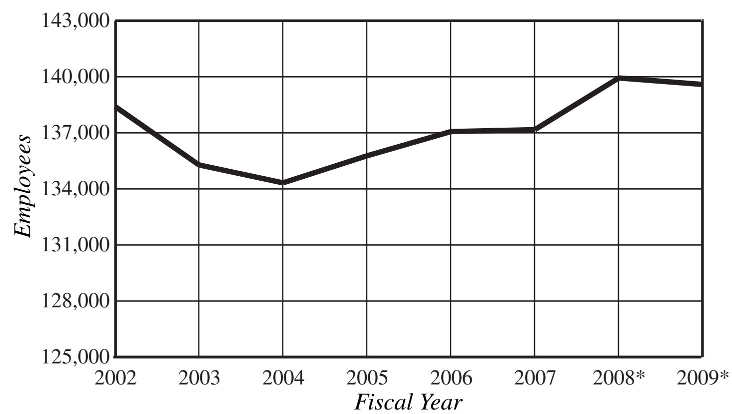
In 2009 the City projects that the Department's staffing level will be 139,590. Of this count, 122,620 are full-time and 16,970 are Full Time Equivalents (FTEs). Pedagogical employees (which include teachers, superintendents,

NYC PUBLIC SCHOOL ENROLLMENT 2002-2009



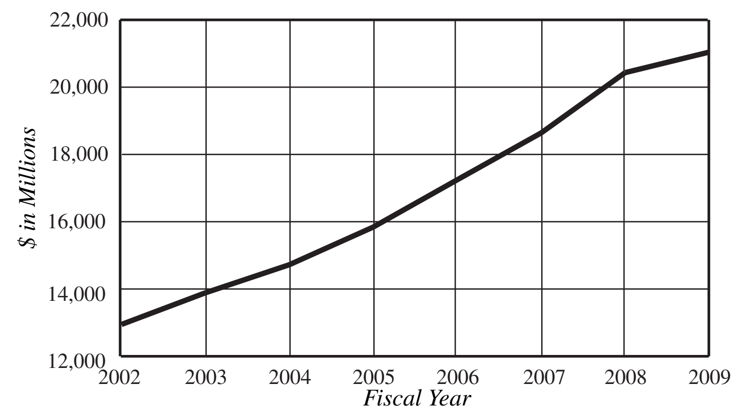
Includes Charter Schools, Special Ed Pre-K, Pre-K, Contract schools and CTT. Excludes LTA's.
** Projected as of FY09 Executive Budget*

FULL TIME AND FULL TIME EQUIVALENT DEPARTMENT OF EDUCATION EMPLOYEES 2002-2009



** Projected as of FY09 Executive Budget*

TOTAL DEPARTMENT OF EDUCATION EXPENDITURES 2002-2009*



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

principals, assistant principals, guidance counselors, school secretaries, educational paraprofessionals and other school support staff) make up 112,786 of the full-time employees and 1,317 of the FTEs. Non-pedagogical employees represent 9,834 of the full-time employees and 15,653 of FTEs. Of the full-time pedagogical employees, approximately 79,500 are teachers.

Capital Review

The City's Four-Year Plan for 2009-2012 anticipates spending $11 billion on school construction projects and is consistent with the last year of the Department of Education's (DOE's) $13.1 billion Five-Year Plan for 2005-2009. In its 2007 budget the State of New York agreed to provide its 50 percent share of this $13.1 billion plan. The City will now receive $1.8 billion in State aid and an additional $9.4 billion in TFA borrowing authority, half of which will be paid for by State building aid. These two sources of capital support represent the State's full $6.5 billion share of the City's $13.1 billion Five-Year Plan for capital construction.

The table below shows actual and planned capital commitments by program area over the 2007-2012 periods.

Capital Commitments

($ in 000's)

	2007 Actual		2008 Plan		2009 Plan		2010 Plan		2011 Plan		2012 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	106,496	567,653	100,000	350,000	301,733	801,783	72,247	144,494	244,029	488,058	157,360	314,720
System Expansion Other	164,514	450,768	199,982	599,982	285,273	758,043	60,433	120,866	52,456	104,912	99,529	199,058
School Modernizations	4,995	15,189	7,219	21,835	7,780	20,672	179,150	358,300	41,775	83,550	25,306	50,612
Rehabilitation of School Components	264,152	1,146,588	478,595	1,329,318	228,771	574,232	426,198	852,396	553,873	1,107,746	675,394	1,350,788
Educational Enhancements	178,396	486,084	180,663	533,087	293,910	780,994	291,663	583,326	213,807	427,614	228,857	457,714
Emergency, Unspecified And Miscellaneous	224,168	330,653	159,591	276,764	104,458	248,865	175,392	350,784	147,395	294,790	96,405	192,810
Safety and Security	31,608	46,869	48,110	141,959	43,456	115,473	35,417	70,834	29,165	58,330	43,649	87,298
Total	974,330	3,043,805	1,174,160	3,252,945	1,265,381	3,300,062	1,240,500	2,481,000	1,282,500	2,565,000	1,326,500	2,653,000

Capital Highlights - The Fourth Five-Year Plan

By successfully securing the State's $6.5 billion share of the Fourth Five-Year Capital Plan the City is now proceeding with its work to provide the following:

- over $4.7 billion for the construction or lease build out of more than 100 new schools and additions, creating 63,305 new classroom seats (15,022 in Brooklyn, 17,722 in The Bronx, 4,253 in Manhattan, 22,944 in Queens and 3,364 in Staten Island) and 3,000 replacement seats. In September 2008, the DOE will open over 10,000 of these new seats.

- in excess of $3.6 billion to rehabilitate existing schools through DOE's Capital Improvement Program (CIP).

- over $840 million for the DOE's SIRA (School Improvement and Restructuring Allocation) program, which will restructure and enhance facilities at struggling schools.

- over $1.7 billion for mandated programs and fixed costs, such emergency lighting, kitchen areas and conversions, wrap-up insurance, and code compliance.

- about $900 million for technology and safety enhancements, providing internet connections to every classroom and security cameras at hundreds of schools.

- approximately $860 million for general enhancements, such as science lab upgrades, accessibility, physical fitness upgrades and auditorium upgrades.

- an amount of $359 million to create new partnership and charter schools.

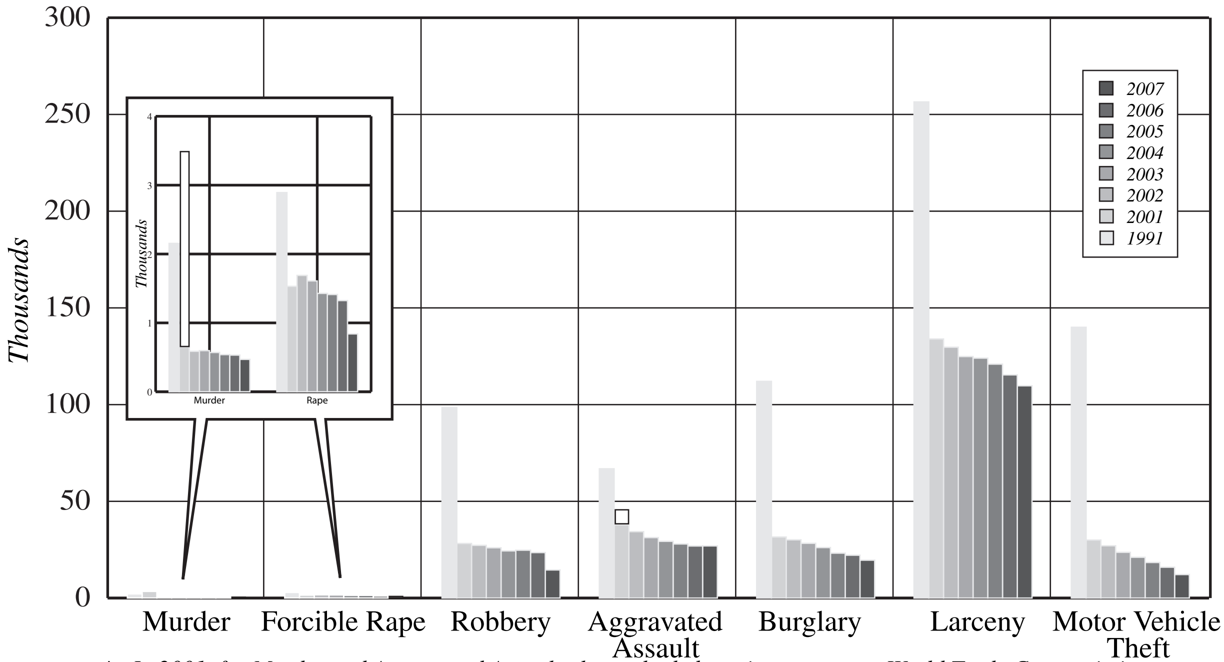
ADMINISTRATION OF JUSTICE

Overview

As demonstrated by NYPD Compstat data and the FBI crime index, crime in New York City continues to decrease to record low levels. Since 2001, the number of FBI Index Crime complaints has fallen 30 percent. The NYPD Compstat figures from 2007 show a 10 percent decrease over 2006. According to these figures, Motor Vehicle Theft experienced the largest decrease (22.7 percent), followed by Forcible Rape (11.8 percent), Robbery (8.9 percent) Burglary (6.2 percent), Aggravated Assault (4.9 percent) and Grand Larceny (4.4 percent). The year to date figures for 2008 support this trend, showing an overall decrease in criminal complaints in comparison to 2007.

NEW YORK CITY FBI INDEX CRIMES

*Calendar Years 1991-2007***

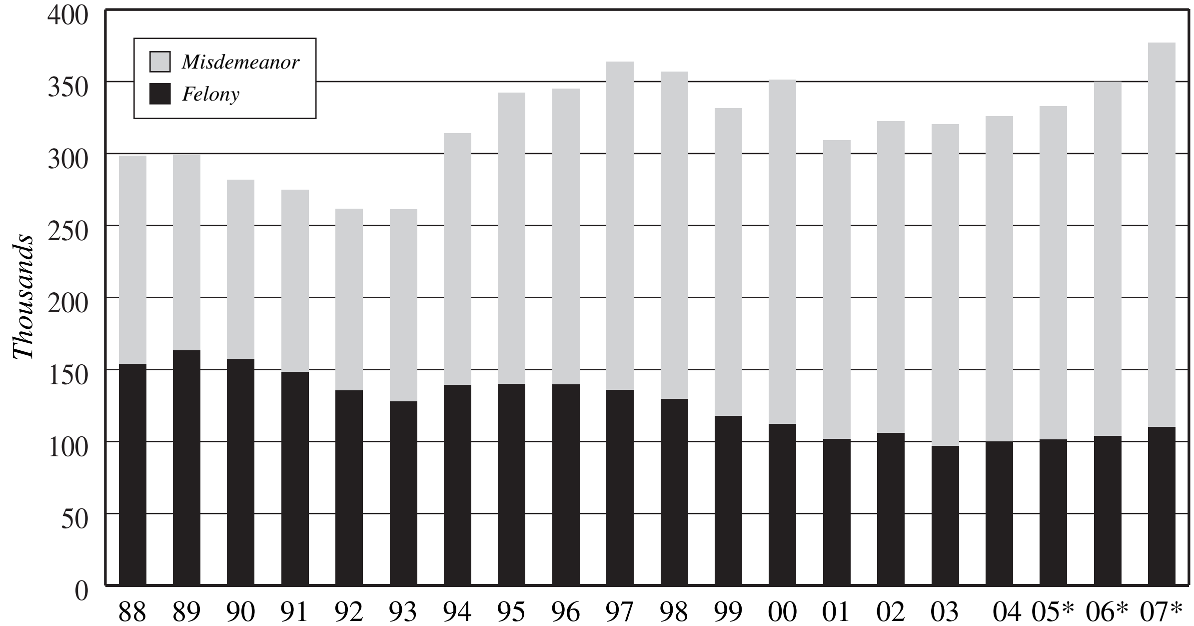


* *In 2001, for Murder and Aggravated Assault, the unshaded portion represents World Trade Center victims.*
** *Preliminary estimates based on data for six months through June 2007.*

Arrests totaled 405,254 in calendar year 2007 a nine percent increase from 2006. The overall distribution of felony and misdemeanor arrests changed slightly from 2006 with 27 percent felonies, 66 percent misdemeanors and seven percent violations.

NEW YORK CITY FELONY & MISDEMEANOR ARRESTS

Calendar Years 1988-2007



** 2005 – 2007 as per NYPD Criminal Justice Bureau*

While the distribution of arrests changed slightly from 2006, felony arrests increased 5.8 percent; misdemeanor arrests increased 8.9 percent and violations increased by 28 percent. In the criminal courts, the overall number of filings between 2006 and 2007 increased by eight percent, which included an increase of four percent in felony filings, eight percent increase in misdemeanors and a 16 percent increase in violations.

Despite higher arrest volume, the Department of Correction's population has decreased slightly. Through March 2008, the average daily population was 13,962 as compared to 14,030 in 2007. The decrease in population despite increased arrests is primarily due to a decrease in the overall incarceration rate from 23.1 percent through March of 2007 to 22.4 percent through March of 2008.

POLICE DEPARTMENT

In 2008, NYPD will begin the design process for a new Police Academy to be located in College Point, Queens. The new academy will consolidate the Department's diverse training programs into one facility and accommodate recruits, in-service uniformed members of service and civilian employees. In addition, The Department will continue to develop the Lower Manhattan Security Initiative, a comprehensive anti-terrorism plan that brings together the resources of the Police Department, the financial sector and other stakeholders in the area. In the fall of 2008 the Department will open the Lower Manhattan Security Initiative Coordination Center, a site designed to monitor video feeds from license plate recognition readers and other public and private sector resources to coordinate a response to any suspicious information derived from the video feeds.

In 2009, the Department will continue to develop The Joint Operations Center (JOC) a centralized command and control facility designed to provide oversight of critical functions Citywide in the event of an emergency. The JOC will be a fully integrated command center which allows for seamless conduct of joint operations and enhances commanders' decision making capacity by providing for direct access to incident commanders, operations and intelligence/investigations section chiefs.

DEPARTMENT OF CORRECTION

With the average daily population remaining below 15,000 for the eighth year in a row, the Department of Correction continues its population management strategies of facility closures, bed consolidations, and developing more efficient facilities to replace long outdated structures.

The Department is investing in the expansion of one facility and renovation of another facility on Rikers Island, redevelopment of the Brooklyn Detention Center and a new detention facility in the Bronx. Each of these projects will be designed to maximize staffing efficiencies and are expected to save the City millions of dollars in annual operating cost.

OTHER CRIMINAL JUSTICE PROGRAMS

In 2007, the Mayor targeted the problem of illegal guns by utilizing a unique four pronged strategy which includes:

- Coordinated Enforcement: The NYPD has developed an elite Firearms Suppression Division, which brings together enforcement units previously scattered throughout the Police Department.

- Legislation: The City passed the first of its kind, gun offender registration law that helps monitor gun offenders. The Mayor also successfully lobbied Albany to pass the toughest law in the country for possessing a loaded illegal firearm, making it punishable by a minimum of 3 1/2 years in prison.

- Innovative Litigation: The City filed lawsuits against 27 out-of-state dealers, among the top sources of New York City crime guns. As of now, 20 dealers have settled and accepted court monitoring of their business practices.

- Nationwide Coalition-Building: In less than two years, Mayors Against Illegal Guns has grown from 15 mayors to over 320 mayors of cities collectively representing over 55 million people. At the 2008 national summit, the coalition announced a landmark agreement with Wal-Mart, the world's largest private employer and national top seller of guns, to create the Responsible Firearms Retailer Partnership, a voluntary code of business practices designed to reduce illegal gun purchases.

In 2008, the City will continue to invest in juvenile justice reform, specifically, this year the City will begin holding weekend arraignments for juveniles for the first time. Currently, criminal courts in New York City hold arraignments for adult offenders seven days a week, 365 days a year. Yet when juveniles are arrested on weekends and holidays, they can be detained for up to four days – without a judicial order – before Family Court reopens for business. In the coming year, the City, in partnership with the Office of Court Administration, will open Criminal Court on weekends and holidays to juveniles - to let a judge determine whether continued detention is merited.

In late 2008, the City's criminal justice agencies will deploy eArraignment system which will automate the arrest-to-arraignment process. New York City's arrest-to-arraignment system is a complex operation that involves the coordinated efforts of ten City, County, State and not-for-profit agencies. Each year over 300,000 case files are prepared through a manual process that can benefit from technological improvement. eArraignment will ensure that arrestees are brought to justice in a faster, more efficient manner.

The City is developing an alternative to detention pilot program for nonviolent arrestees that have mental health or substance abuse issues. The program will also be available to nonviolent arrestees that are employed or are in school. This program aims at assisting those individuals who are nonviolent and pose low to moderate risk for flight or re-arrest to receive services that they need and lessen the detrimental impact a short jail stay can have on their lives and the lives of their family members. In return, the City expects to save millions of dollars in jail stay costs while reducing the likelihood of recidivism among this population.

This year the Legal Aid Society will begin implementing a $3.98 million computerized case management project to enable better program management and supervision. This project promotes data sharing and will improve productivity and enhance the provision of client services. Finally, the new case management system will increases Legal Aid's reporting mechanisms which will help to quickly identify and dispose of conflict of interest cases as well as provide Legal Aid with the ability to generate internal and public progress reports.

Finally, the City will also break ground on a new Supreme and Criminal Courthouse and Garage on Staten Island. The 183,000 square foot courthouse and 660 space garage in downtown St. George, will be borough's first new courthouse in more than 70 years replacing decaying and outdated facilities. The City will also commence major renovations of public and court personnel space at the Criminal Courthouse and Supreme Courthouse in Brooklyn, the Family/Criminal Courthouse and the County Courthouse in the Bronx.

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.

Financial Review

The New York Police Department's 2009 Executive Budget provides for an operating budget of $3.929 billion, a decrease of $170 million from the $4.099 billion forecast for 2008. This decrease is primarily due to annual State, Federal, and private grant funding not yet recognized. Capital commitments of $1.319 billion are also provided in 2009.

Revenue Forecast

The Police Department collects revenue from fees charged for pistol licenses, rifle permits, fingerprint fees, accident report records, tow fees, and unclaimed cash and property that is abandoned or confiscated as a consequence of the commission of a crime. The City also collects an E-911 surcharge imposed on all New York City cellular telephones and land line telephones. In 2009, the revenue estimate for the Police Department is $100.1 million.

Expense Budget Highlights

Budgetary Priorities: Providing Core Services

- the Department will upgrade its 911 call dispatch system to communicate more effectively with Fire and Emergency Medical Service dispatch systems. In FY09 NYPD, FDNY and EMS will co-locate at a new state-of-the-art Public Safety Answering Center. Expense funds totaling $6.2 million as well as $4.4 million in capital funds, will be committed to update the Department's Computer Aided Dispatch system so incoming call information is seamlessly transmitted to the appropriate first responder.

- the Department will support its counterterrorism and emergency response efforts by maintaining critical agency equipment. To ensure that investments encounter minimum downtime and full functionality, $400,000 will be committed to the upkeep of Department mobile x-ray devices as well as Aviation Unit helicopters.

- an additional $1 million per year will be allocated to provide for anabolic steroid testing. All Probationary Officers, 50 percent of Police Officer candidates and 50 percent of in-service uniformed members called in for random drug testing will also be subject to steroid testing.

Streamlining and Restructuring

- the Department will save $18 million in FY 2009 by reducing 573 Civilian positions. This will be accomplished through a combination of non-replacement of civilian vacancies and the elimination of 68 Custodial Assistants. An additional $6.4 million of savings will be realized by delaying the hiring of 117 Traffic Enforcement Agents until FY 2011.

- the Department will save $90 million in FY 2009 through uniformed attrition, lower than anticipated recruit classes and reducing its authorized uniform peak headcount by 1,000 heads between FY 2008 and 2010. The peak headcount will return to 37,838 in FY 2011.

Summary of Agency Financial Data

The following table compares the 2009 Executive Budget with the 2009 Preliminary Budget, the 2008 forecast and actual expenditures for 2007, including costs budgeted centrally for fringe benefits, pensions, judgments and claims, legal services and debt service.

Summary of Agency Financial Data
($ in 000's)

	2007 Actual	2008 Forecast	2009 Preliminary Budget	2009 Executive Budget	Increase/(Decrease) 2008 Forecast	Increase/(Decrease) 2009 Preliminary Budget
Expenditures						
Salary and Wages	$3,473,687	$3,582,010	$3,592,184	$3,572,528	($9,482)	($19,656)
Fringe Benefits	70,588	81,344	77,041	77,041	(4,303)	—
OTPS	311,917	435,878	272,095	279,729	(156,149)	7,634
Total	$3,856,192	$4,099,232	$3,941,320	$3,929,298	($169,934)	($12,022)
Funding						
City	$3,461,451	$3,598,865	$3,641,234	$3,622,635	$23,770	($18,599)
Other Categorical Grants	93,033	104,149	69,082	69,082	(35,067)	—
IFA	1,868	1,797	1,797	1,797	—	—
State	30,839	21,176	6,532	6,532	(14,644)	—
Federal CD	—	—	—	—	—	—
Federal Other	88,688	168,792	18,254	18,254	(150,538)	—
Intra-City Other	180,313	204,453	204,421	210,998	6,545	6,577
Total	$3,856,192	$4,099,232	$3,941,320	$3,929,298	($169,934)	($12,022)
Additional Costs Centrally Funded						
Personal Services (PS)						
Fringe Benefits	$1,678,551	$1,232,226	$1,283,998	$1,328,630	$96,404	$44,632
Pensions	1,629,925	1,907,135	2,025,721	1,987,330	80,195	(38,391)
Other Than Personal Service (OTPS)						
Legal Services	39,426	41,025	40,720	40,747	(278)	27
Judgments and Claims	91,524	116,903	133,768	133,768	16,865	—
Debt Service	73,155	103,882	66,797	67,061	(36,821)	264
Total Additional Costs	$3,512,581	$3,401,171	$3,551,004	$3,557,536	$156,365	$6,532
Funding						
City	3,486,829	3,379,170	3,528,701	3,535,144	155,974	6,443
Non-City	25,752	22,001	22,303	22,392	391	89
Full Agency Costs (including Central Accounts)						
Salary and Wages	$3,473,687	$3,582,010	$3,592,184	$3,572,528	($9,482)	($19,656)
Fringe Benefits	1,749,139	1,313,570	1,361,039	1,405,671	92,101	44,632
Pensions	1,629,925	1,907,135	2,025,721	1,987,330	80,195	(38,391)
Total PS	$6,852,751	$6,802,715	$6,978,944	$6,965,529	$162,814	($13,415)
OTPS	$311,917	$435,878	$272,095	$279,729	($156,149)	$7,634
Legal Services	39,426	41,025	40,720	40,747	(278)	27
Judgments and Claims	91,524	116,903	133,768	133,768	16,865	—
Debt Service	73,155	103,882	66,797	67,061	(36,821)	264
Total OTPS	$516,022	$697,688	$513,380	$521,305	($176,383)	$7,925
Total Agency Costs	$7,368,773	$7,500,403	$7,492,324	$7,486,834	($13,569)	($5,490)
Less Intra-City	$180,313	$204,453	$204,421	$210,998	$6,545	$6,577
Net Agency Cost	$7,188,460	$7,295,950	$7,287,903	$7,275,836	($20,114)	($12,067)
Funding						
City	6,948,280	6,978,035	7,169,935	7,157,779	179,744	(12,156)
Non-City	240,180	317,915	117,968	118,057	(199,858)	89
Personnel (includes FTEs at fiscal year-end)						
City	51,879	55,758	50,874	51,662	(4,096)	788
Non-City	78	157	143	143	(14)	—
Total	51,957	55,915	51,017	51,805	(4,110)	788

Programmatic Review

New York remains the safest big city in America, according to the latest FBI uniformed crime report, ranking 25th out of 25 major cities with the lowest rate of index crimes. Violent crime fell in New York at a rate nearly three times the overall nationwide decrease. 2007 closed with a six percent reduction in crime compared to 2006, and a 26 percent decline compared to 2001. Not since at least 1961 have there been fewer than 500 murders in one year. In 2007, that number was 496, a 17 percent decline from the prior year.

Operation Impact, now in its fifth year, continues to be the main driver of violent crime reduction. So far in 2008, there has been a drop in major felony crime of 19 percent in Impact Zones. That includes a 24 percent decline in robberies, a 16 percent drop in felony assaults and a 24 percent decline in burglaries. There has also been a major reduction in shooting incidents of 20 percent.

The drop in shootings has been furthered through aggressive tactics to fight against illegal gun trade. In 2007, those efforts yielded over 3,500 gun arrests and the seizure of 3,851 guns. The Department's Firearms Suppression Division, which was created in 2006 to centralize gun investigations, has also proven to be highly effective. The Department has also continued to actively promote anti-gun programs with the public, including Operation Gun Stop. Last year, the Department received over 1,000 tips leading to 786 arrests and the seizure of 356 guns.

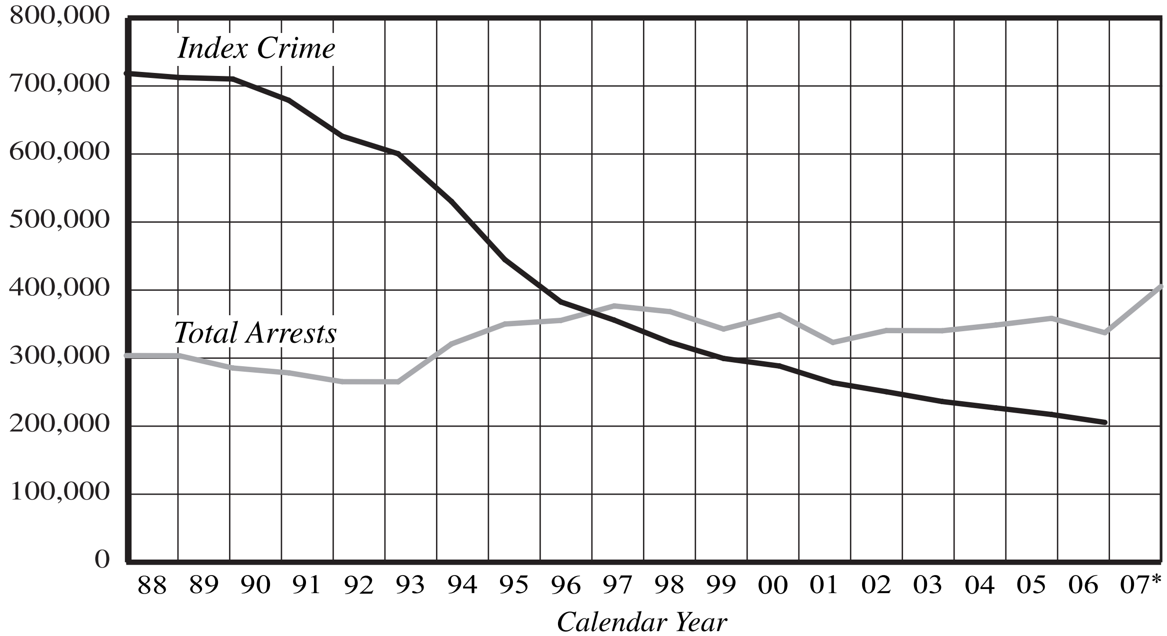
Another key focus of the Police Department has been the reduction of incidents of domestic violence across the City. Last year the Department made 76,000 home visits to past victims of domestic violence, an increase of 130 percent from 2001. These visits are crucial in order to minimize the chances of a recurrence of domestic violence. The results have been impressive: in 2007, the City recorded a 39 percent drop in domestic violence-related homicides and a 32 percent decline in domestic violence-related felony assaults as compared to 2001.

A broad application of technology to virtually every aspect of the policing mission is another key factor in the ongoing fall in crime. In 2007, the Department began deploying a network of license plate recognition (LPR) readers both to help combat auto theft and support counter terrorism programs. These specialized cameras capture the license plates of passing vehicles and compare them instantly to a database of cars that have been reported stolen, were connected with a crime, or have a suspended registration. LPR systems can identify a target plate within seconds, alerting a police officer each time it finds a match to a wanted vehicle. Currently there are over 100 of these devices in operation throughout the five boroughs, and the Department will deploy more devices in 2009.

The Department also benefited greatly from an expanded video network known as Operation Argus. Funded by the Department of Homeland Security this network is being used in the fight against crime and terrorism. It consists of wireless video technology and approximately 500 cameras installed in high crime locations, landmarks and highly sensitive sites throughout the five boroughs.

To better facilitate the tracking and cataloging of seized property the Department began the development of an integrated Property and Evidence Tracking System (PETS) in 2008. The Department's Property Clerk Division (PCD) possesses approximately 1.6 million invoices per year for property and evidence and currently stores 10 million pieces of property. PETS will allow the Department to identify, locate, track and route property and evidence efficiently.

ARRESTS VERSUS CRIME

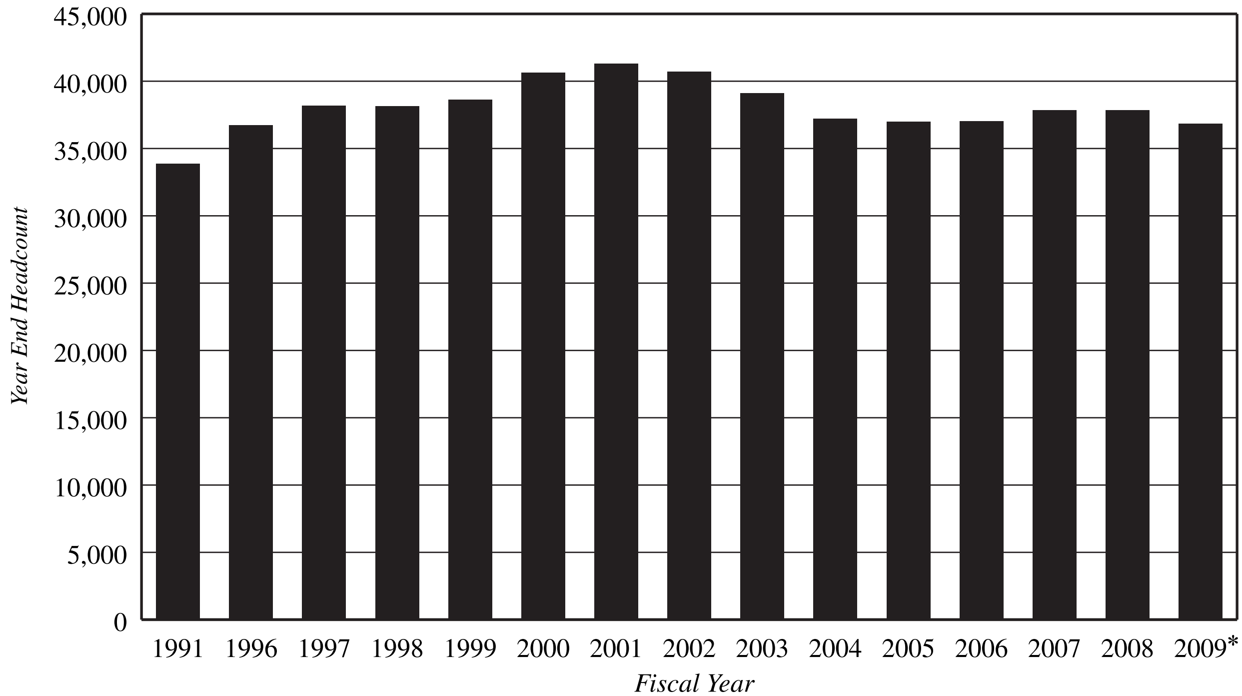


* *Index Complaints from FBI preliminary data for six months through June 2007 reports a total of 94,772 index crime complaint. Arrests Totals include F.M.V. and Infractions.*

Uniformed Headcount

The Department hired 1,131 recruits in July 2007 and 1,217 recruits in January 2008. In Fiscal Year 2009, the Department's authorized peak headcount is 36,838. The Department expects to reach this headcount by hiring recruit classes in July 2008 and January 2009.

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 Capital Commitment Plan for the Police Department includes $1.78 billion 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.

The Four-Year Program includes the following major items:

Police Facilities (total commitment, $1.36 billion)

- construction of a new Police Academy ($1 billion in FY 2008 and 2009).
- build out of a new Joint Operations Center ($13.8 million).
- construction of a new Staten Island Precinct ($35.1 million).
- construction of a new 120th Precinct ($40.1 million).
- initial funding for the design and construction of a new 40th Precinct in the Bronx and New 66th and 70th Precincts in Brooklyn ($48.5 million).
- relocation of various Department facilities ($23.3 million).
- facility maintenance and rehabilitations Department wide ($115.2 million).

Communications and Computer Equipment (total commitment, $320.9 million)

- Property and Evidence Tracking System (PETS) will allow the Department to identify, locate, track and route property and evidence more efficiently ($27.8 million).

- implementation of the MTA Radio Project ($31.9 million).

- lifecycle replacement of the Department's radio system ($54 million), portable radios ($42.5 million) and mobile radios ($10 million).

- acquisition of equipment for the Lower Manhattan Security Initiative ($15 million).

Miscellaneous Equipment (total commitment, $22.8 million)

- purchase and upgrade of miscellaneous equipment such as diesel marine engines and forensic lab equipment ($18.1 million).

- upgrade and installation of new alarm systems at Metrotech ($4.7 million).

Vehicles (total commitment, $320.9 million)

- replacement of Department helicopters ($20 million).

- purchase of marine launches and lifecycle replacement of other Department vehicles ($51.9 million).

The table below shows capital plan commitments by program area over the 2008-2012 time period.

Capital Commitments
($ in 000's)

	2007 Actual		2008 Plan		2009 Plan		2010 Plan		2011 Plan		2012 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	$36,611	$36,611	$111,443	$111,443	$1,158,041	$1,158,041	$52,587	$52,587	$22,926	$22,926	$14,085	$14,085
Computer Equipment	28,236	28,236	44,385	44,385	74,710	74,710	13,500	13,500	17,697	17,697	6,190	6,190
Communications	8,691	8,691	63,441	63,441	38,498	38,498	22,949	22,949	21,012	21,012	18,531	18,531
Equipment	3,100	3,100	4,264	4,264	10,135	10,135	1,648	1,648	3,906	3,906	2,919	2,919
Vehicles	10,666	10,666	2,126	2,126	37,173	37,173	6,501	6,501	9,256	9,256	16,822	16,822
Total	$87,304	$87,304	$225,659	$225,659	$1,318,557	$1,318,557	$97,185	$97,185	$74,797	$74,797	$58,547	$58,547

DEPARTMENT OF CORRECTION

The Department of Correction provides custody, care, and control of detainees awaiting trial or sentencing; 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 2009 Executive Budget provides for operating expenses of $983.8 million, an increase of $13.1 million from the amount forecast in 2008. This increase is due mainly to collective bargaining adjustments for many titles including Correction Officers, Captains, Assistant Deputy Wardens and Deputy Wardens and administrative titles. Capital commitments of $230.6 million are also provided in 2009.

Revenue Forecast

The Department of Correction collects revenue from jail commissary operations, vending machines and surcharges on inmate telephone calls. In 2009, the Department expects to collect approximately $13.8 million from all revenue sources.

Expense Budget Highlights

Budgetary Priorities: Providing Core Services

- the Department will continue the two educational initiatives provided for by the Mayor's Commission on Economic Opportunities (CEO). One initiative provides a monetary incentive for school attendance for 16-21 year olds while detained on Rikers Island. The second initiative provides educational opportunities to 16-24 year olds released from custody to help the transition to education and jobs in the community. The two programs have served 839 inmates since their inception in September 2007.

- in 2009, the Department will begin two new CEO initiatives. The first involves cooperation with the Department of Health and Mental Hygiene to provide training and testing for food handler certification, giving participants an employment advantage after release. The second expands the Department's Institute for Inner Development, which focuses on attitudinal and behavioral change, self-esteem building, and the acquisition of basic life skills. This initiative adds an after-jail component that allows local community groups to provide services to individuals returning to their neighborhoods.

- safety in the jails continues to be a top priority for the Department. The recently created 50 bed Mental Health Assessment Unit for Infracted Inmates (MHAUII) promotes a safer environment for inmates with mental health issues and the Correction Officers that protect them. This unit contributes to the decrease in violent incidents on Rikers Island by separating infracted inmates and providing needed treatment.

- funding for the Drug Interdiction Program will be added to the Department's baseline budget in FY 2009 after a successful three year pilot. The Drug Interdiction Program uses ion scanners to detect small traces of drugs and includes random inmate drug testing and passive narcotic detection dogs for searches and security operations. This program allows the Department to find and remove drugs from facilities more quickly than before and identify the root of the problem.

- in 2009, the City will pilot an alternative to detention program for nonviolent arrestees with substance abuse or mental health issues, along with those nonviolent arrestees that are in school or employed.

Streamlining and Restructuring

- by civilianizing 158 administrative positions and reducing the number of non-security posts, the Department will refocus limited uniform personnel resources on security functions. This allows the Department to save money while improving core services.

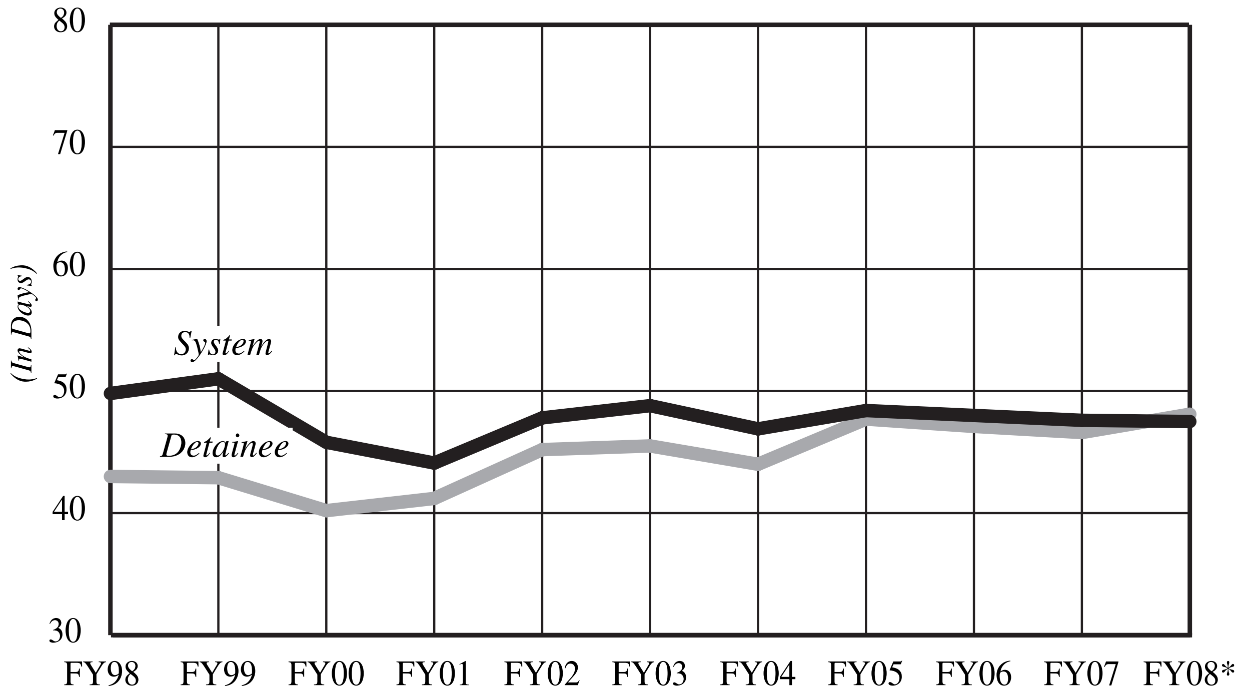
Summary of Agency Financial Data

The following table compares the 2008 Executive Budget with the 2009 Preliminary Budget, the 2008 forecast and actual expenditures for 2007, including costs budgeted centrally for fringe benefits, pensions, judgments and claims, legal services and debt service.

Summary of Agency Financial Data
($ in 000's)

	2007 Actual	2008 Forecast	2009 Preliminary Budget	2009 Executive Budget	Increase/(Decrease) 2008 Forecast	Increase/(Decrease) 2009 Preliminary Budget
Expenditures						
Salary and Wages	$809,320	$828,334	$837,849	$840,928	$12,594	$3,079
Fringe Benefits	19,560	19,837	19,850	23,426	3,589	3,576
OTPS	120,880	122,561	111,490	119,509	(3,052)	8,019
Total	$949,760	$970,732	$969,189	$983,863	$13,131	$14,674
Funding						
City	$913,457	$922,117	$931,532	$938,342	$16,225	$6,810
Other Categorical Grants	2,644	5,489	—	3,650	(1,839)	3,650
IFA	—	—	—	—	—	—
State	16,347	20,333	19,847	19,847	(486)	—
Federal CD	—	—	—	—	—	—
Federal Other	17,067	22,292	17,324	21,538	(754)	4,214
Intra-City Other	244	501	486	486	(15)	—
Total	$949,760	$970,732	$969,189	$983,863	$13,131	$14,674
Additional Costs Centrally Funded						
Personal Services (PS)						
Fringe Benefits	$339,129	$277,752	$291,666	$300,124	$22,372	$8,458
Pensions	214,806	252,708	274,325	259,493	6,785	(14,832)
Other Than Personal Service (OTPS)						
Legal Services	7,371	9,880	10,451	9,681	(199)	(770)
Judgments and Claims	19,074	16,694	19,103	19,103	2,409	—
Debt Service	178,355	246,091	158,238	149,219	(96,872)	(9,019)
Total Additional Costs	$758,735	$803,125	$753,783	$737,620	($65,505)	($16,163)
Funding						
City	748,083	796,531	746,286	730,539	(65,992)	(15,747)
Non-City	10,652	6,594	7,497	7,081	487	(416)
Full Agency Costs (including Central Accounts)						
Salary and Wages	$809,320	$828,334	$837,849	$840,928	$12,594	$3,079
Fringe Benefits	358,689	297,589	311,516	323,550	25,961	12,034
Pensions	214,806	252,708	274,325	259,493	6,785	(14,832)
Total PS	$1,382,815	$1,378,631	$1,423,690	$1,423,971	$45,340	$281
OTPS	$120,880	$122,561	$111,490	$119,509	($3,052)	$8,019
Legal Services	7,371	9,880	10,451	9,681	(199)	(770)
Judgments and Claims	19,074	16,694	19,103	19,103	2,409	—
Debt Service	178,355	246,091	158,238	149,219	(96,872)	(9,019)
Total OTPS	$325,680	$395,226	$299,282	$297,512	($97,714)	($1,770)
Total Agency Costs	$1,708,495	$1,773,857	$1,722,972	$1,721,483	($52,374)	($1,489)
Less Intra-City	$244	$501	$486	$486	($15)	$—
Net Agency Cost	$1,708,251	$1,773,356	$1,722,486	$1,720,997	($52,359)	($1,489)
Funding						
City	1,661,540	1,718,648	1,677,818	1,668,881	(49,767)	(8,937)
Non-City	46,711	54,708	44,668	52,116	(2,592)	7,448
Personnel (includes FTEs at fiscal year-end)						
City	9,789	10,366	10,127	10,189	(177)	62
Non-City	872	809	804	804	(5)	—
Total	10,661	11,175	10,931	10,993	(182)	62

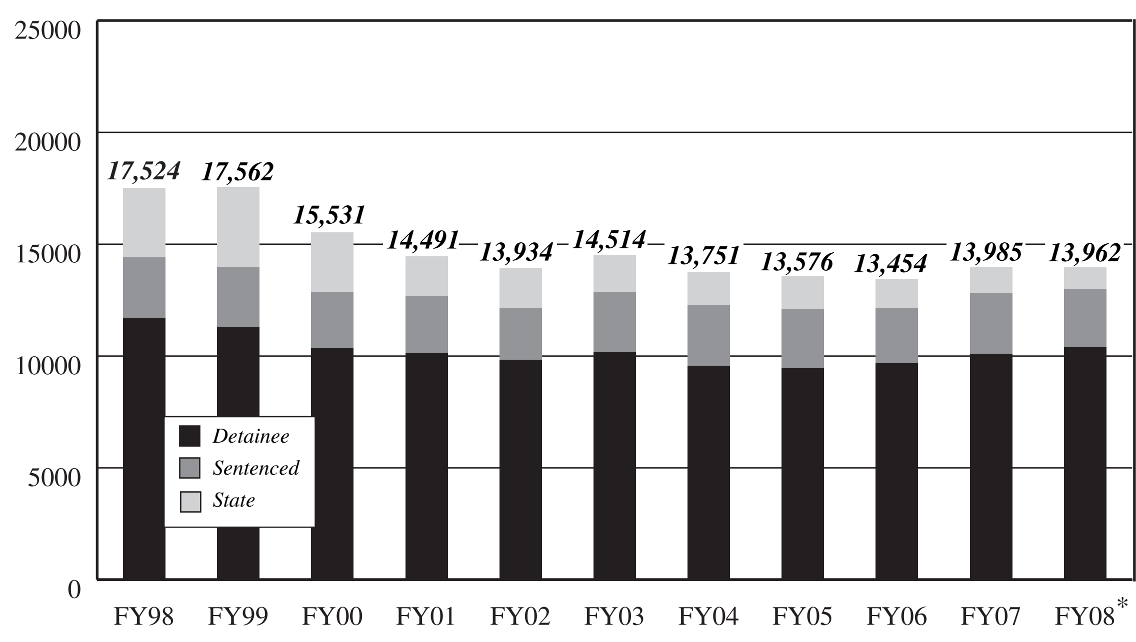
AVERAGE LENGTH OF STAY (By Fiscal Year)



* YTD through March 31, 2008

AVERAGE DAILY INMATE POPULATION

By Fiscal Year



* YTD through March 31, 2008

The average daily population through March 2008 was 13,962, which is one half percent lower than 2007. Misdemeanor arrests continue to make up the highest volume of overall arrests. System admissions and overall system length of stay have remained relatively constant over this period.

Capital Review

The Department's 2009-2012 Four-Year Strategy for capital improvements and equipment purchases totals $1.28 billion. The Four-Year Plan includes $1.05 billion for capacity replacement, $2.3 million for construction of support space, $200 million for major overhaul of building systems and infrastructure, and $32 million for acquisition of new equipment.

The table below shows capital plan commitments by program area over the 2008-2012 period:

Capital Commitments

($000's)

	2007 Actual		2008 Plan		2009 Plan		2010 Plan		2011 Plan		2012 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	$33,597	$33,597	-$39,698	-$39,698	$43,596	$43,596	$108,000	$108,000	$263,481	$263,481	$155,480	$155,480
Support Space	-9,669	-9,669	4,217	4,217	70,249	70,249	2,000	2,000	302,750	302,750	88,000	88,000
Building Systems and Infrastructure	8,983	8,983	61,092	61,092	102,664	106,414	69,950	69,950	20,658	20,658	18,409	18,409
Equipment	11,196	11,196	22,328	22,328	10,373	10,373	6,925	6,925	11,239	11,239	7,950	7,950
Total	$44,107	$44,107	$47,939	$47,939	$226,882	$230,632	$186,875	$186,875	$598,128	$598,128	$269,839	$269,839

Capacity Replacement

The Department's capital program funds the replacement of aging structures originally designed as temporary housing with two additions to permanent structures, a new facility in the Bronx, and the renovation of jail space on Rikers Island. The capacity replacement program will decrease the overall bed capacity of the jails while at the same time reducing reliance on Rikers Island and continuing the takedown of the temporary modular structures. The new capacity will improve the operations, security and environmental health of the jails.

The 2009 Four-Year Strategy provides $1.05 billion for the capacity replacement program. Scheduled commitments during this period include:

- design of the 720 bed addition at the Brooklyn Detention Center which is scheduled to begin in 2008 with major construction in 2010 and 2011 ($440 million).

- design of a new 1,500 bed jail in the Bronx ($517 million).

- renovation of the 1,194 beds at the James A. Thomas Center (JATC) on Rikers Island which is scheduled to start in 2009 and run through 2011 ($90 million).

Building Systems, Infrastructure and Support Space

The Department will undertake $202 million in improvements to building systems, infrastructure, and support space in the Four-Year Strategy. Projects include:

- adding classroom space on Rikers Island ($5 million).

- construction of Rikers Island Co-generation Power Plant ($62.6 million).
- improvements to Rikers Island perimeter security and fencing ($23.9 million).
- window replacements and roof reconstruction at various facilities ($15.1 million).
- replacement of the Rikers Island showers and facades ($16.4 million).
- continuation of fire life safety upgrades at Rikers Island facilities ($21 million).

Equipment

The Four-Year Strategy provides $32 million for upgrades and/or replacements of vehicles, computers, security equipment, and communication systems. Commitments include:

- technology upgrades in the Department's three strategic areas: network and server infrastructure, the Inmate Information System, and inmate telephone systems ($7 million).
- replacement of vehicles for inmate transport ($15.1 million).

DEPARTMENT OF SOCIAL SERVICES

The Department of Social Services (DSS) administers a range of services and programs to assist individuals and families achieve self-sufficiency. Eligible clients receive employment and support services, cash assistance, Food Stamps, and Medical Assistance. DSS also provides financial and supportive services to victims of domestic violence, people with AIDS and HIV-illness, and frail, elderly and disabled individuals. Outreach and access to public and private health insurance options for New Yorkers is also provided through the Office of Citywide Health Insurance Access.

Financial Review

The Department's 2009 Executive Budget provides for operating expenses of $8.5 billion, of which $6.5 billion are City funds. Capital commitments of $34.6 million, of which $29.1 million are City funds, are also provided.

Expense Budget Highlights

Budgetary Priorities: Providing Core Services

- in 2009, $4.1 million, of which $1.3 million are City funds, will support the expansion of DSS's domestic violence emergency shelter program by 147 beds, for a total emergency shelter capacity of 2,261 beds. An additional $5.1 million, of which $1.6 million are City funds, will support a New York State mandated rate increase for emergency shelter providers.

- in 2009, $1.3 million, of which $669,000 are City funds, will support caseload increases in the Adult Protective Services community guardian program. The 2008 average caseload of 1,190 individuals is expected to reach 1,379 by 2010. Community guardian cases involve those determined by the court to be incapacitated and in need of a guardian to make decisions regarding personal care and/or property management.

Restructuring and Streamlining

- in 2009, the Department will save $22.5 million, of which $8.5 million are City funds, from implementation of three initiatives to reduce cash assistance expenditures. These initiatives will improve the fair hearings administrative process; enhance the Department's ability to verify employment income; and will encourage families with child support cases to increase employment hours.

Summary of Agency Financial Data

The following table compares the 2009 Executive Budget with the 2009 Preliminary Budget, the 2008 forecast and actual expenditures for 2007, including costs budgeted centrally for fringe benefits, pensions, judgments and claims, legal services and debt service.

Summary of Agency Financial Data
($ in 000's)

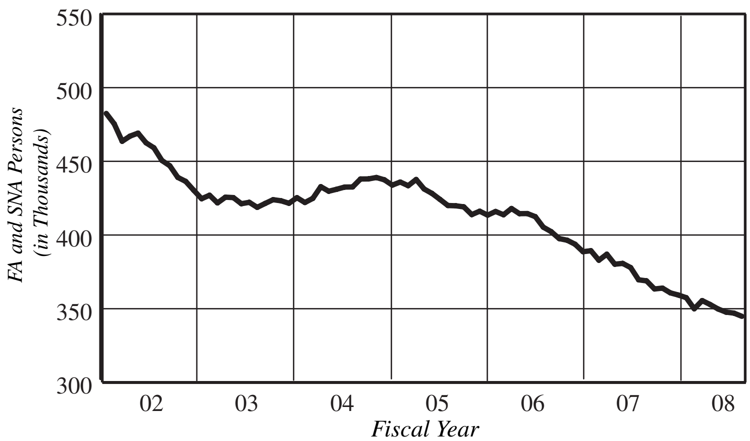
	2007 Actual	2008 Forecast	2009 Preliminary Budget	2009 Executive Budget	Increase/(Decrease) 2008 Forecast	Increase/(Decrease) 2009 Preliminary Budget
Expenditures						
Salary and Wages	$661,503	$699,686	$692,002	$691,310	($8,376)	($692)
Fringe Benefits	656	913	913	913	—	—
Medical Assistance	4,643,321	5,796,604	5,602,396	5,602,394	(194,210)	(2)
Public Assistance	1,167,366	1,218,791	1,176,689	1,176,689	(42,102)	—
Other OTPS	952,306	1,033,727	962,868	1,022,517	(11,210)	59,649
Total	$7,425,152	$8,749,721	$8,434,868	$8,493,823	($255,898)	$58,955
Funding						
City	$5,385,637	$6,575,593	$6,496,529	$6,508,826	($66,767)	$12,297
Other Categorical Grants	—	—	—	—	—	—
IFA	—	—	—	—	—	—
State	980,557	1,079,030	977,102	997,443	(81,587)	20,341
Federal CD	2,337	2,938	2,938	2,938	—	—
Federal Other	1,047,411	1,079,545	949,429	983,527	(96,018)	34,098
Intra-City Other	9,211	12,615	8,870	1,089	(11,526)	(7,781)
Total	$7,425,152	$8,749,721	$8,434,868	$8,493,823	($255,898)	$58,955
Additional Costs Centrally Funded						
Personal Services (PS)						
Fringe Benefits	$306,231	$255,896	$271,935	$275,418	$19,522	$3,483
Pensions	76,230	95,012	107,084	107,653	12,641	569
Other Than Personal Service (OTPS)						
Legal Services	4,365	4,461	3,602	3,691	(770)	89
Judgments and Claims	75	5,760	6,591	6,591	831	—
Debt Service	96,402	128,588	82,732	59,320	(69,268)	(23,412)
Total Additional Costs	$483,303	$489,717	$471,944	$452,673	($37,044)	($19,271)
Funding						
City	412,449	334,612	402,865	298,772	(35,840)	(104,093)
Non-City	70,854	155,105	69,079	153,901	(1,204)	84,822
Full Agency Costs (including Central Accounts)						
Salary and Wages	$661,503	$699,686	$692,002	$691,310	($8,376)	($692)
Fringe Benefits	306,887	256,809	272,848	276,331	19,522	3,483
Pensions	76,230	95,012	107,084	107,653	12,641	569
Total PS	$1,044,620	$1,051,507	$1,071,934	$1,075,294	$23,787	$3,360
Medical Assistance	$4,643,321	$5,796,604	$5,602,396	$5,602,394	($194,210)	($2)
Public Assistance	1,167,366	1,218,791	1,176,689	1,176,689	(42,102)	—
Other OTPS	952,306	1,033,727	962,868	1,022,517	(11,210)	59,649
Legal Services	4,365	4,461	3,602	3,691	(770)	89
Judgments and Claims	75	5,760	6,591	6,591	831	—
Debt Service	96,402	128,588	82,732	59,320	(69,268)	(23,412)
Total OTPS	$6,863,835	$8,187,931	$7,834,878	$7,871,202	($316,729)	$36,324
Total Agency Costs	$7,908,455	$9,239,438	$8,906,812	$8,946,496	($292,942)	$39,684
Less Intra-City	$9,211	$12,615	$8,870	$1,089	($11,526)	($7,781)
Net Agency Cost	$7,899,244	$9,226,823	$8,897,942	$8,945,407	($281,416)	$47,465
Funding						
City	5,798,086	6,910,205	6,899,394	6,807,598	(102,607)	(91,796)
Non-City	2,101,158	2,316,618	1,998,548	2,137,809	(178,809)	139,261
Personnel (includes FTEs at fiscal year-end)						
City	11,003	11,323	11,304	11,175	(148)	(129)
Non-City	3,003	3,924	3,923	3,982	58	59
Total	14,006	15,247	15,227	15,157	(90)	(70)

Programmatic Review

Family Independence Administration (FIA)

The Family Independence Administration (FIA) administers cash assistance and employment programs, including Family Assistance (FA), Safety Net Assistance (SNA), and Food Stamps. FIA assists individuals obtain employment and provides specialized services to assist clients with barriers to work. FIA also ensures that childcare and support services are available to help clients achieve self-sufficiency.

PUBLIC ASSISTANCE CASELOAD 2002-2008



Cash Assistance

The Department expects to spend $1.2 billion, of which $437.6 million are City funds, on cash assistance benefits in 2009. The Family Assistance (FA) program, which is partially funded with Federal Temporary Assistance for Needy Families (TANF) and State funds, assisted 152,402 adults and children in March 2008. FA expenditures in 2009 are projected to be $527.7 million, of which $131.3 million are City funds. As of March 2008, 91,426 recipients have reached the five-year time limit for TANF-funded assistance and have been converted to the State and City-funded Safety Net Assistance (SNA) program. The Department projects spending $203.5 million, of which $101.7 million are City funds, for these families in 2009. In addition, there were 101,006 persons, primarily adults, receiving SNA in March 2008. An estimated $445.6 million, of which $204.5 million are City funds, will be spent on these recipients in the SNA program in 2009.

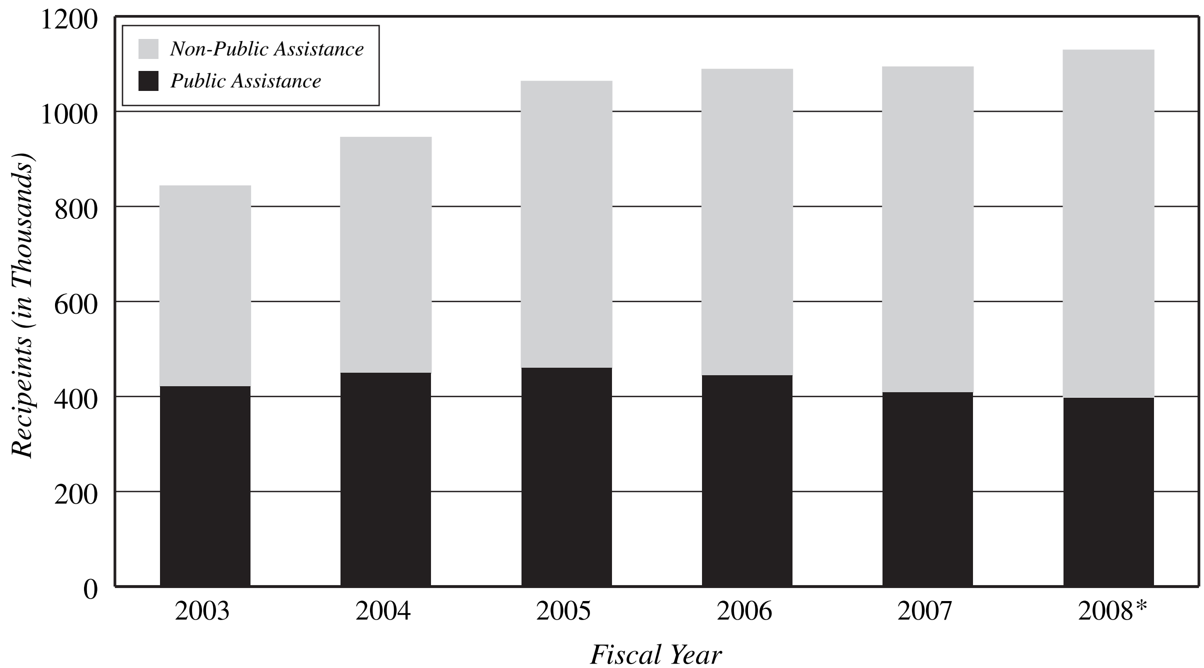
The cash assistance caseload continued to decline in 2008 and in March 2008 there were 344,834 recipients, the lowest level since October 1963.

Food Stamps

FIA manages the Food Stamp Program, which, except for administrative costs, is entirely funded by the Federal government. Over $1.6 billion in Food Stamp benefits will be provided to New York City residents in 2009. In January 2002, the Department issued $71.9 million in Food Stamp benefits to 798,396 recipients. By January 2008, monthly benefit issuances had increased to $125.6 million for 1.1 million recipients.

The Department's outreach efforts have been extremely successful in increasing the number of Food Stamp beneficiaries. The caseload growth is primarily among the non-cash assistance population. The number of recipients in this category is at its highest recorded level in New York City. This population has grown by over 100 percent, from 358,630 in January 2002 to 750,665 in January 2008.

AVERAGE FOOD STAMP RECIPIENTS 2003-2008



* Projected

Employment Services

FIA offers a wide array of programs and services to help families and individuals achieve self-sufficiency, including job search for applicants; basic education, job training, placement, work experience and retention services, and supported work opportunities for recipients; as well as targeted services for individuals with barriers to employment. At the end of March 2008, 56,524 participants were engaged in employment, training, or other work related activities. In calendar year 2007, 88 percent of clients who had been placed in jobs retained them for at least three months or did not return to cash assistance, and 81 percent retained employment or did not return to cash assistance for at least six months.

In 2009 the Department will continue to operate a comprehensive employment contract portfolio, including programs for employable clients that provide a continuum of services from assessment to job placement and retention. Job training participants are placed in paid employment and are provided opportunities for job search, training and placement through programs at the Department of Parks and Recreation and the Department of Sanitation. The Back to Work program provides job search and short term training services to cash assistance applicants and to recipients also participating in the Work Experience Program. The Begin Education Gain Independence Now (BEGIN) literacy program and training vouchers help clients improve literacy and employment-related skills in order to increase employability and self-sufficiency. The COPE program helps recipients pursue higher education to increase employment opportunities.

Specialized Job Centers

DSS operates special needs programs for clients with barriers to self-sufficiency. Services include comprehensive case management, substance abuse treatment, employment and vocational rehabilitation, disability benefits advocacy and case monitoring. Specialized programs include: a Veterans Job Center; the Refugee/Immigrant Job Center; job centers that serve homeless families and single adults; 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) and the SENIORWORKS Center.

Medical Insurance and Community Services Administration (MICSA)

MICSA is composed of Adult Protective Services (APS), the HIV/AIDS Services Administration (HASA), the Medical Assistance Program (MAP) and the Home Care Services Program (HCSP).

Medical Assistance Program

Nearly 2.6 million New York City residents receive Medicaid, an increase of over 49 percent since January 2002. Medicaid 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.

MICSA's Medical Assistance Program is responsible for enrollment and recertification of Medicaid-only consumers. As of December 2007, there were 1.8 million Medicaid-only enrollees, an increase of 120 percent since January 2002. This increase is independent of enrollment of cash assistance and Supplemental Security Income (SSI) clients. A factor in this increase is the growth of Family Health Plus, which provided health care coverage to 387,100 City residents as of December 2007. The Mail Renewal initiative that began in January 2003 has also increased enrollment by streamlining the re-certification process and reducing "churning," the cycle of losing and re-applying for health insurance coverage.

Home Care Services Program

The Home Care Services Program assists frail, elderly and disabled residents to remain safely in their homes through non-institutional alternatives to nursing home care. In December 2007, the Home Care Services Program was responsible for approximately 81,970 beneficiaries of personal care, managed long term care and long term home health care.

Adult Protective Services (APS)

APS provides case management services to adults with mental and/or physical impairments who are unable to care for themselves or protect themselves from abuse, neglect, or exploitation and have no one able to responsibly assist them. Services include referrals for psychiatric and medical examinations, assistance in obtaining and recertifying for Social Security, Medicaid, Home Care, cash assistance and Food Stamp benefits, eviction prevention and financial management. APS also petitions the Supreme Court for Community Guardians to manage financial and domestic issues for clients who lack capacity to manage their own affairs. Over a third of APS referrals are the result of a person being threatened with eviction and approximately 12 percent of referrals allege abuse or exploitation. In calendar year 2007, APS received 16,520 referrals. As of December 2007, the total APS caseload was 7,586, a six percent increase over the prior year. In December 2007, 1,218 clients were served by the contracted community guardian program, an increase of 11 percent over the prior year.

HIV/AIDS Services Administration (HASA)

HASA provides a range of services to individuals and families with AIDS or with advanced HIV-illness. As of February 2008, the HASA caseload was 30,224. HASA provides emergency housing placements in supportive transitional facilities and single room occupancy (SRO) units for homeless clients. As of February 2008, the SRO occupancy was 945, a reduction of 44 percent from 1,687 in February 2005. HASA also provides supportive permanent housing in contracted congregate facilities and scatter site apartments operated by community-based organizations that provide case management and support services. In 2009, HASA will support 2,146 units in its emergency housing portfolio and 4,650 units in its permanent housing stock. In addition, over 25,000 households receive rental assistance subsidies so that they may remain in private market apartments. HASA clients also receive case management, homemaking, employment and vocational programs, disability benefits advocacy, and referrals to community based mental health, substance abuse and medical service providers.

Customized Assistance Services (CAS)

Customized Assistance Services (CAS) provides direct and contracted clinically oriented services and expertise in the areas of health, mental health, substance abuse and rehabilitation for clients served through all of DSS's programs. CAS programs provide comprehensive and individualized services that help clients with medical and/or mental health conditions achieve their maximum degree of self-reliance.

The Visiting Psychiatric Service Program provides home-based psychiatric assessments and crisis intervention services to clients referred by other areas of the Department. In 2007, 6,690 home visits and court appearances were made.

The Wellness, Comprehensive Assessment, Rehabilitation and Employment (WeCARE) program works with the growing proportion of the cash assistance population with medical and/or mental health conditions that pose barriers to employment. WeCARE provides integrated services that include assessment, diagnosis, comprehensive service planning, linkages to treatment, case management, vocational rehabilitation, training and education, job placement, and disability benefits assistance through two performance-based contracts. Since 2005, 6,430 WeCARE clients have obtained jobs and 7,259 were approved for Federal disability benefits.

Office of Citywide Health Insurance Access (OCHIA)

OCHIA is charged with expanding access to public and private health insurance for all New Yorkers. OCHIA administers the City's HealthStat initiative that makes public health insurance enrollment opportunities available throughout the five boroughs. HealthStat engages 14 City agencies, 14 managed care plans and a wide array of community and faith based organizations to provide outreach and facilitate enrollment for children and families in the community. In 2007, over 90,500 enrollments into Child Health Plus, Family Health Plus and Medicaid were facilitated through HealthStat.

OCHIA develops collaborative outreach and education efforts with the Department of Small Business Services and the New York State Department of Insurance to increase enrollment in the Healthy NY program, designed to provide affordable health insurance to small businesses and individuals. New York City enrollment in Healthy NY increased from 31,000 enrollees in January 2007 to 38,000 in January 2008, more than a 22 percent increase over the previous year's enrollment level.

Office of Domestic Violence and Emergency Intervention Services (ODVEIS)

ODVEIS is comprised of the Office of Domestic Violence Services (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 that responds to citywide disasters, the Federally-funded Low Income Home Energy Assistance Program (LIHEAP), and the Office of Food Programs and Policy Coordination. The Office of Food Programs and Policy Coordination administers the Emergency Food Assistance Program as well as the Food Stamp Outreach and Nutrition Program.

ODV administers 40 State-licensed emergency domestic violence shelters, including one directly operated by the Department. In 2008 and 2009, ODV will increase emergency shelter capacity by an additional four shelters providing 147 beds for a total of 2,261 beds by August 2008. ODV also contracts with Tier II shelters to provide 253 units of transitional housing to victims of domestic violence who require additional support services before transitioning into the community. Domestic violence victims are provided with a safe environment and a range of support services including counseling, advocacy and referrals in both settings. Non-residential domestic violence programs provide telephone hotlines, counseling, advocacy, legal services and referrals to supportive services. In 2008, these programs serve an average of 3,007 domestic violence victims.

The LIHEAP program assists low-income homeowners and renters pay for energy costs and heating equipment repair bills. From October 2007 to February 2008, the City issued 387,041 regular heating and emergency grants totaling $26.4 million.

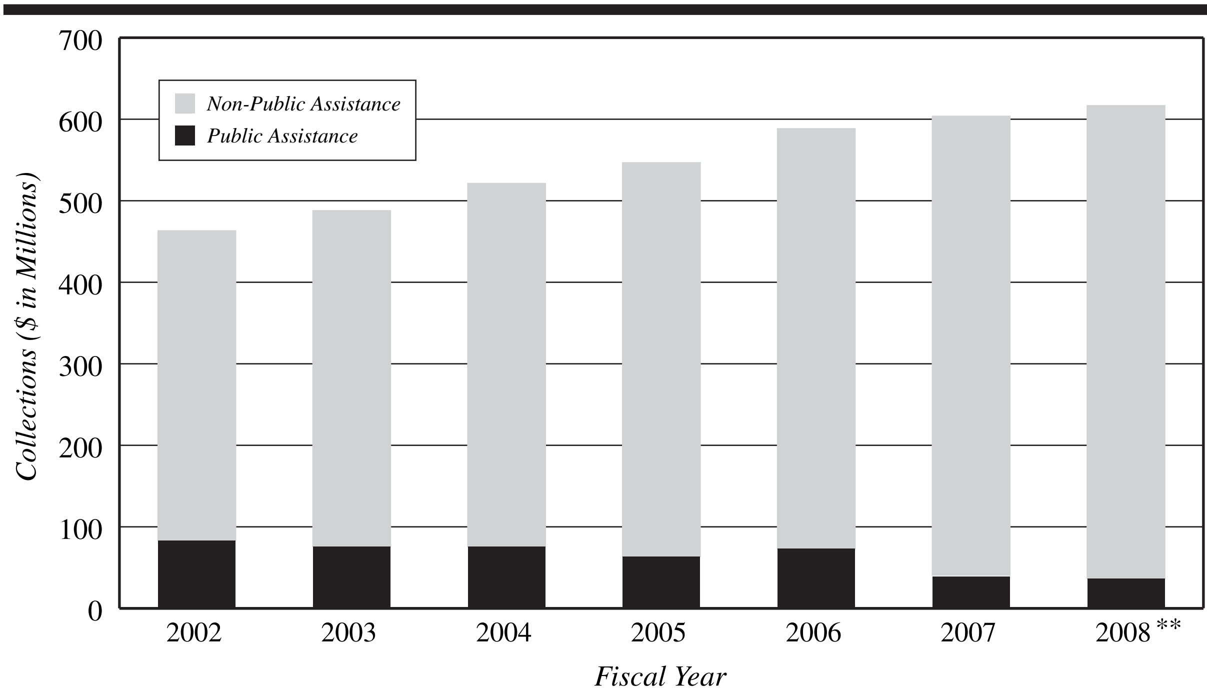
The Emergency Food Assistance Program (EFAP) administers programs to improve the nutritional status of low-income New Yorkers. EFAP provides nutrition education and Food Stamp outreach and funds the distribution of more than 12.8 million pounds of food to over 550 food pantries and soup kitchens.

Office of Child Support Enforcement (OCSE)

The primary role of OCSE is to establish paternity, obtain support orders and collect child support from noncustodial parents. As of February 2008, there were 36,214 cash assistance cases and 262,660 non-cash assistance cases with established support orders. Of these, 161,500 families were former cash assistance recipients with established orders. The percentage of cases with an established order was 74 percent, the highest level in the program's history.

Support collections in 2007 totaled $601.9 million and OCSE expects to collect over $600 million in 2008 through increased investigative efforts and service enhancements. In 2007, 93 percent of support collections, or $562.7 million, went directly to families, and over $200 million was collected on behalf of families who formerly received cash assistance. An average family receives $5,346 in annual child support, or 30 percent of the federal 2008 poverty level for a family of three. When combined with work earnings and employment assistance, child support payments help needy families become or remain self-sufficient. This program is cost efficient for the City since the tax levy share of program costs is approximately 17 percent and is matched with open-ended Federal and State reimbursement.

CHILD SUPPORT COLLECTIONS 2002-2008*



** Includes support collected from New York City residents on behalf of other states.*
*** 2008 collections estimated using actuals through March 2008 for PA and NPA.*

Capital Review

The Department's Four-Year Capital Plan totals $113.5 million, including $31.1 million for technology to streamline Department operations, $42.6 million for facilities maintenance, equipment and improvements, $8.1 million for the installation of telecommunications equipment, and $.05 million for vehicles.

Capital Commitments

($000's)

	2007 Actual		2008 Plan		2009 Plan		2010 Plan		2011 Plan		2012 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	$10,575	$11,205	$21,059	$21,817	$24,211	$26,184	$7,778	$8,158	$7,173	$9,556	$2,714	$2,714
Computers	5,686	9,505	18,825	31,375	3,651	6,136	7,245	12,074	11,549	19,249	8,412	14,018
Telecommunications	3,048	5,079	3,029	5,049	1,020	1,700	1,909	3,182	3,169	5,282	2,034	3,389
Equipment	1,530	2,548	2,359	2,928	195	595	0	0	279	465	0	0
Vehicles	22	36	438	524	0	0	0	0	351	585	165	275
Total	$20,861	$28,373	$45,710	$61,693	$29,077	$34,615	$16,932	$23,414	$22,521	$35,137	$13,325	$20,396

Highlights of the Four-Year Capital Plan

- design and construction of Job Center, Food Stamp and Medicaid Model Offices and related furniture and equipment ($19.4 million).
- completion of an $9.8 million Food Stamp automation project that will allow applications to be submitted by community-based organizations ($215,000).
- renovation and initial outfitting of a secondary data center in Long Island City that will improve load balancing and backup recovery for the Department's information technology operations ($4.1 million).

ADMINISTRATION FOR CHILDREN'S SERVICES

The Administration for Children's Services (ACS) provides a broad range of programs that protect and advance the interests of children. The Department investigates allegations of child abuse and neglect, supports preventive services to families and children, and provides foster care and adoption services for children who cannot safely remain in their homes. The Department also administers early childhood education programs through the Division of Child Care and Head Start.

ACS continues to strengthen its commitment to child safety and protection. In 2008, the agency launched a new media campaign to recruit frontline child protective staff. ACS also launched a web-based application process that is designed to identify candidates that are both qualified and suited for the demands of child protective work.

In 2008, ACS began to implement Improved Outcomes for Children (IOC), an initiative to improve the quality of foster care services and to enhance oversight of the contract agencies that serve families and children in foster care. IOC is based on a family team conferencing model where decision making is shared with families and community partners. IOC also provides contract foster care agencies with the ability to use their resources flexibly to meet important outcomes including moving children more quickly to permanency and reducing the numbers placed in congregate settings.

Financial Review

The Department's 2009 Executive Budget provides for operating expenses of $2.7 billion, $790.6 million of which are City funds. Capital commitments of $36.5 million are also provided.

Expense Budget Highlights

Budgetary Priorities: Enhancing Child Protection

- in 2009 an additional $4.9 million, of which $2.2 million are City funds, will enhance child protective training and investigative capacity. Forty former law enforcement investigators, in addition to 20 already in the agency, will work with field office staff to improve the quality of protective investigations. The funding also supports Certified Alcohol and Substance Abuse Counselors (CASACs), social workers to act as liaisons with the Department of Education, and staff at the Department of Investigation to develop training for ACS staff.

Budgetary Priorities: Providing Core Services

- an increase in total funds of $9.7 million, of which $1.3 million are City funds, will support subsidies to adoptive parents to provide for the care of more than 33,500 former foster care children. Since 2001, the number of children in adoptive homes has increased by nine percent.

Restructuring and Streamlining

- as a result of ACS's focus on reducing institutional placements whenever possible, the number of children in residential facilities has declined by more than 40 percent since 2001. When children are placed outside of New York City, ACS must pay for school tuition costs. The decline in residential placements has produced a commensurate reduction in the cost of special education tuition. ACS will save $9.1 million in tuition expenses in 2008 and $20.1 million in 2009.

- consistent with the agency's efforts to serve children with families in their community, ACS will work with the Department of Education (DOE) to reduce residential placement of non-foster care children made by the Committee on Special Education (CSE). DOE and ACS will review cases so that all efforts are made to ensure that appropriate services are available to serve children with their families. In 2009, ACS will save $4.2 million, of which $2.5 million are City funds, through this initiative.

- in 2009, ACS will implement Project Full Enrollment, an initiative to eliminate vacancies in contracted day care centers and serve more children. Programs will be encouraged to enroll private pay families and will be reimbursed by ACS only for the actual number of ACS-eligible children enrolled in and attending the program. More than 3,000 out of approximately 24,000 contracted preschool slots were vacant in 2007 at an annual cost to the City of $40 million. As part of this initiative, $2.0 million will support training and technical assistance for day care center providers to help them increase enrollment by recruiting subsided and private-pay families. It is anticipated that these efforts will reduce unutilized capacity.

Summary of Agency Financial Data

The following table compares the 2009 Executive Budget with the 2009 Preliminary Budget, the 2008 forecast and actual expenditures for 2007, including costs budgeted centrally for fringe benefits, pensions, judgments and claims, legal services and debt service.

Summary of Agency Financial Data
($ in 000's)

	2007 Actual	2008 Forecast	2009 Preliminary Budget	2009 Executive Budget	Increase/(Decrease) 2008 Forecast	Increase/(Decrease) 2009 Preliminary Budget
Expenditures						
Salary and Wages	$376,209	$408,596	$405,972	$400,598	($7,998)	($5,374)
Fringe Benefits	51	—	—	—	—	—
Medical Assistance	—	—	—	—	—	—
Public Assistance	—	—	—	—	—	—
Other OTPS	2,382,416	2,382,586	2,280,597	2,304,378	(78,208)	23,781
Total	$2,758,676	$2,791,182	$2,686,569	$2,704,976	($86,206)	$18,407
Funding						
City	$900,506	$873,667	$791,072	$790,680	($82,987)	($392)
Other Categorical Grants	—	29	—	—	(29)	—
IFA	—	—	—	—	—	—
State	669,375	670,827	638,209	650,875	(19,952)	12,666
Federal CD	3,718	3,495	3,495	3,495	—	—
Federal Other	1,184,393	1,232,011	1,242,636	1,243,769	11,758	1,133
Intra-City Other	683	11,153	11,157	16,157	5,004	5,000
Total	$2,758,676	$2,791,182	$2,686,569	$2,704,976	($86,206)	$18,407
Additional Costs Centrally Funded						
Personal Services (PS)						
Fringe Benefits	$111,515	$111,040	$116,181	$118,126	$7,086	$1,945
Pensions	34,983	45,158	50,507	50,830	5,672	323
Other Than Personal Service (OTPS)						
Legal Services	2,070	3,655	2,289	3,613	(42)	1,324
Judgments and Claims	2,066	2,095	2,397	2,397	302	—
Debt Service	—	—	—	—	—	—
Total Additional Costs	$150,634	$161,948	$171,374	$174,966	$13,018	$3,592
Funding						
City	128,064	97,774	148,800	120,930	23,156	(27,870)
Non-City	22,570	64,174	22,574	54,036	(10,138)	31,462
Full Agency Costs (including Central Accounts)						
Salary and Wages	$376,209	$408,596	$405,972	$400,598	($7,998)	($5,374)
Fringe Benefits	111,566	111,040	116,181	118,126	7,086	1,945
Pensions	34,983	45,158	50,507	50,830	5,672	323
Total PS	$522,758	$564,794	$572,660	$569,554	$4,760	($3,106)
Medical Assistance	$—	$—	$—	$—	$—	$—
Public Assistance	—	—	—	—	—	—
Other OTPS	2,382,416	2,382,586	2,280,597	2,304,378	(78,208)	23,781
Legal Services	2,070	3,655	2,289	3,613	(42)	1,324
Judgments and Claims	2,066	2,095	2,397	2,397	302	—
Debt Service	—	—	—	—	—	—
Total OTPS	$2,386,552	$2,388,336	$2,285,283	$2,310,388	($77,948)	$25,105
Total Agency Costs	$2,909,310	$2,953,130	$2,857,943	$2,879,942	($73,188)	$21,999
Less Intra-City	$683	$11,153	$11,157	$16,157	$5,004	$5,000
Net Agency Cost	$2,908,627	$2,941,977	$2,846,786	$2,863,785	($78,192)	$16,999
Funding						
City	1,028,570	971,441	939,872	911,610	(59,831)	(28,262)
Non-City	1,880,057	1,970,536	1,906,914	1,952,175	(18,361)	45,261
Personnel (includes FTEs at fiscal year-end)						
City	6,605	7,275	7,201	6,995	(280)	(206)
Non-City	345	223	213	213	(10)	—
Total	6,950	7,498	7,414	7,208	(290)	(206)

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 homes or must be placed in foster care. Protective Services also conducts case conferences to bring caseworkers, parents, relatives and service providers together to ensure that service and placement decisions are based on all available information and perspectives. Expenditures for Protective Services in 2009 are projected to be $233 million.

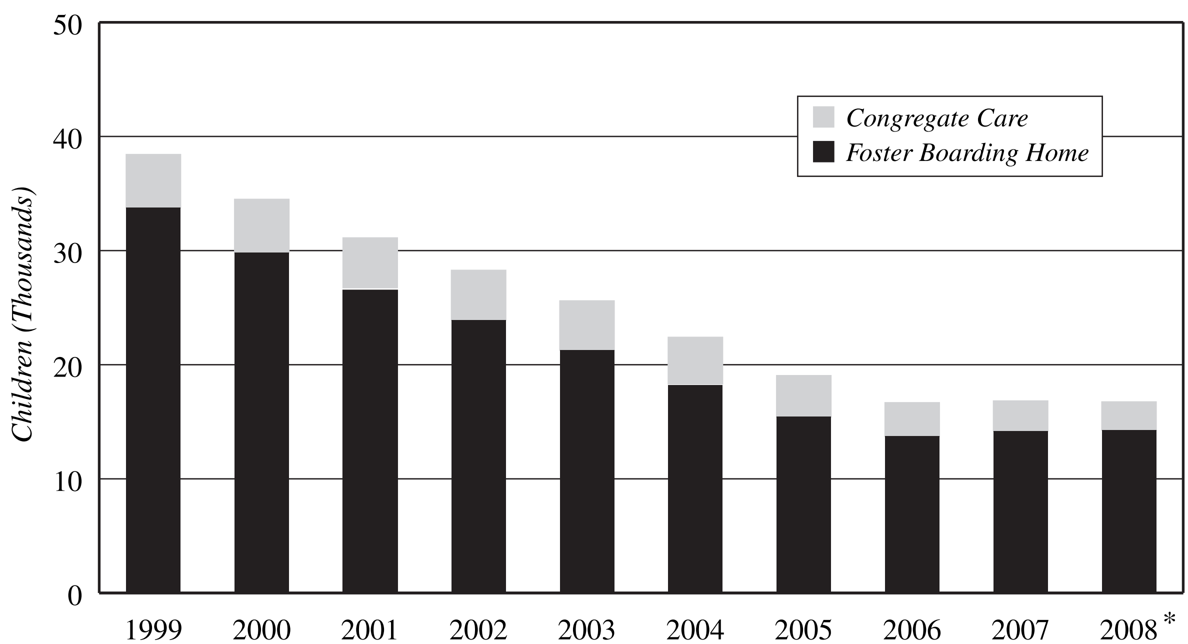
Preventive Services for Children and Families

The Department provides both direct and contracted preventive services designed to prevent foster care placement or reduce the time that children spend in foster care. ACS refers approximately 12,000 children annually to services in their network of 74 community-based providers. Preventive services provided to children and their families include general preventive services, specialized programs for adolescents, programs for youth with juvenile justice involvement, the Family Rehabilitation Program (FRP) for families with substance abuse issues, and programs for families with special needs. In 2009, $215 million is budgeted for preventive services and related support.

Foster Care

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. In January 2008, 16,704 children were living in out-of-home placements, a one percent decline since January 2007. In 2009, foster care and related expenditures are projected to be $750 million.

AVERAGE FOSTER CARE CASELOAD: 1999-2008



* *Projected*

Adoption Services

Adoption provides a stable and permanent home for children who cannot return to their birth parents. In 2008, there are more than 33,500 children living in adoptive homes. The Department's efforts to recruit adoptive parents, including the adoption hotline and the award winning "Wednesday's Child" television segment, have contributed to continued placement of children in adoptive homes. In 2009, adoption subsidies and related expenditures are projected to be $391 million.

Division of Child Care and Head Start

The Division of Child Care and Head Start provides quality child care services that enhance child development and assist families in achieving and maintaining self-sufficiency. 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.

ACS provides access to child care through contracts with not-for-profit organizations and through vouchers issued to parents, which may be used to purchase care in any legal child care setting. Contracted care is provided in group child care centers that are licensed by the Department of Health and Mental Hygiene (DOHMH) or in the homes of child care providers that are registered by DOHMH. Head Start, a federally funded program that provides comprehensive early childhood care for pre-school aged children, is provided through 76 delegate agencies at 244 sites. As of January 2008, more than 120,000 children were enrolled in child care programs Citywide, including approximately 18,500 in Head Start programs.

Beginning in September 2007, through a collaborative effort between ACS and the Department of Education, Universal Pre-Kindergarten (UPK) programming is now provided in Child Care and Head Start centers. This new initiative provides funding to support enhancements including classroom supplies, instructional materials, field trips, and educational consultants for more than 3,000 children.

Capital Review

The Department's Four-Year Capital Plan totals $91.3 million, including $18.0 million for the renovation of child care facilities, $11.5 million for child welfare facilities, $32.4 million for renovation and furnishing of ACS offices, and $29.3 million for technology to streamline agency operations.

Capital Commitments
($000's)

	2007 Actual		2008 Plan		2009 Plan		2010 Plan		2011 Plan		2012 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	$3,918	$3,918	$11,727	$11,727	$5,930	$5,930	$2,500	$2,500	$3,127	$3,127	$0	$0
Child Care	8,754	8,754	18,737	18,737	6,904	6,904	533	533	8,219	8,219	2,371	2,371
Buildings	2,247	2,247	14,589	15,089	16,711	16,711	6,402	7,250	4,728	5,658	2,201	2,733
MIS	8,138	8,138	23,016	25,961	6,984	6,984	3,959	3,959	12,591	12,591	5,812	5,812
Total	$23,057	$23,057	$68,069	$71,514	$36,529	$36,529	$13,394	$14,242	$28,665	$29,595	$10,384	$10,916

Highlights of the Four-Year Capital Plan

- renovations of administrative and field offices at 150 William Street ($5.8 million).

- development of a new child care information system (ACCIS) to track and monitor the City's early childhood educational services including child care, Head Start, Universal Pre-K, and Out-of-School Time ($6.0 million).

- development of CHILDSTAT, a system to enable ACS to monitor performance data and track outcomes related to child protection and casework services ($1.5 million).

- upgrade of the ACS Wide Area Network and the Local Area Network (WAN/LAN) to enhance information sharing across the agency ($3.4 million).

- renovations of various child care centers to correct code violations and to provide for handicapped accessibility ($8.8 million).

DEPARTMENT OF YOUTH AND COMMUNITY DEVELOPMENT

The Department of Youth and Community Development (DYCD) administers programs for youth and adults that are operated by community-based organizations in neighborhoods throughout the five boroughs. These organizations provide services including after-school programs, summer jobs, youth workforce development, adult literacy programs, and essential services for runaway and homeless teens. DYCD is committed to improving communities by developing innovative and creative approaches to support positive development of youth, families and neighborhoods.

DYCD is also the designated Community Action Agency for New York City, which is the local grantee for the Federal Community Services Block Grant (CSBG). CSBG funding supports a wide variety of programs that address conditions of poverty.

With the addition of 14,000 elementary school slots to the Out-of-School Time (OST) program in 2008, DYCD will serve more than 78,000 children in 2009. The agency will also ensure the continued delivery of quality services both in core programs, such as Beacon Community Centers and the Summer Youth Employment Program, as well as new initiatives, such as Teen ACTION and the Young Adult Internship Program, which are funded through the Mayor's Center for Economic Opportunity (CEO).

Financial Review

The Department's 2009 Executive Budget provides for operating expenses of $324.7 million, of which $198.4 million are City funds.

Expense Budget Highlights

Budgetary Priorities: Providing Core Services

- in 2009, $123 million in total funds, of which $98 million are City funds, will support the Out-of-School Time (OST) program to provide capacity for 78,000 school-age children in programs that provide high-quality after-school services.

Budgetary Priorities: Center for Economic Opportunity (CEO)

- in 2009, $9.5 million in City funds will support the Young Adult Internship Program, which will provide internships for more than 1,300 youth who are not in school and not employed.

- in 2009, $4.4 million in City funds will support the TEEN Action program, which provides activities designed to prevent school drop-out, teen pregnancy, and other negative outcomes for more than 3,200 middle- and high-school students from high poverty neighborhoods.

Summary of Agency Financial Data

The following table compares the 2009 Executive Budget with the 2009 Preliminary Budget, the 2008 forecast and actual expenditures for 2007, including costs budgeted centrally for fringe benefits, pensions, judgments and claims, legal services and debt service.

Summary of Agency Financial Data
($ in 000's)

	2007 Actual	2008 Forecast	2009 Preliminary Budget	2009 Executive Budget	Increase/(Decrease) 2008 Forecast	Increase/(Decrease) 2009 Preliminary Budget
Expenditures						
Salary and Wages	$22,779	$25,264	$24,133	$24,850	($414)	$717
Fringe Benefits	—	—	—	—	—	—
OTPS	287,782	379,663	265,627	299,893	(79,770)	34,266
Total	$310,561	$404,927	$289,760	$324,743	($80,184)	$34,983
Funding						
City	$210,724	$274,203	$183,559	$198,389	($75,814)	$14,830
Other Categorical Grants	401	261	—	—	(261)	—
IFA	—	—	—	—	—	—
State	10,343	13,378	12,924	12,793	(585)	(131)
Federal CD	8,899	14,151	11,361	11,365	(2,786)	4
Federal Other	54,748	84,310	59,026	78,681	(5,629)	19,655
Intra-City Other	25,447	18,624	22,890	23,515	4,891	625
Total	$310,561	$404,927	$289,760	$324,743	($80,184)	$34,983
Additional Costs Centrally Funded						
Personal Services (PS)						
Fringe Benefits	$6,771	$6,607	$6,656	$7,134	$527	$478
Pensions	2,118	2,778	3,058	3,077	299	19
Other Than Personal Service (OTPS)						
Legal Services	29	55	30	55	—	25
Judgments and Claims	10	25	29	29	4	—
Debt Service	—	—	—	—	—	—
Total Additional Costs	$8,928	$9,465	$9,773	$10,295	$830	$522
Funding						
City	8,885	9,390	9,705	10,224	834	519
Non-City	43	75	68	71	(4)	3
Full Agency Costs (including Central Accounts)						
Salary and Wages	$22,779	$25,264	$24,133	$24,850	($414)	$717
Fringe Benefits	6,771	6,607	6,656	7,134	527	478
Pensions	2,118	2,778	3,058	3,077	299	19
Total PS	$31,668	$34,649	$33,847	$35,061	$412	$1,214
OTPS	$287,782	$379,663	$265,627	$299,893	($79,770)	$34,266
Legal Services	29	55	30	55	—	25
Judgments and Claims	10	25	29	29	4	—
Debt Service	—	—	—	—	—	—
Total OTPS	$287,821	$379,743	$265,686	$299,977	($79,766)	$34,291
Total Agency Costs	$319,489	$414,392	$299,533	$335,038	($79,354)	$35,505
Less Intra-City	$25,447	$18,624	$22,890	$23,515	$4,891	$625
Net Agency Cost	$294,042	$395,768	$276,643	$311,523	($84,245)	$34,880
Funding						
City	219,609	283,593	193,264	208,613	(74,980)	15,349
Non-City	74,433	112,175	83,379	102,910	(9,265)	19,531
Personnel (includes FTEs at fiscal year-end)						
City	166	232	336	346	114	10
Non-City	263	202	79	79	(123)	—
Total	429	434	415	425	(9)	10

Programmatic Review

Out-of-School Time (OST)

In September 2005, DYCD launched the City's Out-of-School Time (OST) Program, the largest municipally funded after-school initiative in the nation. OST provides a mix of academic, recreational and cultural activities for young people after school, during holidays and in the summer. In January 2008, the OST system expanded to 644 programs and serves families in every neighborhood across the City. The programs, which are operated by 205 community-based organizations, are located in schools, community centers, settlement houses, religious centers, cultural organizations, libraries, public housing and Parks Department facilities.

Beacon Community Centers

These collaborative, school-based community centers were pioneered in the early 1990's. The Beacon model combines a youth development framework with a strong community focus and is recognized nationally as a flagship for positive youth development. In 2008, the Beacon program was redesigned to better focus services and resources on middle school youth. This program serves approximately 82,800 participants annually in 80 schools throughout the City.

Summer Youth Employment Program

The Summer Youth Employment Program (SYEP) provides New York City youth between the ages of 14 and 21 with summer employment and educational experiences. Participants work in a variety of entry-level jobs at community-based organizations, government agencies and private sector businesses and are paid for up to 25 hours per week for seven weeks at $7.15 per hour.

Runaway and Homeless Youth Services

DYCD funds programs to protect runaway and homeless youth and, whenever possible, reunite them with their families. Charged with giving vulnerable young people the resources they need to get off the streets and stabilize their lives, these services include Street Outreach and Referral Services as well as Drop-In Centers and Transportation. For youth in need of more intensive assistance, Crisis Shelters offer safe and welcoming environments on a short-term basis, while Transitional Independent Living facilities combine longer-term shelter with training and support designed to put formerly homeless youth on the path to independence.

Fatherhood Programs

By promoting positive involvement of fathers in the lives of their children, DYCD's Fatherhood programs seek to strengthen family relationships and encourage fathers to fulfill their financial responsibilities to their offspring. Fatherhood services include individual, family and group counseling; father-to-father mentoring; parent and child rearing classes; visitation arrangements; and mediation and conflict resolution training. Support activities include independent living skills training; college preparation classes; adult basic educational and English instruction for speakers of other languages, and sexuality awareness. DYCD also encourages program providers to form linkages with other organizations to address the comprehensive needs of fathers, such as job training and placement, health care, mental health, child care, and housing.

Adult Literacy

DYCD is committed to ensuring that the City's diverse communities have access to a broad range of reading, writing, English-language and high school equivalency programs. Literacy programs are designed to assist adults in obtaining the knowledge and skills necessary for employment, self-sufficiency and the pursuit of further education. Adult Basic Education (ABE) programs provide instruction in reading, writing and mathematics to native English speakers. English for Speakers of Other Language (ESOL) programs provide instruction to increase English language communication skills. DYCD contracts with 35 literacy providers throughout the City and serves more than 11,000 out-of-school youth and adults annually in these programs.

Community Services Block Grant and Work Force Investment Act Programs

DYCD administers the Federal Community Services Block Grant program to fund anti-poverty initiatives in 43 designated low-income Neighborhood Development Areas (NDAs) across the five boroughs of New York City. Programs include Literacy, Immigrant Services, Family Support, Youth Development, Senior Support, Housing Assistance and Health Insurance Access.

DYCD also administers the Workforce Investment Act (WIA) In-School and Out-of-School Youth programs in New York City. Under WIA, these programs provide job readiness, training, literacy, internships and other workplace preparation services to disadvantaged young people. DYCD contracts with over 57 community based organizations and serves 5,500 youth annually.

DEPARTMENT OF HOMELESS SERVICES

The Department of Homeless Services (DHS) provides programs and services for homeless families and single adults, including transitional housing, outreach and drop-in services, homeless prevention, and placement into permanent housing.

The Department of Homeless Services continues to focus on an array of initiatives to achieve the outcomes detailed in its five year plan to end chronic homelessness. The plan as outlined in the 2004 “Uniting for Solutions Beyond Shelter” charged the Department, in coordination with other public agencies, not-for-profit and private sector partners, to reduce the street and shelter homeless populations by two-thirds within five years. DHS and its partners work to prevent homelessness before it occurs, to reduce street homelessness and to move homeless individuals and families out of shelters and into appropriate permanent housing.

In 2009, the Department will continue to employ innovative strategies to bring unsheltered homeless individuals, many of whom have significant mental health and substance abuse issues, off the City’s streets. The Department will also continue efforts to reduce the average length of shelter stay, with a particular focus on helping those who have been in shelter for extended periods to make a successful transition to permanent housing.

Financial Review

The Department’s 2009 Executive Budget provides for operating expenses of $754.2 million, of which $309.4 million are City funds. Capital commitments of $39.2 million are also provided.

Expense Budget Highlights

Budgetary Priorities: Providing Core Services

- an increase of $86 million, of which $41 million are City funds, in 2008 and $48.9 million, of which $21.4 million are City funds, in 2009 will support transitional housing for homeless families in DHS shelters.

Restructuring and Streamlining

- the Department will realize savings of $3.2 million, of which $1.1 million are City funds, in 2009 through the implementation of the Next Steps Shelter Model, an initiative that provides enriched services and support to families with extended shelter stays. Lower client-to-caseworker ratios will give families individualized attention to help them successfully transition to independent living.

- in 2009, the Department will save $2.5 million in adult shelter costs due to a census decline resulting from increased permanent housing placements.

Summary of Agency Financial Data

Summary of Agency Financial Data
($ in 000's)

	2007 Actual	2008 Forecast	2009 Preliminary Budget	2009 Executive Budget	Increase/(Decrease) 2008 Forecast	Increase/(Decrease) 2009 Preliminary Budget
Expenditures						
Salary and Wages	$111,290	$113,768	$114,327	$118,712	$4,944	$4,385
Fringe Benefits	1,211	1,202	1,116	1,116	(86)	—
Medical Assistance	—	—	—	—	—	—
Public Assistance	—	—	—	—	—	—
Other OTPS	620,145	693,285	541,006	634,352	(58,933)	93,346
Total	$732,646	$808,255	$656,449	$754,180	($54,075)	$97,731
Funding						
City	$347,750	$352,120	$298,044	$309,404	($42,716)	$11,360
Other Categorical Grants	—	—	—	—	—	—
IFA	—	—	—	—	—	—
State	210,231	245,970	205,081	219,432	(26,538)	14,351
Federal CD	5,225	7,032	4,000	4,000	(3,032)	—
Federal Other	147,321	155,118	118,232	133,755	(21,363)	15,523
Intra-City Other	22,120	48,015	31,092	87,589	39,574	56,497
Total	$732,646	$808,255	$656,449	$754,180	($54,075)	$97,731
Additional Costs Centrally Funded						
Personal Services (PS)						
Fringe Benefits	$37,152	$33,365	$35,131	$36,998	$3,633	$1,867
Pensions	10,460	14,928	15,101	15,198	270	97
Other Than Personal Service (OTPS)						
Legal Services	778	724	615	715	(9)	100
Judgments and Claims	425	409	469	469	60	—
Debt Service	—	—	—	—	—	—
Total Additional Costs	$48,815	$49,426	$51,316	$53,380	$3,954	$2,064
Funding						
City	38,299	38,921	39,702	42,918	3,997	3,216
Non-City	10,516	10,505	11,614	10,462	(43)	(1,152)
Full Agency Costs (including Central Accounts)						
Salary and Wages	$111,290	$113,768	$114,327	$118,712	$4,944	$4,385
Fringe Benefits	38,363	34,567	36,247	38,114	3,547	1,867
Pensions	10,460	14,928	15,101	15,198	270	97
Total PS	$160,113	$163,263	$165,675	$172,024	$8,761	$6,349
Medical Assistance	$—	$—	$—	$—	$—	$—
Public Assistance	—	—	—	—	—	—
Other OTPS	620,145	693,285	541,006	634,352	(58,933)	93,346
Legal Services	778	724	615	715	(9)	100
Judgments and Claims	425	409	469	469	60	—
Debt Service	—	—	—	—	—	—
Total OTPS	$621,348	$694,418	$542,090	$635,536	($58,882)	$93,446
Total Agency Costs	$781,461	$857,681	$707,765	$807,560	($50,121)	$99,795
Less Intra-City	$22,120	$48,015	$31,092	$87,589	$39,574	$56,497
Net Agency Cost	$759,341	$809,666	$676,673	$719,971	($89,695)	$43,298
Funding						
City	386,049	391,041	337,746	352,322	(38,719)	14,576
Non-City	373,292	418,625	338,927	367,649	(50,976)	28,722
Personnel (includes FTEs at fiscal year-end)						
City	2,042	2,066	2,128	2,223	157	95
Non-City	36	37	—	—	(37)	—
Total	2,078	2,103	2,128	2,223	120	95

Programmatic Review

Single Adult Services

The Department provides a variety of services for homeless single adults, including street outreach and drop-in centers for the hard to serve, general and specialized transitional facilities, and assistance with securing permanent supportive housing. In March 2008, the average daily census in shelter was 6,976, the lowest average for the month of March since 1995, and a decline of 21 percent from March 2004, when the average daily census was 8,867.

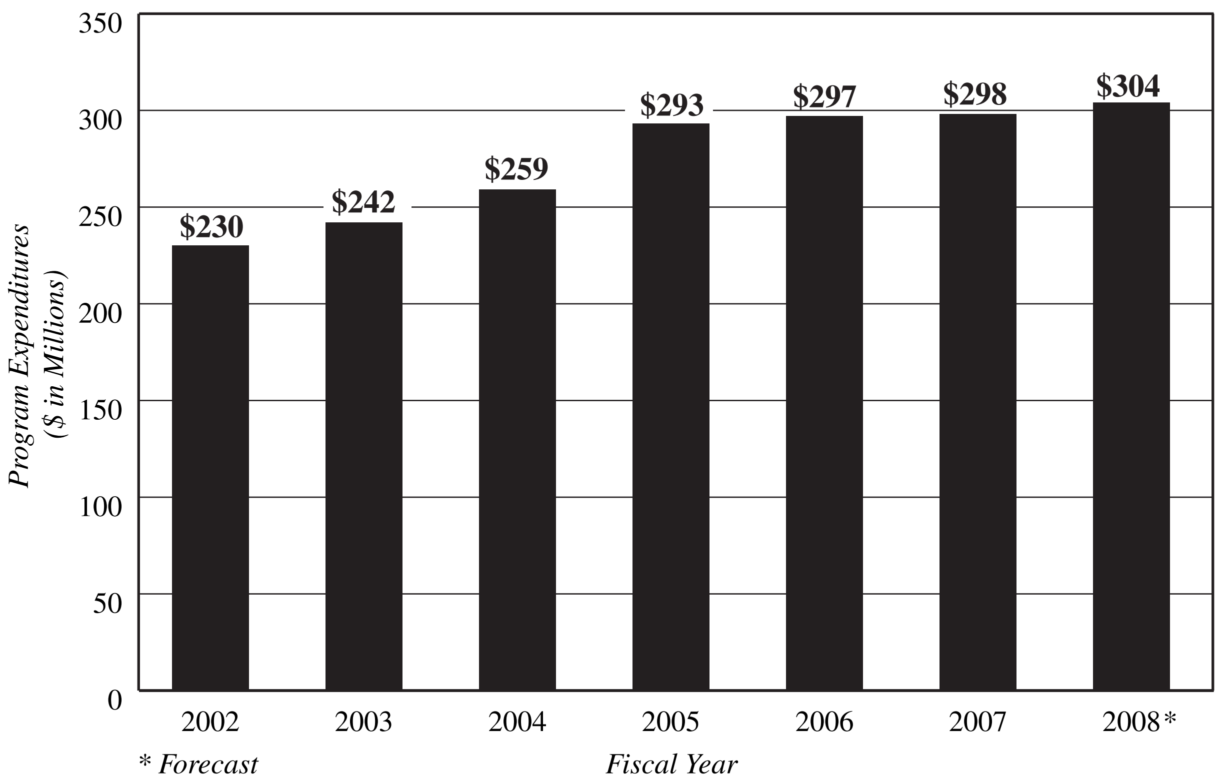
On January 28, 2008, the Department undertook its annual Homeless Outreach Population Estimate (HOPE) to measure its progress in reducing street homelessness. HOPE 2008 estimated that 3,306 individuals were sleeping in the City streets, a 12 percent reduction from 2007 and a 25 percent decline from 2005. HOPE 2008 was the fourth year the survey covered all five boroughs.

In September 2007, in collaboration with the Department of Health and Mental Hygiene (DOHMH), DHS implemented new outreach contracts throughout New York City to improve the adult service model and create more accountability for outcomes. Four not-for-profit providers were selected and, through performance based contracts, will be accountable for reducing the street homeless census in defined catchment areas. In addition, drop-in centers overseen by the Department provide services to an average of 1,380 individuals daily. These services include counseling, crisis intervention, meals, clothing and referrals to support services.

The Department also administers low-threshold/low-demand housing options that street homeless adults will recognize as acceptable alternatives to shelter. DHS providers operate 208 Safe Haven beds as a housing option for clients who are disinclined to enter the traditional shelter system. The average length of time on the street for clients admitted to the program is seven years. DHS plans to develop additional Safe Haven beds by June 2009.

In December 2006, an historic task force was created through an agreement between the City and the United States Department of Veterans Affairs. The "Operation Home" Task Force was charged with creating a new system for veterans to prevent and alleviate homelessness. In 2008, the Department and the Task Force will implement several new initiatives, including a jointly operated multi-service center in Brooklyn that will serve as a central access point for homeless services targeted to veterans. Section 8 housing vouchers will be made available to eligible veterans in conjunction with intensive case management. To address the special needs of veterans living on the streets, DHS will open a veterans-only Safe Haven program in the Bronx during 2009.

HOMELESS INDIVIDUALS - PROGRAM EXPENDITURES: 2002-2008



Family Services

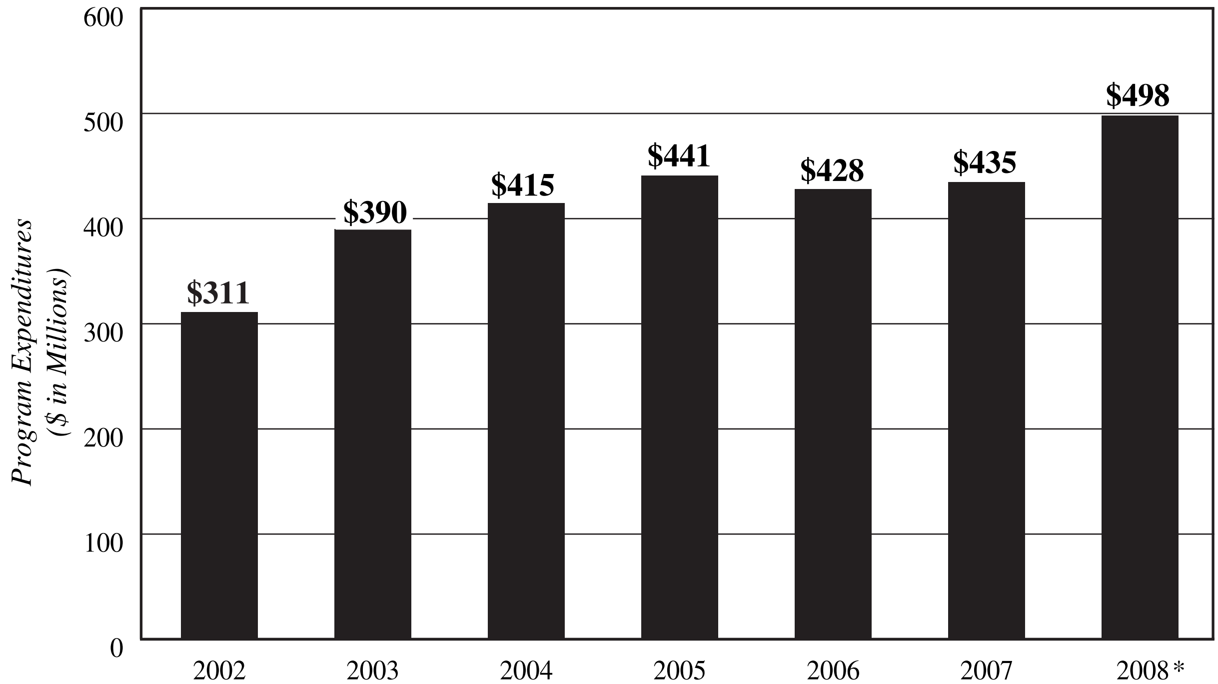
The Department serves homeless families through a network of transitional housing facilities that provide families with stable living situations and supportive social services designed to lead to permanency. The Department continues efforts to minimize the disruptions associated with homelessness for shelter residents as well as to maximize family stability. The number of homeless families without minor children has declined by 15 percent, from an average of 1,439 in March 2007, to an average 1,219 in March 2008. The number of homeless families with children has declined by two percent, from an average of 7,863 in March 2007, to an average of 7,692 in March 2008.

In April 2007, Advantage New York was launched. The centerpiece of the program is Work Advantage, a time-limited rental assistance subsidy, which rewards clients for working, saving and moving toward long term self sufficiency. In addition to Work Advantage, the Department introduced Fixed Income Advantage and Children's Advantage which provide short-term rental assistance for two special-needs populations who then transition to Section 8 vouchers or other long-term housing support. Short-Term Advantage assists homeless families and individuals who are working to quickly leave shelter and re-establish independence by providing one-time financial assistance. As of March 2008, more than 3,500 families and individuals have utilized one of the Advantage subsidies to move out of shelter into permanent housing.

Prevention and Aftercare Services

In September 2004, DHS implemented the HomeBase Diversion Program in six community districts with a high incidence of homelessness. Since its inception, the program has served over 8,400 families and individuals, 93 percent of whom have avoided entering shelter. In 2008, the HomeBase program expanded from six to 59 communities, with offices located in the highest need areas of the City. These HomeBase offices also serve the surrounding neighborhoods in order to provide citywide coverage.

HOMELESS FAMILIES - PROGRAM EXPENDITURES: 2002-2008



** Forecast*

Note: 2008 includes Advantage rental assistance payments, which were not part of the DHS budget in prior years.

Capital Review

The Department's Four-Year Capital Plan totals $95.5 million. Projects for homeless families total $38.4 million, projects for single adults total $42.4 million, and $14.7 million is allocated for computer systems and equipment purchases.

Capital Commitments

($000's)

	2007 Actual		2008 Plan		2009 Plan		2010 Plan		2011 Plan		2012 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	$13,053	$13,053	$71,675	$71,675	$9,726	$9,726	$14,992	$14,992	$7,802	$7,802	$5,884	$5,884
Homeless Individuals	5,392	5,392	20,632	20,632	16,443	16,443	13,500	13,500	4,144	4,144	8,325	8,325
Equipment and Vehicles	80	80	852	852	250	250	0	0	0	0	250	250
Information Technology	3,273	3,273	11,845	11,845	12,810	12,810	500	500	140	140	750	750
Total	$21,798	$21,798	$105,004	$105,004	$39,229	$39,229	$28,992	$28,992	$12,086	$12,086	$15,209	$15,209

Highlights of the Four-Year Capital Plan

- construction of a new $68.3 million seven-story Family Intake Center to replace the Bronx Emergency Assistance Unit (EAU) will continue in 2009. The new facility will accommodate a revamped application and intake process ($1.5 million).

- exterior and interior building upgrades at facilities for homeless families, including Catherine Street Shelter, Auburn Family Shelter, Nelson Avenue Family Residence, PATH - Powers Family Residence ($6.6 million).

- exterior and interior building upgrades at facilities for homeless adults, including the Fort Washington Armory, Charles Gay - Schwartz, New Providence Residence, Sumner Avenue Armory, Kingsboro, Barbara Kleiman Men's Residence, Bedford Atlantic Armory ($9.3 million).

- development of a new Client Tracking and Census Management System for families and adults ($10 million).

DEPARTMENT FOR THE AGING

The Department for the Aging (DFTA) administers a wide range of programs to enhance independence and quality of life of the City's elderly population. The Department's services include the operation of senior centers, provision of home-delivered and congregate meals, case management, social and legal services, home care, and caregiver support services.

Financial Review

The Department's 2009 Executive Budget provides for operating expenses of $257.3 million, of which $114.4 million are City funds. Capital commitments of $20.6 million are also provided.

Expense Budget Highlights

Restructuring: Modernizing Senior Services

- in 2008, the Department launched the Aging Services Modernization initiative to strengthen and improve the services seniors receive today and to prepare for the growing and diverse needs of tomorrow's seniors. This initiative, which focuses on senior centers and home delivered meals, will increase client choice, offer a greater variety of programming, promote healthy aging, and establish the groundwork for a flexible system that can respond to demographic changes.

- in 2008, the Department awarded 23 new case management contracts that are supported in 2009 with an additional $2.1 million in City funds. The new case management system will comprehensively assess seniors' needs and allow older adults to age in place and to remain engaged in their communities.

Summary of Agency Financial Data

The following table compares the 2009 Executive Budget with the 2009 Preliminary Budget, the 2008 forecast and actual expenditures for 2007, including costs budgeted centrally for fringe benefits, pensions, judgments and claims, legal services and debt service.

Summary of Agency Financial Data
($ in 000's)

	2007 Actual	2008 Forecast	2009 Preliminary Budget	2009 Executive Budget	Increase/(Decrease) 2008 Forecast	Increase/(Decrease) 2009 Preliminary Budget
Expenditures						
Salary and Wages	$24,874	$24,822	$17,741	$20,488	($4,334)	$2,747
Fringe Benefits	—	1,438	1,557	1,557	119	—
OTPS	247,033	272,910	224,372	235,322	(37,588)	10,950
Total	$271,907	$299,170	$243,670	$257,367	($41,803)	$13,697
Funding						
City	$133,165	$140,741	$103,933	$114,383	($26,358)	$10,450
Other Categorical Grants	6	10	—	—	(10)	—
IFA	—	—	—	—	—	—
State	34,672	36,445	35,367	35,019	(1,426)	(348)
Federal CD	2,401	2,579	2,485	2,485	(94)	—
Federal Other	101,088	118,627	101,413	105,008	(13,619)	3,595
Intra-City Other	574	768	472	472	(296)	—
Total	$271,907	$299,170	$243,670	$257,367	($41,803)	$13,697
Additional Costs Centrally Funded						
Personal Services (PS)						
Fringe Benefits	$7,144	$6,171	$6,347	$6,338	$167	($9)
Pensions	2,313	3,181	3,339	3,360	179	21
Other Than Personal Service (OTPS)						
Legal Services	86	54	63	54	—	(9)
Judgments and Claims	18	13	15	15	2	—
Debt Service	—	—	—	—	—	—
Total Additional Costs	$9,561	$9,419	$9,764	$9,767	$348	$3
Funding						
City	9,474	9,335	9,684	9,685	350	1
Non-City	87	84	80	82	(2)	2
Full Agency Costs (including Central Accounts)						
Salary and Wages	$24,874	$24,822	$17,741	$20,488	($4,334)	$2,747
Fringe Benefits	7,144	7,609	7,904	7,895	286	(9)
Pensions	2,313	3,181	3,339	3,360	179	21
Total PS	$34,331	$35,612	$28,984	$31,743	($3,869)	$2,759
OTPS	$247,033	$272,910	$224,372	$235,322	($37,588)	$10,950
Legal Services	86	54	63	54	—	(9)
Judgments and Claims	18	13	15	15	2	—
Debt Service	—	—	—	—	—	—
Total OTPS	$247,137	$272,977	$224,450	$235,391	($37,586)	$10,941
Total Agency Costs	$281,468	$308,589	$253,434	$267,134	($41,455)	$13,700
Less Intra-City	$574	$768	$472	$472	($296)	$—
Net Agency Cost	$280,894	$307,821	$252,962	$266,662	($41,159)	$13,700
Funding						
City	142,639	150,076	113,617	124,068	(26,008)	10,451
Non-City	138,255	157,745	139,345	142,594	(15,151)	3,249
Personnel (includes FTEs at fiscal year-end)						
City	105	101	63	63	(38)	—
Non-City	730	738	752	740	2	(12)
Total	835	839	815	803	(36)	(12)

Programmatic Review

Senior Centers

As the Department embarks on the modernization of its senior center network in 2009, critical services for older New Yorkers will continue to be provided. In addition to traditional social service offerings, educational and recreational activities currently provided will be enhanced with new health and wellness programs.

Home Care Services

The Department provides home care services to approximately 4,500 elderly residents throughout the City. The program allows low-income frail elderly, who are above the Medicaid eligibility threshold, to safely remain in their homes by providing assistance with daily chores and personal care.

Case Management Services

DFTA contracts with 23 case management agencies that perform comprehensive assessments of homebound seniors in order to link them with supportive services including home-delivered meals and home care attendants. Seniors access case management through referrals from senior centers, home-delivered meal providers, hospitals and other community-based social service and health care agencies.

Naturally Occurring Retirement Communities

Naturally Occurring Retirement Communities (NORCs) are on-site collaborations among housing entities, social service providers, and healthcare networks which, by providing such critical services as case assistance and healthcare management, allow seniors to remain in their own homes. The Department supports 28 NORCs in the Bronx, Brooklyn, Manhattan and Queens, collectively serving approximately 45,000 seniors. The NORC program model has gained national recognition, putting New York City in the forefront of adapting programs to meet the changing needs of the elderly population.

New York City Caregiver Program

New York City's Caregiver program provides approximately 6,000 caregivers of the elderly throughout the City with critical support services including training, assistance in accessing benefits and resources, counseling and respite services. The Department provides these services in partnership with 15 community-based organizations.

Capital Review

The Department's Four-Year Capital Plan totals $29.7 million. Capital projects include the rehabilitation of senior centers throughout the City and technology projects to improve operations.

Capital Commitments
($ in 000's)

	2007 Actual		2008 Plan		2009 Plan		2010 Plan		2011 Plan		2012 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	$798	$798	$9,668	$9,668	$2,200	$2,200	$1,200	$1,200	$3,479	$3,479	$500	$500
Building Renovations and Vehicles	4,095	4,095	24,121	24,121	18,365	18,365	790	790	1,506	1,506	1,706	1,706
Total	$4,893	$4,893	$33,789	$33,789	$20,565	$20,565	$1,990	$1,990	$4,985	$4,985	$2,206	$2,206

Highlights of the Four-Year Capital Plan

- establishment of new facilities and renovation of existing senior centers in neighborhoods with growing senior populations ($6.0 million).
- purchase of computers for senior centers and development of a computerized network to assist applicants in accessing services and entitlement programs ($5.9 million).

DEPARTMENT OF HEALTH AND MENTAL HYGIENE

The mission of the New York City Department of Health and Mental Hygiene (DOHMH) is to protect and promote the health of all New Yorkers, to support the recovery of individuals with mental illness and chemical dependencies, and to promote the realization of the full potential of individuals with mental retardation and developmental disabilities. DOHMH is committed to maintaining core public health services and continues to introduce new programs and technologies to improve the health status of all New Yorkers.

In 2009, the department will continue its focus on reducing the incidence of preventable and treatable conditions; reducing smoking; improving primary medical care through electronic health record implementation; improving HIV prevention and the care, housing, and treatment of individuals with HIV/AIDS; increasing supportive housing for persons with behavioral and physical health conditions; and ensuring health and safety of New Yorkers in emergency situations. The department's public health activities will continue to be targeted towards those communities that bear a disproportionate share of physical and mental illness and premature death.

The Office of the Chief Medical Examiner is responsible for determining the cause and manner of deaths occurring in the City, operating the county mortuaries and the accredited Forensic Biology Laboratory.

Financial Review

The department's 2009 Executive Budget provides for operating expenses of $1.6 billion, of which $625 million are City funds. Additional funding of approximately $106 million will be added to the budget during the fiscal year when Federal and State award notifications are received. Capital commitments of $110.6 million are also provided to fund agency initiatives.

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. In 2009, the department will generate $61 million from these sources.

Expense Budget Highlights

Budgetary Priorities: Providing Core Services

- building on the State tax increase on cigarettes of $1.25 per pack, the department will continue its aggressive media campaigns and other programs to reduce smoking, the leading preventable cause of death among New Yorkers.
- expand the use of electronic health records throughout the City including community health centers, hospitals, private doctors' offices, and City jails, the largest such project in the country.
- continue outreach and enrollment in a special mental health and substance abuse benefit program for New Yorkers most directly affected by the attacks of September 11, 2001.
- expand supportive housing for persons with behavioral and other health conditions who are chronically homeless or at risk of becoming homeless.
- ensure that all food service establishments are inspected annually.
- reduce infant mortality in high-risk neighborhoods through the Nurse-Family Partnership (NFP) program; an evidence-based home visiting program for low-income first-time mothers.

Summary of Agency Financial Data

The following compares the 2009 Executive Budget with the 2009 Preliminary Budget, the 2008 forecast and actual expenditures for 2007, including costs budgeted centrally for fringe benefits, pensions, judgments and claims, legal services and debt services.

Summary of Agency Financial Data
($ in 000's)

	2007 Actual	2008 Forecast	2009 Preliminary Budget	2009 Executive Budget	Increase/(Decrease) 2008 Forecast	Increase/(Decrease) 2009 Preliminary Budget
Expenditures						
Salary and Wages	$328,962	$381,627	$377,437	$385,519	$3,892	$8,082
Fringe Benefits	1,203	1,305	579	548	(757)	(31)
Medical Assistance	—	—	—	—	—	—
Public Assistance	—	—	—	—	—	—
Other OTPS	1,231,576	1,280,700	1,182,806	1,191,343	(89,357)	8,537
Total	$1,561,741	$1,663,632	$1,560,822	$1,577,410	($86,222)	$16,588
Funding						
City	$589,107	$602,017	$614,342	$625,752	$23,735	$11,410
Other Categorical Grants	228,939	233,307	243,590	245,091	11,784	1,501
IFA	—	—	—	—	—	—
State	436,270	494,700	442,133	446,247	(48,453)	4,114
Federal CD	562	553	553	553	—	—
Federal Other	293,251	316,492	255,541	255,552	(60,940)	11
Intra-City Other	13,613	16,563	4,663	4,215	(12,348)	(448)
Total	$1,561,741	$1,663,632	$1,560,822	$1,577,410	($86,222)	$16,588
Additional Costs Centrally Funded						
Personal Services (PS)						
Fringe Benefits	$98,787	$101,530	$101,528	$107,832	$6,302	$6,304
Pensions	30,697	38,773	44,319	44,603	5,830	284
Other Than Personal Service (OTPS)						
Legal Services	1,278	1,461	1,164	1,444	(17)	280
Judgments and Claims	982	3,231	3,697	3,697	466	—
Debt Service	28,650	34,631	22,268	27,216	(7,415)	4,948
Total Additional Costs	$160,394	$179,626	$172,976	$184,792	$5,166	$11,816
Funding						
City	156,805	155,747	149,811	161,449	5,702	11,638
Non-City	3,589	23,879	23,165	23,343	(536)	178
Full Agency Costs (including Central Accounts)						
Salary and Wages	$328,962	$381,627	$377,437	$385,519	$3,892	$8,082
Fringe Benefits	99,990	102,835	102,107	108,380	5,545	6,273
Pensions	30,697	38,773	44,319	44,603	5,830	284
Total PS	$459,649	$523,235	$523,863	$538,502	$15,267	$14,639
Medical Assistance	$—	$—	$—	$—	$—	$—
Public Assistance	—	—	—	—	—	—
Other OTPS	1,231,576	1,280,700	1,182,806	1,191,343	(89,357)	8,537
Legal Services	1,278	1,461	1,164	1,444	(17)	280
Judgments and Claims	982	3,231	3,697	3,697	466	—
Debt Service	28,650	34,631	22,268	27,216	(7,415)	4,948
Total OTPS	$1,262,486	$1,320,023	$1,209,935	$1,223,700	($96,323)	$13,765
Total Agency Costs	$1,722,135	$1,843,258	$1,733,798	$1,762,202	($81,056)	$28,404
Less Intra-City	$13,613	$16,563	$4,663	$4,215	($12,348)	($448)
Net Agency Cost	$1,708,522	$1,826,695	$1,729,135	$1,757,987	($68,708)	$28,852
Funding						
City	745,912	757,764	764,153	787,201	29,437	23,048
Non-City	962,610	1,068,931	964,982	970,786	(98,145)	5,804
Personnel (includes FTEs at fiscal year-end)						
City	4,797	5,419	5,360	5,361	(58)	1
Non-City	1,386	1,612	1,373	1,398	(214)	25
Total	6,183	7,031	6,733	6,759	(272)	26

Agency-wide Initiatives

Launched in March 2004, the Take Care New York (TCNY) policy identifies 10 steps to support longer and healthier lives. Recent surveys show that 265,000 additional New Yorkers have a doctor, there are 240,000 fewer New Yorkers who smoke and colonoscopy screening rates for New Yorkers aged 50 years and older have increased 44 per cent. In 2009, the department will work closely with its partners to further implement core TCNY initiatives.

Mental Hygiene Services

The department provides planning, funding, and oversight of mental health, mental retardation, developmental disabilities, chemical dependency, and Early Intervention services. Over 450,000 mental hygiene consumers are served annually through contracts and agreements with nonprofit provider agencies, HHC facilities, other City agencies and voluntary hospitals. The department also seeks to address the emotional, behavioral, developmental, or substance abuse needs of children and their families.

Mental Health

The department oversees and coordinates the delivery of treatment, housing, case management, and rehabilitation services to adults and children with mental illness and/or functional impairments. The department contracts with or oversees providers offering the following services: clinic-based treatment, assertive community treatment ACT, clubhouses, advocacy, supportive housing, case management, assisted employment, information and referral, on-site school services, and home-based and mobile crisis intervention and administers the Assisted Outpatient Treatment program as mandated by Kendra’s law.

Mental Retardation and Developmental Disabilities (MRDD)

The department provides a range of day and support services for individuals with developmental disabilities and their families. These disabilities include mental retardation, cerebral palsy, autism, epilepsy, and a variety of other neurological impairments. MRDD services include transitional employment, work readiness, clinical evaluation and treatment services, family support, counseling, recreation services for children and adults, education, information and referral, summer camp and respite care.

Alcohol and Drug Use Prevention, Care and Treatment

Alcohol and drug use services supported by the department work to prevent the development of alcohol and substance abuse problems and to assist individuals in need of dependency treatment with detoxification services, education, and out-patient counseling and care. The department will continue its buprenorphine initiative for individuals who seek an alternative treatment for opioid dependence. The department will also expand its Managed Addiction Treatment Services initiative that targets high-cost users of Medicaid-funded substance abuse services.

Early Intervention Services

The Early Intervention (EI) program identifies and treats children from birth to age three, who are at risk for or diagnosed with developmental delays or disabilities. Services are designed to reduce or eliminate delays and enable families to manage their children’s needs and support their development. A network of over 130 contracted agencies provides services to more than 35,000 children and their families annually. New contracts have been awarded to EI service providers and will become effective by Fall 2008.

Public Health Services

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.

HIV/AIDS Prevention and Control remains a critical focus, through increasing HIV testing among New Yorkers, linking and keeping HIV/AIDS-patients in care, and HIV/AIDS surveillance and program planning. Major activities for 2009 include the ongoing expansion of programs to help New Yorkers know their HIV status and, if HIV positive, receive care in a timely manner. In addition, the department will focus on populations with increasing rates of HIV infection through a wide range of education, outreach and prevention strategies.

Sexually Transmitted Disease Control conducts outreach activities and targeted screening, testing and treatment services to curtail the spread of infections. In response to increasing primary and secondary syphilis cases, in 2009 the department will continue provider training and community outreach efforts and other interventions, including a DOHMH-sponsored partner notification website.

The Bureau of Tuberculosis Control provides direct patient care, education, surveillance, and outreach to reduce the incidence of tuberculosis (TB). In calendar year 2007, new cases of TB reached a historic low of 914 cases. TB continues to disproportionately affect the foreign-born and the department will work to improve services for high-risk immigrant communities and completion rates for treatment of latent TB infections. The department will also work with medical providers and local hospitals, community boards, and community-based organizations to raise awareness and reduce the spread of disease in neighborhoods where TB cases are increasing.

Epidemiology

The Epidemiology Division provides timely, systematic, and ongoing collection, analysis and dissemination of data to monitor health trends and assist in the development of appropriate interventions. The department also registers, processes, certifies, analyzes, and issues reports of births, deaths, spontaneous and induced terminations of pregnancy and coordinates public health training and education initiatives for agency staff and health professionals throughout the City.

Key activities during 2009 will include special studies on the health impacts of the World Trade Center attacks, evaluations of the New York/New York III supportive housing initiative and Early Intervention services and health conditions among incarcerated populations. The department will also continue roll-out of its Electronic Death Registration System (EDRS) that will be integrated with the birth and death certificate image retrieval systems.

Health Promotion and Disease Prevention

In 2009, the department will continue its focus on non-communicable diseases, which comprise nearly 80 percent of the New York City disease burden, and conditions related to maternal, child and adolescent health. The department seeks to reduce health disparities among communities by directing its most intensive efforts to communities with the greatest needs.

Though smoking rates continue to decline, tobacco use is one of the leading causes of preventable death in New York City. The department will continue its efforts to educate smokers about the dangers of smoking and motivate them to quit through hard-hitting multi-media campaigns, and distribution of nicotine replacement therapy. In order to further reduce smoking rates in New York City, the department will also work with the multiple agencies responsible for tax enforcement and collection to reduce sales of under-taxed cigarettes.

Improving nutrition and physical activity levels are critical to reducing the occurrence of many chronic diseases. In addition to new physical activity and nutritional standards for day care facilities, the department will complete the phase-out of artificial trans-fats in restaurants. The Healthy Bodegas initiative will increase access to fruits, vegetables and other healthy foods in targeted areas throughout the City, by making available additional Green Cart vending licenses. Additional activities will increase physical activity for young children; improve screening, prevention and care for diabetes, colon and breast cancer, heart disease and asthma; enhancing access to medications; and improving the City's physical environment so as to promote physical activity.

The Bureau of School Health provides health services in public and non-public elementary schools, and public intermediate and high schools. Services include comprehensive reviews of children's medical conditions and immunization status, provision of prescription medication and management of chronic illnesses, and follow-up on conditions requiring referral. A top priority of the department is its joint effort with the department of Education to expand physical education in schools.

The department will continue efforts to reduce infant mortality and teen pregnancy rates, especially in high-risk neighborhoods. In addition to expanding the Nurse-Family Partnership, the department will strengthen teen pregnancy prevention efforts through comprehensive reproductive health services at school-based health centers in public high schools. The department will work with the Department of Education on a range of teen reproductive health and pregnancy measures, and seek to assure access to reproductive health services through the Healthy Teens Initiative.

Environmental Health

The department inspects day care providers and food service establishments, conducts surveillance, interdiction and outreach in areas of pest control, veterinary services, lead poisoning, water quality, and other environmental health concerns. Key achievements include; continued reduction in the number of lead-poisoned children, improvements in day care inspection efficiency and effectiveness, establishment of new rodent control methods as part of a Bronx pilot project and increasing adoptions while decreasing euthanasia in contracted animal shelters.

The department will build on recent enhancements to restaurant inspections, including expanded focus on both interior and exterior conditions conducive to pests and conducting full inspections in response to complaints. Recent trans-fat provisions added to the health code have been fully incorporated into restaurant inspections, and nearly all restaurants are found in compliance.

Health Care Access and Improvement

The department develops, implements, and monitors programs to expand the availability of health services for all New Yorkers. As of December 2007, over 1.5 million New Yorkers were enrolled in Medicaid managed care programs, including populations with special needs. The department will continue to collaborate with managed care plans to address public health priorities through improved health care management and effective prevention activities.

The department will expand the Primary Care Information Project to provide electronic health records systems that improve primary and preventive care in community-based ambulatory care settings. These tools include data collection and clinical decision support for critical public health concerns and population-level data on health conditions and health service delivery. As of April 2008, 60 clinics and group practices have enrolled, covering more than 300,000 patients Citywide.

The Bureau of Correctional Health Services provides health services to approximately 100,000 inmates who pass through the City's correctional facilities each year. In 2009, the department will continue to expand the use of electronic systems to monitor inmate health through an electronic intake system and development of an electronic health record to be implemented throughout the City's correctional system

Office of Chief Medical Examiner

The Office of Chief Medical Examiner (OCME) is responsible for the investigation of persons who die within New York City from criminal violence; by casualty or by suicide; suddenly, when in apparent good health; when unattended by a physician; or in a correctional facility, or in any suspicious or unnatural manner.

In the spring of 2007, OCME completed construction of the fifteen-story DNA Forensic Biology Laboratory. This structure consolidates existing DNA laboratories into a custom-built facility for forensic DNA analysis. In the past, the DNA laboratories analyzed evidence from homicides and sex crimes; evidence from other crime categories was tested only under special circumstances. With the laboratory's continued expansion in 2009 and 2010, the office anticipates reaching full capacity for all requests, and processing 18,000 cases annually.

The OCME continues to make major strides in planning for management of mass fatality incidents. Working closely with the NYPD, DOHMH, OEM, DEP, and FDNY, the Office has developed interagency teams and protocols to respond to and mitigate the effects of a disaster, whether natural, accidental, or a terrorist attack. Planning over the past year included continued development of the Unified Victim Identification System with the NYPD Missing Persons Unit, OEM and DoITT. The Agency is also working with partners throughout the metropolitan area to prepare for regional mass fatality incidents.

Capital Review

The 2009 - 2012 Four-Year Plan totals $360.8 million for renovating facilities, new construction, and the purchase of equipment. The table below shows capital commitments by program area over the FY2008 - 2012 period.

Capital Commitments

($000's)

	2007 Actual		2008 Plan		2009 Plan		2010 Plan		2011 Plan		2012 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
Administration	$652	$652	$483	$483	$0	$0	$0	$0	$0	$0	$0	$0
Animal Care	$960	$960	$5,529	$5,529	$550	$550	$0	$0	$10,947	$10,947	$0	$0
Information Technology	$14,406	$14,406	$37,768	$37,768	$13,545	$13,545	$9,300	$9,300	$4,511	$4,511	$2,538	$2,538
Laboratories	$5,733	$5,733	$5,710	$5,710	$20,496	$20,496	$30,000	$30,000	$175,849	$175,849	$0	$0
OCME	$3,043	$3,043	$28,950	$28,950	$9,262	$9,262	$1,575	$1,575	$4,333	$4,333	$1,197	$1,197
Equipment	$10,637	$10,637	$42,354	$42,354	$2,034	$2,034	$85	$85	$2,815	$2,815	$0	$0
Renovation	27,069	27,069	67,587	67,587	64,739	64,739	2,861	2,861	2,097	2,097	2,100	2,100
Total	$62,500	$62,500	$188,381	$188,381	$110,626	$110,626	$43,821	$43,821	$200,552	$200,552	$5,835	$5,835

Highlights of the Four-Year Plan

- design, build and outfit a new Public Health Laboratory, a critical improvement required to retain the department's status as the nation's leading municipal public health agency ($200 million).

- design and renovate clinics, including rehabilitation of the Riverside and Richmond Health Centers and administrative offices ($57.4 million).

- Information technology improvements, which include upgrades to the department's network and security systems and replacement of computers ($18.7 million).

- construct and equip a new Bronx facility for the Office of Chief Medical Examiner ($7.9 million).

FIRE DEPARTMENT

The Fire Department is responsible for protecting the lives and 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 conducts building safety inspections. The Department currently has 356 fire units that provide fire, rescue, and emergency medical services. The agency also promotes fire prevention through public outreach and enforcement of New York City's Fire Code. The Department's Fire Marshals investigate fires and apprehend arsonists. The Bureau of Emergency Medical Services (EMS), assisted by the Certified First Responder - Defibrillation (CFR-D) trained personnel responding from Engine Companies, provides pre-hospital emergency medical care and ambulance transport, where required.

Financial Review

The Fire Department's 2009 Executive Budget provides for operating expenses of $1.5 billion, a decrease of $36.9 million from the amount forecasted for 2008. This decrease is primarily due to funding reductions in expenses supported by Federal grant funding in 2008. While additional funding is anticipated, such funding decisions are not yet finalized at this point in the Federal budget cycle.

Capital commitments of $224.7 million are also provided in 2009. This represents a decrease of $48.3 million, a 17.7 percent change, from the amount forecasted for 2008, primarily due to funding for various technology modernization projects and equipment purchases funded with Federal grants in 2008.

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 2009, the revenue estimate for the Fire Department is $69.2 million.

The Department also collects revenue from Emergency Medical Services (EMS) ambulance transports. In 2009, revenue from Medicaid and non-Medicaid sources is projected at $145.6 million, which is $3.3 million less than 2008.

Expense Budget Highlights

Budgetary Priorities: Providing Core Services

- add 26 municipal ambulance tours to replace voluntary tours no longer provided by private hospitals at a cost of $3.6 million.

- fund the modernization of the Fire Department's Critical Information Dispatch System at a cost of $0.4 million.

- continue to provide on-site emergency medical care and ambulance transport services citywide.

Restructuring and Streamlining

- reduce the number of vacancies for civilian support staff by 111, resulting in a savings of $4.1 million.

- promote additional Fire Officers to reduce overtime spending, resulting in a savings of $0.4 million.

- civilianize 42 uniformed positions in various units in the Department, resulting in a savings of $1.0 million.

- using a re-sequenced dispatch protocol, the Department's Queens Dispatch Pilot has reduced response times to structural fires in the borough by 30 seconds.

- completion of the Mayor's code revision initiative in May by enacting a new Fire Code for New York City, the first comprehensive revision of that code in a century. The new Fire Code will enhance fire safety in New York City by adopting more modern and comprehensive fire safety requirements that are consistent with national and industry standards. It will be accompanied by a comprehensive revision of the Fire Department's rules.

Summary of Agency Financial Data

The following table compares the 2009 Executive Budget with the 2009 Preliminary Budget, the 2008 forecast and actual expenditures for 2007, including costs budgeted centrally for fringe benefits, pensions, judgments and claims, legal services and debt service.

Summary of Agency Financial Data
($ in 000's)

	2007 Actual	2008 Forecast	2009 Preliminary Budget	2009 Executive Budget	Increase/(Decrease) 2008 Forecast	Increase/(Decrease) 2009 Preliminary Budget
Expenditures						
Salary and Wages	$1,284,132	$1,352,146	$1,368,698	$1,367,267	$15,121	($1,431)
Fringe Benefits	20,657	24,730	19,691	21,611	(3,119)	1,920
OTPS	139,749	185,296	137,603	136,346	(48,950)	(1,257)
Total	$1,444,538	$1,562,172	$1,525,992	$1,525,224	($36,948)	($768)
Funding						
City	$1,271,686	$1,334,268	$1,351,890	$1,350,493	$16,225	($1,397)
Other Categorical Grants	132,652	151,135	145,683	145,912	(5,223)	229
IFA	—	—	—	—	—	—
State	1,988	1,851	1,846	1,846	(5)	—
Federal CD	—	—	—	—	—	—
Federal Other	31,100	64,575	16,230	16,230	(48,345)	—
Intra-City Other	7,110	10,343	10,343	10,743	400	400
Total	$1,444,538	$1,562,172	$1,525,992	$1,525,224	($36,948)	($768)
Additional Costs Centrally Funded						
Personal Services (PS)						
Fringe Benefits	$597,147	$450,096	$473,192	$484,815	$34,719	$11,623
Pensions	739,098	843,552	883,840	892,254	48,702	8,414
Other Than Personal Service (OTPS)						
Legal Services	5,548	5,802	6,272	5,910	108	(362)
Judgments and Claims	22,430	24,783	28,358	28,358	3,575	—
Debt Service	64,629	98,749	63,905	75,590	(23,159)	11,685
Total Additional Costs	$1,428,852	$1,422,982	$1,455,567	$1,486,927	$63,945	$31,360
Funding						
City	1,395,586	1,389,825	1,421,088	1,452,029	62,204	30,941
Non-City	33,266	33,157	34,479	34,898	1,741	419
Full Agency Costs (including Central Accounts)						
Salary and Wages	$1,284,132	$1,352,146	$1,368,698	$1,367,267	$15,121	($1,431)
Fringe Benefits	617,804	474,826	492,883	506,426	31,600	13,543
Pensions	739,098	843,552	883,840	892,254	48,702	8,414
Total PS	$2,641,034	$2,670,524	$2,745,421	$2,765,947	$95,423	$20,526
OTPS	$139,749	$185,296	$137,603	$136,346	($48,950)	($1,257)
Legal Services	5,548	5,802	6,272	5,910	108	(362)
Judgments and Claims	22,430	24,783	28,358	28,358	3,575	—
Debt Service	64,629	98,749	63,905	75,590	(23,159)	11,685
Total OTPS	$232,356	$314,630	$236,138	$246,204	($68,426)	$10,066
Total Agency Costs	$2,873,390	$2,985,154	$2,981,559	$3,012,151	$26,997	$30,592
Less Intra-City	$7,110	$10,343	$10,343	$10,743	$400	$400
Net Agency Cost	$2,866,280	$2,974,811	$2,971,216	$3,001,408	$26,597	$30,192
Funding						
City	2,667,272	2,724,093	2,772,978	2,802,522	78,429	29,544
Non-City	199,008	250,718	198,238	198,886	(51,832)	648
Personnel (includes FTEs at fiscal year-end)						
City	16,183	15,987	16,079	16,082	95	3
Non-City	33	31	31	31	—	—
Total	16,216	16,018	16,110	16,113	95	3

Programmatic Review

In 2008, the Department expects that well over one-half of the responses by 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 2009. The Department anticipates that its ambulances will respond to over one million medical incidents in 2009.

Fire Extinguishment

The Fire Department provides fire and rescue operations via 198 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 on average 566 daily ambulance tours, including the 26 new EMS tours as noted above. Engine Company 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 is seeking legislation to implement the newly revised Fire Code. The Bureau will also be expanded to review a greater number of plans as required by the new Fire Code.

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 130 Fire Marshals to field duty in 2009.

Capital Review

The 2009-2012 Four Year Capital Plan totals $608.7 million. 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 other facilities, 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 (ECTP), is contained within DoITT's budget. In conjunction with the NYPD and DoITT, the Fire Department is working to develop an integrated 911 dispatch system that will bolster the City's critical emergency response capabilities. This project includes the development of a consolidated dispatch system, an upgraded telecommunications infrastructure, and redundant call-taking and dispatch centers. In 2009, the Police, Fire and EMS call taking and dispatch operations will be consolidated on the 3rd Floor of the new Public Safety Answering Center (PSAC). In addition, design of the fully redundant backup call center (PSAC 2) has commenced in 2008 and will continue in 2009.

Capital Commitments

($000's)

	2007 Actual		2008 Plan		2009 Plan		2010 Plan		2011 Plan		2012 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 Communication	$12,823	$14,417	$13,014	$13,921	$2,016	$9,516	$1,875	$1,875	$2,807	$2,807	$5,587	$5,587
Electronic Data Processing	3,266	4,615	31,588	35,536	13,869	13,869	5,672	5,672	300	300	300	300
Reconstruction/Modernization of Facilities	61,518	61,868	120,007	120,007	140,771	140,771	27,600	27,600	120,300	120,300	24,307	24,307
Vehicles and Equipment	37,926	37,926	70,962	103,535	42,578	60,578	35,284	35,284	83,800	83,800	76,119	76,119
Total	$115,533	$118,826	$235,571	$272,999	$199,234	$224,734	$70,431	$70,431	$207,207	$207,207	$106,313	$106,313

Highlights of the 2009-2012 Four Year Capital Commitment Plan

- the replacement of front-line fire-fighting apparatus according to mandated replacement cycles as well as support vehicles and equipment ($255.8 million).
- the renovation of firehouse components such as boilers, electrical upgrades, kitchens, roofs, bathrooms, waterproofing, apparatus doors, floors, and windows ($111.1 million).
- the construction of four new EMS stations, including the replacement or relocation of two existing stations ($50.8 million).
- the reconstruction of the existing Fleet Maintenance building, and replacement of the Ambulance Maintenance facility ($135.5 million).
- the upgrade of emergency communications systems and radio equipment ($19.8 million).
- information technology systems improvements and equipment replacement ($14.6 million).

The 2009 Plan for the Department totals $224.7 million and highlights include:

- the replacement of front-line fire-fighting apparatus, support vehicles, fireboats, and equipment ($60.6 million).
- the renovation of firehouse components such as boilers, electrical upgrades, kitchens, roofs, bathrooms, waterproofing, apparatus doors, floors, and windows ($38.3 million).
- the upgrading and rehabilitation of various buildings at the Fire Academy on Randall's Island ($3.3 million).
- the replacement of the Rescue Company Two firehouse in Brooklyn ($20.0 million).
- the construction of a new EMS station in Woodlawn, the Bronx, at the former location of the Ladder Company 39 firehouse ($10.8 million).
- the construction of a new EMS Station in Greenpoint, Brooklyn ($10.2 million).
- the construction of the new Soundview EMS station in the Bronx ($14.5 million).
- the upgrading and replacement of computer systems ($3.5 million).

- the implementation of the Department's Risk-Based Inspection Solution aimed at creating a risk-based inspection scheduling and tracking system through enhanced intra- and inter-departmental information sharing and access and more robust accountability tools ($5.5 million).

- the first phase of the new Fire Department Network Operations Center aimed at enhancing the Department's management and monitoring of its critical technology infrastructure ($4.7 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 street cleaning and the collection, management, recycling, and disposal of municipal solid waste in the City's 59 Community Districts.

Financial Review

The Department of Sanitation's 2009 Executive Budget provides for operating expenses of $1.3 billion, an increase of $28.2 million from the 2008 forecast. This increase is primarily due to rising personnel and waste export contract costs.

Capital commitments of $1.0 billion are also provided in 2009, an increase of $797.8 million from the 2008 Plan amount. This increase is primarily due to the extensive infrastructure development for the Solid Waste Management Plan in 2009, as well as planned commitments for large garage reconstructions and site acquisitions.

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 2009 revenue estimate is $27 million from these sources, compared to $28.9 million in 2008.

Expense Budget Highlights

Budgetary Priorities: Providing Core Services

- as part of the 2006 Solid Waste Management Plan (SWMP), the Department will create a new program for the safe disposal of Household Hazardous Waste (HHW). Funding of $1 million will support HHW drop-off events in each borough, and potentially allow for expanded hours for the existing special waste sites.

- the Department will undertake an extensive study of the current recycling practices of commercial waste haulers in the City, as required by the SWMP. This study will be similar in scope to the Waste Characterization Study the Department conducted in 2004-2005, which surveyed Department-managed waste (residential and institutional) in the City.

- the Department will manage the collection, handling, and disposal program for New York City electronic waste established with the passage of Local Law 13 of 2008. The Department will hire two additional staff in 2009 to review manufacturers' plans to comply with this law and monitor its ongoing enforcement.

- new collective bargaining agreements for sanitation workers and sanitation officers require the addition in 2009 of $44.5 million and $9.1 million, respectively. These contracts include the same productivity initiatives as the previous contracts.

- the Department's snow removal budget has been increased by $5.7 million, based on the previous five-year spending average, as required by the City Charter.

Restructuring and Streamlining

- the Department will reduce its civilian workforce by 122 positions through attrition and the elimination of vacancies, saving $5.7 million.

- the Department has refined its cost estimates for core waste disposal related activities in 2009. As a result, $23 million has been transferred from waste disposal contingency funding to waste export. An additional $21.5 million no longer anticipated to be needed in 2009, has been removed from the contingency budget.

- the Department's conversion of four districts from rear loader recycling trucks to dual-bin trucks reduces the number of required truck shifts and associated personnel costs, saving $936,000 annually.

- the Department will achieve $7.3 million in savings through improved efficiencies in its cleaning and collection operations, with an associated headcount reduction of 137 positions.

- the elimination of the supplemental basket collection program will achieve a savings of $1.4 million.

- the Department is experiencing a higher rate of attrition than expected. Since the resulting vacancies are filled with new sanitation workers with lower starting salaries, the Department will realize savings of $16.0 million in 2009 associated with this attrition.

- through aggressive hiring of new workers, the Department expects to be able to maintain its budgeted headcount for uniformed employees. This has resulted in lower than expected overtime costs, saving $7.5 million in overtime and associated differentials in 2009.

Summary of Agency Financial Data

The following table compares the 2009 Executive Budget with the 2009 Preliminary Budget, the 2008 forecast and actual expenditures for 2007, including costs budgeted centrally for fringe benefits, pensions, judgments and claims, legal services and debt service.

Summary of Agency Financial Data
($ in 000's)

	2007 Actual	2008 Forecast	2009 Preliminary Budget	2009 Executive Budget	Increase/(Decrease) 2008 Forecast	Increase/(Decrease) 2009 Preliminary Budget
Expenditures						
Salary and Wages	$677,720	$695,933	$716,717	$718,250	$22,317	$1,533
Fringe Benefits	21,423	20,472	20,331	20,331	(141)	—
OTPS	474,310	542,760	559,507	548,809	6,049	(10,698)
Total	$1,173,453	$1,259,165	$1,296,555	$1,287,390	$28,225	($9,165)
Funding						
City	$1,144,817	$1,219,504	$1,270,366	$1,258,820	$39,316	($11,546)
Other Categorical Grants	3,056	2,860	1,100	750	(2,110)	(350)
IFA	10,580	11,195	8,013	8,053	(3,142)	40
State	234	5,409	—	2,500	(2,909)	2,500
Federal CD	12,754	14,448	14,560	14,766	318	206
Federal Other	590	3,009	—	—	(3,009)	—
Intra-City Other	1,423	2,740	2,516	2,501	(239)	(15)
Total	$1,173,453	$1,259,165	$1,296,555	$1,287,390	$28,225	($9,165)
Additional Costs Centrally Funded						
Personal Services (PS)						
Fringe Benefits	$362,269	$266,028	$279,346	$286,786	$20,758	$7,440
Pensions	138,699	176,976	201,584	201,511	24,535	(73)
Other Than Personal Service (OTPS)						
Legal Services	6,332	6,352	5,985	6,279	(73)	294
Judgments and Claims	36,996	28,232	32,305	32,305	4,073	—
Debt Service	216,717	320,260	205,929	195,149	(125,111)	(10,780)
Total Additional Costs	$761,013	$797,848	$725,149	$722,030	($75,818)	($3,119)
Funding						
City	744,680	785,443	711,538	708,888	(76,555)	(2,650)
Non-City	16,333	12,405	13,611	13,142	737	(469)
Full Agency Costs (including Central Accounts)						
Salary and Wages	$677,720	$695,933	$716,717	$718,250	$22,317	$1,533
Fringe Benefits	383,692	286,500	299,677	307,117	20,617	7,440
Pensions	138,699	176,976	201,584	201,511	24,535	(73)
Total PS	$1,200,111	$1,159,409	$1,217,978	$1,226,878	$67,469	$8,900
OTPS	$474,310	$542,760	$559,507	$548,809	$6,049	($10,698)
Legal Services	6,332	6,352	5,985	6,279	(73)	294
Judgments and Claims	36,996	28,232	32,305	32,305	4,073	—
Debt Service	216,717	320,260	205,929	195,149	(125,111)	(10,780)
Total OTPS	$734,355	$897,604	$803,726	$782,542	($115,062)	($21,184)
Total Agency Costs	$1,934,466	$2,057,013	$2,021,704	$2,009,420	($47,593)	($12,284)
Less Intra-City	$1,423	$2,740	$2,516	$2,501	($239)	($15)
Net Agency Cost	$1,933,043	$2,054,273	$2,019,188	$2,006,919	($47,354)	($12,269)
Funding						
City	1,889,497	2,004,947	1,981,904	1,967,708	(37,239)	(14,196)
Non-City	43,546	49,326	37,284	39,211	(10,115)	1,927
Personnel (includes FTEs at fiscal year-end)						
City	9,503	9,698	9,498	9,498	(200)	—
Non-City	342	387	345	345	(42)	—
Total	9,845	10,085	9,843	9,843	(242)	—

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

In accordance with the 2006 Solid Waste Management Plan (SWMP), the Department is developing a new City waste export infrastructure to replace existing contracts, limit truck-based export, and maximize the export of containerized waste by barge or rail. The Department has designed new containerization facilities to be built at four Marine Transfer Station sites for the Department-managed waste, and continues to negotiate and contract with vendors interested in providing long-term waste services at the Marine Transfer stations, as well as offering alternatives to the conversion of certain Marine Transfer Stations.

For Staten Island waste, the Department operates a facility at the closed Fresh Kills landfill that containerizes waste for rail transport via a rail link connecting Staten Island to the national rail freight network.

Containerization at the 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. In addition, the Solid Waste Management Plan equitably distributes the responsibility for waste transfer among the five boroughs.

The Department's Four-Year Capital Commitment Plan provides $485.5 million for the implementation of the City's Solid Waste Management Plan.

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, glass, and plastic (MGP) from paper and place it in bins, bags or bundles.

In 2008, the paper recycling program has generated an average of $23.13 of revenue per ton from various vendors or $9.1 million per year while the City is paying $59.00 per ton for MGP processing.

The Department will soon enter into a 20-year contract for MGP and paper recycling. The City is funding the rehabilitation of the 29th Street Pier in the South Brooklyn Marine Terminal as site preparation for a recycling processing facility to be built there in support of this 20-year commitment.

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. During the winter, BCC is also responsible for the removal of snow from City streets.

Currently, BCC provides refuse collection services two to three times a week depending on the population density of the community. To date in 2008, the Department's curbside collection program has averaged 10.2 tons per truck.

Bureau of Waste Disposal

The Bureau of Waste Disposal (BWD) is responsible for the receipt, transfer, transportation, and final disposal of approximately 11,700 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, snow melters, front-end loaders, and other vehicles and equipment. BME operates an extensive network of repair and maintenance facilities. This Bureau researches and develops equipment specifications to improve productivity, vehicle design, and to take advantage of the newest technologies including alternative fuel vehicles and emissions-reducing exhaust after-treatments.

The Bureau of Building Maintenance (BBM) continues to provide facility management services. BBM provides maintenance and emergency repair work for the Department's 206 facilities. BBM is also working in conjunction with the New York Power Authority to reduce the Department's overall electrical consumption, particularly peak loads during high temperature summer days.

Capital Review

The Department's 2009-2012 Four-Year Capital Commitment Plan totals $1.8 billion. The Four-Year Capital Commitment 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 Commitment Plan consists of three major components - vehicle purchases, transfer station renovation and construction, and garage rehabilitation, site acquisition, and construction. These three major programs represent 96.6 percent of the total 2009-2012 Four-Year Capital Commitment Plan.

To support the Department's collection and cleaning operations, 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 replenish its fleet, including collection trucks, dual-bin trucks, mechanical brooms, and salt spreaders in order to support operations.

Capital Commitments

($ in 000's)

	2007 Actual		2008 Plan		2009 Plan		2010 Plan		2011 Plan		2012 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
Waste Disposal	-$728	-$728	-$6,289	-$6,289	$0	$0	$0	$0	$0	$0	$0	$0
Solid Waste Management	32,688	32,688	74,367	78,967	458,395	458,395	11,991	11,991	14,809	14,809	300	300
Garages	40,322	40,322	26,434	26,434	428,224	428,224	245,595	245,595	99,519	99,519	21,116	21,116
Equipment	116,742	116,742	146,080	147,864	158,182	158,182	118,999	118,999	139,067	139,067	112,303	112,303
Total	$189,024	$189,024	$240,592	$246,976	$1,044,801	$1,044,801	$376,585	$376,585	$253,395	$253,395	$133,719	$133,719

Highlights of the 2009-2012 Four-Year Capital Commitment Plan

- construction and rehabilitation of garages ($656.1 million): including Manhattan 1/2/5 ($267.8 million); Manhattan 6/8/8A ($216.3 million); Brooklyn 13/15 ($101.9 million); partial funding for Brooklyn 3 ($15.8 million); and funding for the design of Staten Island 1 ($2.0 million).

- construction and renovation of transfer stations in accordance with the City's Long Term Solid Waste Management Plan ($482.8 million).

- replacement of vehicles ($493.6 million).

- upgrade and expansion of Sanitation Management Analysis and Resource Tracking (SMART), the Department's information system for staffing, equipment, and other operational activities ($24.8 million).

- site acquisition for Department facilities, including salt sheds and garages ($117.0 million).

The 2009 Capital Plan provides $1.0 billion in 2009 including:

- replacement of mechanical brooms, collection trucks, salt spreaders and other vehicles ($126.7 million).

- design of the Brooklyn 13/15 garage and salt shed ($9.3 million), additional design of the Brooklyn 3 garage ($1.3 million), and design and construction management services for Manhattan 1/2/5 garage ($8.9 million); construction of Manhattan 6/8/8A garage ($209.0 million); citywide component rehabilitation ($19.9 million); completion and initial outfitting of Brooklyn 1/4 garage ($1.0 million).

- construction and renovation of salt sheds, citywide ($21.3 million).

- improvements to the surrounding parkland at the Spring Creek composting site in Brooklyn ($2.7 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 more than 29,000 acres of developed, natural and undeveloped parkland. This constitutes 14 percent of the City's landmass and includes more than 4,000 individual properties ranging from Coney Island and Central Park to community gardens and greenstreets. The Department maintains and operates more than 800 athletic fields, nearly 1,000 playgrounds, 550 tennis courts, 54 public pools, 48 recreational facilities, 17 nature centers, and 14 miles of beaches, and manages four major stadia and 13 golf courses. The Department is also responsible for 1,200 monuments and 22 historic house museums and the care and maintenance of over 600,000 street trees and two million trees in parks. The Department is New York City's principal provider of athletic facilities, and hosts concerts, world-class sports events, and cultural festivals.

Financial Review

The 2009 Executive Budget for the Department provides for operating expenses of $349.6 million. Although this represents a net decrease of $32.6 million from the amount forecasted in 2008, the reduction in funding is achieved without compromising service levels at any of the Department's parks and facilities. Capital commitments for 2009 of $874.6 million are also included.

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. The Department will collect $90.8 million from these sources in 2009, compared to $98.6 million in 2008. The 2009 decrease is primarily attributable to one-time rental payments for both the Yankee and Shea Stadiums in 2008.

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.

- sustaining parks through workforce transformation programs. Parks maintenance funding is also provided through the City's Human Resources Administration for the Parks Opportunity Program. This program provides a workforce to assist in the maintenance and operation of park facilities and helps to train and employ public assistance recipients.

- operating pools and employing lifeguards at pools and beaches. The 2009 budget includes a $15 million allocation to provide the staff necessary for the operation and maintenance of swimming pools and other recreation facilities during the summer months.

- maintaining street trees, park flora and fauna. The 2009 budget includes $5.6 million for tree pruning, dead tree removal, reforestation, contract inspection, and administration to support a variety of forestry initiatives, including increasing the City's street tree inventory. In addition, the 2009 budget includes $6.2 million for the removal of wood waste in areas affected by the Asian Longhorned Beetle infestation throughout the City and to prevent further infestation and damage to the City's trees.

- designing and supervising park construction. The 2009 budget includes the continuation of full time positions in the Capital Projects Division for the design and construction of hundreds of parks projects, including parks, playgrounds, recreational and athletic fields, and tree planting.

- the 2009 budget includes $9.9 million to subsidize the Wildlife Conservation Society for the operation of the Central Park Zoo, the Prospect Park Zoo and the Queens Wildlife Center, and $5.8 million to subsidize the Central Park Conservancy.

Summary of Agency Financial Data

The following table compares the 2009 Executive Budget with the 2009 Preliminary Budget, the 2008 forecast and actual expenditures for 2007, including costs budgeted centrally for fringe benefits, pensions, judgments and claims, legal services and debt service.

Summary of Agency Financial Data
($ in 000's)

	2007 Actual	2008 Forecast	2009 Preliminary Budget	2009 Executive Budget	Increase/(Decrease) 2008 Forecast	Increase/(Decrease) 2009 Preliminary Budget
Expenditures						
Salary and Wages	$250,344	$274,012	$261,744	$262,102	($11,910)	$358
Fringe Benefits	1,891	2,661	1,562	1,562	(1,099)	—
OTPS	80,326	105,521	91,996	85,968	(19,553)	(6,028)
Total	$332,561	$382,194	$355,302	$349,632	($32,562)	($5,670)
Funding						
City	$250,151	$284,508	$271,634	$265,958	($18,550)	($5,676)
Other Categorical Grants	8,754	10,754	3,476	3,476	(7,278)	—
IFA	22,291	25,929	27,924	27,924	1,995	—
State	784	2,818	—	—	(2,818)	—
Federal CD	2,470	5,440	2,535	2,541	(2,899)	6
Federal Other	1,068	1,237	—	—	(1,237)	—
Intra-City Other	47,045	51,508	49,733	49,733	(1,775)	—
Total	$332,561	$382,194	$355,302	$349,632	($32,562)	($5,670)
Additional Costs Centrally Funded						
Personal Services (PS)						
Fringe Benefits	$88,037	$86,920	$86,397	$90,986	$4,066	$4,589
Pensions	23,451	30,301	33,858	34,075	3,774	217
Other Than Personal Service (OTPS)						
Legal Services	5,934	5,199	4,622	5,140	(59)	518
Judgments and Claims	19,301	17,497	20,021	20,021	2,524	—
Debt Service	188,017	266,004	171,042	165,531	(100,473)	(5,511)
Total Additional Costs	$324,740	$405,921	$315,940	$315,753	($90,168)	($187)
Funding						
City	313,539	398,508	307,510	307,617	(90,891)	107
Non-City	11,201	7,413	8,430	8,136	723	(294)
Full Agency Costs (including Central Accounts)						
Salary and Wages	$250,344	$274,012	$261,744	$262,102	($11,910)	$358
Fringe Benefits	89,928	89,581	87,959	92,548	2,967	4,589
Pensions	23,451	30,301	33,858	34,075	3,774	217
Total PS	$363,723	$393,894	$383,561	$388,725	($5,169)	$5,164
OTPS	$80,326	$105,521	$91,996	$85,968	($19,553)	($6,028)
Legal Services	5,934	5,199	4,622	5,140	(59)	518
Judgments and Claims	19,301	17,497	20,021	20,021	2,524	—
Debt Service	188,017	266,004	171,042	165,531	(100,473)	(5,511)
Total OTPS	$293,578	$394,221	$287,681	$276,660	($117,561)	($11,021)
Total Agency Costs	$657,301	$788,115	$671,242	$665,385	($122,730)	($5,857)
Less Intra-City	$47,045	$51,508	$49,733	$49,733	($1,775)	$—
Net Agency Cost	$610,256	$736,607	$621,509	$615,652	($120,955)	($5,857)
Funding						
City	563,690	683,016	579,144	573,575	(109,441)	(5,569)
Non-City	46,566	53,591	42,365	42,077	(11,514)	(288)
Personnel (includes FTEs at fiscal year-end)						
City	7,489	6,837	6,722	6,675	(162)	(47)
Non-City	425	609	529	525	(84)	(4)
Total	7,914	7,446	7,251	7,200	(246)	(51)

Programmatic Review

The Department of Parks and Recreation is committed to providing a safe and clean park system and offering a range of recreational opportunities to all New Yorkers. To that end, the Department expects to build upon past successes in establishing public and private partnerships and obtaining Federal and State funding to assist in parkland maintenance and operations.

Maintaining Parks

The Department of Parks and Recreation will continue to optimize its full-time and seasonal staffing resources in order to maintain cleanliness in all parks and playgrounds citywide.

New York City parks consistently receive high ratings in the Parks Inspection Program (PIP). Current ratings are up to 85% acceptable for overall condition and 91% acceptable for cleanliness. The ratings have been steady, even as the Department has added hundreds of acres of new parkland and large new facilities, including recreation centers and nature centers.

Expanding Public-Private Partnerships

The Department of Parks and Recreation continues to explore a variety of opportunities to increase resources for parks programs. 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 Prospect Park Alliance, and the City Parks Foundation. The Department will expand its support from private partnerships as it completes the first section of the new High Line Park with support from Friends of the High Line, builds parks and greenways along the Bronx River with the help of the Bronx River Alliance, and plants one million trees with the New York Restoration Project.

The Neighborhood Parks Initiative (NPI), a program that assigns 35 assistant gardeners to 35 neighborhood parks across the city, continues in its fourth year with the support of the Central Park Conservancy and City Parks Foundation. As the City adds more gardeners to take care of additional neighborhood parks, the Central Park Conservancy continues its role in training the staff.

Recreational Services

In an effort to promote cultural, recreational, and academic enrichment, the Department offers free after-school programs in its recreation centers citywide. In 2008, the Department opened two brand new state-of-the-art recreational facilities: the Greenbelt Recreation Center in Staten Island and the Flushing Meadows Corona Park Pool and Ice Rink in Queens, which now hosts swim competitions for local high schools in a world-class setting.

Capital Review

The 2009-2012 Four-Year Plan totals $1.9 billion, including $53.1 million in non-city funding. The table below shows capital commitments by program area over the 2007-2012 period.

Capital Commitments

($000's)

	2007 Actual		2008 Plan		2009 Plan		2010 Plan		2011 Plan		2012 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	$1,147	$1,147	$10,141	$11,141	$6,798	$9,998	$2,200	$2,200	$1,000	$1,000	$1,000	$1,000
Land Acquistion and Tree Planting	45,202	45,255	94,154	97,478	58,236	58,984	54,930	54,930	49,609	58,359	48,316	48,316
Major Recreation Facilities	172,588	172,588	198,352	226,606	117,742	117,767	51,887	51,887	44,048	44,048	6,863	6,863
Neighborhood Parks and Playgrounds	68,324	72,558	214,592	274,408	218,027	234,093	80,816	80,816	49,407	49,407	16,709	16,709
Vehicles, Equipment and Facility Reconstruction	14,290	14,554	23,244	23,250	6,814	6,814	6,700	6,700	7,343	7,343	7,700	7,700
Large, Major and Regional Park Reconstruction	161,007	168,316	452,307	581,869	423,828	444,908	411,397	414,645	105,820	105,820	42,427	42,427
Zoos	1,606	1,606	16,031	16,031	2,020	2,020	590	590	590	590	275	275
Total	$464,164	$476,024	$1,008,821	$1,230,783	$833,465	$874,584	$608,520	$611,768	$257,817	$266,567	$123,290	$123,290

Highlights of the 2009-2012 Four-Year Plan

- development of eight regional parks throughout the City as part of plaNYC 2030, including construction of soccer complexes in Soundview Park in the Bronx ($32.3 million), passive recreation lawns in Dreier-Offerman/Vaux Park in Brooklyn ($28.4 million), rehabilitation of Arverne/Rockaway Beach in Queens ($27.9 million), increased access to the waterfront and athletic fields in Ft. Washington Park in Manhattan ($28.5 million), re-opening of McCarren Park and Pool in Brooklyn ($46.4 million), improved lighting and nature paths at Highland Park in Queens ($20.5 million), construction of a state-of-the-art track and field facility at Ocean Breeze Park in Staten Island ($49.2 million), and the restoration of the historic High Bridge over the Harlem River ($60.0 million).

- planting of trees, including the planting of new street trees ($144.3 million, including $8.8 million in non-City funding), the restocking of parks with saplings ($47.5 million), and the construction of 80 greenstreets per year between 2009 and 2012 ($12.3 million).

- construction of a new park at Fresh Kills in Staten Island, including fields, pathways, viewing areas, and other park features ($115.7 million).

- construction of replacement parkland in the Bronx necessitated by the construction of the new Yankee Stadium ($125.3 million).

- development of open space along the Greenpoint and Williamsburg waterfronts ($157.4 million).

- continued design and construction for the new High Line Park in Manhattan ($28.5 million).

- construction of the new Brooklyn Bridge Park in Brooklyn ($88.3 million).

- construction of Hudson River Park in Manhattan ($65.2 million).

- construction of the new Elmhurst Tank Park ($8.8 million) and Fort Totten Park in Queens ($6.5 million).
- development of dozens of Bronx parks as mitigation for the Croton Filtration Plant construction in Van Cortlandt Park ($76.1 million, funded by DEP).
- reconstruction and replacement of safety surfaces, play equipment and paths in neighborhood parks and playgrounds citywide ($56.7 million).

The 2009 Plan for the Department totals $874.6 million (including $41.1 million in non-city funding) and highlights include:

- planting new street and park trees and the construction of greenstreets citywide ($48.6 million).
- reconstruction of school playgrounds to make them accessible to the public during non-school hours as part of plaNYC 2030 ($74.7 million).
- construction of the new Olmsted Center in Queens ($18.8 million).
- construction of a new rooftop park and other park improvements in the area of the new Yankee Stadium in the Bronx ($84.7 million).
- renovation of Corporal Thompson Park in Staten Island ($3.5 million).
- construction of the new Ferry Point golf course and 2 adjacent public parks in the Bronx ($75.4 million).
- construction of the Coney Island Center in Brooklyn ($49.5 million).
- renovation of Washington Square Park in Manhattan ($6.0 million).

DEPARTMENT OF ENVIRONMENTAL PROTECTION

The primary mission of the Department of Environmental Protection (DEP) is to protect the environmental health, welfare and natural resources of New York City and its residents. To this end, DEP is responsible for 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 construction, reconstruction and upgrading 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 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 2009 Executive Budget provides $1,007.9 million in operating expenses, an increase of $56.2 million from the amount forecast for 2008. It also provides capital commitments of $3.4 billion in Water Finance Authority Funds, $85.5 million in City General Obligation Funds, and $201.0 million in non-City 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 2009 is $90.1 million. The Bureau of Environmental Compliance 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 $11.1 million from these sources in 2009. The Environmental Control Board will collect $68.0 million in 2009.

In addition, DEP also gathers the data used to generate bills for customers of, and collects water and sewer fees for, the New York City Water Board. DEP projects approximately $2.5 billion in water and sewer revenue for 2009.

Expense Budget Highlights

Budgetary Priorities: Providing Core Services

- DEP supplies approximately 1.3 billion gallons per day of drinking water to eight million City residents and one million upstate residents, and maintains the City's water main and sewer infrastructure. Approximately 2,400 personnel and $420.0 million are dedicated to this function.

- DEP treats approximately 1.3 billion gallons of dry-weather sewage per day at the City's 14 Water Pollution Control Plants (WPCPs). Approximately 2,000 personnel and $365.0 million are dedicated to this function.

- the Department will contract out for sewer dragging services to alleviate the accumulation of debris and silt ($0.5 million in 2009 and $1.5 million in 2010). The sewers to be cleaned are located beneath the Hutchinson River Parkway in the Bronx, as well as the Long Island Expressway in Queens. In addition, the Department will contract out for the inspection of culverts throughout the City ($0.3 million in 2009 and $0.5 million in 2010).

- the Department enforces the City's air and noise codes, responds to hazardous materials emergencies and adjudicates environmental violations through the Environmental Control Board, with 320 personnel and $28.9 million dedicated to this function.

- the Department's police force protects the upstate watershed and is comprised of 216 positions including 188 environmental police officers ($11.6 million).

- DEP will continue to improve revenue collection with an additional $1.0 million provided to the Bureau of Customer Services (BCS). This will fund a consultant contract with IBM to provide overall technical assistance to BCS and to aid in the new lien sale process and the Payment Incentive Program (PIP).

- due to rising costs, the Department will add an additional $7.0 million in funding for orthophosphate which is a corrosion inhibitor used to reduce lead levels in the drinking water. The chemical coats the inside of piping to prevent lead from dissolving into the water.

- the Department will increase its budget for fluoride by $1.1 million due to rising costs.

- DEP will increase its budget for upstate property taxes by $1.9 million.

- the Department will increase its budget for sludge transportation and biosolids removal by $6.1 million.

Restructuring and Streamlining

- DEP will provide an additional 20 positions and $1.4 million in funding to the plan to continue strengthening Environmental Health and Safety policies and procedures within its Bureau of Wastewater Treatment.

- the Department will reallocate 42 positions to the Bureau of Wastewater Treatment in order to enhance its Environmental Health and Safety programs. DEP will provide these positions from existing vacancies in other bureaus.

Summary of Agency Financial Data

The following table compares the 2009 Executive Budget with the 2009 Preliminary Budget, the 2008 forecast and actual expenditures for 2007, including costs budgeted centrally for fringe benefits, pensions, judgments and claims, legal services and debt service.

Summary of Agency Financial Data
($ in 000's)

	2007 Actual	2008 Forecast	2009 Preliminary Budget	2009 Executive Budget	Increase/(Decrease) 2008 Forecast	Increase/(Decrease) 2009 Preliminary Budget
Expenditures						
Salary and Wages	$394,545	$405,655	$399,378	$404,796	($859)	$5,418
Fringe Benefits	2,535	3,075	2,269	2,269	(806)	—
OTPS	471,745	542,947	551,480	600,792	57,845	49,312
Total	$868,825	$951,677	$953,127	$1,007,857	$56,180	$54,730
Funding						
City	$808,373	$885,874	$897,799	$952,459	$66,585	$54,660
Other Categorical Grants	—	—	—	—	—	—
IFA	53,937	54,215	54,161	54,220	5	59
State	1,201	366	—	—	(366)	—
Federal CD	—	—	—	—	—	—
Federal Other	4,878	10,041	—	—	(10,041)	—
Intra-City Other	436	1,181	1,167	1,178	(3)	11
Total	$868,825	$951,677	$953,127	$1,007,857	$56,180	$54,730
Additional Costs Centrally Funded						
Personal Services (PS)						
Fringe Benefits	$132,285	$121,399	$128,136	$130,149	$8,750	$2,013
Pensions	36,913	47,418	53,294	53,635	6,217	341
Other Than Personal Service (OTPS)						
Legal Services	7,612	8,881	9,573	8,612	(269)	(961)
Judgments and Claims	15,985	16,050	18,365	18,365	2,315	—
Debt Service	100,800	162,572	104,535	82,853	(79,719)	(21,682)
Total Additional Costs	$293,595	$356,320	$313,903	$293,614	($62,706)	($20,289)
Funding						
City	287,188	351,558	308,664	289,243	(62,315)	(19,421)
Non-City	6,407	4,762	5,239	4,371	(391)	(868)
Full Agency Costs (including Central Accounts)						
Salary and Wages	$394,545	$405,655	$399,378	$404,796	($859)	$5,418
Fringe Benefits	134,820	124,474	130,405	132,418	7,944	2,013
Pensions	36,913	47,418	53,294	53,635	6,217	341
Total PS	$566,278	$577,547	$583,077	$590,849	$13,302	$7,772
OTPS	$471,745	$542,947	$551,480	$600,792	$57,845	$49,312
Legal Services	7,612	8,881	9,573	8,612	(269)	(961)
Judgments and Claims	15,985	16,050	18,365	18,365	2,315	—
Debt Service	100,800	162,572	104,535	82,853	(79,719)	(21,682)
Total OTPS	$596,142	$730,450	$683,953	$710,622	($19,828)	$26,669
Total Agency Costs	$1,162,420	$1,307,997	$1,267,030	$1,301,471	($6,526)	$34,441
Less Intra-City	$436	$1,181	$1,167	$1,178	($3)	$11
Net Agency Cost	$1,161,984	$1,306,816	$1,265,863	$1,300,293	($6,523)	$34,430
Funding						
City	1,095,561	1,237,432	1,206,463	1,241,702	4,270	35,239
Non-City	66,423	69,384	59,400	58,591	(10,793)	(809)
Personnel (includes FTEs at fiscal year-end)						
City	456	462	458	462	—	4
Non-City	5,791	6,123	6,048	6,063	(60)	15
Total	6,247	6,585	6,506	6,525	(60)	19

Programmatic Review

Water Supply Strategies

The New York City Water System consists of 19 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 percent of the City's water supply and is located north of the City in Westchester, Putnam and Dutchess Counties. The Catskill Watershed provides 40 percent 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 percent 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 Filtration Avoidance Determination (FAD) for the City's Catskill and Delaware water supplies. The newest FAD, which is an administrative determination by the Federal Environmental Protection Agency (EPA), took effect in July 2007 and provides the City with a waiver from filtering the Catskill and Delaware water supplies through 2017. The new FAD is based on DEP's ongoing long-term watershed protection program. DEP will regularly prepare reports for the EPA with FAD program status updates and water quality assessments that will link program achievements and improvements in water quality. Additionally, the FAD requires DEP to build an ultraviolet light disinfection facility to further purify water from the Catskill and Delaware watersheds and to continue its upstate land acquisition program to protect the water entering our reservoirs.

Wastewater Treatment Initiatives

The New York City Wastewater Treatment System is comprised of a vast, elaborate and comprehensive network of sewers, water pollution control plants, pump stations and laboratories. Each day, the City's 14 water pollution control plants clean and treat approximately 1.3 billion gallons of captured sewage to standards established by State and Federal law before releasing the effluent into receiving waters. Ongoing DEP initiatives to better capture and cleanse wastewater have significantly improved the condition of New York City waterways, as evidenced through water quality ratings that have reached improved levels not experienced since the early 1900s.

According to recent harbor surveys issued by the Department, water quality in the harbor and surrounding waters continues to improve. Coliform bacterial counts, which are indicators of sewage pollution, continue to decline at unprecedented levels. Improvements have also been realized in the measure of dissolved oxygen, as concentration levels in most harbor areas have been notably higher in recent years. These advancements are attributed to the following DEP initiatives: continued reconstruction and upgrades of City water pollution control plants; the abatement of illegal discharges; improved sewer maintenance; decreased water consumption and increased capture of wet weather flows.

The Department's Bureau of Wastewater Treatment has augmented and strengthened its Environmental Health and Safety policies and initiatives. To this end, the Bureau provides extensive and continuous training of its employees to ensure compliance with Federal, State and local environmental health and safety regulations. In addition, a more aggressive preventative maintenance and corrective repair program has been put in place.

Customer Services Programs

As required by the New York State Department of Environmental Conservation and the NYC Water Board, the Department is progressing towards its goal of universally metering all properties. The major objectives of universal metering include water conservation, improved water supply system management and rate equity. DEP services approximately 832,000 water and sewer customer accounts-807,000 metered and 25,000 un-metered. Of the metered accounts, DEP bills 776,000 for water and sewer services based upon actual consumption and the remaining 31,000 are billed using an annual flat-rate system. Under this billing method, customers are charged flat rates during a transition period which allows owners to install water saving devices and conduct water leak audits. Owners of 10,400 properties that have not taken steps to have meters installed receive surcharges to their annual flat rate bills. The remaining accounts are pending meter installation by DEP.

DEP has commenced service terminations to residential properties for non-payment of water and sewer bills. The service terminations come after months of notifications of an offer for customers to enroll in a Payment Incentive Program for single-family home customers owing $1,000 or more for one year or longer.

DEP now has the legislated authority to conduct lien sales of delinquent water and sewer charges independent of other delinquency, provided that the water and sewer charges have been delinquent for at least one year and equal or exceed one thousand dollars. This legislation extends the notification period from sixty to ninety days; creates a unit within DEP to provide special assistance to all water and sewer customers facing a lien sale; and provides protections for certain senior citizens, people with disabilities and low income homeowners.

Environmental Compliance

The Bureau of Environmental Compliance responds to hazardous material emergencies; monitors emissions and environmental impacts from alternative fuel vehicles; maintains a database of facilities known to contain hazardous materials; 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 Bureau's Asbestos Control Program certifies asbestos handlers; provides telephone response service to contractors and the public; conducts laboratory analysis of asbestos materials and inspects asbestos remediation projects.

The City's revised noise code went into effect July 1, 2007. The code is flexible, yet enforceable and responds to the need for peace and quiet while maintaining New York's reputation as the "City that never sleeps". The new construction rules promulgated under the revised code establish a unique noise mitigation plan for each construction site, offering alternatives for contractors to continue construction while having less noise impact on the surrounding environment. The comprehensive nature of the new law requires getting out a simplified message so that particular industries and the general public are aware of the new direction the City is taking with noise policy and enforcement.

Capital Review

Overview

In total, the Four Capital Plan provides $9.7 billion from the following sources: $9.4 billion in Water Finance Authority Funds; $85.5 million in City funds; and $201.0 million in non-City funds.

The major elements of the Four-Year Capital Plan include:

- continuing the upgrade of the Newtown Creek WPCP to achieve secondary treatment, citywide effluent limits and step-denitrification treatment levels ($1.6 billion).

- ensuring compliance with mandated operating permit requirements by stabilizing in-City WPCPs, including: 26th Ward ($403.3 million), Jamaica ($82.8 million), Bowery Bay ($73.7 million), Hunts Point ($60.0 million), Tallman Island ($15.0 million) and Spring Creek Auxiliary WPCP ($12.4 million)

- implementing initiatives addressing water quality problems attributed to combined sewer overflow (CSO) discharges into the City's surrounding waterways during rainstorms ($412.5 million).

- reconstructing select wastewater pumping stations citywide ($181.3 million).

- replacing and extending approximately 178 miles of trunk and distribution water mains and ancillary work ($900.3 million). This includes $124.7 million for the replacement of water siphons between Brooklyn and Staten Island and $88.3 million to connect City Water Tunnel No. 3 to in-city water mains throughout New York City.

- extending and reconstructing 233 miles of sewers ($1.1 billion).
- continuing the construction of an ultraviolet light water disinfection plant and related facilities for water from the Catskill and Delaware Watersheds ($417.8 million). These facilities along with other elements of the FAD will enable DEP to avoid having to construct a conventional multi-billion dollar filtration plant.
- reconstruction of upstate dams, roads and bridges ($689.4 million), including $645.0 million for the reconstruction of the Gilboa Dam in the Catskill Watershed.
- continuing the construction of the Croton Water Filtration Plant and related projects, including Parks Department projects in the Bronx ($493.6 million).
- advancing various Filtration Avoidance Determination (FAD) measures in the upstate watershed totaling ($262.2 million) including $85.0 million for sewage treatment plant upgrades, $46.3 million for land acquisition, and $32.0 million for programs to reduce agricultural pollution.
- commencing water supply dependability projects to make drinking water available to the City during repair of the Delaware Aqueduct leak ($230.4 million).
- continuing construction of Stage Two of City Water Tunnel Number 3 ($460.3 million). Work on this stage of tunnel construction will be primarily in Manhattan.
- continuing water conservation programs including the installation of water meters ($81.3 million) and the toilet rebate program ($16.0 million), and the implementation of an Automatic Meter Reading system ($149.0 million).

Major projects scheduled for 2009 include:

- continued upgrading portions of the Newtown Creek WPCP ($852.1 million).
- implementing initiatives to address water quality problems attributed to combined sewer overflow (CSO) discharges into the City's surrounding waterways during rainstorms ($90.2 million).
- upgrade of the Gowanus Canal Flushing Tunnel and Pumping Station ($151.5 million).
- continued in-City water main construction and ancillary work ($100.5 million).
- reconstruction and augmentation of the City's sewer system ($169.7 million).
- continued construction of the Croton Water Filtration Plant and related facilities ($249.7 million).
- installation of shaft equipment for City Tunnel #3 Lower Manhattan Leg Shafts 24B-33B ($240.0 million).
- reconstruction of the Gilboa Dam in the Catskill Watershed ($70.0 million).
- implementation of an Automatic Meter Reading system for the City's water meters ($109.0 million).

The table below shows the capital commitments by program area over the 2007-2012 period.

Capital Commitments

($000's)

	2007 Actual		2008 Plan		2009 Plan		2010 Plan		2011 Plan		2012 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	1,070,567	1,101,953	954,210	957,515	1,439,008	1,439,008	1,048,175	1,048,175	803,197	803,197	554,501	554,501
Water Mains, Sources and Treatment	2,252,615	2,253,023	2,020,395	2,023,095	953,881	959,817	507,433	507,433	1,143,770	1,143,770	475,389	475,389
Sewers	176,854	$176,979	237,636	237,790	169,684	169,711	325,968	325,968	255,086	255,086	332,547	332,547
Water Supply	64,380	$64,380	18,581	18,581	351,414	351,414	73,680	73,680	227,226	227,226	112,972	112,972
Equipment	92,500	93,445	197,004	207,324	395,040	590,098	134,317	134,317	62,336	62,336	91,211	91,211
Total	3,656,916	3,689,780	3,427,826	3,444,305	3,309,027	3,510,048	2,089,573	2,089,573	2,491,615	2,491,615	1,566,620	1,566,620

The 2009-2012 Capital Plan provides $9.7 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 and Water Mains, Sources and Treatment

DEP provides water for the City and many upstate communities by maintaining 19 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, 106,312 hydrants, 94,358 valves and 6,794 miles of water mains are or will be used to convey water from upstate to the City and several upstate communities.

The Four-Year Plan includes approximately $3.8 billion overall for the protection and upkeep of the City's water source, supply and distribution systems. Of this amount there is $900.3 million for the maintenance of the in-City water main distribution system which includes $88.3 million for connecting the City Water Tunnel No. 3 to in-city water mains throughout New York City.

In addition to the in-City water main distribution system there is $2.9 billion within this Four-Year Plan for improvements to the City's upstate watershed. This includes the continuation of various Filtration Avoidance measures totaling $262.2 million; the reconstructions of upstate dams, roads and bridges totaling $689.4 million; and the construction of an Ultraviolet Light Water Disinfection Facility and related facilities for the Catskill and Delaware watersheds totaling $417.8 million. In addition, there is $493.6 million for the continued construction of the Croton Filtration Plant and related projects. The City is required under a Federal court consent decree to design and construct a filtration plant for its Croton water supply. In September 2004, a notice to proceed was issued for the first phase of construction of the plant at the preferred site for the facility; the Mosholu Golf Course located at Van Cortlandt Park in the Bronx. The facility is scheduled to be completed in 2011.

Also included is $163.7 million for Water Conveyance Measures. This program will allow the City to turn off major components of the water supply system for inspection and repair without affecting the quantity or quality of water delivered to DEP customers. The conveyance program includes $109.7 million for the reconstruction of the Cross River and Croton Falls Pumping Stations.

Finally there is $460.3 million for the completion of Stage Two of City Tunnel Number 3. The bulk of this amount, $295.0 million, will be committed to the activation of the Manhattan portion of the tunnel.

Sewers

The Department operates and maintains over 6,400 miles of sanitary, storm and combined sewers which carry storm and wastewater to the City's 14 WPCPs. The citywide sewage collection system, designed to prevent flooding and sewer backups, is divided into 14 drainage areas, 131,243 catch basins and approximately 5,000 seepage basins. The Four-Year Capital Plan allocates $1.1 billion for the replacement, construction and expansion of the City's sewer system.

The Four-Year Plan provides $296.7 million for the replacement and augmentation of sewers to enhance capacity for areas experiencing population increases and economic development projects. This includes $48.2 million over the next four years for the acquisition of land and construction as part of the Staten Island Bluebelt program. This project sets aside streams, ponds and other wetland areas for the conveyance and storage of stormwater in lieu of more costly conventional trunk storm sewers.

Over $305.9 million is allocated for the replacement of chronically malfunctioning sewers that may cause flooding or potential health hazards. The Department plans to commit $401.3 million to extend the sewer system into areas currently underserved, primarily in Queens and Staten Island.

Wastewater Treatment

DEP's Bureau of Wastewater Treatment operates 14 WPCPs, one storm-overflow retention facility, 93 wastewater pumping stations, nine laboratories, eight sludge dewatering facilities and two inner-harbor sludge transport vessels. On average, these facilities treat approximately 1.3 billion gallons of dry-weather sewage and handle 1,200 wet-tons of sludge each day. The Four-Year Plan for Wastewater Treatment projects totals $3.8 billion.

DEP will allocate $1.6 billion during the Four-Year Plan to continue the multi-phase upgrade of the Newtown Creek WPCP, which is designed to improve process effectiveness and treatment facility reliability. This project is mandated by the New York State Department of Environmental Conservation, which requires an effluent enhancement program to achieve citywide effluent limits, and secondary treatment levels.

The Four-Year Plan allocates $181.3 million for equipment purchases and the reconstruction of wastewater pumping stations, plant components, regulators, tide gates and force mains. The System's 93 pumping stations are used to convey wastewater over long distances, to drain low-lying areas and to lift flows to WPCPs.

The Four-Year Plan has scheduled $665.8 million for the stabilization of in-City WPCPs that are in need of reconstruction to ensure continued compliance with mandated permit requirements.

During some wet-weather events, the City's combined sewers, which carry both sanitary waste and stormwater drainage, may overflow and result in untreated discharges of sewage into local waterways. Portions of the City's water bodies have been negatively impacted by these combined sewer overflow (CSO) discharges. The Four-Year Plan provides $412.5 million for the study, design and implementation of CSO abatement projects for Flushing Bay, Alley Creek and Jamaica Bay in Queens; Newtown Creek, Paerdegat Basin and the Gowanus Canal in Brooklyn; and Hunts Point in the Bronx.

Equipment

The Four-Year Plan totals $878.0 million for this category, funded as follows: $597.4 million from the Water Authority, $3.0 million in Federal funds, $192.1 million in State funds and $85.5 million in City General Obligation bonds. The plan includes the remediation of closed landfills, water meter installation, automatic meter reading implementation, facility reconstruction, the relocation of utility gas mains for sewer and water main projects and the purchase of vehicles and computer equipment.

DEP will continue upgrading and consolidating its facilities over the Four-Year Plan at a cost of $79.6 million. Included in this amount are $17.0 million for lead paint remediation at DEP facilities and $14.6 million for the reconstruction of Shaft 21 in Manhattan.

The Four-Year Plan provides funding for water conservation efforts at a cost of $247.0 million. This includes $149.0 million for an Automatic Meter Reading program, $16.0 million for the plumbing retrofit program, and $75.0 million for water meter purchases and replacements.

DEP will continue to remediate select landfills previously operated by the Department of Sanitation. These landfills have been placed on the State's list of inactive hazardous waste sites due to past illegal dumping activities. Using the proceeds of City General Obligation bonds, DEP will expend $71.0 million over the course of the Four-Year Plan to remediate the Brookfield Avenue Landfill in Staten Island to be matched with $192.1 million in State funding. Remediation efforts also continue at the Pennsylvania/Fountain Avenue Landfill in Brooklyn, where $14.5 million has been budgeted in the current Plan for this work.

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 2009 Executive Budget provides for operating expenses of $687.3 million, a decrease of $75.6 million from the amount forecast for 2008. This is mainly a result of a decrease in Federal and State grant funding included in 2008 that has not yet been allocated to the Department's 2009 operating budget. Capital commitments of approximately $2.5 billion are also provided in 2009, including $694 million in Federal and State funding.

Revenue Forecast

The Department of Transportation collects revenue from parking meters and parking garages, franchises, concessions, and street opening permits. In 2009, the Department will collect $229.9 million in revenue.

Expense Budget Highlights

Budgetary Priorities: Providing Core Services

- an allocation of $127.6 million for the resurfacing of 1,000 lane miles of streets and the repair of approximately 230,000 street defects (potholes). This includes $13.9 million to resurface an additional 100 lane miles of streets and arterial highways in 2009 as part of the plaNYC 2030 initiative.

- funding of $178.1 million for streetlights and traffic signals, including $61.5 million to energize all streetlights and traffic signals throughout the City, and $82.4 million for the maintenance of approximately 12,000 traffic signalized intersections and over 300,000 streetlights City-wide. This also includes $17.1 million for plaNYC 2030 initiatives such as Bike Network Development, and Intelligent Transportation Systems.

- funding of $88.3 million for the operation of the Staten Island Ferry and overseeing private ferry service.

- approximately $11.5 million in 2009 for the maintenance and cleaning of arterial highways located throughout the five boroughs.

- an allocation of $23.8 million for the preventive maintenance, cleaning and spot and splash zone painting of City bridges in addition to federal funding for the maintenance of East River Bridges not yet allocated to the Department's 2009 operating budget.

- approximately $15.8 million and 175 positions for the in-house bridge corrective/flag repair program.

Restructuring and Streamlining

- an additional $0.5 million and 2 positions for the Agency Parking Placard Program, in order to achieve a 20 percent reduction in the number of City government parking permits in 2009, thereby improving the availability of on-street parking City-wide.

- an additional $0.7 million and 10 positions for the continued expansion of the Highway Inspection and Quality Assurance Program to enforce the laws and regulations governing the way utilities, plumbers, contractors, and property owners perform work on the City's sidewalks, roadways, and highways. This will complement an existing field force of approximately 120 inspectors.

Summary of Agency Financial Data

The following table compares the 2009 Executive Budget with the 2009 Preliminary Budget, the 2008 forecast and actual expenditures for 2007, including costs budgeted centrally for fringe benefits, pensions, judgments and claims, legal services and debt service.

Summary of Agency Financial Data
($ in 000's)

	2007 Actual	2008 Forecast	2009 Preliminary Budget	2009 Executive Budget	Increase/(Decrease) 2008 Forecast	Increase/(Decrease) 2009 Preliminary Budget
Expenditures						
Salary and Wages	$311,847	$332,197	$301,332	$307,060	($25,137)	$5,728
Fringe Benefits	3,378	15,868	3,515	4,181	(11,687)	666
OTPS	303,151	411,241	338,465	376,063	(35,178)	37,598
Total	$618,376	$759,306	$643,312	$687,304	($72,002)	$43,992
Funding						
City	$358,109	$444,717	$428,462	$464,359	$19,642	$35,897
Other Categorical Grants	1,646	1,899	429	429	(1,470)	—
IFA	152,139	165,664	161,059	164,748	(916)	3,689
State	64,766	83,052	38,206	42,571	(40,481)	4,365
Federal CD	122	170	—	—	(170)	—
Federal Other	39,467	61,781	13,747	13,788	(47,993)	41
Intra-City Other	2,127	2,023	1,409	1,409	(614)	—
Total	$618,376	$759,306	$643,312	$687,304	($72,002)	$43,992
Additional Costs Centrally Funded						
Personal Services (PS)						
Fringe Benefits	$111,995	$103,099	$105,083	$107,674	$4,575	$2,591
Pensions	29,308	36,273	42,314	42,584	6,311	270
Other Than Personal Service (OTPS)						
Legal Services	21,079	21,416	19,079	21,203	(213)	2,124
Judgments and Claims	118,552	133,805	153,109	153,109	19,304	—
Debt Service	571,324	752,213	483,676	506,833	(245,380)	23,157
Total Additional Costs	$852,258	$1,046,806	$803,261	$831,403	($215,403)	$28,142
Funding						
City	816,371	1,029,700	783,367	810,858	(218,842)	27,491
Non-City	35,887	17,106	19,894	20,545	3,439	651
Full Agency Costs (including Central Accounts)						
Salary and Wages	$311,847	$332,197	$301,332	$307,060	($25,137)	$5,728
Fringe Benefits	115,373	118,967	108,598	111,855	(7,112)	3,257
Pensions	29,308	36,273	42,314	42,584	6,311	270
Total PS	$456,528	$487,437	$452,244	$461,499	($25,938)	$9,255
OTPS	$303,151	$411,241	$338,465	$376,063	($35,178)	$37,598
Legal Services	21,079	21,416	19,079	21,203	(213)	2,124
Judgments and Claims	118,552	133,805	153,109	153,109	19,304	—
Debt Service	571,324	752,213	483,676	506,833	(245,380)	23,157
Total OTPS	$1,014,106	$1,318,675	$994,329	$1,057,208	($261,467)	$62,879
Total Agency Costs	$1,470,634	$1,806,112	$1,446,573	$1,518,707	($287,405)	$72,134
Less Intra-City	$2,127	$2,023	$1,409	$1,409	($614)	$—
Net Agency Cost	$1,468,507	$1,804,089	$1,445,164	$1,517,298	($286,791)	$72,134
Funding						
City	1,174,480	1,474,417	1,211,829	1,275,217	(199,200)	63,388
Non-City	294,027	329,672	233,335	242,081	(87,591)	8,746
Personnel (includes FTEs at fiscal year-end)						
City	2,307	2,349	2,335	2,316	(33)	(19)
Non-City	2,414	2,728	2,082	2,044	(684)	(38)
Total	4,721	5,077	4,417	4,360	(717)	(57)

Programmatic Review

Bridges

The Bureau of Bridges is responsible for the reconstruction, repair, maintenance and operation of approximately 800 City-owned bridge and tunnel structures. In 2009, the Bureau of Bridges will be staffed with 794 positions and have an operating budget of $70.9 million, a decrease of $16.4 million from the amount forecast for 2008. This reduction is primarily due to Federal and State grants expiring at the end of 2008. Most of these grants are expected to be renewed during 2009.

The Bridge program in the 2009 Executive Budget continues the City's commitment to preserve and maintain its infrastructure, including $39.5 million for preventive maintenance and repair.

The Bridge "Flag" and Correction Repair program corrects mostly structural ("red" and "yellow" flags, in descending order of priority) and safety deficiencies on bridges by using both in-house and contract forces. The Executive Budget provides $15.8 million and 175 positions in 2009 for the "Flag" Repair program. In addition, 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, more serious flags are treated expeditiously.

Furthermore, the Preventive Maintenance program will have a workforce of 232 positions and funding of $23.8 million for the oiling, sweeping, cleaning, washing, electrical maintenance and spot and salt splash zone painting of the City's bridges. Operating in conjunction with these expense-funded programs, 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 extend grants for preventive maintenance on the Manhattan, Williamsburg, Queensboro and Brooklyn Bridges.

This continuing commitment to the City's Bridges program, in conjunction with a Four-Year Capital Plan of approximately $2.9 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 2009, Highway Operations will be staffed by approximately 1,056 full-time and approximately 250 seasonal positions with a budget totaling $180.7 million, a decrease of $18.9 million over the 2008 agency forecast. This decrease is primarily the result of Federal and State grants expiring at the end of 2008. These grants are expected to be renewed during 2009.

The City's base program already includes significant resources to its in-house resurfacing program, with 303 linear miles (1,000 lane miles) to be resurfaced in 2009, including plaNYC 2030 funding for 100 miles. The City will repair approximately 230,000 small street defects (potholes) in 2009, in addition to other street defects addressed in the resurfacing program. Currently, 70 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. 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 239.

Traffic Operations

The Bureau of Traffic Operations maintains and collects revenue from approximately 81,000 metered spaces and operates 48 municipal parking facilities. It also installs and maintains an estimated 1.3 million traffic signs, approximately 12,000 signalized intersections and over 300,000 streetlights. The 2009 Executive Budget for the Bureau of Traffic provides for 1,087 positions and $266 million, a decrease of $27.6 million from the amount forecast for 2008. This reduction is primarily due to Federal and State grants expiring at the end of 2008. A number of these grants are expected to be renewed during 2009. The 2009 Executive Budget includes $82.4 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 enhance the effectiveness of the Red Light Camera Program, DOT has 100 active red light cameras, over 200 dummy red light cameras and 50 spare sites installed at various locations throughout the City. Experience indicates that 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 rotates the red light cameras among various locations to maximize the benefits of the program.

Under the Safe Routes to School program, the Bureau has completed collecting traffic safety maps for over 1,400 of the City's elementary and middle schools and has identified 135 priority schools. As of December 2007, 100 percent of the short term safety improvements at the 135 priority schools have been completed. This work includes new traffic and pedestrian signals, the addition of exclusive pedestrian crossing time, speed bumps, high visibility crosswalks, and new parking regulations. Between 2008-2009, long-term improvements will have started at 32 of these schools. The identification of the second group of 135 priority schools will be completed by winter 2009.

The Bureau is expanding its Parking Placard Program in an effort to improve the availability of on-street parking City-wide. The new agency placard program will centralize control of the program within the Authorized Parking Unit. The goal of the program is to increase the number of available parking spaces by reducing the number of government placards issued to City agencies by 20 percent in 2009. The current program issues various parking placards including approximately 57,800 permits for people with disabilities.

In tandem to current safety engineering projects completed by DOT, the bureau will continue conducting audits and inspections of the top high pedestrian accident, injury, and fatality locations City-wide. These assessments will result in safety improvements at locations throughout the five boroughs. DOT is also conducting a comprehensive study of pedestrian fatalities and severe injuries over the last five years and will develop a program for improvements based on that study.

In addition to these programs, in 2009 $17.1 million is included to fund three plaNYC 2030 initiatives, including $10.3 million for Bike Network Development, $1.4 million for Bus Initiatives and $5 million for Intelligent Transportation Systems. These initiatives also have capital improvement components totaling $50.4 million.

Transit Operations

DOT operates and maintains the Staten Island Ferry and its terminals, regulates private ferry operations, and oversees subsidies to the MTA Bus Company (MTABC) and Atlantic Express. These bus subsidies are paid from the City's Miscellaneous Budget. The 2009 Executive Budget provides for 701 positions and an operating budget of $89.1 million, a decrease of $16.6 million from the amount forecast for 2008. This decrease is primarily the result of Federal and State grants expiring at the end of 2008. A number of these grants are expected to be renewed during 2009.

The Staten Island Ferry is expected to carry approximately 20 million passengers and the Department anticipates that the Ferry program will achieve an on-time performance rate of 92 percent. DOT 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.

In 2006, the City finalized the transition of service formerly provided by private franchise bus companies to the MTABC. The program had provided subsidized private local and express service in areas generally not covered by New York City Transit's bus and subway network in The Bronx, Brooklyn and Queens. This system carried approximately 100 million passengers annually. DOT had also provided financial management and administration support for the capital program for the subsidized franchise bus program. The MTABC, an MTA subsidiary, now operates in the areas served by all of the seven former private bus companies. In addition, the City continues to manage and monitor selected private express bus service to southern Staten Island.

The City currently owns three bus depots dedicated to MTABC operations, located in Yonkers, Southeast Brooklyn, and College Point, Queens. In addition, the City leases five other facilities from private owners. All of these facilities are provided to the MTABC for their operations. Since beginning operations, MTABC has brought 759 new buses into both local and express service, with an additional 173 expected to enter service by 2009. Currently, 389 of approximately 1,345 buses are hybrid-electric. The MTABC has made other service improvements, and the City expects this trend to ensure that the operation of these lines is up to the MTA's service standard.

Capital Review

The Department's 2009-2012 Four-Year Capital Commitment Plan totals $5.8 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 2009-2012 period.

Capital Commitments

($000's)

	2007 Actual		2008 Plan		2009 Plan		2010 Plan		2011 Plan		2012 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	$319,182	$344,923	$447,239	$524,958	$458,170	$618,915	$485,017	$596,829	$410,084	$452,355	$405,104	$411,024
Highway Bridges	145,576	150,619	132,695	137,268	848,794	1,080,089	520,282	559,418	187,374	370,958	158,058	168,221
Waterway Bridges	108,274	111,815	322,813	678,257	303,316	472,073	144,330	210,883	0	0	0	0
Traffic	59,787	111,579	57,505	113,263	108,104	223,583	127,947	300,428	33,235	95,368	40,953	65,343
Vehicles/Equipment	5,050	5,050	55,518	61,478	15,324	15,324	10,873	15,873	4,334	4,334	5,000	5,000
Ferries	24,191	31,499	53,301	78,791	60,530	78,278	23,758	29,878	6,333	6,333	26,048	28,878
Total	$662,059	$755,485	$1,069,071	$1,594,015	$1,794,238	$2,488,262	$1,312,207	$1,713,309	$641,360	$929,348	$635,163	$678,466

The highlights of the Four-Year Capital Commitment Plan include:

- the continued reconstruction/rehabilitation of the four East River Bridges ($593.6 million) and the complete reconstruction/rehabilitation of 32 other bridge structures, including four bridges currently rated "poor" ($498.8 million), 19 bridges rated "fair" ($1.2 billion), and nine bridge structures scheduled for life extension reconstruction ($435.7 million). 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 ($2.9 billion).

- the reconstruction and/or resurfacing of approximately 1,328 linear miles (4,395 lane miles) of City streets to maintain and improve their condition. This includes 400 lane miles of street resurfaced under a plaNYC 2030 initiative. In addition, it provides for the installation of pedestrian ramps at approximately 26,500 corners to increase accessibility for the disabled, the reconstruction of 20.9 million square feet of sidewalk to reduce defects, and the reconstruction of approximately 11 retaining walls. ($2.1 billion).

- the modernization and expansion of the City's computerized traffic signal network to improve traffic flow, the upgrading of the streetlighting system, the installation of pavement markings, and the reconstruction of municipal parking facilities ($684.7 million including $223.6 million in 2009).

- the reconstruction and improvement of various ferry vessels and facilities, including the relocation of Staten Island Ferry's dock builders facility and the replacement and repair of barges, derricks, and other floating equipment ($143.4 million, including $78.3 million in 2009).

- the replacement of vehicles for field forces and the upgrading of computer equipment ($40.5 million, including $15.3 million in 2009).

Bridges

The Four-Year Plan for the Bureau of Bridges totals $2.9 billion, of which 76 percent is City-funded. The Plan includes $593.6 million for the continuing reconstruction of the East River Bridges, including $352.1 million for the reconstruction of the Brooklyn Bridge, $195.7 million for the Manhattan Bridge, $37 million for the Williamsburg Bridge and $8.8 million for the Queensboro Bridge.

Another $1.7 billion is provided in the Four-Year Plan for the reconstruction and continued reconstruction of four "poor" bridge structures and 19 "fair" bridge structures, including the Willis Avenue Bridge over the Harlem River, the six Belt Parkway bridges, and the St. George Terminal Ramps in Staten Island. All bridge structures currently rated "poor" will have funds committed for reconstruction by 2011. The Bridge Life Extension program, designed to address the capital needs of bridges before total capital reconstruction becomes necessary, will rehabilitate nine structures, in addition to various component rehabilitation projects, at a total cost of $435.7 million. In addition, $80.9 million is provided to apply protective coating treatments to various highway and waterway bridges to preserve and enhance their condition.

The 2009 Capital Plan for Bridges totals $1.6 billion, including $352.1 million for the reconstruction of the Brooklyn Bridge Ramps and $356.9 million for the reconstruction of three Belt Parkway Bridges, including the Paerdegat Basin Bridge. Additionally, the Plan includes $699.9 million for the reconstruction of eight "fair" rated bridge structures, including the Bruckner Expressway over Westchester Creek.

Highways

The Four-Year Plan for Highways totals $2.1 billion and is 84 percent City-funded. The Plan provides $1.1 billion for street reconstruction of 115 linear miles (395 lane miles), and $647.2 million for street and arterial resurfacing of 1,212 linear miles (4,000 lane miles). The Plan also provides $79.9 million for the installation of pedestrian ramps at 26,500 corners. Another $146.8 million is allocated for the replacement of 20.9 million square feet of sidewalk, City-wide. The Plan provides $116.1 million for plaNYC 2030 initiatives, including the street and arterial resurfacing of 400 lane miles (121 linear miles), and programs to increase open space for pedestrians and to improve pedestrian safety.

The 2009 Capital Plan for Highways totals $618.9 million and includes $511.2 million for the reconstruction or resurfacing of 322 linear miles (1,072 lane miles) of streets and $65.7 million for the reconstruction of retaining walls City-wide. Planned reconstruction projects include East 177th Street in The Bronx, Arthur Kill Road in Staten Island, 5th Avenue in Brooklyn, Chambers Street in Manhattan, and College Point Boulevard in Queens. The Plan provides $35.5 million for plaNYC 2030 initiatives, including the resurfacing of street and arterials and programs to increase open space for pedestrians and to improve pedestrian safety.

Traffic

The Four-Year Plan for Traffic totals $684.7 million, of which 45 percent is City-funded. The Plan provides $127.1 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 $127.5 million for the upgrade and replacement of lampposts and luminaires for lighting and safety, $45.1 million for signal and streetlight work associated with the highway and bridge reconstruction programs, $19 million for the installation of approximately 36 million linear feet of thermoplastic markings for traffic control, and $20.1 million for the replacement of 400,000 linear feet of electrical distribution systems along the City's streets. In addition, the Plan includes $40.4 million for the rehabilitation of municipal parking garages and parking lots and the purchase of muni-meters. Finally, $306.3 million is planned for plaNYC 2030 initiatives involving Bus Rapid Transit, Bike Network Development, Bus Initiatives, Intelligent Transportation Systems, and Congested Corridors.

The 2009 Capital Plan for Traffic totals $229.6 million. This includes $75 million for the upgrade of the street lighting system and $64.2 million in baseline funding for the modernization and expansion of the City's computerized traffic signal network, which will improve traffic flow and relieve congestion. The Plan also includes $50.4 million in plaNYC initiatives, including Bike Network Development, Bus Initiatives, Intelligent Transportation Systems, and Congested Corridors.

Transit

The Four-Year Plan for Transit totals $143.4 million for Ferries, which is 77 percent City-funded. The Plan includes $73.7 million for the reconstruction and replacement of ferry boats including $5 million for preliminary design work on two next-generation Barberi Class boats and $14.7 million for the replacement of various floating equipment, including derricks and oil barges. The Plan also includes $69.7 million for ferry terminal and facility improvements, including $15 million for the relocation of Staten Island Ferry's dock builders facility and $35.5 million for the rehabilitation and replacement of ferry piers, slips, and landings.

The 2009 Capital Plan for Ferries totals $78.3 million, including $13 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 Program. The 2009 Plan also includes $36.5 million for reconstruction and rehabilitation of ferry landings, piers, and slips, $18.8 million for dry-docking, maintenance, and improvement of the Staten Island Ferry fleet, and $7.7 million for the replacement and repair of barges and derricks.

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. The preservation of New York City's existing housing stock is assured through targeted anti-abandonment and preservation activities in communities throughout the five boroughs. With the remaining *in rem* stock slated for disposition and the City shifting away from direct ownership, spurring new construction of affordable housing will necessitate inventive strategies. The agency will continue to focus on creative and innovative strategies such as rezoning initiatives and a land acquisition fund to leverage City resources to encourage private investment in affordable housing throughout the five boroughs.

The agency will continue to promote private investment and pursue public-private partnerships to generate new affordable housing. A key agency collaborator is the Housing Development Corporation (HDC). HDC is a public benefit corporation created to provide both taxable and tax-exempt financing for affordable housing. Through the issuance of bonds, HDC invests in the development of numerous projects. Low cost financing and, in some cases, direct subsidies provide for construction of multifamily rental and cooperative housing for low and moderate income households.

In addition to this important collaboration, resources provided through the New York City Housing Trust Fund established through collaboration between HPD, the Comptroller and the Battery Park City Authority, and the anticipated Affordable Housing Fund to be established as part of reformation of the 421-a Tax Incentive program, will provide vital resources as the agency seeks to implement the Mayor's New Housing Marketplace Initiative.

Financial Review

The Department of Housing Preservation and Development's 2009 Executive Budget provides for operating expenses of $514 million. The budgeted headcount of 2,888, including full-time and full-time equivalent positions, is funded at $149 million, $43 million of which is City funds. Funding for other than personal services amounts to $365 million, $27 million of which is City funds. HPD also provides for capital commitments of $561 million in 2009, including $417 million in City funds and $144 million in Federal HOME funds. This constitutes an increase of $123 million over the amount planned for 2009 during the FY08 Executive Plan.

Revenue Forecast

HPD collects fees for processing tax abatement and exemption applications, multiple dwelling registrations, document searches, and administrative fees. HPD also collects revenue from residential and commercial tenants occupying *in rem* buildings and from the sale of *in rem* buildings to the private sector. The Department will generate $24.6 million in 2009, $30 million less than the amount for 2008. The 2009 decrease is primarily attributable to non-recurring revenue from negotiated land sales, the one-time collection of application fees, and rental income in 2008.

Expense Budget Highlights

New Initiatives

In an effort to mitigate the impact of the sub-prime mortgage crisis on New York City households, HPD collaborated with various housing finance and advocacy organizations to create the Center for New York City Neighborhoods. This newly created, independent non-profit entity will serve as a clearinghouse of information for avoiding foreclosure and provide technical assistance and guidance to households impacted by the sub-prime crisis.

Providing Core Services

The agency will maintain its core services in 2009 including the reduction of lead hazards, enforcement of the housing maintenance code, preservation of privately-owned housing, and the management of *in rem* property.

- HPD will continue implementation of Local Law 1 of 2004 to reduce lead hazards within the City's housing stock and within the private housing market.

- Community Development Block Grant (CDBG) funding is maintained for HPD's Code Enforcement Program to allow for prompt inspection of perceived violations of the Housing Maintenance Code.

- 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 life, health and safety.

- HPD administers a portion of New York City's allotment of Federal Section 8 subsidies to eligible New Yorkers. Over $230 million worth of subsidy payments, serving over 29,000 households, are planned in 2009.

- HPD continues to maintain services for the City's stock of occupied *in rem* dwelling units, including repairs, fuel, utilities, and handypersons.

Summary of Agency Financial Data

The following table compares the 2009 Executive Budget with the 2009 Preliminary Budget, the 2008 forecast and actual expenditures for 2007, including costs budgeted centrally for fringe benefits, pensions, judgments and claims, legal services and debt service.

Summary of Agency Financial Data
($ in 000's)

	2007 Actual	2008 Forecast	2009 Preliminary Budget	2009 Executive Budget	Increase/(Decrease) 2008 Forecast	Increase/(Decrease) 2009 Preliminary Budget
Expenditures						
Salary and Wages	$139,320	$146,483	$148,691	$149,294	$2,811	$603
Fringe Benefits	38	—	—	—	—	—
OTPS	436,746	492,208	360,210	364,990	(127,218)	4,780
Total	$576,104	$638,691	$508,901	$514,284	($124,407)	$5,383
Funding						
City	$74,217	$81,448	$64,510	$70,295	($11,153)	$5,785
Other Categorical Grants	31,713	45,890	4,460	5,460	(40,430)	1,000
IFA	14,205	14,869	15,596	15,620	751	24
State	1,710	1,707	1,307	1,307	(400)	—
Federal CD	127,537	160,814	165,211	163,787	2,973	(1,424)
Federal Other	325,016	332,373	256,825	256,825	(75,548)	—
Intra-City Other	1,706	1,590	992	990	(600)	(2)
Total	$576,104	$638,691	$508,901	$514,284	($124,407)	$5,383
Additional Costs Centrally Funded						
Personal Services (PS)						
Fringe Benefits	$55,949	$49,507	$53,127	$53,005	$3,498	($122)
Pensions	12,957	17,155	18,707	18,826	1,671	119
Other Than Personal Service (OTPS)						
Legal Services	5,508	5,769	5,013	5,703	(66)	690
Judgments and Claims	16,974	20,833	23,838	23,838	3,005	—
Debt Service	460,255	540,034	347,588	341,373	(198,661)	(6,215)
Total Additional Costs	$551,643	$633,298	$448,273	$442,745	($190,553)	($5,528)
Funding						
City	498,210	590,406	402,877	397,500	(192,906)	(5,377)
Non-City	53,433	42,892	45,396	45,245	2,353	(151)
Full Agency Costs (including Central Accounts)						
Salary and Wages	$139,320	$146,483	$148,691	$149,294	$2,811	$603
Fringe Benefits	55,987	49,507	53,127	53,005	3,498	(122)
Pensions	12,957	17,155	18,707	18,826	1,671	119
Total PS	$208,264	$213,145	$220,525	$221,125	$7,980	$600
OTPS	$436,746	$492,208	$360,210	$364,990	($127,218)	$4,780
Legal Services	5,508	5,769	5,013	5,703	(66)	690
Judgments and Claims	16,974	20,833	23,838	23,838	3,005	—
Debt Service	460,255	540,034	347,588	341,373	(198,661)	(6,215)
Total OTPS	$919,483	$1,058,844	$736,649	$735,904	($322,940)	($745)
Total Agency Costs	$1,127,747	$1,271,989	$957,174	$957,029	($314,960)	($145)
Less Intra-City	$1,706	$1,590	$992	$990	($600)	($2)
Net Agency Cost	$1,126,041	$1,270,399	$956,182	$956,039	($314,360)	($143)
Funding						
City	572,427	671,854	467,387	467,795	(204,059)	408
Non-City	553,614	598,545	488,795	488,244	(110,301)	(551)
Personnel (includes FTEs at fiscal year-end)						
City	692	782	762	762	(20)	—
Non-City	1,984	2,144	2,129	2,126	(18)	(3)
Total	2,676	2,926	2,891	2,888	(38)	(3)

Programmatic Review

Preservation Services

The Division of Code Enforcement ensures compliance with the City's Housing Maintenance Code and the New York State Multiple Dwelling Law by responding to complaints concerning possible housing violations such as the presence of lead paint, structural deficiencies or the lack of heat, hot water or electricity. In response to violations generated by housing inspectors, the Division of Maintenance performs emergency repairs in privately-owned buildings when the landlord fails to perform necessary repairs. The Division also coordinates major repairs and contracts for improvements in City-owned buildings prior to disposition and is responsible for protecting public safety through sealing and demolishing vacant and unsafe buildings.

The Division of Neighborhood Preservation (DNP) conducts building site assessments each year through four borough offices in an effort to determine whether buildings are at risk of abandonment. When a building is identified as at-risk, this Division develops individual treatment plans to address building deficiencies and coordinates the implementation of treatment plans. Activities include encouraging owners to pay their taxes and referring owners to existing education, support, and rehabilitation programs. In addition, DNP coordinates stages of the Third Party Transfer Process, which will convey approximately 1,727 distressed tax delinquent buildings to new responsible owners between 2009 and 2012.

Development

The Office of Development leads the implementation of the City's Ten Year Housing Plan to create or preserve 165,000 units by 2013 in close collaboration with other parts of HPD, other city and state agencies, and the New York City Housing Development Corporation. The Office of Development is responsible for building a pipeline for affordable housing development by identifying privately-owned sites and assemblages for housing development, collaborating with other land holding agencies, and financing a variety of new construction and rehabilitation programs. The Office includes the divisions of New Construction (including Planning, Housing Production, and New Construction Finance), Special Needs Housing, Preservation Finance, and Housing Incentives.

Within the Division of New Construction, the Division of Planning is responsible for identifying sites for affordable housing development and creating and coordinating the pipeline of public sites, including formulation of interagency partnerships and coordination of neighborhood rezoning efforts. The Division of New Construction Finance is responsible for operating programs which provide financing to construct multi-family housing, often in conjunction with the New York City Housing Development Corporation (HDC). The Division of Housing Production is responsible for coordinating homeownership programs that create or renovate one- to four-family homes for purchase, and operates the agency downpayment assistance program.

The Division of Preservation Finance operates programs which provide financing to rehabilitate and preserve multi-family housing within the private market. The Division of Housing Incentives operates the agency's property tax incentive programs, the Inclusionary Housing program, and is responsible for the allocation of the agency's Low Income Housing Tax Credits. The Division of Special Needs Housing is responsible for providing permanent housing that serves households with special needs, the formerly homeless and the low-income elderly.

Housing Operations

The Division of Alternative Management Programs (DAMP) promotes the rehabilitation, management and ownership of occupied City-owned and private buildings by tenant, not-for-profit, and for-profit housing organizations. Through a variety of programs, existing City-owned homes are renovated, necessary repairs are conducted in privately-owned buildings that have been abandoned, vacant City-owned buildings are rehabilitated and returned to the private housing market and loans to private owners preserve both the quality and quantity of affordable housing.

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 approximately 29,000 low-income households with housing made affordable through the use of Federal Section 8 funding that subsidizes monthly rental payments.

The Division of Property Management manages City-owned (*in rem*) residential and commercial properties until they can be returned to responsible private ownership. In 2009, the Division will maintain an average of approximately 331 *in rem* residential units in occupied multiple dwellings and one- and two-family homes.

The Division of Architecture, Construction and Engineering (DACE) provides design and construction support services to HPD housing and development projects. DACE provides the architectural design for publicly owned property and reviews the designs of private architects to ensure conformance to project standards including zoning and building codes. DACE also monitors new construction and rehabilitation projects to ensure conformity to contract documents, construction techniques and codes.

Capital Review

The 2009-2012 Capital Plan for HPD totals $1.9 billion, including $1.5 billion in City funding and $447 million in 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 table below reflects capital commitments by program area over the FY 2007 - 2012 period.

Capital Commitments

($ in 000's)

	2007 Actual		2008 Plan		2009 Plan		2010 Plan		2011 Plan		2012 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 Construction	$30,144	$49,698	$364,583	$484,716	$167,346	$211,801	$169,268	$217,916	$77,162	$119,478	$80,064	$122,380
Preservation	84,563	102,374	158,404	165,464	139,025	158,475	127,993	132,619	159,237	167,085	165,424	173,123
Supportive Housing	20,958	61,206	31,770	48,449	25,219	105,824	31,716	79,301	32,572	83,224	34,193	84,994
Disposition	41,177	44,515	110,737	129,599	74,789	74,789	67,273	67,273	59,071	59,071	81,442	81,442
Other Housing Support	41,661	41,661	10,082	10,082	10,478	10,478	7,750	7,750	8,000	8,000	8,000	8,000
Total	$218,503	$299,454	$675,576	$838,310	$416,857	$561,367	$404,000	$504,859	$336,042	$436,858	$369,123	$469,939

New Initiatives

Through the Year 15 Preservation program, the agency will preserve the affordability of over 10,000 housing units generated through the Low Income Housing Tax Credit program. Tax credits have provided a critical financing source for the creation of low-income housing. As these projects near the end of the term for program compliance, they often have rehabilitation needs, as well as a need for financial restructuring. HPD will provide these projects with the necessary assistance to ensure they serve as a continuing resource of low-income housing.

Ongoing Programs

Under the 2009-2012 Capital Plan, the City will invest a total of $631 million ($592 million in City funds) to preserve affordable housing through targeted financial assistance to private owners to prevent abandonment and forestall their entry into City ownership. The current Capital Plan also provides a total of $672 million ($494 million in City funds) in funds for new construction projects that create rental and homeownership opportunities for families at various income levels. Additionally, HPD will allocate a total of $353 million ($124 million in

City funds) to new initiatives to end chronic homelessness, including execution of a new New York/New York III agreement with the State. Finally, the City will continue with the rehabilitation and disposition of its remaining *in rem* residential stock, returning buildings to responsible private owners including tenant cooperatives, not-for-profit organizations, and local entrepreneurs. The Capital Plan allocates a total of $283 million (all City funds) to fund these tasks.

- Utilizing a variety of preservation financing programs, including the Article 8A, Participation Loan, Small Buildings Loan and Senior Citizens' Home Improvement Program, HPD will preserve more than 25,000 units.

- Through various new construction initiatives, HPD will produce more than 22,000 units in a broad array of housing options targeting various tiers of affordability. Initiatives include large-scale developments throughout the five boroughs, as well as funding for various rental and homeownership initiatives.

- HPD will fund over 2,300 supportive housing units to benefit low income households with special needs between 2009 and 2012. This includes community-based homelessness prevention programs and permanent and transitional housing.

- HPD will rehabilitate and complete disposition of over 1,200 units through the Tenant Interim Lease (TIL), Neighborhood Redevelopment (NRP), Neighborhood Entrepreneur (NEP), Storeworks and Neighborhood Homes programs.

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 various services, including personnel, real estate, municipal supply, and facilities management. Services are provided by eight programmatic divisions: the Executive Division, 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), the Division of Citywide Equal Employment Opportunity (DCEEO), and the Division of Administration and Security (DAS).

Financial Review

The 2009 Executive Budget for the Department of Citywide Administrative Services provides $1.07 billion, an increase of $63.8 million over the amount forecasted for 2008. This increase is primarily attributable to increases in provision of goods and services to other City agencies. The $483.2 million DCAS Capital Commitment Plan for 2009 includes $480.8 million for Public Buildings and $2.4 million for Real Property.

Revenue Forecast

In 2009, DCAS will collect $70.8 million in revenue, approximately $19.8 million less than the amount forecasted for 2008. The decrease is mainly attributable to one-time revenue collected from property sales, commercial rents, and early mortgage satisfactions in 2008. The Division of Real Estate Services (DRES), the largest revenue generating component of DCAS, will collect $54 million from land sales and rents from commercial properties.

Expense Budget Highlights

Budgetary Priorities: Providing Core Services

- the 2009 Executive Budget provides total funds of $1.07 billion for the Department, of which $740.2 million is for goods and services that agencies purchase from DCAS through intra-city agreements including the following: utilities ($663.4 million), leases ($47.3 million), storehouse supplies ($21.2 million), maintenance and repair of facilities and vehicles ($5.4 million), personnel training ($0.8 million), and other services ($2.1 million).

- the 2009 Executive Budget provides a total of $933.6 million for the Division of Facilities Management and Construction (DFMC). DFMC manages and operates 53 public buildings, including court facilities. Included in the $933.6 million are intra-city agreements for utilities ($663.4 million), leases ($47.0 million), and building maintenance ($3.1 million). Also included in the $933.6 million is $32.2 million in State funding to provide cleaning services for court facilities.

- the 2009 Executive Budget provides a total of $14.9 million for the Division of Real Estate Services (DRES).

- the 2009 Executive Budget provides a total of $11.7 million for security services in DCAS-managed buildings.

Restructuring and Streamlining

- DCAS will augment its existing Personnel Services staff in order to implement its Provisional Reduction Plan in 2009. This plan will reduce the number of City employees serving as provisional employees by increasing the number of civil service examinations DCAS administers and subsequent title lists it generates, as well as by broadbanding similar titles and reclassifying existing titles.

- in support of plaNYC and enhanced sustainability of government operations, DCAS has significantly increased its energy conservation programs in facilities and the Citywide Fleet. The agency committed to over 100 energy efficiency projects in 2008, and anticipates an even greater portfolio of projects in 2009, including but not limited to: installing energy efficient interior lighting, implementing heating system upgrades, overseeing building energy audits and replacing older, heavier-polluting vehicles with new hybrid models.

- following on the successful completion of a Computerized Testing Center in Manhattan, DCAS plans to expand the model into Brooklyn in 2009. This will allow DCAS to further streamline the administration and rating of competitive civil service examinations. The automation of the exam process will provide additional registration options, user-friendly interfaces, and unofficial results at the conclusion of the exam.

- to highlight the importance of equal opportunity in City employment, DCAS has restructured its Office of Equal Employment Opportunity into its own Division, and created the position of Deputy Commissioner for Equal Employment Opportunity to advance its goals.

Summary of Agency Financial Data

The following table compares the 2009 Executive Budget with the 2009 Preliminary Budget, the 2008 forecast and actual expenditures for 2007, including costs budgeted centrally for fringe benefits, pensions, judgments and claims, legal services and debt service.

Summary of Agency Financial Data
($ in 000's)

	2007 Actual	2008 Forecast	2009 Preliminary Budget	2009 Executive Budget	Increase/(Decrease) 2008 Forecast	Increase/(Decrease) 2009 Preliminary Budget
Expenditures						
Salary and Wages	$116,269	$123,402	$117,882	$122,657	($745)	$4,775
Fringe Benefits	1,584	1,557	1,431	1,557	—	126
OTPS	816,787	883,779	888,139	948,336	64,557	60,197
Total	$934,640	$1,008,738	$1,007,452	$1,072,550	$63,812	$65,098
Funding						
City	$179,008	$199,662	$178,089	$183,750	($15,912)	$5,661
Other Categorical Grants	82,839	88,225	93,553	101,496	13,271	7,943
IFA	9,501	10,991	8,045	10,868	(123)	2,823
State	42,714	42,436	30,899	34,257	(8,179)	3,358
Federal CD	29	40	—	—	(40)	—
Federal Other	1,198	2,000	2,000	2,000	—	—
Intra-City Other	619,351	665,384	694,866	740,179	74,795	45,313
Total	$934,640	$1,008,738	$1,007,452	$1,072,550	$63,812	$65,098
Additional Costs Centrally Funded						
Personal Services (PS)						
Fringe Benefits	$43,328	$36,685	$37,206	$39,428	$2,743	$2,222
Pensions	10,957	13,972	15,820	15,921	1,949	101
Other Than Personal Service (OTPS)						
Legal Services	2,134	1,758	1,605	1,565	(193)	(40)
Judgments and Claims	34	2,170	2,483	2,483	313	—
Debt Service	392,740	606,388	393,640	387,561	(218,827)	(6,079)
Total Additional Costs	$449,193	$660,973	$450,754	$446,958	($214,015)	($3,796)
Funding						
City	415,158	636,066	420,315	423,712	(212,354)	3,397
Non-City	34,035	24,907	30,439	23,246	(1,661)	(7,193)
Full Agency Costs (including Central Accounts)						
Salary and Wages	$116,269	$123,402	$117,882	$122,657	($745)	$4,775
Fringe Benefits	44,912	38,242	38,637	40,985	2,743	2,348
Pensions	10,957	13,972	15,820	15,921	1,949	101
Total PS	$172,138	$175,616	$172,339	$179,563	$3,947	$7,224
OTPS	$816,787	$883,779	$888,139	$948,336	$64,557	$60,197
Legal Services	2,134	1,758	1,605	1,565	(193)	(40)
Judgments and Claims	34	2,170	2,483	2,483	313	—
Debt Service	392,740	606,388	393,640	387,561	(218,827)	(6,079)
Total OTPS	$1,211,695	$1,494,095	$1,285,867	$1,339,945	($154,150)	$54,078
Total Agency Costs	$1,383,833	$1,669,711	$1,458,206	$1,519,508	($150,203)	$61,302
Less Intra-City	$619,351	$665,384	$694,866	$740,179	$74,795	$45,313
Net Agency Cost	$764,482	$1,004,327	$763,340	$779,329	($224,998)	$15,989
Funding						
City	594,166	835,728	598,404	607,462	(228,266)	9,058
Non-City	170,316	168,599	164,936	171,867	3,268	6,931
Personnel (includes FTEs at fiscal year-end)						
City	1,335	1,453	1,458	1,405	(48)	(53)
Non-City	759	766	729	783	17	54
Total	2,094	2,219	2,187	2,188	(31)	1

Programmatic Review

DCAS provides an array of support services to City agencies through the eight divisions described below.

Executive Division

The Executive Division includes the Office of the Commissioner, General Counsel, Public Affairs, Special Events, Management Information Systems, and Citywide Occupational Safety and Health (COSH). The Commissioner oversees all agency functions and serves on the boards of the Management Benefits Fund, Deferred Compensation, and the Citywide Blood Donation 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 provides related training in conjunction with City agency safety officers.

The Executive Division is also charged with the production and printing of official City publications such as the City Record, the Green Book, and their online counterparts. The City Record Online allows agencies to post electronic versions of their solicitations on the internet which can then be downloaded by interested vendors. In addition, vendors may elect to receive e-mail notification of new solicitations.

Division of Citywide Equal Employment Opportunity

The newly created Division of Citywide Equal Employment Opportunity (DCEEO) oversees the equal employment opportunity policy and practices of the City, assisting City agencies to develop strategies to achieve compliance with the City's EEO obligations. The Division provides training to agency EEO Officers in implementing the EEO-related provisions of the City Charter and other federal, state and local laws. The Division also monitors agencies' EEO efforts, including resolving complaints and monitoring employment actions, through quarterly compliance reports.

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 Donation Program, the Urban Fellows Program, Public Service Corps, and the Leadership Institute.

In order to simplify civil service job titles and streamline exam administration, DCPS is continuing to consolidate and reclassify titles with overlapping functions as well as eliminate vacant job titles that are no longer needed. The Division also continues its efforts to consolidate annual civil service examinations for titles that require similar knowledge and skills. Examinations are administered by DCPS for City agencies and other organizations such as the Metropolitan Transportation Authority and the New York City Housing Authority. The Division anticipates administering 142 civil service and 41 license examinations in 2008, and expects to administer a similar number of examinations in 2009. In 2009, DCAS will administer several police officer and correction officer exams, as well as the firefighter and sanitation worker physical exams.

Division of Real Estate Services

The Division of Real Estate Services (DRES) oversees the commercial real estate portfolio for the City, which includes leasing or purchasing privately-owned properties for government use, managing properties surrendered by other City agencies as surplus, long and short-term leasing of City-owned properties, and disposition of real estate by means of sales and lease auctions. The Division administers approximately 39 leases for City agencies in private buildings. The Division also audits leases to ensure proper lease billing, identifying savings of $2.7 million in rent credits through March 2008.

Division of Facilities Management and Construction

The Division of Facilities Management and Construction (DFMC) is responsible for managing and operating 53 City-owned public buildings. This Division provides technical engineering along with architectural and construction management services to manage and operate its facilities. DFMC 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 goods and 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 goods and vehicles through redistribution to other City agencies and auction.

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, and the Office of Financial Services, which includes budget control, audits and accounts, and State Court reimbursement. The Office of Energy Conservation (OEC), within DFMO, is the City's primary energy management entity. This office develops and reports on the City's annual energy budget and pays energy bills for City accounts, as the utility account holder of record. OEC also reviews energy billing with agencies and oversees energy conservation programs. The Office provides each agency's energy liaison with monthly agency level and account level reports on energy cost and usage, and is responsible for identifying and managing projects to increase energy efficiency.

The Division is responsible for the operation of the official store of the City of New York, the CityStore. The CityStore operates a retail location in the North Plaza of the Manhattan Municipal Building, and an on-line store, www.nyc.gov/CityStore.

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, training, disciplinary proceedings, labor relations, printing services, communication services, and records management. DAS also coordinates security within the Department for 20 DCAS-managed facilities and for some leased facilities. Security responsibilities include risk assessment, security analysis, implementation, and continued evaluation of DCAS facilities.

Capital Review

The 2009-2012 Four-Year Capital Commitment Plan for the Department is $969.8 million, with $483.2 million provided in 2009.

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 non-residential 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 2007-2012 period.

Capital Commitments

($000's)

	2007 Actual		2008 Plan		2009 Plan		2010 Plan		2011 Plan		2012 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	$39,205	$39,245	$175,963	$176,063	$137,334	$137,334	$54,056	$54,056	$27,734	$27,734	$61,573	$61,573
Renovation of Other City-Owned Facilities	7,551	7,551	23,678	23,678	99,873	99,873	79,800	79,800	79,800	79,800	79,800	79,800
Rehabilitation of Court Facility System	0	0	0	0	200	200	0	0	0	0	0	0
Legal Mandates and Correction of Unsafe Conditions	11,303	11,303	29,375	29,375	36,791	36,791	24,826	24,826	22,000	22,000	8,400	8,400
Renovation of Leased Space	14,294	14,294	6,075	6,575	36,766	36,766	1,463	1,463	0	0	24,292	24,292
Equipment and Interagency Services	7,382	7,382	21,754	21,754	11,560	11,560	1,250	1,250	1,149	1,149	750	750
Communications Equipment	0	0	95	95	145	145	0	0	0	0	0	0
Board of Elections	5,523	5,523	9,594	9,594	93,831	93,831	0	0	0	0	0	0
Miscellaneous Construction	10,698	10,698	128,251	128,351	64,321	64,321	0	0	0	0	0	0
Acquisition of Real Property	0	0	5,500	5,500	0	0	0	0	0	0	0	0
Rehabilitation of Waterfront & Non-Waterfront Properties	-795	-795	2,982	2,982	2,388	2,388	8,464	8,464	5,748	5,748	5,457	5,457
Total	$95,161	$95,201	$403,267	$403,967	$483,209	$483,209	$169,859	$169,859	$136,431	$136,431	$180,272	$180,272

The Four-Year Capital Commitment Plan provides a total of $969.8 million, including $947.7 million for the renovation, reconstruction, and outfitting of Public Buildings and $22.1 million for Real Property.

Highlights of the Four-Year Plan include:

- reconstruction and rehabilitation of public buildings and City-owned facilities ($620.0 million), including the central administration of select energy efficiency projects, Citywide ($334.2 million), renovations to the Manhattan Municipal Building ($24.5 million), Queens Borough Hall ($20.4 million), Brooklyn Borough Hall ($8.9 million), the Bronx Family Justice Center ($5.0 million), and the St. George Courthouse and Hyatt Street Plaza in Staten Island ($6.0 million).

- miscellaneous construction in other facilities and acquisition of real property ($64.3 million), including the Seaview Senior Housing in Staten Island ($12.5 million) and Police Athletic League facilities in the West Side of Manhattan and Northeast Bronx ($5.3 million)

- legal mandates ($92.0 million), including environmental remediation projects ($23.9 million) and reconstruction and replacement of petroleum underground storage tanks ($23.1 million).

- renovation of leased space ($62.5 million), including the Queens DCAS Storehouse renovations ($12.2 million)

- equipment and interagency services ($14.7 million), including the purchase of management information systems equipment.

- modernization of the Board of Elections ($93.8 million), including the purchase of electronic voting machines as required by the Help America Vote Act (HAVA) ($50.0 million), and the consolidation and renovation of warehouse and office facilities for the Board of Elections ($43.4 million).

- reconstruction of waterfront properties ($20.7 million) including various pier improvements.

- reconstruction of non-waterfront properties ($1.3 million).

The 2009 Plan provides $483.2 million and includes:

- reconstruction and rehabilitation of public buildings and City-owned facilities ($237.2 million), including the central administration of select energy efficiency projects, Citywide ($94.8 million), renovations to the Manhattan Municipal Building ($11.8 million), Queens Borough Hall ($5.7 million), Brooklyn Borough Hall ($8.8 million), the Bronx Family Justice Center ($5.0 million), and the St. George Courthouse and Hyatt Street Plaza in Staten Island ($6.0 million).

- miscellaneous construction in other facilities and acquisition of real property ($64.3 million), including the Seaview Senior Housing in Staten Island ($12.5 million) and Police Athletic League facilities in the West Side of Manhattan and Northeast Bronx ($5.3 million).

- legal mandates ($36.8 million), including environmental remediation projects ($13.1 million) and reconstruction and replacement of petroleum underground storage tanks ($12.1 million).

- renovation of leased space ($36.8 million), including the Queens DCAS Storehouse renovations ($12.2 million).

- equipment and interagency services ($11.6 million), including the purchase of management information systems equipment.

- modernization of the Board of Elections ($93.8 million), including the the purchase of electronic voting machines as required by the Help America Vote Act (HAVA) ($50.0 million), and the consolidation and renovation of warehouse and office facilities for the Board of Elections ($43.4 million).

- reconstruction of waterfront properties (1.1 million) including various pier improvements.

- reconstruction of non-waterfront properties ($1.3 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 data, voice, and video technologies in City services and operations. DoITT's Commissioner directs the development of information technology (IT) strategies as the City's Chief Information Officer. DoITT also provides infrastructure support for data processing and communications services to numerous City agencies, researches and manages IT projects, manages the 3-1-1 Customer Service Center, maintains *NYC.gov* (the City's official website), manages the City's broadcast/cable television and radio stations via the NYC Media Group, and administers the City's cable television, public pay telephone, and mobile and high capacity telecommunications franchises.

Financial Review

DoITT's 2009 Executive Budget provides for an operating budget of $371.9 million, an increase of $39.7 million over the amount forecasted for 2008. The change is largely attributable to full year maintenance costs associated with the Emergency Communications Transformation Program and the New York City Wireless Network, which will begin in 2009. The change is also due to additional funds allocated to further the Department's ability to provide centralized IT support as well as additional resources to support the 3-1-1 Citizen Service Center and Enhanced 3-1-1.

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 $127.5 million in revenue for 2009.

Expense Budget Highlights

Budgetary Priorities: Providing Core Services

- the Department's 2009 Executive Budget includes $114.9 million for services that DoITT purchases on behalf of client agencies, including telecommunications, data and consultant services.

- the Department's 2009 Executive Budget provides $55.7 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 2009 Executive Budget provides $9.4 million for the administration of the City's five cable channels, a broadcast station, and a radio station on the NYC TV Media Group network. The City produces programming designed to inform the public on City affairs.

Restructuring and Streamlining

- the Department's 2009 Executive Budget provides $51.5 million for the 3-1-1 Citizen Service Center. This includes funds for the Enhanced 3-1-1 initiative, designed to provide callers with health and human service-related information and referrals to non-profits and community-based organizations. The Service Center provides the public with continuous access to non-emergency City services through one phone number.

Summary of Agency Financial Data

The following table compares the 2009 Executive Budget with the 2009 Preliminary Budget, the 2008 forecast and actual expenditures for 2007, including costs budgeted centrally for fringe benefits, pensions, judgments and claims, legal services and debt service.

Summary of Agency Financial Data
($ in 000's)

	2007 Actual	2008 Forecast	2009 Preliminary Budget	2009 Executive Budget	Increase/(Decrease) 2008 Forecast	Increase/(Decrease) 2009 Preliminary Budget
Expenditures						
Salary and Wages	$67,196	$84,491	$72,015	$86,285	$1,794	$14,270
Fringe Benefits	—	—	—	—	—	—
OTPS	188,372	247,757	273,908	285,634	37,877	11,726
Total	$255,568	$332,248	$345,923	$371,919	$39,671	$25,996
Funding						
City	$132,641	$202,207	$233,900	$243,693	$41,486	$9,793
Other Categorical Grants	4,028	3,688	1,356	1,356	(2,332)	—
IFA	8,177	8,981	930	10,461	1,480	9,531
State	29	52	—	—	(52)	—
Federal CD	1,432	1,483	1,483	1,483	—	—
Federal Other	—	—	—	—	—	—
Intra-City Other	109,259	115,837	108,254	114,926	(911)	6,672
Total	$255,568	$332,248	$345,923	$371,919	$39,671	$25,996
Additional Costs Centrally Funded						
Personal Services (PS)						
Fringe Benefits	$15,706	$18,490	$16,854	$20,169	$1,679	$3,315
Pensions	6,247	7,522	9,020	9,078	1,556	58
Other Than Personal Service (OTPS)						
Legal Services	2,825	1,890	2,064	1,869	(21)	(195)
Judgments and Claims	26	28	32	32	4	—
Debt Service	—	—	—	—	—	—
Total Additional Costs	$24,804	$27,930	$27,970	$31,148	$3,218	$3,178
Funding						
City	23,026	26,320	26,334	29,566	3,246	3,232
Non-City	1,778	1,610	1,636	1,582	(28)	(54)
Full Agency Costs (including Central Accounts)						
Salary and Wages	$67,196	$84,491	$72,015	$86,285	$1,794	$14,270
Fringe Benefits	15,706	18,490	16,854	20,169	1,679	3,315
Pensions	6,247	7,522	9,020	9,078	1,556	58
Total PS	$89,149	$110,503	$97,889	$115,532	$5,029	$17,643
OTPS	$188,372	$247,757	$273,908	$285,634	$37,877	$11,726
Legal Services	2,825	1,890	2,064	1,869	(21)	(195)
Judgments and Claims	26	28	32	32	4	—
Debt Service	—	—	—	—	—	—
Total OTPS	$191,223	$249,675	$276,004	$287,535	$37,860	$11,531
Total Agency Costs	$280,372	$360,178	$373,893	$403,067	$42,889	$29,174
Less Intra-City	$109,259	$115,837	$108,254	$114,926	($911)	$6,672
Net Agency Cost	$171,113	$244,341	$265,639	$288,141	$43,800	$22,502
Funding						
City	155,667	228,527	260,234	273,259	44,732	13,025
Non-City	15,446	15,814	5,405	14,882	(932)	9,477
Personnel (includes FTEs at fiscal year-end)						
City	978	1,138	1,096	1,124	(14)	28
Non-City	122	179	48	152	(27)	104
Total	1,100	1,317	1,144	1,276	(41)	132

Programmatic Review

DoITT is the technology services agency that oversees the City's use of existing and emerging technologies in government operations, and its delivery of services to the public. The Department works with City agencies to align, leverage, and optimize the use of technology to meet agency and Citywide business needs. To achieve this, DoITT manages and operates the 3-1-1 Customer Service Center, HHS Connect, the Emergency Communications Transformation Program (ECTP), the New York City Wireless Network (NYCWiN), the Citywide Radio (Channel 16) Network, *NYC.gov*, the NYC Media Group, the Citywide Geographic Information Systems Unit, and various initiatives to help streamline agency operations.

PlanIT

In 2009, DoITT will work to continue implementing PlanIT, the City's first comprehensive technology strategy. This strategy consists of 32 initiatives that will improve government accessibility, transparency, and accountability. Of these 32 initiatives, the plan includes nine "foundational" initiatives which are aimed at consolidating and greening the City's data centers, creating Citywide information security policies and standards, and strengthening the City's backup and recovery capabilities. The remaining 23 initiatives cover various areas within government such as economic development, public safety, customer service, social services, education, community services, Citywide administration and legal affairs.

3-1-1 Customer Service Center

The 3-1-1 Customer Service Center is the City's premier means of access to government information and non-emergency services. Trained call center representatives are available 24 hours a day, seven days a week, and offer services in nearly 180 languages. DoITT will continue to improve the capability of 3-1-1 through a phased roll-out of the Enhanced 3-1-1 initiative, which will provide callers with health and human service-related information and referrals to non-profits and community-based organizations. DoITT continues to leverage applications such as 3-1-1 on the Web, which will mirror more of the services offered at 3-1-1 via *NYC.gov*, and will enhance the program's functionality and improve the service delivery of City agencies.

Emergency Communications Transformation Program

The City is undertaking significant upgrade and enhancements to its 911 Emergency Dispatch System. The majority of the capital funding for this initiative, known as the Emergency Communications Transformation Program (ECTP), is contained within DoITT's budget. In conjunction with the NYPD and FDNY, DoITT is working to develop an integrated 911 dispatch system that will bolster the City's critical emergency response capabilities. This project includes the development of a consolidated dispatch system, an upgraded telecommunications infrastructure, and redundant call-taking and dispatch centers. In 2009, the Police, Fire and EMS call taking and dispatch operations will be consolidated on the 3rd Floor of the new Public Safety Answering Center (PSAC). In addition, design of the full redundant backup call center (PSAC 2) has commenced in 2008 and will continue in 2009.

New York City Wireless Network (NYCWiN)

The New York City Wireless Network will provide for broadband transmission of video feeds, large graphics files, wireless call box alarms, traffic control signals, and automatic vehicle location (AVL) data. Access to this network will provide resources to public safety agency personnel that will greatly improve their execution of specific job functions. NYCWiN will also support and enhance a host of other public service applications used by agencies across the City. By 2009 coverage will expand to 95% of the City, with full coverage by the end of the year.

Citywide Radio (Channel 16) Network

The Citywide Radio (Channel 16) Network will support FDNY and EMS dispatch communications as well as the day-to-day and emergency-related communications of multiple City agencies, and will replace current agency legacy radio systems. The Citywide Radio Network will be in full production at the start of 2009, enhancing the mission-critical communication needs of public safety agencies and improving Citywide interoperability.

HHS Connect

HHS-Connect links more than a dozen City agencies so that caseworkers are able to share client information without compromising confidentiality. Clients will only need to provide their personal and other pertinent information one time to be included in a virtual integrated case file which they will be able to access and update online. Additional information, relevant only to specific agencies, will be collected on an as-needed basis. HHS-Connect will reduce the paperwork burden for caseworkers, improve customer service, and allow unique accessibility to the City's various programs and services for New Yorkers who need them most.

A significant part of HHS Connect is ACCESS NYC, an *NYC.gov* application customers can use to be screened and begin the process of applying for food stamps or school meals. Eventually, if they so choose, residents will only have to provide their information once, regardless of the program for which they are applying. The system will grow to provide online pre-screening, eligibility, verification, enrollment and case management tools that can be utilized across City agencies.

NYC.gov

NYC.gov, the City's official website, provides New Yorkers with an easy-to-use source of government services and information. In 2009, DoITT will enhance a number of applications available on *NYC.gov*, including the newly-launched Citywide Performance Reporting (CPR) tool, which provides City agencies with management information tools to better anticipate demand and manage operational performance. CPR includes 500 "critical" outcome measures, which are updated and posted monthly on *NYC.gov*, making them easily accessible to all City agencies, elected officials, community groups, and the public.

In 2009, DoITT will be piloting an application to allow New Yorkers and visitors alike to submit pictures and video to 3-1-1 and *NYC.gov* for certain types of quality-of-life service requests, including broken parking meters, street signs and parks conditions. Customers will also be able to submit service requests directly through *NYC.gov* for issues such as graffiti, traffic signs, street, highway and sidewalk construction, lot cleaning requests and public pay telephone complaints.

DoITT continues to leverage the Internet to make City government more accessible, transparent, and accountable. The Doing Business Accountability Project tracks entities and their executives that do business with the City, and allows the public access to this information. In 2009, this project will expand to include information about land use, real property transactions, contract proposals, grant recipients, economic development agreements and pension funds, and will integrate with the e-Lobbyist application, which includes a full accounting of expenses paid to lobbyists throughout the year.

NYC Media Group

DoITT is the managing agency of the NYC Media Group, which includes a broadcast television station, reaching approximately 19 million people in New York, New Jersey and Connecticut; five New York City cable television stations; and one FM radio station (Radio New York, WNYE 91.5 FM). NYC TV will continue to produce New York City-themed original programming designed to showcase the City's neighborhoods, arts, culture, history, and diverse communities. In 2009, NYC TV will offer *CityScoop*, a weekly news magazine that provides summaries of recent news from elected officials and City government.

Geographic Information Systems

DoITT's Citywide Geographic Information Systems (GIS) Unit develops and maintains a repository of current, accurate spatial data and applications. This includes *NYCityMap*, a physical base map and planimetrics of the

City derived from aerial photography. The unit also develops GIS tools and applications for use by all City agencies. The GIS internet hosting environment provides the public with an expanding array of geographic-based information on *NYC.gov*. A major focus for 2009 and beyond is the Citywide Street Centerline project. The objective of this project is to upgrade and extend Citywide street centerline and related geographic layers to meet public safety dispatching requirements, and, by extension, to meet the needs of all City agencies.

Streamlining Agency Operations

DoITT will continue to leverage its data center, fiber optic network, wireless data 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. The DoITT Capital Plan for 2009-2012 includes $220.0 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. SBS also administers the City's adult workforce development programs as a result of its merger with the Department of Employment in 2004.

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 the Workforce Development Division, SBS provides job training and placement services to jobseekers and businesses through its one-stop centers and contracted service providers.

EDC is the City's primary vehicle for promoting economic growth in each of the five boroughs working with diverse industries and sectors to help businesses locate and expand in the City. To help improve the distribution of goods within and outside the five boroughs, EDC manages the redevelopment of the City's rail freight lines, food markets, and maritime and aviation facilities. Through EDC's incentive programs eligible businesses can meet their financing needs for property acquisition, new equipment, renovation, working capital and other purposes through the use of low-cost tax-exempt bonds.

Financial Review

The 2009 Executive Budget for Economic Development provides $146.1 million in operating expenses at SBS, with Federal funds of $62.02 million and City funds of $84.08 million. The SBS operating budget includes allocations for EDC, NYC & Company (formerly known as the New York Convention and Visitors Bureau), the NYC Empowerment Zone, the Mayor's Office of Film, Theatre and Broadcasting, 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 income earned from the management of its real estate portfolio.

City funded capital commitments of $1.12 billion are forecast in the 2009-2012 capital plan. Of this amount, $1.09 billion reflect Mayoral commitments. The remaining $12.65 million reflect Elected Officials commitments. The amount of total City funded capital commitments for the 2009-2012 plan represents an increase of $141.8 million over the amount of commitments forecast in the 2008-2011 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 the EDC, a contractual marketing payment from NYC & Company, and other miscellaneous fees. The 2009 revenue estimate is $24 million.

Expense Budget Highlights

- the Workforce Development Division runs the City's job training and placement programs through the Workforce1 Career Centers in all five boroughs. In addition, the City's Business Solutions Centers, some of which are co-located with the Workforce1 Centers, provide businesses with access to hiring and training opportunities. The 2009 Executive Budget includes a federal allocation of $39.9 million in Federal funds for all Adult and Dislocated Worker job training and placement 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 2009 provides $2.44 million in City and Federal funds to run this program with a staff of 31 people.

- through a contract with SBS, NYC & Company will receive $20.48 million in City funding in 2009 for its work to promote the City as the country's premier tourist destination and convention center.

- 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

The following table compares the 2009 Executive Budget with the 2009 Preliminary Budget, the 2008 forecast and actual expenditures for 2007, including costs budgeted centrally for fringe benefits, pensions, judgments and claims, legal services and debt service.

Summary of Agency Financial Data
($ in 000's)

	2007 Actual	2008 Forecast	2009 Preliminary Budget	2009 Executive Budget	Increase/(Decrease) 2008 Forecast	Increase/(Decrease) 2009 Preliminary Budget
Expenditures						
Salary and Wages	$16,566	$20,389	$17,447	$20,047	($342)	$2,600
Fringe Benefits	—	—	—	—	—	—
OTPS	105,842	147,332	92,430	126,019	(21,313)	33,589
Total	$122,408	$167,721	$109,877	$146,066	($21,655)	$36,189
Funding						
City	$55,308	$93,997	$51,090	$84,079	($9,918)	$32,989
Other Categorical Grants	2,452	2,523	—	—	(2,523)	—
IFA	—	—	—	—	—	—
State	298	389	—	—	(389)	—
Federal CD	5,810	8,818	6,153	5,410	(3,408)	(743)
Federal Other	56,980	60,973	52,578	56,521	(4,452)	3,943
Intra-City Other	1,560	1,021	56	56	(965)	—
Total	$122,408	$167,721	$109,877	$146,066	($21,655)	$36,189
Additional Costs Centrally Funded						
Personal Services (PS)						
Fringe Benefits	$5,571	$4,949	$4,989	$5,434	$485	$445
Pensions	1,540	2,002	2,224	2,238	236	14
Other Than Personal Service (OTPS)						
Legal Services	5,330	5,056	4,230	5,003	(53)	773
Judgments and Claims	2	16	18	18	2	—
Debt Service	84,166	126,880	178,710	114,728	(12,152)	(63,982)
Total Additional Costs	$96,609	$138,903	$190,171	$127,421	($11,482)	($62,750)
Funding						
City	89,851	133,354	184,384	121,767	(11,587)	(62,617)
Non-City	6,758	5,549	5,787	5,654	105	(133)
Full Agency Costs (including Central Accounts)						
Salary and Wages	$16,566	$20,389	$17,447	$20,047	($342)	$2,600
Fringe Benefits	5,571	4,949	4,989	5,434	485	445
Pensions	1,540	2,002	2,224	2,238	236	14
Total PS	$23,677	$27,340	$24,660	$27,719	$379	$3,059
OTPS	$105,842	$147,332	$92,430	$126,019	($21,313)	$33,589
Legal Services	5,330	5,056	4,230	5,003	(53)	773
Judgments and Claims	2	16	18	18	2	—
Debt Service	84,166	126,880	178,710	114,728	(12,152)	(63,982)
Total OTPS	$195,340	$279,284	$275,388	$245,768	($33,516)	($29,620)
Total Agency Costs	$219,017	$306,624	$300,048	$273,487	($33,137)	($26,561)
Less Intra-City	$1,560	$1,021	$56	$56	($965)	$—
Net Agency Cost	$217,457	$305,603	$299,992	$273,431	($32,172)	($26,561)
Funding						
City	145,159	227,351	235,474	205,846	(21,505)	(29,628)
Non-City	72,298	78,252	64,518	67,585	(10,667)	3,067
Personnel (includes FTEs at fiscal year-end)						
City	125	161	126	153	(8)	27
Non-City	161	154	149	153	(1)	4
Total	286	315	275	306	(9)	31

Programmatic Review

Department of Small Business Services

The Department of Small Business Services makes it easier for companies to form, do business and grow by providing direct assistance to business owners, fostering neighborhood development in commercial districts, promoting financial and economic opportunity among minority- and women-owned businesses, preparing New Yorkers for jobs, and linking employers to a skilled and qualified workforce.

District Development

- the District Development Unit supports community-based economic development organizations throughout New York City in order to create the conditions under which local businesses thrive and residents enjoy access to a vibrant mix of goods and services. Through its network of 59 Business Improvement Districts (BIDs), SBS' District Development unit oversees contracts with BIDs that lead to the provision of more than $82 million in services to more than 70,000 businesses annually. District Development also partners with dozens of Local Development Corporations, Merchants' Associations and other neighborhood economic development organizations through Avenue NYC, a $2.8 million competitive grant program that funds commercial revitalization programs (comprehensive economic development planning, business attraction efforts, district marketing campaigns, BID formation initiatives, and other economic development activities) in all five boroughs. District Development also oversees NYC Clean Streets, a $1.1 million initiative the goal of which is to develop the capacity of Local Development Corporations in commercial corridors throughout the City.

NYC Business Solutions

NYC Business Solutions helps businesses open, grow, and thrive in New York City.

- NYC Business Solutions Centers meet the needs of start-up and operating businesses by providing assistance to facilitate financing, fulfilling business staffing needs, and providing access to services not directly provided by the Centers through partnerships. Centers are open in the South Bronx, Upper Manhattan, Queens, Downtown Brooklyn, Midtown Manhattan, and Lower Manhattan. In 2007, NYC Business Solutions Centers facilitated over $15 million in loans and helped businesses hire 1,087 employees.

- the NYC Business Solutions Outreach Team helps businesses interact with other City agencies and resolve obstacles to starting, operating, or expanding their businesses. In coordination with the Mayor's Office of Emergency Management, the Outreach Team also assists businesses affected by disasters by providing updates on building re-openings, facilitating the resolution of matters affecting day-to-day business operations, and compiling evidence to support business claims for assistance. In 2007 the outreach team provided services to more than 1,100 businesses and assisted 360 businesses in an emergency.

- NYC Business Solutions Hiring provides customized recruitment and hiring services to New York City businesses. The unit works with large scale employers in growing industries to assist them in finding qualified candidates to fulfill their citywide employment needs. In 2007, NYC Business Solutions Hiring assisted 33 companies to hire over 3,300 employees.

- NYC Business Solutions Training works with employers to help their employees gain the skills they need to make New York City businesses more profitable and productive. In 2007, NYC Business Solutions Training launched an enhanced and expanded program, NYC Business Solutions Training Funds. This program provides New York City employers with funding and support to develop the skills of their workers and promote career advancement for their employees. In 2007, Training Funds received 125 pre-applications and 47 applications. In January of 2008, Training Funds made its inaugural set of awards: $660,161 to train 565 individuals, leveraging $1,128,273 in employer commitments and creating 129 new jobs.

- NYC Business Solutions' Curriculum Development Unit facilitates the provision of 150 business education courses at all six NYC Business Solutions Centers. Courses are offered in five different languages across the Centers and cover topics such as business basics, computer applications, financing, and marketing. In 2007, 2,936 individuals attended courses.

Business Incentives

- the Business Incentives Unit coordinates the Lower Manhattan Energy Program (LMEP), which offers reduced regulated electricity costs for up to 12 years. To date, 54 office towers with approximately 1,415 commercial tenants have received LMEP benefits. The Energy Cost Savings Program (ECSP), which helps businesses lower their energy costs in targeted areas around the City, approved 103 projects affecting 6,210 jobs and more than $2.02 million in annual savings in 2007.

NYC Business Express

NYC Business Express is a website enabling business owners and entrepreneurs to manage all information required to start, operate or expand a business in the City of New York. NYC Business Express through a single website will:

- provide a single source of information for all businesses to access customized, up-to-date information and step-by-step instructions for meeting government requirements for opening, operating or expanding a business in New York City;

- provide a single source of information for all businesses to identify and estimate the City, State, and Federal benefits for which they are eligible;

- provide all businesses a consolidated "account" where they will be able to access electronically available information about their business (e.g., status of permits, taxes owed, outstanding balances, inspection dates, etc.) in a single place; and,

- provide a platform for common intake of business customer information (currently requiring the submission of multiple forms to multiple Agencies), enabling business customers to provide their information to the City only once and when it is needed.

Economic and Financial Opportunity

- the Division of Economic and Financial Opportunity is responsible for the implementation and oversight of the City's Minority and Women-owned Business Enterprise (M/WBE) program. The new M/WBE program was established by Local 129 in 2005 to level the competitive playing field by setting citywide M/WBE utilization goals for City contracting. It is also responsible for the oversight of the City's Executive Order 50 requiring City contractors to comply with applicable equal employment opportunity laws. To date, over 1,500 companies have certified as an M/WBE and are eligible to receive exclusive services offered by SBS such as business classes, one-on-one technical assistance, and access to networking events.

Workforce Development

- the Workforce Development Division administers employment services to the City's adult workforce. The Workforce1 Career Centers are the foundation of the City's adult workforce system. The Career Center system reaches New Yorkers across the City's five boroughs. In 2007, the six Career Centers served 80,364 customers, providing workshops, pre-vocational skills training, on-site recruitments and job referral services. Additionally, New Yorkers were placed in a record 17,301 jobs in 2007 through the Workforce1 Career Centers. In May, a seventh Career Center will open in Hunts Point, the Bronx.

- through partnerships with private employers, SBS provides NYC Business Solutions Training Funds to upgrade the skill sets of employees in growth industries. In 2007, SBS served 21 companies through this program, in sectors such as manufacturing, healthcare, and information technology. SBS awarded $2.5 million in training funds and leveraged another $4 million in employer contributions to upgrade the skills of a projected 1,763 employees. Most participants in the program experience wage gains, which average 22%.

- the SBS has partnered with the Center for Economic Opportunity to implement employment programs that support advancement of the City's working poor. With $16.8 million in the 2008 Executive Budget, SBS will continue or launch all eight initiatives funded by CEO this year. These programs include a Sector-Based Career Center focusing in the Transportation/Warehousing sector; Employment Works, an employment and training program for individuals with criminal records; retention and advancement programming at three Workforce1 Career Centers to provide job seekers with improved access to coaching, counseling, and work supports; a stand-alone Work Advancement and Support Center to provide programs resulting in advancement and earnings gains for participants; a customized Business Solutions Training Funds program that allows training to be offered to entry-level workers in areas such as English as a Second Language and adult literacy; the NYC Training Guide, which provides customers with improved accessibility to quality information about training providers and their courses, resulting in informed training choices that lead to jobs; new, mobile Community Outreach Teams that connect job ready clients of community-based organizations to opportunities at the Career Centers; and the acquisition of Food Stamp Employment and Training funding through eligible program participants.

Mayor's Office of Industrial and Manufacturing Businesses

- created in January 2005, the Mayor's Office of Industrial and Manufacturing Businesses (IMB) coordinates a series of initiatives designed to help retain and grow New York City's industrial job base. The office marshals the resources of key City agencies to address the main concerns of the industrial and manufacturing sector: protecting industrial space, lowering costs, and creating a friendlier business environment. In April 2006, IMB secured the ratification of 16 Industrial Business Zones (IBZs) throughout the City to support and protect the industrial and manufacturing sector. These IBZs will provide one-time tax credits of up to $1,000 per employee for businesses who relocated to them. The City has contracted various Industrial Business Solution Providers (IBSPs) to offer industrial firms free, quick and reliable business assistance services to help these companies grow. Since the program was established, these IBSPs have processed over eight-thousand service requests.

New York City Economic Development Corporation

EDC liaises with both the private and public sectors to promote job generating initiatives across a diverse set of industries and neighborhoods. To support improved transportation, commercial development and the revitalization of the City's waterfront properties, EDC also manages and develops marine terminals, public markets, rail yards, and industrial parks.

The financing arm of EDC includes several small business lending, guarantee, and bond 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) and the New York City Capital Resource Corporation (CRC) to provide financing for capital expansion projects of not-for-profit organizations and industrial and commercial companies.

- in the first quarter of 2008, EDC (through IDA) financed nearly $162 million to secure business commitments to retain and create over 5,900 jobs.

- in December 2007 and January 2008, IDA closed 18 financing projects for 14 not-for-profit organizations and four industrial companies in all five boroughs. Through these projects, these 18 organizations and companies will retain and create over 6,100 jobs and catalyze nearly $394 million in private investment.

- in December 2007 and January 2008, CRC closed three financing projects for two not-for-profit healthcare services providers and a social advocacy group. These projects represent nearly $100 million in private investment and will retain and create 800 jobs in Manhattan and Brooklyn. CRC, which was established in January 2006, has expanded the pool of organizations that can benefit from tax exempt bond financing, especially arts and social service organizations and cultural, healthcare, and educational institutions.

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 2009-2012 Four Year Plan totals $1.17 billion.

The following chart shows Capital plan commitments by major function over the 2009-2012 period. Actual commitments are provided for 2007.

Capital Commitments

($ in 000's)

	2007 Actual		2008 Plan		2009 Plan		2010 Plan		2011 Plan		2012 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	29,446	69,104	756,161	943,437	459,361	459,361	40,384	40,384	92,356	92,356	55,471	55,471
Industrial Development	15,854	15,854	161,499	161,499	40,150	40,150	2,900	2,900	52,707	52,707	6,339	6,339
Market Development	10,552	10,552	25,945	25,945	7,400	7,400	2,000	2,000	2,725	2,725	150	150
Neighborhood Revitaliz'n	2,529	2,705	95,070	118,966	52,428	97,228	55,790	55,790	3,913	3,913	0	0
Port Development	53,817	54,347	177,538	205,274	23,790	23,790	350	350	22,454	22,454	35,091	35,091
Rail Development	5,475	5,475	2,269	6,672	8,811	8,811	0	0	0	0	0	0
Waterfront Development	12,327	13,154	65,401	100,401	88,722	88,722	6,600	6,600	14,960	14,960	17,108	17,108
Cultural Development	968	968	95,516	96,337	14,000	14,000	0	0	0	0	0	0
Community Development	2,525	2,525	27,615	29,980	0	0	0	0	0	0	0	0
Miscellaneous	741	741	18,763	24,232	3,250	23,886	200	200	0	0	0	0
Total	134,234	175,425	1,425,777	1,712,743	697,912	763,348	108,224	108,224	189,115	189,115	114,159	114,159

Highlights of the 2009-2012 Four Year Capital Plan (including uncommitted 2008 funds) are:

- site acquisition and infrastructure improvements at Willets Point ($389.7 million).

- expansion of the Javits Center ($350.0 million).

- various development and infrastructure improvements at the Brooklyn Navy Yard ($186.8 million).

- funds for various elements of the Coney Island Strategic Plan ($142.1 million).

- development of the East River Waterfront esplanades and piers ($120.6 million).

- streetscapes, parks, and other redevelopment projects in Downtown Brooklyn ($117.6 million).

- rehabilitation and maintenance of existing structures and non-infrastructure pre-development capital improvements at Governor's Island ($106.6 million).

- development of the Brooklyn Academy of Music Cultural District ($72.1 million).

- marine and upland work to support the automobile import industry and maritime recycling at the South Brooklyn Marine Terminal ($62.2 million).

- developer site preparation, esplanade construction, and street construction/reconstruction at Staten Island Homeport ($60.5 million).

- rehabilitation and expansion of the City's cruise ship terminals in Manhattan and Brooklyn to support the Cruise industry ($53.8 million).

- site acquisition, streetscape improvements, and infrastructure improvements at 125th Street in Manhattan ($54.3 million).

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 35 branches, Manhattan with 38 branches and Staten Island with 12 branches. It 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 61 community libraries and a Central Library.

Financial Review

The 2009 Executive Budget for Libraries provides total operating funds of $78.3 million, a decrease of $188.4 million from the 2008 forecast of $266.7 million. Adjusting for the $272.9 million prepaid to all three library systems in 2007 for 2008, and the $224.8 million to be prepaid to all three library systems in 2008 for 2009, the 2009 Executive Budget of $303.1 million will be $11.7 million less than the 2008 forecast of $314.8 million. The Executive Budget also provides for City funded capital commitments of $123.5 million in 2009.

Expense Budget Highlights

Budgetary Priorities: Providing Core Services

The partial prepayment of the 2008 subsidy in 2007 to all three library systems increased the 2007 budget by $272.9 million and decreased the 2008 budget by a commensurate $272.9 million. Similarly, the planned partial prepayment of the 2009 subsidy in 2008 to all three library systems will increase the 2008 budget by $224.8 million and decrease the 2009 budget by a commensurate $224.8 million. The prepayments accelerated the receipt of 2008 subsidies in 2007 and will accelerate 2009 subsidies into 2008. The prepayment did not affect library service in 2008, and will not affect library service in 2009.

In 2009, there will be an operating subsidy totaling $78.3 million: $20.1 million to the Brooklyn Public Library; $28.2 million to the New York Public Library; $9.3 million to the New York Research Libraries and $20.7 million to the Queens Borough Public Library. Factoring in the prepayment impacting 2009, the City's programmatic subsidies for 2009 total $303.1 million: $84.1 million to the Brooklyn Public Library; $113.0 million to the New York Public Library; $23.5 million to the New York Research Libraries and $82.5 million to the Queens Borough Public Library. Accounting for both the 2008 and 2009 prepayments, the 2008 forecast of $314.8 million includes $87.3 million to the Brooklyn Public Library; $117.4 million to the New York Public Library; $24.4 million to the New York Research Libraries; and $85.7 million for the Queens Borough Public Library.

- days and hours of library branch service are a priority for all three Library systems: in 2008, on average, each branch provides at least six days of service per week.

- adjusting for both the 2008 and 2009 prepayments, the City's 2009 subsidy of $84.1 million to the Brooklyn Public Library will be $3.2 million less than the 2008 forecast of $87.3 million.

- adjusting for both the 2008 and 2009 prepayments, the City's 2009 subsidy of $113.0 million to the New York Public Library will be $4.4 million less than the 2008 forecast of $117.4 million.

- adjusting for both the 2008 and 2009 prepayments, the City's 2009 subsidy of $23.5 million to the New York Research Libraries will be $0.9 million less than the 2008 forecast of $24.4 million.

- adjusting for both the 2008 and 2009 prepayments, the City's 2009 subsidy of $82.5 million to the Queens Borough Public Library will be $3.2 million less than the 2008 forecast of $85.7 million.

Summary of Agency Financial Data

The following table compares the 2009 Executive Budget with the 2009 Preliminary Budget, the 2008 forecast and actual expenditures for 2007, including costs budgeted centrally for fringe benefits, pensions, judgments and claims, legal services and debt service.

Summary of Agency Financial Data
($ in 000's)

	2007 Actual	2008 Forecast	2009 Preliminary Budget	2009 Executive Budget	Increase/(Decrease) 2008 Forecast	Increase/(Decrease) 2009 Preliminary Budget
Expenditures						
Salary and Wages	$—	$—	$—	$—	$—	$—
Fringe Benefits	—	—	—	—	—	—
OTPS	330,061	266,724	82,649	78,335	(188,389)	(4,314)
Total	$330,061	$266,724	$82,649	$78,335	($188,389)	($4,314)
Funding						
City	$330,061	$266,724	$82,649	$78,335	($188,389)	($4,314)
Other Categorical Grants	—	—	—	—	—	—
IFA	—	—	—	—	—	—
State	—	—	—	—	—	—
Federal CD	—	—	—	—	—	—
Federal Other	—	—	—	—	—	—
Intra-City Other	—	—	—	—	—	—
Total	$330,061	$266,724	$82,649	$78,335	($188,389)	($4,314)
Additional Costs Centrally Funded						
Other Than Personal Service (OTPS)						
Fringe Benefits	$1,876	$1,535	$1,653	$1,680	$145	$27
Pensions	17,608	15,428	16,965	16,965	1,537	—
Legal Services	31	12	17	12	—	(5)
Judgments and Claims	2	26	29	29	3	—
Debt Service	33,989	45,157	29,036	28,873	(16,284)	(163)
Total Additional Costs	$53,506	$62,158	$47,700	$47,559	($14,599)	($141)
Funding						
City	51,799	61,223	46,577	46,465	(14,758)	(112)
Non-City	1,707	935	1,123	1,094	159	(29)
Full Agency Costs (including Central Accounts)						
Fringe Benefits	$1,876	$1,535	$1,653	$1,680	$145	$27
OTPS	330,061	266,724	82,649	78,335	(188,389)	(4,314)
Pensions	17,608	15,428	16,965	16,965	1,537	—
Legal Services	31	12	17	12	—	(5)
Judgments and Claims	2	26	29	29	3	—
Debt Service	33,989	45,157	29,036	28,873	(16,284)	(163)
Total OTPS	$383,567	$328,882	$130,349	$125,894	($202,988)	($4,455)
Total Agency Costs	$383,567	$328,882	$130,349	$125,894	($202,988)	($4,455)
Less Intra-City	$—	$—	$—	$—	$—	$—
Net Agency Cost	$383,567	$328,882	$130,349	$125,894	($202,988)	($4,455)
Funding						
City	381,860	327,947	129,226	124,800	(203,147)	(4,426)
Non-City	1,707	935	1,123	1,094	159	(29)
Personnel (includes FTEs at fiscal year-end)						
City	—	—	—	—	—	—
Non-City	—	—	—	—	—	—
Total	—	—	—	—	—	—

* *The 2009 Executive Budget provides an estimated 4,593 full-time and full-time equivalent postitions, which are funded with City subsidies.*

Programmatic Review

The three library systems will continue to provide services throughout the five boroughs at existing branches and at the following recently opened or rehabilitated libraries:

- the Schomburg Center for Research in Black Culture in Manhattan unveiled its complete interior renovation and the construction of a new Scholar's Center for long-term research in May 2007.

- the new Long Island City Community Library in Queens opened to the public in June 2007.

- the new Plaza and Auditorium at the Brooklyn Central Library opened to the public in September 2007.

- the community room at the Pelham Bay Branch Library in the Bronx is scheduled to re-open at the end of June 2008, following renovations.

- the Macon Branch Library and Bedford-Stuyvesant African American History Center in Brooklyn will re-open in June 2008, following an extensive renovation.

The three library systems continue to provide a variety of community programming:

- Brooklyn Public Library has focused on the borough's large and growing Spanish-speaking community, which comprises about 20 percent of the total population. Para los Ninos, a program which provides parents and caregivers who speak Spanish with themed workshops to support their child's development, was introduced at 5 locations with additional locations planned for next year. The First Five Years website, an early literacy initiative, was translated into Spanish, and staff received special training to work with Spanish speaking communities. Brooklyn Public Library expects to replicate this model for the borough's Russian and Chinese speaking communities in the next few years.

- New York Public Library continues its focus on young people and immigrants. This year, the Library introduced gaming programs and videos into the collections of select libraries. With this initiative, NYPL moved to the forefront of where technology, youth culture and learning come together. Services to immigrant groups continue through English for Speakers of Other Language (ESOL) classes, bilingual computer classes, as well as through participation in Immigrant Heritage Week. Coordinated by the City of New York, Immigrant Heritage Week celebrated the City's diverse cultures and history through lectures, musical events and cultural programs.

- New York Public Library's Research Libraries have continued to expand outreach to the K-12 community. Library staff are working closely with the Department of Education to provide professional development programs for teachers in how to access and present primary-source materials to their classes. In the coming year, the Library will be expanding outreach to Community District and High School Superintendants and the New Learning Support Organizations.

- family literacy initiatives at Queens Borough Public Library are helping immigrant parents improve their English while preparing their children to succeed in school. The recently opened Long Island City branch includes an Adult Learning Center, and two Family Literacy Centers were opened in nearby New York City Housing Authority sites. All three library systems partnered in the Summer Reading Club, with Queens Borough Public Library responsible for the joint website and its new online registration feature. By allowing children and teens to register both at the Libraries, as well as anywhere with Internet access, the Libraries increased the number of participants in the program. There were over 7 million hits to the Summer Reading Club website.

- all three library systems have well-developed computer network systems that provide the public with free of charge Internet access and basic PC software applications. Wireless internet access is available in almost all library locations. On-line resources continue to be a focus, with each library system increasing the number of materials available for download and the number of databases which can be accessed from home.

Capital Review

The 2009-2012 Capital Commitment Plan for the Libraries totals $154.3 million, of which 99 percent is City funded. The Four-Year Plan provides $45.8 million for the Brooklyn Public Library, $28.1 million for the New York Public Library, $9.3 million for the New York Research Libraries and $71.1 million for the Queens Borough Public Library.

Capital Commitments

($ in 000's)

	2007 Actual		2008 Plan		2009 Plan		2010 Plan		2011 Plan		2012 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	$8,097	$8,150	$18,733	$20,733	$35,222	$35,222	$726	$726	$8,887	$8,887	$992	$992
New York Public library	20,568	20,568	71,632	71,730	22,144	23,854	1,974	1,974	998	998	1,299	1,299
New York Research libraries	3,266	3,266	32,868	35,643	8,610	9,210	0	0	63	63	0	0
Queens Borough Public Library	6,540	6,709	70,389	70,389	57,482	57,482	3,342	3,342	9,197	9,197	1,041	1,041
Total	$38,471	$38,693	$193,622	$198,495	$123,458	$125,768	$6,042	$6,042	$19,145	$19,145	$3,332	$3,332

Several major renovations took place in 2008. Other major projects will be undertaken in 2009. Highlights of the 2009-2012 Capital Commitment Plan include:

Brooklyn Public Library:

- elevator and emergency safety systems upgrades at the Brooklyn Central Library ($15.3 million in 2009-2011, in addition to $2.8 million in 2008).

- design and construction of the new Kensington Branch Library ($11.4 million in 2009).

- various system-wide infrastructure and technology projects including construction, rehabilitation and renovation, site acquisitions, and HVAC upgrades ($4.2 million, added to $2.5 million in 2008).

- interior rehabilitation of the Rugby Branch Library ($1.8 million in 2009).

- interior renovations at the Sunset Park Branch Library ($1.4 million in 2009).

New York Public Library, which includes projects in the Bronx ($3.6 million), Manhattan ($10.5 million), and Staten Island ($9.3 million), as well as funding for projects in the three boroughs ($4.8 million):

- construction of a new Macomb's Bridge branch library in Manhattan ($6.4 million in 2009-2010, in addition to $1.1 million in 2008).

- site acquisition and construction of a new branch library at Mariner's Harbor in Staten Island ($4.2 million in 2009, added to $2.7 million in 2008).

- various system-wide infrastructure and technology upgrade projects including public computer replacement and a new online public access catalog ($4.2 million, in addition to $7.2 million in 2008).

- site acquisition and expansion of the Stapleton Branch Library in Staten Island ($3.1 million in 2009, added to $4.5 million in 2008).

- full renovation of the Kingsbridge Branch Library in the Bronx ($2.0 million in 2009, in addition to $5.0 million in 2008).

- exterior renovation of the Jefferson Market Branch Library in Manhattan ($2.0 million, added to $4.5 million in 2008).

- partial renovation of the Castle Hill Branch Library in the Bronx ($1.5 million in 2009-2010, in addition to $480,000 in 2008).

New York Research Libraries:

- funding for renovations and furniture for the Schomburg Center for Research in Black Culture in Manhattan ($5.0 million, in addition to $2.7 million in 2008).

- mechanical penthouse renovations at the Humanities and Social Sciences Library in Manhattan ($3.6 million in 2009, added to $1.2 million in 2008).

Queens Borough Public Library:

- expansion of the Elmhurst Community Library ($25.2 million in 2009-2010).

- new replacement facility for the Far Rockaway Community Library ($18.0 million in 2009, in addition to $1.3 million in 2008).

- construction of the new Children's Library and Discovery Center at the Queens 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 ($14.4 million in 2009-2011, added to $21.8 million in 2008).

- expansion of the Kew Gardens Hills Community Library ($3.6 million in 2009).

- funding for the acquisition of a parking lot for the Langston Hughes Community Library ($2.2 million).

THE DEPARTMENT OF CULTURAL AFFAIRS

The Department of Cultural Affairs (DCLA) is responsible for supporting and strengthening the City's vibrant cultural life through funding, technical assistance and advocacy for more than 1,000 non-profit cultural organizations across New York City, including museums, performing arts institutions, gardens, zoos and a wide array of other cultural organizations.

The City supports operations at the 34 City-owned cultural institutions known as the Cultural Institutions Group (CIG). This group includes world-renowned organizations such as the Metropolitan Museum of Art, the Wildlife Conservation Society, the Brooklyn Academy of Music, the Brooklyn Museum, and the New York Botanical Garden, as well as a number of smaller and mid-sized institutions such as Queens Museum of Art, Bronx County Historical Society, El Museo del Barrio, and Staten Island Botanical Garden.

DCLA provides program grants and support services to more than 850 arts-related organizations citywide, which includes groups like Alvin Ailey Dance Foundation, ArtsConnection, Asian American Arts Alliance, Black Spectrum Theatre, Bronx River Arts Center, Flux Factory, Ghetto Film School, New Museum, Poets House, Noble Maritime Collection, Regina Opera and Staten Island Ballet Theater.

DCLA also provides support for capital improvements at approximately 200 cultural organizations throughout the five boroughs. Funding is provided for infrastructure, equipment, renovation, and expansion projects. Current projects include the Queens Theater in the Park renovation and expansion, initial outfitting for the Center for Performance Research, infrastructure and security upgrades at the American Museum of Natural History, master plan implementation at the Staten Island Zoo, and expansions at the Brooklyn Children's Museum and Weeksville Heritage Center.

Financial Review

The Department of Cultural Affairs' 2009 Executive Budget provides for operating expenses of $143.2 million, which is a $20.5 million decrease from the 2008 forecast. It also provides for City funded capital commitments of $738.2 million in 2009.

Expense Budget Highlights

Budgetary Priorities: Providing Core Services

- the City's 34 Cultural Institutions will receive operating support of $112.6 million, including $42.3 million in energy subsidies. The decrease of $9.8 million from the 2008 forecast of $122.4 million is the net change between a $5.6 million decrease due to subsidy reductions, a $9.2 million loss of one time adds and non-city funding, and a $5.0 million increase to the energy subsidy.

- various cultural organizations citywide will receive program grants totaling $25.4 million, a decrease of $10.7 million from the 2008 forecast of $36.1 million. This decrease is due to $2.2 million in subsidy reductions and the loss of $8.5 million in one time adds and non-city funding.

- the Executive Budget contains $5.1 million in operating funds for the Department of Cultural Affairs' staff, rent, supplies and equipment.

Summary of Agency Financial Data

The following table compares the 2009 Executive Budget with the 2009 Preliminary Budget, the 2008 forecast and actual expenditures for 2007, including costs budgeted centrally for fringe benefits, pensions, judgments and claims, legal services and debt service.

Summary of Agency Financial Data
($ in 000's)

	2007 Actual	2008 Forecast	2009 Preliminary Budget	2009 Executive Budget	Increase/(Decrease) 2008 Forecast	Increase/(Decrease) 2009 Preliminary Budget
Expenditures						
Salary and Wages	$3,488	$4,186	$3,866	$3,905	($281)	$39
Fringe Benefits	—	22	—	—	(22)	—
OTPS	146,508	159,509	142,894	139,292	(20,217)	(3,602)
Total	$149,996	$163,717	$146,760	$143,197	($20,520)	($3,563)
Funding						
City	$147,812	$160,442	$146,121	$142,558	($17,884)	($3,563)
Other Categorical Grants	191	100	—	—	(100)	—
IFA	70	70	70	70	—	—
State	81	79	—	—	(79)	—
Federal CD	230	729	258	258	(471)	—
Federal Other	—	628	—	—	(628)	—
Intra-City Other	1,613	1,669	311	311	(1,358)	—
Total	$149,996	$163,717	$146,760	$143,197	($20,520)	($3,563)
Additional Costs Centrally Funded						
Personal Services (PS)						
Fringe Benefits	$814	$887	$883	$926	$39	$43
Pensions	7,247	7,833	8,430	8,433	600	3
Other Than Personal Service (OTPS)						
Legal Services	33	216	274	214	(2)	(60)
Judgments and Claims	2	22	25	25	3	—
Debt Service	73,743	98,663	63,441	60,402	(38,261)	(3,039)
Total Additional Costs	$81,839	$107,621	$73,053	$70,000	($37,621)	($3,053)
Funding						
City	78,094	105,526	70,547	67,660	(37,866)	(2,887)
Non-City	3,745	2,095	2,506	2,340	245	(166)
Full Agency Costs (including Central Accounts)						
Salary and Wages	$3,488	$4,186	$3,866	$3,905	($281)	$39
Fringe Benefits	814	909	883	926	17	43
Pensions	7,247	7,833	8,430	8,433	600	3
Total PS	$11,549	$12,928	$13,179	$13,264	$336	$85
OTPS	$146,508	$159,509	$142,894	$139,292	($20,217)	($3,602)
Legal Services	33	216	274	214	(2)	(60)
Judgments and Claims	2	22	25	25	3	—
Debt Service	73,743	98,663	63,441	60,402	(38,261)	(3,039)
Total OTPS	$220,286	$258,410	$206,634	$199,933	($58,477)	($6,701)
Total Agency Costs	$231,835	$271,338	$219,813	$213,197	($58,141)	($6,616)
Less Intra-City	$1,613	$1,669	$311	$311	($1,358)	$—
Net Agency Cost	$230,222	$269,669	$219,502	$212,886	($56,783)	($6,616)
Funding						
City	225,906	265,968	216,668	210,218	(55,750)	(6,450)
Non-City	4,316	3,701	2,834	2,668	(1,033)	(166)
Personnel (includes FTEs at fiscal year-end)						
City	54	63	56	56	(7)	—
Non-City	5	3	3	3	—	—
Total	59	66	59	59	(7)	—

* *The 2009 Executive Budget provides an estimated 1,599 full-time and full-time equivalent positions, which are funded with City subsidies.*

Programmatic Review

- with the 2008 expansion of the Cultural Development Fund (CDF), the agency's merit-based, peer-panel funding process, DCLA provided more funding to more groups, at an average of six months faster than before the new process was implemented. The CDF received 1,074 applications, an increase of more than 20% over 2007, and more than 850 groups received awards averaging $30,765. DCLA anticipated a natural drop in applications for 2009, the second year under the reformed system, but CDF is holding steady, with a total of 1,072 organizations participating in the process.

- DCLA has continued its increased technical assistance to cultural organizations in the City. In conjunction with CDF, the agency provides one-on-one advice on fundraising, board development, and management on a select basis. DCLA continues to monitor and provide intensive technical assistance to the 34 City-owned Cultural Institutions in order to promote and sustain management and governance best practices.

- Materials for the Arts (MFTA) continues to expand its service reach. For 2008, to date, 597 tons of reusable materials valued at $6.0 million were collected from individuals and businesses, and made available to more than 1,500 groups. MFTA is also committed to helping artists and educators make the best use of the materials they retrieve from the warehouse. Teachers are now able to earn Professional Development credits by taking workshops at MFTA that range from bookmaking and no-sew costumes to building instruments out of found objects. MFTA has offered 94 workshops so far this year.

- the Community Arts Development Program (CADP) continues to support cultural organizations serving low-income communities in the City. In 2009, CADP is planning a new initiative targeted to help build capacity and provide technical assistance to organizations that are currently in the City's capital budget.

- DCLA's Percent for Art program continues to thrive. Projects already completed this year include Julian LaVerdiere's "Sentinel Lanterns" at Engine Company 277 in Bushwick; Mike Falco's photo mural at the St. George Ferry terminal in Staten Island; Liliana Porter's work at PS210 in Harlem; and George Trakas' "Nature Walk" at the Newtown Creek Water Pollution Control Plant. In total, fifty new commissions are underway in 2008.

Capital Review

The 2009-2012 Capital Commitment Plan for the Department of Cultural Affairs totals $919.7 million, of which 97 percent is City-funded, for 215 different cultural organizations in all five boroughs.

Capital Commitments

($ in 000's)

	2007 Actual		2008 Plan		2009 Plan		2010 Plan		2011 Plan		2012 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	$97,137	$102,326	$451,006	$475,885	$738,206	$762,589	$21,830	$21,830	$109,963	$109,963	$25,339	$25,339
Total	$97,137	$102,326	$451,006	$475,885	$738,206	$762,589	$21,830	$21,830	$109,963	$109,963	$25,339	$25,339

Highlights of the 2009-2012 Capital Commitment Plan include:

- funding for the Master Plan redevelopment projects and related work at Lincoln Center for the Performing Arts in Manhattan ($123.5 million, in addition to $73.1 million in 2008).

- comprehensive facility modernization, upgrades to life safety and HVAC systems, reconstruction of the exterior staircase and other improvements at the Metropolitan Museum of Art in Manhattan ($54.9 million, added to $15.8 million in 2008).

- funding for a new Visitor's Center along Washington Avenue, a Children's Garden entrance project and a new Water Garden at the Brooklyn Botanic Garden ($35.4 million).

- various reconstruction and improvement projects at the Bronx Zoo/Wildlife Conservation Society, including a new animal holding facility, an upgrade to the co-generation facility and the restoration of the Italian Fountain ($34.1 million, in addition to $11.6 million in 2008).

- renovation of the shark building, perimeter, and other improvements at the New York Aquarium/Wildlife Conservation Society in Brooklyn ($33.9 million, in addition to $40.0 million in 2008).

- various infrastructure improvements at the Brooklyn Academy of Music, including the redevelopment of the Strand Theater ($29.4 million, in addition to $13.4 million in 2008).

- renovation of the theater at New York City Center in Manhattan ($26.5 million, in addition to $6.5 million in 2008).

- various enhancement projects at the New York Botanical Garden in the Bronx, including improvements to lighting, parking areas and roads ($25.3 million, in addition to $10.6 million in 2008).

- rehabilitation and initial outfitting of Archstone Clinton Green in Manhattan ($24.8 million, in addition to $10.4 million in 2008).

- various reconstruction projects at the Snug Harbor Cultural Center in Staten Island including the renovation of the Music Hall and Building E, implementation of a strategic land use and site-wide circulation plan, and infrastructure and interior upgrades to Buildings F and H ($24.5 million).

- various improvements at the American Museum of Natural History, including the restoration of the landmark Roosevelt Hall rotunda, exterior restoration of the Central Park West façade and the restoration of the North West Coast Indian Hall interior ($23.8 million, in addition to $15.4 million in 2008).

- funding for climate control projects at the Brooklyn Museum ($16.7 million, added to $21.5 million in 2008).

- reconstruction of Buildings A and B at the Staten Island Institute for Arts and Sciences/Staten Island Museum ($15.7 million).

- expansion of the Queens Museum of Art ($15.4 million, in addition to $25.6 million in 2008).

- various improvements at the Queens Botanical Garden including a new welcome garden entrance ($15.1 million, in addition to $4.8 million in 2008).

- reconstruction of the interior systems in the Great Hall and new lighting for outdoor exhibits at the New York Hall of Science in Queens ($12.6 million, in addition to $12.9 million in 2008).

- expansion of the Museum of the Moving Image in Queens ($12.2 million, in addition to $24.5 million in 2008).

- construction relating to the Brooklyn Children's Museum Master Plan project ($11.6 million, in addition to $6.0 million in 2008).

- restoration of the Clemente Soto Velez building in Manhattan ($11.3 million).
- various improvements at the Staten Island Historical Society, including the reconstruction of Tysen Court ($10.9 million).
- various improvements to the Staten Island Zoo including a new leopard exhibit, children's center, and other site improvements ($8.7 million, in addition to $2.9 million in 2008).
- renovation of the Noguchi Museum in Queens ($8.3 million).
- funding for ADA-compliance work and parking lot reconstruction at Wave Hill in the Bronx ($7.9 million).
- construction of a new visitor's center at the Louis Armstrong House in Queens ($7.6 million).
- reconstruction of the Bronx River Art Center ($6.9 million).
- funding for the construction of a new tensile structure and a winterized porch project at the Staten Island Children's Museum ($4.7 million).
- renovation of Mind Builders Creative Arts in the Bronx ($4.2 million).
- funding for phase three renovations at the Apollo Theater in Manhattan ($4.0 million in 2009).
- renovation of the Afrikan Poetry Theater in Queens ($3.5 million).
- renovation of the Irish Arts Center in Manhattan ($3.5 million).
- funding for the renovation of the current facility and a new archives building at the Center for Jewish History in Manhattan ($3.1 million, in addition to $2.5 million in 2008).
- funding for the initial outfitting of a new space at the Museum of Chinese in the Americas in Manhattan ($2.5 million).
- construction of a new Film and Video Center, a Native American Education Center and pavilion renovations at the National Museum of the American Indian in Manhattan ($1.5 million).
- funding for the acquisition of a new facility for the Museum of African Art in Manhattan ($500,000 added to $8.0 million in 2008).

CITY UNIVERSITY OF NEW YORK

The City University of New York (CUNY) includes eleven senior colleges, six community colleges, the School of Professional Studies, the Graduate Center, the Graduate School of Journalism, the Macaulay Honors College, a law school, and an affiliated medical school. CUNY also sponsors the Hunter College 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 2008 CUNY will serve approximately 232,000 students in degree programs with approximately 156,000 in the senior colleges and 76,000 in the community colleges. In addition, CUNY will serve approximately 231,000 non-degree students. Similar levels of enrollment are anticipated in 2009.

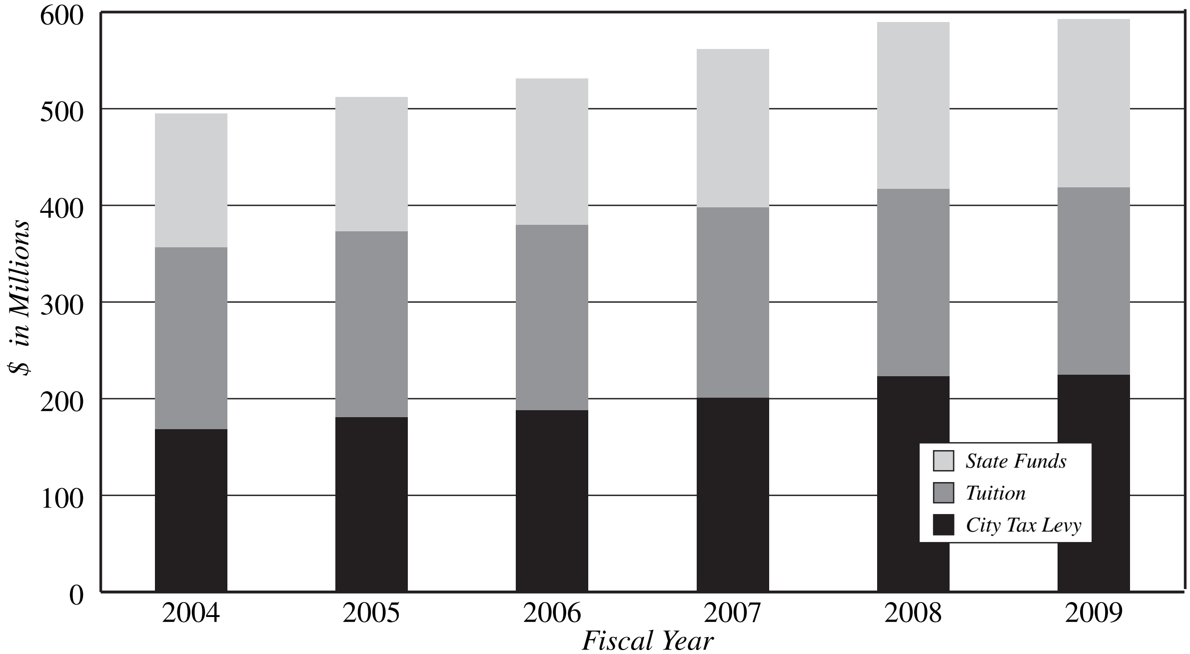
Financial Review

The City University of New York's 2009 Executive Budget is $627.2 million, a net decrease of $67.4 million from the 2008 forecast of $694.6 million. This decrease reflects a decline in two major funding sources: a decline in City Funds of $29.5 million from $429.8 million to $400.3 million and a decline of $39.5 million in Intra-City funds from $52.6 million to $13 million. State aid in 2009 is $211 million up $1.9 million from $209.1 million in 2008. There is also a $200,000 decrease in 2009 in the appropriation of Federal - Other which is not renewed. The changes of $65.7 million were mostly in the community college budget which decreased $56.2 million, from $634.8 million in 2008 to $578.6 million in 2009. Funding for Hunter Campus Schools remained unchanged at $13.6 million. Funding for the Senior and Community College Merit Scholarship Program as well as some other funded initiatives in 2008 adopted budget have not been base lined in 2008. These along with other initiatives account for the balance reduction of $11.2 million.

Revenue Forecast

There are four major sources of revenue that fund the CUNY expense budget: State aid; tuition, fees and miscellaneous income; City tax levy funds; and other categorical grants. The 2009 Executive Budget appropriates for CUNY $211 million in State aid an increase of $1.9 million from the $209.1 million in 2008 and maintains the same 2008 level of $191.1 million in tuition, fees and miscellaneous income. The 2009 Executive Budget, including pension and Medicare part B contributions budgeted separately, provides $254.5 million of City tax levy funds. This is $25.6 million less than the 2008 Forecast of $280.1 million. Other Categorical funds, which consist of non-governmental grants, is $2.8 million in 2009 and is the same as forecast for 2008. These funds were previously included in City funds along with tuition and miscellaneous fees. Intra-City funding is $13 million in 2009 a decrease of $39.5 million from the $52.6 million in 2008.

COMMUNITY COLLEGE FUNDING 2004-2009



* *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 and Collective Bargaining, Medicare Part B and Stabilization Fund contributions which are budgeted in the Miscellaneous Agency. Tuition includes Tuition and Fees, Miscellaneous Revenues, Adult Continuing Education fees and Other Categorical funds. The 2008 amounts are as per the Executive forecast.*

Expense Budget Highlights

Budgetary Priorities: Providing Core Services

- an increase of $10 million in tax levy for anticipated additional collective bargaining needs.
- an increase of $4.7 million in tax levy for anticipated additional Heat, Light and Power needs.
- an increase of approximately $3 million for health related cost increases.

Restructuring and Streamlining

- a decrease of $8.4 million associated with the restructuring of services within the six community colleges, Hunter Campus Schools and their administration.
- a decrease of $5.5 million associated with the non recurring nature of the Safety Net and Veteran Resource Center programs.

Summary of Agency Financial Data

The following table compares the 2009 Executive Budget with the 2009 Preliminary Budget, the 2008 forecast and actual expenditures for 2007, including costs budgeted centrally for fringe benefits, pensions, judgments and claims, legal services and debt service.

Summary of Agency Financial Data
($ in 000's)

	2007 Actual	2008 Forecast	2009 Preliminary Budget	2009 Executive Budget	Increase/(Decrease) 2008 Forecast	Increase/(Decrease) 2009 Preliminary Budget
Expenditures						
Salary and Wages	$346,721	$375,763	$340,037	$355,033	($20,730)	$14,996
Fringe Benefits	75,968	62,744	79,173	79,729	16,985	556
OTPS	200,004	256,048	175,093	192,423	(63,625)	17,330
Total	$622,693	$694,555	$594,303	$627,185	($67,370)	$32,882
Funding						
City	$410,674	$429,848	$369,929	$400,321	($29,527)	$30,392
Other Categorical Grants	1,996	2,839	2,839	2,839	—	—
IFA	—	—	—	—	—	—
State	164,725	209,098	208,905	210,983	1,885	2,078
Federal CD	—	—	—	—	—	—
Federal Other	10	200	—	—	(200)	—
Intra-City Other	45,287	52,570	12,630	13,042	(39,528)	412
Total	$622,693	$694,555	$594,303	$627,185	($67,370)	$32,882
Additional Costs Centrally Funded						
Personal Services (PS)						
Fringe Benefits	$33,662	$2,056	($190)	$2,246	$190	$2,436
Pensions	34,793	39,269	41,180	43,049	3,780	1,869
Other Than Personal Service (OTPS)						
Legal Services	485	662	630	655	(7)	25
Judgments and Claims	516	1,000	1,000	1,000	—	—
Debt Service	44,388	53,471	48,831	48,660	(4,811)	(171)
Total Additional Costs	$113,844	$96,458	$91,451	$95,610	($848)	$4,159
Funding						
City	113,361	96,129	91,069	95,238	(891)	4,169
Non-City	483	329	382	372	43	(10)
Full Agency Costs (including Central Accounts)						
Salary and Wages	$346,721	$375,763	$340,037	$355,033	($20,730)	$14,996
Fringe Benefits	109,630	64,800	78,983	81,975	17,175	2,992
Pensions	34,793	39,269	41,180	43,049	3,780	1,869
Total PS	$491,144	$479,832	$460,200	$480,057	$225	$19,857
OTPS	$200,004	$256,048	$175,093	$192,423	($63,625)	$17,330
Legal Services	485	662	630	655	(7)	25
Judgments and Claims	516	1,000	1,000	1,000	—	—
Debt Service	44,388	53,471	48,831	48,660	(4,811)	(171)
Total OTPS	$245,393	$311,181	$225,554	$242,738	($68,443)	$17,184
Total Agency Costs	$736,537	$791,013	$685,754	$722,795	($68,218)	$37,041
Less Intra-City	$45,287	$52,570	$12,630	$13,042	($39,528)	$412
Net Agency Cost	$691,250	$738,443	$673,124	$709,753	($28,690)	$36,629
Funding						
City	524,035	525,977	460,998	495,559	(30,418)	34,561
Non-City	167,215	212,466	212,126	214,194	1,728	2,068
Personnel (includes FTEs at fiscal year-end)						
City	6,600	6,614	6,460	6,511	(103)	51
Non-City	8	5	5	5	—	—
Total	6,608	6,619	6,465	6,516	(103)	51

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 revenues generated through enrollment, State aid for the community colleges as well as continuous efforts to promote efficiency from within, CUNY will continue to recruit 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. In the 2006 Executive budget the City matched all State capital appropriations affording CUNY an unprecedented opportunity to enhance its facilities. The uncompleted components of this effort will be rolled over at the end of 2008 into 2009. Included in this effort are funds to rebuild Fiterman Hall at the Borough of Manhattan Community College, funds for the Academic Building I at Medgar Evers College, funds for the North Instructional Building at the Bronx Community College, funds to renovate, rehabilitate and preserve CUNY facilities including Health and Safety projects, a CUNY Business Incubator Network, the upgrade of electrical and mechanical equipment as well as the purchase of new computer and laboratory equipment.

CUNY continues its initiative to attract the City's brightest high school graduates for their college education through its CUNY-wide Macaulay 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 up to a $7,500 study grant to pursue study abroad, independent research and/or internships. These students work with CUNY's most distinguished faculty and receive specialized advisement and academic support throughout their college careers.

The mayoral efforts to enhance economic opportunities as expressed through the Commission on Economic Opportunities (CEO) initiatives were also incorporated by the City into the CUNY agenda. Four programs: CUNY Prep, CUNY Accelerated Study in Associate Programs (ASAP), Civic Justice Corps and the Vocational Education for Disconnected Youths are products of the CEO initiatives. They will serve diverse populations and offer educational and training opportunities through CUNY's educational process.

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 program expects to register over 32,000 students in approximately 50,000 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 Early College Initiative, which operates eleven affiliated high schools at Brooklyn, City, Lehman, Queens, Hunter,York colleges, and Hostos, LaGuardia, and Kingsborough community colleges. New York City public school students enter into CUNY's early college schools in the 6th and 9th grade. They study with a mix of high school and college faculty. Upon graduation, they earn both a high school diploma and an associated degree (or two years of transferable credit).

- 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 academic English to be more effective students. The program serves over 21,000 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 2009. 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 2009-2012 Four-Year Capital Plan totals $211 million ($193.4 million in City funds and $17.6 million in Non-City funds) and is an increase of $38.3 million over the previous Four-Year Capital Plan of $172.7 million.

All community college capital 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 not represented in the City's capital plan.

The major elements of the Four-Year Capital Plan include:

- design and construction of new buildings ($99.6 million); including Academic Building I at Medgar Evers College ($52.4 million), North Instructional Building at Bronx Community College ($14.8 million), Fiterman Hall at Borough of Manhattan Community College ($20.8 million) and Instructional Building at Queensborough Community College ($8.3 million).

- emergency first response program at Borough of Manhattan Community College ($10.7 million).

- rehabilitation of boilers at Hunter Campus School ($7.9 million).

- CUNY Small Business Incubator Network ($7.5 million).

The table below shows capital commitments by program area over the 2007-2012 period. In addition to the 2009-2012 Four-Year Capital Plan program listed above, this table includes significant projects funded in 2008. These projects total $309.5 million and include the following: $49.2 million for the replacement of Fiterman Hall at Borough of Manhattan Community College, $48.6 million for the Academic Building I at Medgar Evers College, and $31.5 million for the North Instructional Building at Bronx Community College.

Capital Commitments

($ in 000's)

	2007 Actual		2008 Plan		2009 Plan		2010 Plan		2011 Plan		2012 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	$10,000	$10,000	$133,908	$135,710	$75,767	$75,997	$20,963	$21,082	$2,500	$2,500	$0	$0
Renovation/Rehabilitation of Roofs, Classrooms, etc	7,170	7,202	110,279	118,338	41,249	41,398	69	138	15,106	25,758	3,912	7,824
Purchase & Installation of EDP and Other Equipment	4,680	4,745	44,353	44,715	4,794	4,794	1,401	1,401	10,602	10,602	0	0
Electrical, Mechanical & HVAC	45	45	404	807	11,548	12,161	0	0	1,015	2,030	0	0
Other Projects	0	0	9,139	9,970	1,772	1,812	1,812	1,812	42	42	823	1,646
Total	$21,895	$21,992	$298,083	$309,540	$135,130	$136,162	$24,245	$24,433	$29,265	$40,932	$4,735	$9,470

PENSIONS AND OTHER FRINGE BENEFITS

Pension Overview

The Executive Budget for 2009 provides for $6,179 million in City pension contributions, an increase of $434 million from the amount forecast for 2008. As listed on the table below, of the total amount for 2009, $6,070 million represents contributions to the City's five actuarial retirement systems, $63 million represents contributions to pension systems covering certain non-City employees of the City University, the library system, day care centers, and certain cultural institutions, and $46 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
($ in 000's)

			2009		Increase/(Decrease)	
	2007 Actual	2008 Forecast	Preliminary Budget	Executive Budget	2008 Forecast	Preliminary Budget
Expenditures						
Personal Service						
• City Actuarial	$4,757,410	$5,644,621	$6,130,733	$6,070,068	$425,447	$(60,665)
• Non-City Systems	58,100	55,333	60,870	62,870	7,537	2,000
• Non-Actuarial	40,770	44,553	45,825	45,825	1,272	—
Total	$4,856,280	$5,744,507	$6,237,428	$6,178,763	$434,256	$(58,665)
Funding						
City	$4,689,167	$5,574,317	$6,065,965	$6,007,300	$432,983	$(58,665)
State	40,325	43,400	44,673	44,673	1,273	—
Federal	2,525	2,525	2,525	2,525	—	—
Intra-City Other	124,263	124,265	124,265	124,265	—	—
Total	$4,856,280	$5,744,507	$6,237,428	$6,178,763	$434,256	$(58,665)

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 2007 these systems covered approximately 646,000 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.

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 Workers' 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.

Retiree Health Benefits Trust Fund

The Retiree Health Benefits Trust Fund (the "Trust") began operating in 2007 exclusively to pay the costs of retiree health insurance and supplemental welfare benefits. The Trust was funded with $2.5 billion in City contributions ($1 billion in 2006 and $1.5 billion in 2007). The City plans on making an additional deposit of $400 million in 2008. In 2007, the Trust paid approximately $1.4 billion to cover the cost of these retiree benefits.

The following table sets forth the fringe benefit amounts carried in the Miscellaneous Budget for 2008 and 2009.

Fringe Benefits
($ in 000's)

	2008 Forecast	2009 Executive	Increase/ (Decrease)
Workers' Compensation	$121,796	$134,496	$12,700
Health Insurance Plans	2,072,753	1,881,360	(191,393)
Social Security Contributions	787,198	808,449	21,251
Unemployment Insurance Benefits	24,500	27,943	3,443
Supplementary Employee Welfare Benefits	511,200	523,915	12,715
Workers' Compensation - Other	48,100	52,300	4,200
Subtotal	$3,565,547	$3,428,463	$(137,084)
Retiree Health Benefits Trust Fund	400,000	—	(400,000)
Total	$3,965,547	$3,428,463	$(537,084)
Funding			
City	$3,630,031	$3,101,581	$(528,450)
Other Categorical	38,929	40,645	1,716
State	97,078	88,039	(9,039)
Interfund Agreements	2,450	2,450	-
Federal	197,059	195,748	(1,311)
• CD	35,500	36,000	500
• Other	161,559	159,748	(1,811)
Total	$3,965,547	$3,428,463	$(537,084)

JUDGMENTS AND CLAIMS

The Executive Budget for 2009 provides an appropriation of $688 million for Judgments and Claims. These expenditures represent the City's costs for tort and contract liability and are projected to reach $856 million by 2012. Tort expenditures cover both personal injury and property damage claims, and account for approximately 96 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 2009 through 2012.

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 80 community-based health clinics throughout the five boroughs. In addition, MetroPlus, the wholly-owned HHC health maintenance organization, provides care to more than 300,000 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 4,859 inpatient beds and 2,835 nursing facility beds. In 2007, HHC facilities had more than 219,600 patient discharges, 4,873,000 clinic visits and 852,000 emergency room visits, serving more than 1.3 million people, of which more than 413,000 lacked any form of health insurance.

Financial Review

The 2007 ending cash balance was $1.1 billion as reported in the New York City Financial Plan; a $921.3 million ending cash balance is projected for 2008. The ending cash balance includes HHC's receipt of $1.7 billion in 2007 and $1.1 billion in 2008 of City and Federally funded Upper Payment Limit and Disproportionate Share payments. HHC, as a public hospital and by providing care to a significant number of uninsured patients, is able to receive this funding. Total expenses in the 2009 Executive Budget are projected at $6.4 billion, and total revenue is projected at $5.2 billion. The Corporation has cost containment and revenue enhancement initiatives of $887.9 million that will reduce the operating deficit. Revenue derived from third party payors is projected to be $4.1 billion. City support for HHC in 2009, excluding the City portion of Medicaid and prepayments, is anticipated to be $101.9 million. This funding includes funding for the treatment of prisoners and uniformed services personnel at HHC facilities and care for the uninsured. The City will make payments of approximately $776 million for the local share of HHC's Medicaid collections and bad debt and charity care pool payments.

Expense Budget Highlights

Enhancing Quality and Safety

HHC facilities continue to perform above national and local averages on Federal quality performance indicators that measure adherence to evidence-based medicine in the treatment of heart attack, heart failure, and pneumonia, and in the prevention of surgical infection.

- HHC facilities performed 90,000 mammograms, 165,000 cervical cancer screenings, and 20,000 colonoscopies in 2007.

- over 92,000 patients in 2006 and 134,000 patients in 2007 were tested for HIV, resulting in the identification and care for more than 3,000 patients who were HIV positive and did not know it. HHC projects to test 150,000 patients in 2008 and and more than 160,000 in 2009.

- participation in the smoking cessation program increased last year, with enrollment of roughly 23,000 patients. Over the past three years, HHC has helped more than 25,000 patients successfully quit smoking.

New Initiatives

This past year, HHC embarked on three system-wide initiatives: Developmental Care, Breastfeeding Promotion, and Palliative Care.

- over 600 neonatal intensive care unit staff were trained in the Developmental Care initiative to re-engineer the physical environments and implement evidence-based protocols that improve survivability and outcomes for infants born prematurely.

- breastfeeding coordinators are available at each hospital to educate expectant mothers about the health benefits of breastfeeding and actively support successful breastfeeding. Over 30 percent of new mothers were discharged exclusively breastfeeding their infants in 2007, with the goal to reach 50 percent by the end of calendar year 2008.

- formula is available to mothers who cannot or who choose not to breastfeed, however HHC has discontinued the practice of distributing samples and formula marketing materials to all mothers.

- funding to strengthen palliative care services has been allocated to focus on end-of-life needs and allow more patients to spend their last days with family and friends in greater comfort and with less trauma than in an intensive care unit. Approximately 1,500 patients received palliative care this past calendar year.

Patient Safety

Patient safety is an extremely important dimension of quality. HHC moved forward with a wide range of patient safety initiatives over the past year.

- in 2006, central line-associated blood stream infections decreased by 30 percent; ventilator-associated pneumonia cases by 65 percent; and in 2007, incidence of pressure ulcers by 50 percent.

- approximately 880 fewer patients died across the system this past year as compared to four years ago, despite more inpatient admissions and more acutely ill patients.

Expansion of the WTC Environmental Health Center

HHC expanded the WTC Environmental Health Center program operating at Bellevue Hospital Center to include Elmhurst Hospital Center in Queens and Gouverneur Healthcare Services in Manhattan.

- capacity was significantly increased to treat area residents and day laborers involved in the clean-up and suffering from illnesses related to the immediate aftermath of the 9/11 attack.

- the Corporation continues to work closely with community-based organizations to conduct outreach and ensure that affected residents and workers are aware of these specialized healthcare resources available to them at no charge.

Increasing Access in Staten Island

Last year HHC supported the expansion of primary care capacity for low-income and uninsured Staten Island residents in several ways.

- extended the Staten Island Health Access program (SIHA) through June 2008, enabling low-income, uninsured Staten Islanders to receive primary and select specialty care from private community physicians.

SIHA facilitated access to affordable health care for more than 5,100 Staten Island residents and enrolled more than 1,600 Staten Islanders into public health insurance programs.

- funding for local community-based organizations continues to help eligible low-income Staten Islanders obtain government insurance programs.

- financial support was provided to the Community Health Center of Richmond for an expansion of their Port Richmond Avenue site.

- a state-of-the-art mobile medical clinic will be operating by the end of this summer.

- a site at 155 Vanderbilt Avenue was purchased to be the home of a future HHC ambulatory care center, and another location is currently being sought to provide additional health services.

Stepping Up the Fight Against Chronic Disease

HHC spent the past three years developing and putting in place evidence-based best practices to help patients manage their chronic diseases more effectively.

- during 2008, HHC deployed dedicated chronic disease coordinators in every network and leveraged clinical technology solutions such as electronic chronic disease registries.

- the incidence of diabetes in New York City has doubled over the past 10 years and the trend lines still point upward. Additional resources have been targeted to support the more effective management of diabetes for nearly 50,000 patients, including the expansion of a telehealth pilot program.

- over 72,000 patients were screened for depression in 2007 through a screening tool that is now a routine part of primary care services in the electronic medical record. HHC is working to increase that number by 50 percent in 2009.

HHC Options Program

HHC revised the HHC Options Program to make care more affordable for very low-income New Yorkers, even as they maintained heavily discounted fees for families with incomes up to four times the Federal poverty level. Under HHC Options, all outpatient fees were eliminated for pregnant women and children of families with incomes below 250 percent of the Federal poverty level. Also, for patients at the lowest income levels, already modest prescription drug fees were reduced to $2, further lowering barriers to services that people need. HHC Options marketing material has been translated into the 12 languages most commonly spoken by patients. In the first six months of 2008, 95,419 patients enrolled in HHC Options.

Capital Projects

The City funded 2009-2012 Four-Year Capital Strategy totals $464.8 million. During the past year, HHC achieved several milestones in its campaign to modernize its infrastructure. New and renovated facilities ensure patient care is provided in an optimally therapeutic environment and that HHC remains competitive in the marketplace.

Major modernization projects in progress include an ambulatory care pavilion at Jacobi Medical Center; the modernization of Harlem Hospital Center; and the continued campus-wide modernization of Kings County Hospital.

HHC's five-year capital commitment plan features other important initiatives, including:

- approximately \$7 million in funding to centralize reproduction services at Bellevue Hospital, Jacobi Medical Center, Lincoln Medical and Mental Health Center, and Elmhurst Hospital Center.

- a cancer care center that is under development at Kings County Hospital Center.

- as part of HHC's corporate-wide initiative to improve family planning and other services for women, \$5.3 million for Women's Options Centers at Elmhurst Hospital Center, Lincoln Medical and Mental Health Center, Woodhull Hospital, and Jacobi Medical Center.

- funding of \$15.5 million for the renovation of emergency rooms at Lincoln and Elmhurst hospitals.

NEW YORK CITY TRANSIT

New York City Transit (NYCT) operates the most extensive public transportation system in the nation, which served approximately 2.3 billion subway and bus passengers in calendar year 2007 with over 1.6 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. Other components of MTA serving New York City are the Staten Island Railway (SIR), the MTA Bus Company (MTABC) which was created in 2005 to operate in areas previously served by New York City's Franchise Bus System and the Long Island Railroad and the Metro North Railroad.

The NYCT's subway system operates 24 hours a day, 7 days a week, on 660 miles of mainline track, serving 468 stations throughout the Bronx, Brooklyn, Manhattan, and Queens. The NYCT bus system consists of a fleet of over 4,500 buses on 207 local and 36 express routes in all five boroughs. System expansions currently planned by NYCT include the long-awaited 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.

SIR operates a 14-mile rapid transit line which links 23 communities on Staten Island and provides a vital and convenient connection to the Staten Island Ferry. SIR serves approximately 4.1 million passengers per year.

The MTABC operates an extensive public bus transportation system throughout New York City, primarily in The Bronx, Brooklyn, and Queens. Over 100 million passengers are carried annually on local and express routes. The MTABC was created in 2005 as a subsidiary of the Metropolitan Transportation Authority to provide a more unified and uniform mass transportation system. The MTABC serves areas previously covered by seven private bus companies franchised by the New York City Department of Transportation. The MTABC assumed responsibility over routes from Liberty Lines, Queens Surface Corporation and New York Bus Tours in 2005 and from Command Bus Company, Green Bus Lines, Jamaica Bus Lines, and Triboro Coach Corporation in 2006. The transfer of Triboro Coach Corporation routes in February 2006 completed the transition of the routes from all former franchised bus companies to the MTABC. The MTABC is primarily funded through farebox revenues and City subsidies.

The MTABC currently operates approximately 1,354 buses owned by the City, of which 389 are hybrid-electric buses. Service on over 80 local and express routes is available 24 hours a day, 7 days a week. Since beginning operations, the MTABC has brought 759 new buses into service, and an additional 173 are expected to enter into service by the end of 2009. These new buses have significantly shortened the average age of the fleet. The MTABC has also made other service improvements since assuming control of the system, and the City expects the MTABC to continue making improvements to all facets of its operations, ensuring service levels are up to MTA's standards.

Financial Review

The City's financial plan includes $93.8 million for NYCT in fiscal year 2009. As NYCT operates on a calendar year (CY) basis, the financial plan below is presented in that format. The plan for CY 2008 incorporates the following key elements:

- CY 2008 fare revenue is projected to be $3 billion, a 4.8 percent increase over the CY 2007 total.

- tax revenues dedicated for NYCT's use are projected to total $2.4 billion; $1.1 billion from the regional Metropolitan Mass Transportation Operating Assistance Account (MMTOA), $534.7 million from the State "Lock Box" Petroleum Business Tax, $669.2 million from the Urban Mass Transportation Operating Assistance Account (Urban Account), and $33.6 million from Mortgage Recording Tax transfers (MRT).

- the City's contribution to NYCT's operating budget for CY 2008 totals $272.7 million, including $158.2 million in operating assistance, $45.0 million for student fare discounts, $51.2 million for the Paratransit program, $13.8 million for elderly and disabled fare discounts and $4.5 million for Transit Police.

Based on recent financial reports, NYCT closed CY 2007 with a cash surplus of $693.3 million. Despite this, NYCT has projected substantial budget shortfalls over future years, which are expected to be offset by gap-closing actions.

New York City Transit Financial Plan

($ in millions)

	Calendar Years [1]				
	2007A	2008E	2009E	2010E	2011E
REVENUES					
Subway / Bus Fare Revenue	$2,854.3	$2,990.0	$3,034.6	$3,058.1	$3,085.2
Other Operating Revenue	198.6	151.6	150.5	156.4	164.1
Transit Tax and Other Subsidies	2,312.7	2,361.8	2,207.0	2,257.7	2,355.6
City Subsidies	264.0	272.7	283.0	295.2	310.0
State Subsidies	203.2	203.2	203.2	203.2	203.2
TBTA Surplus Transfer	141.2	136.0	134.5	111.4	101.9
Capital Reimbursement	807.9	875.2	876.7	835.2	834.2
TOTAL REVENUES	$6,781.9	$6,990.5	$6,889.5	$6,917.2	$7,054.2
EXPENSES					
Salaries & Wages	$3,283.1	$3,433.2	$3,509.0	$3,577.2	$3,640.1
Fringes	1,613.5	1,584.1	1,797.8	1,861.8	1,926.0
OTPS	1,118.7	1,193.1	1,236.0	1,317.5	1,349.1
Paratransit Expenses	234.5	271.1	307.5	357.2	431.7
Transit Police	4.4	4.5	4.6	4.6	4.6
Debt Service	674.3	671.8	664.4	903.8	1,006.0
TOTAL EXPENSES	$6,928.5	$7,157.8	$7,519.3	$8,022.1	$8,357.5
OTHER ACTIONS					
Balance before Adjustments	($146.6)	($167.3)	($629.8)	($1,104.9)	($1,303.3)
Gap-Closing Actions [2]	0.0	0.0	250.4	1,104.9	1,303.3
Net Cash from Prior Year	693.3	546.7	379.4	0.0	0.0
SURPLUS/(DEFICIT)	$546.7	$379.4	$0.0	$0.0	$0.0

[1] All Financial Plan figures were provided by NYCT in February 2008; this table shows cash-basis CY 2007 Actuals and CY 2008-2011 estimates (E). Because the MTA operates on a Calendar Year basis (January-December) that is not directly comparable to the City's Fiscal year (July-June).

[2] Gap-closing actions include items available to offset out-year expense gaps, including use of cash reserves, expense reductions, fare increases and increased subsidies.

City Subsidies

The City's contribution to New York City Transit's operating budget for CY 2008 will total $272.7 million. The City continues to provide $45.0 million annually to subsidize the transport of school children. The City also subsidizes the elderly and disabled reduced-fare program ($13.8 million) and the paratransit program ($51.2 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 $4.5 million is used to fund costs associated with the

Transit Police. In CY 2008, the City is also providing over $80 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.

In addition to the very large indirect contributions the City makes to various MTA revenue sources such as the Urban Account, the following chart summarizes the City's direct subsidies to NYCT for CY 2008:

City Subsidies to NYCT, CY 2008
($ in millions)

• Elderly and Disabled Subsidy	$13.8
• School Fare Subsidy	45.0
• Operating Assistance	158.2
• Police Reimbursement	4.5
• Paratransit	51.2
TOTAL	$272.7

Capital Review

The City's four-year Capital Plan totals $338.4 million, including $320.8 million for NYCT, $2 million for Staten Island Railway and $15.6 million for MTA Bus Company. 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 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, $160.8 million.

- funds for NYCT trackwork, $140 million.

- funds for the NYCT rapid and surface transit revolving funds, $20 million.

- funds for SIR's track replacement and infrastructure programs, including improvements at the St. George Station and Ferry Terminal, $2 million.

- funds for MTABC's bus purchases and other improvements, $15.6 million in City and State local matching funds for federal transportation funding dedicated to MTABC.

The table below outlines the City's Capital Commitments to NYCT and SIR for the 2009-2012 period:

Capital Commitments

($ in 000's)

	2007 Actual		2008 Plan		2009 Plan		2010 Plan		2011 Plan		2012 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
Infrastructure	$3,000	$3,000	$74,113	$74,113	$44,558	$44,558	$49,500	$49,500	$34,289	$34,289	$28,476	$28,476
Trackwork	35,000	35,000	35,000	35,000	35,000	35,00	35,000	35,000	35,000	35,000	35,000	35,000
Revolving Fund	5,000	5,000	5,000	5,000	5,000	5,000	5,000	5,000	5,000	5,000	5,000	5,000
SIRTOA	0	0	3,637	3,637	442	442	500	500	500	500	500	500
Miscellaneous	0	0	4,250	4,250	4,000	4,000	0	0	0	0	0	0
No. 7 Line Extension	0	0	-44,309	-12,138	0	0	0	0	0	0	0	0
MTABC	0	0	28,428	52,314	7,800	15,600	0	0	0	0	0	0
Total	$43,000	$43,000	$106,119	$162,176	$96,800	$104,600	$90,000	$90,000	$74,789	$74,789	$68,976	$68,976

Appendix

EXHIBIT 1
EXPENDITURE ASSUMPTIONS

Personal Service

The expenditures for personal services in the Executive Budget for 2009 and the three-year projections are as follows:

($ in millions)

	2009	2010	2011	2012
Salaries and Wages	$20,573	$20,553	$21,299	$21,077
Pensions	6,179	6,700	6,793	6,891
Other Fringe Benefits*	6,740	7,028	7,627	8,229
Reserve for Collective Bargaining				
Department of Education	70	364	636	696
Other	1,003	1,771	2,197	2,628
Reserve Subtotal	1,073	2,135	2,833	3,324
Total	$34,565	$36,416	$38,552	$39,521

** 2009 includes $400 million that was advanced to the Retiree Health Benefits Trust Fund in 2008.*

Salaries and Wages

The projections for salaries and wages reflect personnel costs associated with current and projected headcount levels assuming implementation of projected PEG initiatives, and also including recognized needs and any wage adjustments from rounds of collective bargaining that have been implemented.

Pensions and Other Fringe Benefits

Pension expenses for 2009 through 2012 are based on valuation estimates prepared by the Office of the Actuary and reflect current funding assumptions adopted by the trustees and supported by State law. These projections reflect pension investment gains realized in 2007, but also reflect lower than anticipated earnings that could materialize in 2008. The projections also incorporate the costs of settling certain litigation, and the cost of a newly enacted improved retirement program for teachers which would permit incumbent teachers to retire at age 55 with 25 years of service. New teachers would be eligible to retire at age 55 with 27 years of service.

In addition, commencing in 2010, the financial plan contains a reserve of $200 million per year to address the potential costs associated with an independent audit.

Total pension expenses for the financial plan are shown below:

($ in millions)

	2009	2010	2011	2012
City Actuarial Systems	$6,070	$6,589	$6,681	$6,779
Non-City Systems	63	65	66	66
Non-Actuarial	46	46	46	46
Total	$6,179	$6,700	$6,793	$6,891

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 levels. 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's health insurance providers. In addition, the City is advancing to 2008 a deposit of $400 million into the Retiree Health Benefits Trust Fund that otherwise would have been paid in 2009 as part of the City's "pay as you go" liability. In an effort to address escalating health insurance costs, the City intends to work collaboratively with its municipal unions to restructure the Health Insurance program. The overall goal is to save $200 million per year commencing in 2010 while providing an equal or better benefits package.

Reserve for Collective Bargaining

The Reserve for Collective Bargaining contains funding for the cost of undistributed collective bargaining increases. The reserve contains funding for the PBA for wage increases of 3 percent, 3.15 percent, 4 percent, 4 percent, 4 percent and 4 percent as well as additional funds used for other than across the board increases consistent with the uniformed wage patterns covering the period from 2004 through 2010. The reserve also contains funding for the LBA, COBA, and UFA for the 2008-2010 round of bargaining consistent with the uniformed pattern. In addition, the reserve contains funding for non-uniformed employees for the 2008-2010 round assuming a non-uniformed pattern for this round of 4 percent the first day of the agreement and 4 percent on the first day of the second year. The reserve also contains funding for wage increases beyond the 2008-2010 round assumed to be 1.25 percent per year as well as small amounts for previous rounds.

Other Than Personal Service

The expenditures for other than personal services in the Executive Budget for 2009 and the three-year projections are as follows:

($ in millions)

	2009	2010	2011	2012
Administrative OTPS	$15,295	$15,691	$16,212	$16,581
Public Assistance	1,177	1,176	1,176	1,176
Medical Assistance	5,602	5,756	5,916	6,089
Health & Hospital Corporation	174	177	178	178
Covered Agency Support & Other Subsidies*	2,477	2,567	2,686	2,820
City and MAC Debt Service*	3,717	2,111	4,789	5,319
General Reserve	300	300	300	300
Prepayments	(2,254)	(969)	(350)	0
Total	$26,488	$26,809	$30,907	$32,463

* *Numbers adjusted for prepayments.*

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 2010 through 2012, the financial plan includes a Citywide appropriation to provide for an increase in OTPS costs resulting from inflation. The inflation adjustment represents a yearly 2.5 percent increase from 2010 through 2012.

Energy

The financial plan includes a Citywide appropriation to provide for the changing cost of energy for 2010 through 2012. Energy costs in each agency, with the exception of HPD, are held constant for 2009 through 2012. Price and usage changes for HPD's In-REM/DAMP Programs are budgeted in HPD's four-year plan.

Energy Cost Comparison
($ in millions)

Estimate as of:	2008	2009	2010	2011
2008 Adopted Budget	$917	$939	$936	$940
2009 Executive Budget	931	1,031	1,104	1,123
Difference	$14	$92	$168	$183

As reflected in the following table, gasoline and fuel costs are expected to increase by $4 million from 2008 to 2009 and then decrease by $17 million by 2012. Heat, light and power is expected to increase by $212 million between 2008 and 2012. This is due to anticipated increases in NYPA's production charges, Con Edison's transmission and delivery charges and natural gas prices, as well as the retirement of the Poletti power plant.

Energy Costs
($ in millions)

	2008	2009	2010	2011	2012
Gasoline	$104	$105	$103	$99	$96
Fuel Oil	102	105	103	98	97
HPD-*In Rem*/DAMP	12	11	8	7	6
HPD-Energy Repair	3	3	3	3	3
Heat, Light and Power	710	807	887	916	922
Total	$931	$1,031	$1,104	$1,123	$1,124

Leases

In each agency, the cost of leases is budgeted at a constant level from 2009 through 2012. A citywide adjustment for 2010 through 2012 provides for the increasing cost of leases based on a four percent annual inflator as well as known future leases, where applicable.

In total, the four-year plan includes $718 million for leases in 2009, $746 million in 2010, $776 million in 2011 and $845 million in 2012. Of these amounts, the citywide adjustment is $29 million, $59 million, and $128 million respectively in 2010 through 2012.

Public Assistance

In 2009, 342,509 persons are projected to receive cash assistance on average each month, a decrease of 7,161 from the projected 2008 average.

Medical Assistance

The financial plan for Medical Assistance assumes growth of 3 percent annually consistent with New York State Cap Legislation effective January 1, 2006. This growth excludes City share of Disproportionate Share and Upper Payment Limit payments which fall outside of the Medicaid cap.

Health and Hospitals Corporation

Revenue and expenditure projections for 2009 through 2012 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. Included in the Corporation's baseline revenue assumption is the continued receipt of the Disproportionate Share and Upper Payment Limit transactions. Corporation revenue increases are reliant on Medicaid receipts, which continue to grow steadily. Expenditure increases are driven by growth in pension and health insurance costs.

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 2009 through 2012 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 and Conduit debt as well as future issuances in accordance with the 2008-2012 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.

A Budget Stabilization Account has been established for the prepayment of future years' debt service costs. Funding of $3.1 billion in 2008, $1.3 billion in 2009 and $350 million in 2010 have been provided for this purpose.

Below are the detailed estimates for debt service for 2008-2012 after prepayments:

($ in millions)

	Long Term	Short Term	Lease Purchase	Budget Stabilization*	Total City	MAC	Net Prepayment	Total City and MAC
2008	$2,178	$—	$119	$3,073	$5,370	$10	$343	$5,723
2009	385	75	184	1,319	$1,963	—	1,754	$3,717
2010	468	75	249	350	$1,142	—	969	$2,111
2011	4,113	75	251	—	$4,439	—	350	$4,789
2012	4,998	75	246	—	$5,319	—	—	$5,319

** Amounts in the Budget Stabilization Account are used to prepay the succeeding year's debt service.*

EXHIBIT 2

FISCAL YEAR 2009 EXECUTIVE BUDGET AND PROJECTIONS, FISCAL YEAR 2010 THROUGH FISCAL YEAR 2012

($ in thousands)

Dept. No.	Agency	FY 2007 Actual Expenditures	Fiscal Year 2008 Executive Budget	Fiscal Year 2008 8 Month Actuals July-Feb.	Fiscal Year 2008 Forecast	FY 2009 Executive Budget	FY 2010 Estimate	FY 2011 Estimate	FY 2012 Estimate
002	Mayoralty	$85,666	$88,113	$57,883	$93,886	$86,193	$83,341	$83,371	$83,388
003	Board of Elections	71,748	100,719	56,006	87,729	89,162	77,139	77,194	77,253
004	Campaign Finance Board	6,576	9,536	4,671	9,082	11,752	11,252	11,252	11,252
008	Office of the Actuary	4,539	6,001	3,101	5,936	5,324	5,395	5,395	5,395
010	President,Borough of Manhattan	4,694	4,663	3,381	5,708	3,386	3,259	3,260	3,262
011	President,Borough of the Bronx	6,359	6,377	4,660	7,865	4,820	4,643	4,645	4,646
012	President,Borough of Brooklyn	6,072	6,843	3,889	8,338	4,360	4,078	4,080	4,081
013	President,Borough of Queens	5,529	6,201	3,686	6,822	4,023	3,744	3,746	3,747
014	President,Borough of S.I.	4,267	4,185	2,717	4,932	3,319	3,228	3,230	3,231
015	Office of the Comptroller	63,100	76,341	39,960	68,558	68,171	66,846	66,846	66,846
017	Dept. of Emergency Management	14,896	11,261	12,217	41,370	14,708	8,889	8,889	8,889
021	Office of Admin. Tax Appeals	2,601	2,584	1,611	3,232	4,084	4,021	4,021	4,021
025	Law Department	125,979	123,977	80,417	126,820	125,763	126,460	126,170	127,091
030	Department of City Planning	22,050	25,141	17,958	32,871	26,656	23,158	23,158	23,158
032	Department of Investigation	21,861	22,053	15,097	23,769	21,192	20,856	20,712	20,712
035	NY Public Library - Research	25,203	5,106	1,005	19,301	9,350	23,506	23,506	23,506
037	New York Public Library	123,743	17,267	2,345	100,023	28,211	112,718	112,718	112,718
038	Brooklyn Public Library	91,209	10,821	1,207	74,846	20,083	83,872	83,872	83,872
039	Queens Borough Public Library	89,906	11,407	1,200	72,554	20,691	82,288	82,288	82,288
040	Department of Education	15,884,400	16,873,421	9,641,473	16,799,259	17,596,439	18,549,183	20,049,881	20,379,958
042	City University	622,693	584,160	369,251	694,555	627,185	614,768	618,132	621,783
054	Civilian Complaint Review Bd.	10,716	11,953	7,437	11,326	11,427	11,262	11,262	11,262
056	Police Department	3,856,192	3,871,008	2,534,938	4,099,232	3,929,298	3,981,936	4,089,900	4,094,344
057	Fire Department	1,444,537	1,471,738	976,723	1,562,172	1,525,224	1,525,456	1,535,052	1,535,641
068	Admin. for Children Services	2,758,676	2,734,946	2,240,765	2,791,182	2,704,976	2,698,442	2,698,531	2,698,531
069	Department of Social Services	7,425,153	8,566,037	6,063,371	8,749,721	8,493,823	8,640,425	8,800,094	8,973,602
071	Dept. of Homeless Services	732,647	677,653	592,342	808,255	754,180	685,666	685,666	685,666
072	Department of Correction	949,760	930,841	616,566	970,732	983,863	979,026	989,539	995,372
073	Board of Correction	905	925	567	933	933	933	933	933
095	Citywide Pension Contributions	4,856,280	5,727,537	3,788,142	5,744,507	6,178,763	6,700,359	6,792,621	6,890,618
098	Miscellaneous	8,345,825	6,607,717	2,219,731	6,721,761	5,998,659	7,601,121	8,478,138	9,357,625
099	Debt Service	4,333,807	2,809,326	181,540	5,370,278	1,962,738	1,141,942	4,438,934	5,318,958
100	M.A.C. Debt Service	10,000	10,000	—	10,000	—	—	—	—
101	Public Advocate	3,030	2,191	1,964	3,148	2,025	2,036	2,036	2,037
102	City Council	50,588	54,608	34,151	54,608	52,260	52,260	52,260	52,260
103	City Clerk	3,630	3,934	2,278	3,919	4,543	4,543	4,543	4,543
125	Department for the Aging	271,907	248,446	269,476	299,170	257,367	257,122	256,122	256,122
126	Department of Cultural Affairs	149,997	155,010	137,060	163,717	143,197	143,172	143,172	143,172
127	Financial Info. Serv. Agency	51,289	59,153	44,800	58,201	61,215	50,842	52,979	52,979
130	Department of Juvenile Justice	127,676	125,848	87,233	131,425	132,276	133,636	135,386	139,256
131	Office of Payroll Admin.	11,308	14,608	9,626	13,757	14,487	11,453	11,453	11,453
132	Independent Budget Office	2,845	3,161	1,995	3,134	3,101	2,994	2,995	2,996
133	Equal Employment Practices Com	784	773	481	878	799	799	799	799
134	Civil Service Commission	530	611	347	604	644	644	644	644
136	Landmarks Preservation Comm.	4,224	4,321	2,854	5,007	4,348	4,348	4,348	4,348

EXHIBIT 2

FISCAL YEAR 2009 EXECUTIVE BUDGET AND PROJECTIONS, FISCAL YEAR 2010 THROUGH FISCAL YEAR 2012

($ in thousands)

Dept. No.	Agency	FY 2007 Actual Expenditures	Fiscal Year 2008 Executive Budget	Fiscal Year 2008 8 Month Actuals July-Feb.	Fiscal Year 2008 Forecast	FY 2009 Executive Budget	FY 2010 Estimate	FY 2011 Estimate	FY 2012 Estimate
156	Taxi & Limousine Commission	25,954	31,197	18,843	29,945	30,076	27,862	27,862	27,862
226	Commission on Human Rights	6,673	7,180	4,779	7,302	7,093	7,093	7,093	7,093
260	Youth & Community Development	310,561	323,011	273,085	404,927	324,743	286,661	286,661	286,661
312	Conflicts of Interest Board	1,741	1,917	1,167	1,925	1,988	1,988	1,988	1,988
313	Office of Collective Barg.	1,819	1,862	1,361	1,869	1,876	1,876	1,876	1,876
499	Community Boards (All)	13,165	14,285	8,756	14,656	13,831	13,833	13,835	13,835
781	Department of Probation	80,679	84,468	54,027	84,256	82,182	81,536	81,539	81,539
801	Dept. Small Business Services	122,408	171,493	110,217	167,721	146,066	107,240	97,094	97,005
806	Housing Preservation & Dev.	576,104	504,479	440,022	638,691	514,284	483,144	478,186	478,311
810	Department of Buildings	87,195	90,748	61,188	103,309	104,184	95,265	95,012	95,012
816	Dept Health & Mental Hygiene	1,561,741	1,502,059	1,240,597	1,663,632	1,577,410	1,597,931	1,605,484	1,616,672
819	Health and Hospitals Corp.	901,329	113,902	72,136	171,047	174,239	176,831	177,562	177,562
826	Dept of Environmental Prot.	868,825	955,576	633,413	951,677	1,007,857	942,339	937,332	937,107
827	Department of Sanitation	1,173,454	1,242,967	922,420	1,259,165	1,287,390	1,365,748	1,447,896	1,455,259
829	Business Integrity Commission	5,166	5,774	3,893	5,854	6,247	6,148	6,148	6,148
836	Department of Finance	205,865	216,998	140,227	218,527	206,236	202,741	202,748	202,754
841	Department of Transportation	618,376	620,815	490,886	759,306	687,304	662,753	663,721	663,573
846	Dept of Parks and Recreation	332,561	355,468	238,958	382,194	349,632	344,668	341,478	341,478
850	Dept. of Design & Construction	96,247	105,870	68,217	102,664	103,087	103,087	103,087	103,087
856	Dept of Citywide Admin Srvces	934,640	1,029,848	943,381	1,008,738	1,072,550	1,065,006	1,065,008	1,065,009
858	D.O.I.T.T.	255,567	346,291	209,586	332,248	371,919	360,588	360,127	360,159
860	Dept of Records & Info Serv.	4,729	6,789	3,512	7,390	5,018	5,057	5,058	5,060
866	Department of Consumer Affairs	17,113	19,449	12,939	21,578	20,061	16,973	16,758	16,758
901	District Attorney - N.Y.	86,427	77,327	57,145	90,494	75,427	75,511	75,511	75,511
902	District Attorney - Bronx	47,699	46,106	30,880	50,369	45,429	44,970	44,970	44,970
903	District Attorney - Kings	79,286	75,613	52,010	80,233	74,776	74,782	74,782	74,782
904	District Attorney - Queens	44,351	41,060	30,093	46,772	41,386	44,225	44,225	44,225
905	District Attorney - Richmond	7,595	7,479	4,827	8,276	7,302	7,307	7,307	7,307
906	Off. of Prosec. & Spec. Narc.	16,782	16,139	11,125	17,770	15,738	15,761	15,761	15,761
941	Public Administrator - N.Y.	1,104	1,185	851	1,242	1,130	1,130	1,130	1,130
942	Public Administrator - Bronx	428	439	265	504	409	409	409	409
943	Public Administrator- Brooklyn	502	528	326	582	502	502	502	502
944	Public Administrator - Queens	409	402	265	455	382	382	382	382
945	Public Administrator -Richmond	348	313	222	366	297	297	297	297
	Prior Payable Adjustment	(658,174)	—	—	(500,000)	—	—	—	—
	General Reserve	—	300,000	—	100,000	300,000	300,000	300,000	300,000
	Energy Adjustment	—	—	—	—	—	76,416	96,178	98,095
	Lease Adjustment	—	—	—	—	—	28,952	59,062	128,089
	OTPS Inflation Adjustment	—	—	—	—	—	55,519	111,038	166,557
	TOTAL EXPENDITURES	$60,514,066	$60,407,559	$36,279,741	$64,100,807	$60,653,069	$63,225,592	$69,458,880	$71,984,083
	LESS: INTRA-CITY EXPENDITURES	1,387,014	1,369,409	606,472	1,501,852	1,505,708	1,436,344	1,435,920	1,435,920
	NET TOTAL EXPENDITURES	$59,127,052	$59,038,150	$35,673,269	$62,598,955	$59,147,361	$61,789,248	$68,022,960	$70,548,163

EXHIBIT 3

ACTUAL REVENUE
($ in Millions)

	Fiscal Year 2004	Fiscal Year 2005	Fiscal Year 2006	Fiscal Year 2007
Taxes:				
Real Property	$11,582	$11,616	$12,636	$13,123
Personal Income	5,984	6,638	7,657	7,933
General Corporation	1,540	1,994	2,379	3,124
Banking Corporation	415	601	656	1,219
Unincorporated Business	908	1,116	1,308	1,670
Sales and Use	4,018	4,355	4,418	4,619
Commercial Rent	426	445	477	512
Real Property Transfer	767	1,055	1,295	1,723
Mortgage Recording	817	1,250	1,353	1,570
Utility	291	340	391	360
Cigarette	138	125	123	122
Hotel	216	257	296	326
All Other	487	474	447	456
Tax Audit Revenue	576	600	775	1,085
Total Taxes	28,165	30,866	34,211	37,842
Miscellaneous Revenues:				
Licenses, Franchises, Etc.	374	395	418	470
Interest Income	30	149	362	473
Charges for Services	592	614	606	613
Water and Sewer Charges	885	899	990	1,064
Rental Income	108	944	209	211
Fines and Forfeitures	697	745	724	741
Miscellaneous	684	1,328	553	671
Intra-City Revenue	1,213	1,279	1,396	1,387
Total Miscellaneous	4,583	6,353	5,258	5,630
Unrestricted Intergovernmental Aid:				
Federal Revenue Sharing	—	—	—	—
N.Y. State Per Capita Aid	327	327	327	20
Other Federal and State Aid	636	276	167	15
Total Unrestricted Intergovernmental Aid	963	603	494	35
Provision for Disallowance of Categorical Grants	(27)	(87)	(542)	(103)
Less Intra-City Revenue	(1,213)	(1,279)	(1,396)	(1,387)
Sub Total City Funds	32,471	36,456	38,025	42,017
Other Categorical Grants	956	862	1,150	1,037
Transfers from Capital Fund:				
Inter Fund Agreements	328	346	365	421
Total City Funds & Capital Budget Transfers	33,755	37,664	39,540	43,475
Federal Categorical Grants:				
Community Development	240	268	261	241
Social Services	2,448	2,405	2,181	2,429
Education	1,770	1,909	1,693	1,745
Other	957	2,072	1,108	1,056
Total Federal Grants	5,415	6,654	5,243	5,471
State Categorical Grants:				
Social Services	1,724	1,741	1,906	1,889
Education	5,873	6,177	6,702	7,145
Higher Education	139	140	153	165
Department of Health and Mental Hygiene	377	393	415	428
Other	342	372	410	559
Total State Grants	8,455	8,823	9,586	10,186
Total Revenues	$47,625	$53,141	$54,369	$59,132

EXHIBIT 4
REVENUE ESTIMATES
($ in Millions)

	Fiscal Year 2008 8 Months Actuals	Fiscal Year 2008 Forecast	Fiscal Year 2009	Fiscal Year 2010	Fiscal Year 2011	Fiscal Year 2012
Taxes:						
Real Property	$12,041	$13,009	$13,838	$14,868	$15,862	$16,664
Personal Income	5,553	8,439	7,350	6,271	6,558	7,066
General Corporation	1,417	2,894	2,623	2,679	2,953	3,167
Banking Corporation	329	863	647	690	759	807
Unincorporated Business	963	1,929	1,668	1,541	1,616	1,770
Sale and Use	3,092	4,817	4,666	4,668	4,839	5,164
Commercial Rent	268	550	566	583	601	623
Real Property Transfer	1,019	1,414	1,063	1,033	1,021	1,078
Mortgage Recording	834	1,167	871	850	839	890
Utility	212	382	377	408	430	452
Cigarette	75	121	102	99	97	94
Hotel	200	371	394	427	456	482
All Other	170	423	404	409	410	416
Tax Audit Revenue	730	1,059	577	579	579	579
Tax Program	—	—	(3)	1,219	1,293	1,353
State Tax Relief Program	866	1,255	1,254	1,280	1,355	1,400
Total Taxes	27,769	38,693	36,397	37,604	39,668	42,005
Miscellaneous Revenue:						
Licenses, Franchises, Etc.	323	469	459	455	460	464
Interest Income	250	357	85	89	136	141
Charges for Services	314	614	591	578	577	578
Water and Sewer Charges	794	1,232	1,297	1,245	1,271	1,289
Rental Income	153	247	218	207	207	207
Fines and Forfeitures	553	823	748	747	746	746
Miscellaneous	842	1,179	663	521	522	502
Intra-City Revenue	503	1,502	1,506	1,436	1,436	1,436
Total Miscellaneous	3,732	6,423	5,567	5,278	5,355	5,363
Unrestricted Intergovernmental Aid:						
N.Y. State Per Capita Aid	—	242	327	327	327	327
Other Federal and State Aid	—	13	13	13	13	13
Total Unrestricted Intergovernmental Aid:	—	255	340	340	340	340
Reserve for Disallowance of Categorical Grants	—	(15)	(15)	(15)	(15)	(15)
Less: Intra-City Revenue	(503)	(1,502)	(1,506)	(1,436)	(1,436)	(1,436)
Sub Total City Funds	30,998	43,854	40,783	41,771	43,912	46,257
Other Categorical Grants	396	1,100	1,006	1,001	1,003	1,006
Inter Fund Agreements	212	451	458	425	419	419
Total City Funds & Inter-Fund Revenues	$31,606	$45,405	$42,247	$43,197	$45,334	$47,682

REVENUE ESTIMATES

($ in Millions)

	Fiscal Year 2008 8 Months Actuals	Fiscal Year 2008 Forecast	Fiscal Year 2009	Fiscal Year 2010	Fiscal Year 2011	Fiscal Year 2012
Federal Categorical Grants: . .						
Community Development .	$146	$287	$277	$251	$248	$248
Social Services	1,061	2,593	2,486	2,455	2,455	2,455
Education	549	1,779	1,761	1,769	1,777	1,786
Other	401	1,334	871	838	823	824
Total Federal Grants	2,157	5,993	5,395	5,313	5,303	5,313
State Categorical Grants:						
Social Services	800	2,091	1,954	1,952	1,952	1,943
Education	4,250	7,905	8,513	8,951	9,814	10,123
Higher Education	92	209	211	211	211	211
Department of Health and Mental Hygiene	213	496	447	456	460	463
Other	157	500	380	368	364	361
Total State Grants	5,512	11,201	11,505	11,938	12,801	13,101
TOTAL REVENUE	$39,275	$62,599	$59,147	$60,448	$63,438	$66,096

EXHIBIT 5
FULL-TIME and PART-TIME POSITIONS (FTEs)

	3/31/08 Actual		6/30/09 Executive Budget	
	Total	City	Total	City
MAYORAL AGENCIES:				
Uniformed Forces:				
Police -Uniform [1]	35,780	35,780	35,284	35,284
-Civilian	16,542	16,454	16,521	16,378
Fire -Uniform	11,701	11,694	11,237	11,226
-Civilian	4,702	4,675	4,876	4,856
Sanitation -Uniform	7,785	7,636	7,597	7,456
-Civilian	2,136	1,945	2,246	2,042
Correction -Uniform	9,068	8,332	9,452	8,716
-Civilian	1,453	1,372	1,541	1,473
Subtotal	*89,167*	*87,888*	*88,754*	*87,431*
Health and Welfare:				
Social Services	14,112	10,479	15,157	11,175
Admin. for Children's Services	7,099	6,972	7,208	6,995
Homeless Services	2,019	1,988	2,223	2,223
Health & Mental Hygiene	6,541	5,194	6,759	5,361
Subtotal	*29,771*	*24,633*	*31,347*	*25,754*
Other Mayoral:				
Housing Preservation and Development	2,663	698	2,888	762
Environmental Protection	6,205	443	6,525	462
Finance	2,142	2,142	2,187	2,175
Transportation	4,737	2,288	4,360	2,316
Parks	5,593	5,162	7,200	6,675
Citywide Administrative Services	2,124	1,364	2,188	1,405
All Other Mayoral	18,503	14,544	18,727	14,780
Subtotal	*41,967*	*26,641*	*44,075*	*28,575*
EDUCATION:				
Dept. of Education - Pedagogical	114,200	97,060	114,103	96,921
-Non-Pedagogical	26,070	23,767	25,487	23,298
City University -Pedagogical	4,911	4,906	4,127	4,122
-Non-Pedagogical	2,621	2,621	2,389	2,389
Subtotal	*147,802*	*128,354*	*146,106*	*126,730*
Total	308,707	267,516	310,282	268,490
COVERED ORGANIZATION AND NON-CITY EMPLOYEES SUBSTANTIALLY BY CITY SUBSIDIES [2]:				
Health and Hospital Corp.	40,368	40,368	40,641	40,641
Housing Authority	12,098	-	13,024	-
Libraries	4,790	4,790	4,593	4,593
Cultural Institutions[3]	1,943	1,943	1,599	1,599
School Construction Authority	637	637	775	775
New York City Employees Retirement System	392	392	393	393
Economic Development Corporation	428	428	425	425
Teachers Retirement System	374	374	395	395
Police Pension Fund	135	135	133	133
All Other	200	195	212	207
Subtotal	*61,365*	*49,262*	*62,190*	*49,161*
Total	370,072	316,778	372,472	317,651

[1] Police Department uniform headcount will be at 36,838 with the swearing in of attrition replacement recruit classes July 1, 2008 and January 1, 2009.
[2] Includes non-city employees substantially paid by city subsidies.
[3] Includes only those employees of the Cultural Institutions Group paid by city fund subsidies.

EXHIBIT 6

FY 2009 EXECUTIVE BUDGET
CITY GAP CLOSING PROGRAM - 5 YEAR VALUE
(City $ in 000's)

	2008	2009	2010	2011	2012
MAYORAL AGENCIES:					
Uniformed Forces:					
Police	$33,832	$135,617	$131,062	$83,535	$81,459
Fire	20,362	30,448	30,985	30,292	30,194
Correction	24,184	20,547	24,336	19,204	19,204
Sanitation	39,700	86,628	41,184	40,136	37,169
Health and Welfare:					
Administration for Children's Services	21,800	57,225	58,048	58,201	49,202
Social Services	75,910	38,987	39,272	39,272	39,272
Homeless Services	10,631	24,579	20,553	20,524	20,492
Health and Mental Hygiene	16,981	29,088	28,281	28,281	28,281
Youth and Community Development	7,976	15,186	15,186	15,186	15,186
Other Mayoral:					
Housing Preservation and Development	2,671	6,934	7,085	7,390	7,398
Finance	8,996	39,596	41,546	41,545	41,546
Transportation	27,664	33,118	34,287	30,671	30,659
Parks and Recreation	1,900	23,889	22,909	16,909	16,909
Citywide Administrative Services	17,073	18,553	19,545	19,545	19,545
Other	80,888	141,832	150,685	170,432	159,007
MAJOR ORGANIZATIONS:					
Department of Education	180,146	428,282	377,489	375,466	363,328
Health and Hospitals Corporation	10,077	2,522	11,572	3,378	2,522
City University	5,813	14,255	14,255	14,255	14,255
OTHER:					
Miscellaneous	31,316	103,578	82,638	76,661	78,756
Procurement Savings	—	55,519	55,519	55,519	55,519
Total Agency Programs	**$617,920**	**$1,306,383**	**$1,206,437**	**$1,146,402**	**$1,109,903**

Technical Note: 1) Gap closing program includes initiatives from the May 1, 2008 Executive Budget and the January 24, 2008 Financial Plan.

EXHIBIT 6A
FY 2009 EXECUTIVE BUDGET
CITY GAP CLOSING PROGRAM - 5 YEAR VALUE
(City $ in 000's)

	2008	2009	2010	2011	2012
OTHER:					
Mayoralty	$8,704	$4,677	$6,012	$16,012	$6,012
Board of Elections	5,000	6,502	6,502	6,502	6,502
Campaign Finance Board	800	—	—	—	-
Office of the Actuary	76	676	573	573	573
Emergency Management	290	1,014	993	993	993
Administrative Tax Appeals	22	195	259	259	259
Law Department	424	9,256	4,803	4,803	4,803
City Planning	240	509	725	728	732
Investigation	230	1,753	2,072	2,072	2,072
New York Research Library	627	1,991	1,991	1,991	1,991
New York Public Library	2,999	9,523	9,523	9,523	9,523
Brooklyn Public Library	2,207	7,007	7,007	7,007	7,007
Queens Borough Public Library	2,170	6,885	6,885	6,885	6,885
Civilian Complaint Review Board	657	578	669	669	669
Pensions	—	—	15,415	22,603	21,763
Department for the Aging	3,552	7,568	7,568	7,568	7,568
Cultural Affairs	4,214	12,149	12,174	12,174	12,174
FISA	2,596	4,014	1,815	1,815	1,815
Juvenile Justice	4,390	1,143	1,143	1,143	1,143
Payroll Administration	1,386	1,023	318	318	318
Taxi and Limousine Commission	262	1,058	1,218	1,218	1,218
Human Rights	69	234	235	235	236
Community Boards (All)	—	590	590	590	590
Probation	1,605	3,952	4,107	4,104	4,104
Small Business Services	23,559	1,535	1,975	4,534	3,944
Environmental Protection	1,341	4,424	4,424	4,424	4,424
Business Integrity Commission	184	663	684	684	684
Design and Construction	—	233	233	233	233
DOITT	12,333	29,946	30,836	30,836	30,836
DORIS	24	312	274	274	274
Department of Consumer Affairs	120	759	999	999	999
PA - Manhattan	—	59	59	59	59
PA - Bronx	—	21	21	21	21
PA - Brooklyn	—	26	26	26	26
PA - Queens	—	120	120	120	120
PA - Staten Island	—	16	16	16	16
Subtotal	$80,081	$120,411	$132,264	$152,011	$140,586
OTHER ELECTED:					
BP - Manhattan	136	274	274	274	274
BP - Bronx	—	390	390	390	390
BP - Brooklyn	—	344	344	344	344
BP - Queens	173	312	312	312	312
BP - Staten Island	—	272	272	272	272
Comptroller	498	5,220	5,220	5,220	5,220
Public Advocate	—	172	172	172	172
City Council	—	2,348	2,348	2,348	2,348
DA - Manhattan	—	2,646	2,646	2,646	2,646
DA - Bronx	—	1,547	1,547	1,547	1,547
DA - Brooklyn	—	2,620	2,620	2,620	2,620
DA - Queens	—	4,467	1,467	1,467	1,467
DA - Staten Island	—	265	265	265	265
Prosec. & Spec. Narc.	—	544	544	544	544
Subtotal	$807	$21,421	$18,421	$18,421	$18,421
Total Other	**$80,888**	**$141,832**	**$150,685**	**$170,432**	**$159,007**

Technical Note: 1) Gap closing program includes initiatives from the May 1, 2008 Executive Budget and the January 24, 2008 Financial Plan.

EXHIBIT 6B

FY 2009 EXECUTIVE BUDGET
CITY GAP CLOSING PROGRAM - BY EXPENSE AND REVENUE

(City $ in 000's)

	Expense	Revenue	Total
MAYORAL AGENCIES:			
Uniformed Forces:			
Police	$135,617	$—	$135,617
Fire	24,071	6,377	30,448
Correction	20,547	—	20,547
Sanitation	70,506	16,122	86,628
Health & Welfare:			
Administration for Children's Services	57,225	—	57,225
Social Services	38,243	744	38,987
Homeless Services	24,579	—	24,579
Health and Mental Hygiene	23,335	5,753	29,088
Youth and Community Development	15,186	—	15,186
Other Mayoral:			
Housing Preservation and Development	5,923	1,011	6,934
Finance	10,596	29,000	39,596
Transportation	15,618	17,500	33,118
Parks and Recreation	9,788	14,101	23,889
Citywide Administrative Services	6,230	12,323	18,553
Other	105,549	36,283	141,832
MAJOR ORGANIZATIONS:			
Department of Education	428,282	—	428,282
Health and Hospitals Corporation	—	2,522	2,522
City University	14,255	—	14,255
OTHER:			
Miscellaneous	103,578	—	103,578
Procurement Savings	55,519	—	55,519
Total Agency Programs	**$1,164,647**	**$141,736**	**$1,306,383**

Technical Note: 1) Gap closing program includes initiatives from the May 1, 2008 Executive Budget and the January 24, 2008 Financial Plan.