

THE COUNCIL OF THE CITY OF NEW YORK

Hon. Melissa Mark-Viverito
Speaker of the Council

Hon. Ritchie Torres
Chair, Committee on Public Housing



Hearing on the 2014 -2018 Operating and Capital Budget & the Fiscal 2014 Preliminary Mayor's Management Report

New York City Housing Authority

March 21, 2014

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New York City Housing Authority Overview

The New York City Housing Authority (NYCHA) provides affordable housing to nearly 420,000 low-and moderate income City residents by managing and maintaining 334 public housing developments with 181,000 apartment units in the five boroughs. Through federal rent subsidies (Section 8 Leased Housing Program), the Authority assists nearly 92,000 families in locating and renting housing in privately owned buildings. In addition, the Authority provides social services for its residents through 68 community centers, 38 senior centers and a variety of programs. NYCHA's budget is not part of the City's budget and NYCHA's fiscal year follows the calendar year. On December 18, 2013, the NYCHA Board approved the 2014-2018 Operating Plan.

2014-2018 Operating Plan Highlights

NYCHA 2014-2018 Operating Budget (All Funds)

<i>Dollars in Thousands</i>	2014	2015	2016	2017	2018
<u>Revenues</u>					
Revenue from Operations	\$973,310	\$1,008,304	\$1,039,667	\$1,066,498	\$1,071,675
Other Revenues	1,895,074	1,888,587	1,920,765	1,943,212	1,962,418
Total Revenues	\$2,868,384	\$2,896,891	\$2,960,432	\$3,009,710	\$3,034,093
<u>Expenditures</u>					
Personal Service	\$1,221,848	\$1,238,024	\$1,259,593	\$1,284,829	\$1,311,831
Other Than Personal Service	1,927,290	1,956,354	1,995,025	2,027,236	2,067,919
Total Expenditures	\$3,149,138	\$3,194,378	\$3,254,618	\$3,312,065	\$3,379,750
Surplus/(Deficit)	(\$280,754)	(\$297,487)	(\$294,186)	(\$302,355)	(\$345,657)

NYCHA projects an overall deficit of \$280.8 million in 2014 and a deficit for all outlying years. The chronic deficits are driven by federal underfunding of public housing and increased employee entitlement costs (costs that are "uncontrollable" in the near-term). NYCHA submits funding requests to the federal Department of Housing and Urban Development (HUD) for the amount it is entitled to under statutory formulas for operating and capital funds. After receiving submissions from all Public Housing Authorities, HUD prorates each allocation in accordance with actual appropriations. Over the last several years, because appropriations have been less than the cumulative amount needed by all housing authorities, NYCHA has received an average of 77 percent of funding formula eligibility. This results in approximately \$230 million less in operating subsidy each year.

REVENUE HIGHLIGHTS

- **Rent Equity Policy.** NYCHA projects that over 47,000 households are paying less than 30% of family income towards rent, as required by the federal Department of Housing and Urban Development (HUD). In 2011, the NYCHA board approved changes to the rent policy where rents for these "flat rent" households will gradually increase to 30% of family income subject to the maximum HUD-established fair market rent. This policy is expected to yield 4%

compound growth in projected Tenant Rental Revenue over the 2014-2018 period, from \$955 million in 2014 to \$1.05 billion in 2018.

- **Section 8 Phased Conversion.** NYCHA owns and operates 21 developments, consisting of approximately 20,100 units, which were originally financed by the City and State of New York but later brought into the federal program. Under an agreement with HUD, the Authority was permitted to use the resources of the remaining housing portfolio to finance the operating costs of these units. In 2008, NYCHA was given authority to convert 8,400 public housing units at these developments to Section 8 assistance through a voluntary conversion plan (VCP). Additionally, through the Mixed-Finance Federalization transaction that was closed in 2010, NYCHA was able to get a federal operating subsidy for 11,743 units in these developments. This added approximately \$60 million of annual federal operating subsidy. As of December 31, 2012, less than 2,900 of the units covered under the VCP have been converted to Section 8 assistance. Under the current five-year operating plan, NYCHA expects to convert another 4,300 unfunded public housing units to Section 8 assistance beginning in 2014. This initiative will double the VCP subsidy income from \$47 million in 2014 to \$95 million in 2018. NYCHA also intends to work with HUD over the coming year to develop a new conversion plan.
- **Aid from the City of New York.** In his Fiscal 2015 Preliminary Budget, Mayor de Blasio set aside \$52.5 million for NYCHA to redirect resources towards repair and maintenance work orders. NYCHA has been paying the New York Police Department (NYPD) approximately \$70 million annually for police services at NYCHA developments. This preliminary budget relieves NYCHA of the remaining \$52.5 million that would otherwise be owed to the NYPD in FY 2014. This is a one-time subsidy.
- **Section 8 Properties Subsidy.** NYCHA owns and operates six developments that exclusively contain project-based Section 8 units. Tenant rent for these units is accounted for in Tenant Rental Revenue (See Page 6). NYCHA plans to sell these properties in June 2014 eliminating these subsidies for the years 2015-2018. The proceeds of the sale are expected to be between \$80 and \$100 million, but are not yet reflected in this financial plan.
- **FEMA Reimbursement.** NYCHA has received reimbursements from FEMA to address the costs incurred by Superstorm Sandy. The Authority projects to receive approximately \$24 million in 2014 and \$8 million in each of the years 2015-2018.
- **Infill Development/Land Lease Strategy.** The Authority plans to lease underdeveloped land to private developers who will create residential housing at select infill sites to developers in order to generate additional cash flow. In July 2013, the Authority released a Request for Proposals (RFP) seeking bids from developers for the rights to build on 14 infill sites, or approximately 3.8 million square feet of residential zoning area in Manhattan below 110th Street. No rezoning is required and there will not be any displacement of existing housing. Some nonresidential facilities, such as parking lots, trash yards, and community centers will be affected. These nonresidential facilities will be rebuilt by the selected developers so that NYCHA residents do not lose resources. The largest tower would contain just over 500 units and the smallest would be as few as 50 units. The development sites will be located in Council Members Chin (1,322,658 square feet), Mendez (684,145 square feet), and Mark Viverito's (1,841,274 square feet) districts. The buildings will be constructed on the edge of the NYCHA developments in order to integrate with the neighborhood and provide additional security for

NYCHA residents. Of the projected 4,330 new units, 20%, or 860, will be affordable to households at 60% Area Median Income (AMI) or below. The Authority will prioritize NYCHA residents, especially those in the effected developments, for the new affordable housing stock. NYCHA projects the average unit size to be 890 square feet. By providing these affordable housing units, the developers will receive 421-a tax abatements. Under this plan, there will be no City subsidy funds required.

The developers will be required to meet all 421-a criteria and under the program will receive a declining property tax exemption for the assessed value of the new multifamily development. These benefits will cover the construction period and then phase out by the end of a 20-25 year period depending on the development's location. Each infill project will be subject to Payment in Lieu of Taxes (PILOT), based on the value of the new building, less the reduction provided by the 421-a program. NYCHA will require the affordable units to remain for the term of the ground lease, even after the 421-a phases out. If a developer seeks to benefit from the City's inclusionary zoning program, it must comply with all of the Department of Housing, Preservation and Development's (HPD) program requirements and must receive HPD approval. Developers are free to seek other benefits, such as tax exempt bonds or 4% tax credits in addition to the 421-a , but might be subject to more extensive affordability restrictions and does not affect the 20% permanent affordability requirement.

The estimated total land value of these properties is between \$513 million to \$760 million (\$135-200 per square foot). NYCHA will maintain ownership over the land and enter into a 99-year unsubordinated ground lease with the developer. Proceeds from the lease will move from the operating budget into the capital budget in order to finance capital rehabilitation work at existing developments. The total annual ground rent payments to NYCHA is expected to reach \$31-46 million after conveyance of all infill sites based on a 6% return on the estimated land value. Ground lease payments will remain fixed for the initial 35 years. NYCHA's current Five-Year Operating Plan estimates revenue to be \$16.2 million in 2015 and growing to \$32.4 million in 2018. The Authority will also be able to borrow against the lease revenue stream.

During development, NYCHA will seek to facilitate resident construction jobs and permanent employment. NYCHA will also be building a micro-grid in each of the effected developments, which will provide electrical power to the entire site and help mitigate future problems during disasters like Superstorm Sandy. The following table provides a summary of the proposed infill development sites.

Infill Development Site Summary				
Development	Location	Neighborhood	Residential Zoning Floor Area (SF)	City Council Member
LaGuardia	Madison Street	Lower East Side	134,210	Chin
LaGuardia	Rutgers Street	Lower East Side	121,428	Chin
Smith Houses	Robert Wagner Place	Downtown	363,000	Chin
Smith Houses	South Street	Downtown	704,020	Chin
Baruch	Houston Street	Lower East Side	175,000	Mendez
Baruch	FDR Drive	Lower East Side	298,000	Mendez
Campos Plaza I	E. 12th Street b/w Avenue A & B	East Village	89,700	Mendez
Meltzer Towers	E. 1st Street	East Village	121,445	Mendez
Carver	E. 102nd Street & Madison Avenue	East Harlem	150,834	Mark-Viverito
Carver	E. 102nd Street & Madison Avenue	East Harlem	150,834	Mark-Viverito
Douglass	Columbus Avenue & W. 102nd Street	Manhattanville	169,620	Mark-Viverito
Douglass	Columbus Avenue & W. 102nd Street	Manhattanville	169,620	Mark-Viverito
Douglass	W. 104th Street b/w Amsterdam & Columbus	Manhattanville	173,976	Mark-Viverito
Douglass	W. 104th Street b/w Amsterdam & Columbus	Manhattanville	173,976	Mark-Viverito
Washington	E. 99th Street (North Side)	East Harlem	350,000	Mark-Viverito
Washington	E. 99th Street (North Side)	East Harlem	502,415	Mark-Viverito
TOTAL			3,848,078	

EXPENSE HIGHLIGHTS

- Increased Pension and Other Entitlement Costs.** In 2012, the Authority's annual contribution to the pension system increased 26%, from \$119 million to \$150 million due to a lowering of the discount rate and other actuarial changes. The Authority expects pension costs to increase from \$153 million in 2013 to \$173 million in 2017. Additionally, NYCHA obtains its health insurance plans through the City, which costs are projected to rise approximately 9% annually from \$192 million in 2013 to \$266 million in 2017.
- Headcount Reductions.** In reaction to federal underfunding and increased discretionary spending, the Authority has taken measures to reduce its associated salary and fringe expenditures for 2014 and the future. The Authority has eliminated 426 positions from the 2014 Operating plan. NYCHA anticipates that these reductions will generate \$83 million in 2014 and \$423 million total for years 2014-2018. NYCHA's employee headcount will continue to decline as further efficiencies are sought in central office functions.
- Maintenance and Repair.** In January 2013, NYCHA announced an Action Plan to expedite maintenance and repairs in order to improve its accountability and efficiency in responding to work orders. As of January 2014, the Authority has reduced its backlog by approximately 95 percent, from 332,639 work orders in January 2013, to 16,566 as of January 2014. With this reduction, the total number of open work orders is 106,566, which includes a baseline of about 90,000 work orders considered to be routine, in-progress work. NYCHA estimates that the cost to complete deferred maintenance and repair to apartment interiors is approximately \$3,000 per unit. Along with reducing the total number of open work orders, NYCHA has also reduced

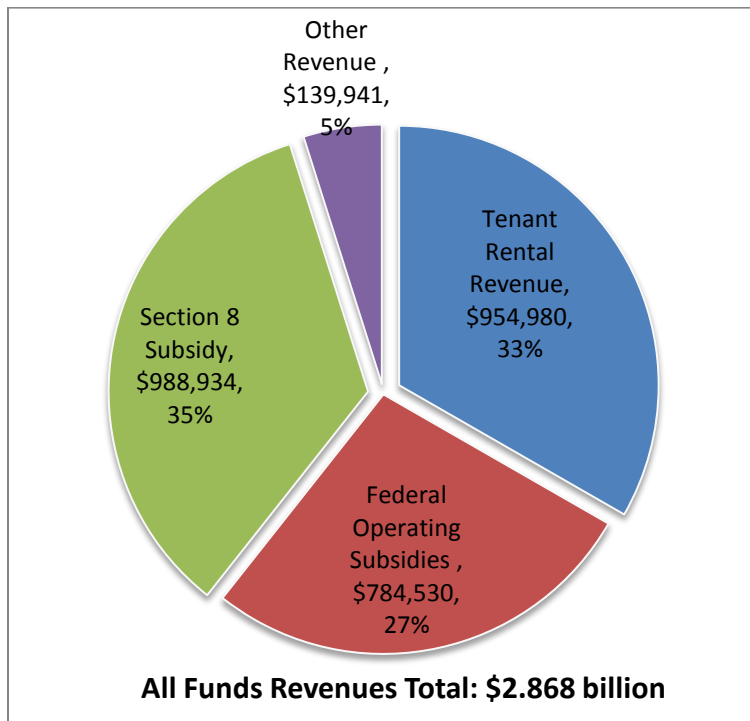
the average time it takes to respond to work requested by residents. For example, the average time it takes to respond to a request for maintenance has been reduced to 20 days citywide. This metric is advancing toward the target of 7 days on average.

- **Transitioning of NYCHA Community and Senior Centers.** In May 2013, due to budgetary constraints, NYCHA proposed closing 38 NYCHA managed senior centers. Four of the senior centers that were proposed to be closed, Pelham Parkway, Farragut, Saratoga Square, and Polo Grounds Towers, were able to be picked up by the New York City Department for the Aging (DFTA) because they had the appropriate square footage necessary for conducting programming according to the agency's standards. For the remaining 34 NYCHA senior centers that were slated to be closed, the Administration added funding for one year so that these NYCHA managed centers could remain open until the end of Fiscal 2014. If the Administration does not restore funding in Fiscal 2015 for the remaining NYCHA senior centers, these centers once again will be at risk of closing. A total of 57 NYCHA managed Centers will remain open until June 30, 2014. The current Operating Plan eliminates about 160 positions needed to run 34 Senior Centers and 24 Community Centers.
- **Superstorm Sandy.** The storm has had a profound effect on NYCHA and its finances, particularly with regard to capital investments. Sandy caused substantial damage to hundreds of NYCHA buildings principally from seawater flooding. NYCHA has estimated that it would cost \$400 million to repair all Sandy related damage to its developments. The Authority has requested \$1.2 billion in Community Development Block Grant (CDBG) funding, \$150 million in FEMA reimbursements and approximately \$440 million in insurance funds. In February 2014, NYCHA testified that they have received \$298 million of the requested total of \$1.8 billion; \$187 million in insurance, \$3 million from FEMA, and \$108 million from HUD.
- **Provisional Heating Systems.** In February 2014, NYCHA also testified that it had 24 mobile heating systems and two backup mobile boilers providing electricity, heat and hot water to approximately 8,800 families at 16 developments to fill in for equipment damaged by Superstorm Sandy. Since installing the mobile boilers, the Authority has paid a total of \$55.8 million for rent, fuel and installation. The mobile boilers will be in place for at least two more years, contingent on funding commitments, and completion of design and construction of permanent boiler replacements.
- **Energy Performance Contract.** In January 2013, NYCHA received approval from HUD to move forward with an \$18 million Energy Performance Contract (EPC). EPC is a financing technique that uses cost savings from reduced energy consumption to repay the cost of installing energy conservation measures. The EPC allowed the Authority to obtain private loans financed through HUD subsidies, in addition to its annual capital subsidies, to implement energy efficiency work. The current EPC resulted from the Authority taking advantage of Con Edison incentives totaling \$863,000 for an electricity load reduction program in Manhattan's Cooper Square area. The EPC will allow the Authority to install energy efficient lighting in 9,193 apartments, build public spaces in seventeen Developments, replace antiquated boiler plants in six Developments and install other heating system upgrades.

CAPITAL PLAN HIGHLIGHTS

- **Capital Improvements to Sandy-Impacted Developments.** NYCHA has estimated that it would cost \$400 million to repair all Sandy related damage to its developments. The Authority has requested \$1.8 billion in Community Development Block Grant (CDBG) funding, \$150 million in FEMA reimbursements and approximately \$440 million in insurance funds. The use of these funds will be as follows: a) \$50 million in operating costs (overtime, rent abatement), b) \$100 million in emergency response (cleanup), c) \$350 million for repairs and replacements, d) \$160 million for resiliency efforts at the damaged sites, e) \$250 million for mitigation work, f) \$50 million for programmatic improvements such as an emergency center, g) \$25 million for advanced approaches like cogeneration, new facades, and roof boilers, h) \$180 million for community center improvements, and i) \$620 million for resiliency measures at non-damaged sites. As of January 2014, NYCHA has received \$298 million of the requested total of \$1.8 billion; \$187 million in insurance, \$3 million from FEMA, and \$108 million from HUD.
- **City Capital Funded Projects.** Currently there are over 203 city capital funded projects in NYCHA's portfolio, totaling approximately \$187 million from New York City Council allocations; 53 are newly funded 2014 projects. Some of these projects receive additional funding from Borough Presidents, Mayoral, State and Federal resources. NYCHA generally divides projects into 2 sub categories: Security and Non-Security Projects. The main reason for this delineation is due to the differing project processes. Security projects are constructed using a Job Order Contract (JOC), which expedites the process as the procurement is done upfront for all projects. Security projects include security cameras, intercoms, new entrances, electronic key entry and other elements of enhanced security. Non-Security projects include everything else, such as playgrounds, upgrades to community centers and lighting upgrades. Non-Security projects tend to use a traditional procurement methodology. Per NYCHA's Quarterly Report for the period of July 1, 2013 to September 30, 2013, 94 projects were submitted to the New York City Office of Management and Budget (OMB). The Authority also received one certificate to proceed from OMB and is awaiting approval on 10 additional projects. In the report, the Authority also stated that there is approximately \$1.2 million in funds that should be repurposed. This is generally due to a project being completed, and therefore has leftover funding, or because the project was completed using alternate funding sources.

2014 Operating Plan Revenues



Other Revenue	
<i>*In Thousands</i>	
Other Revenue from Operations	\$18,330
Contract-Based Section 8 Properties Subsidy	5,403
Debt Service Subsidies	621
Categorical Grants	3,378
Capital Fund Reimbursements	49,569
Interest on Investments	1,159
FEMA Reimbursement	23,872
City Funds	17,700
Other	19,909
Total Other Revenue	\$139,941

NYCHA’s total revenues for 2014 are approximately \$2.87 billion. The primary source of revenue is from the Section 8 Housing Choice Voucher program, which accounts for approximately \$988.9 million, or 35% in subsidy. Under this program, NYCHA pays HUD subsidies to participating landlords on behalf of eligible tenants. These tenants are currently paying rents generally equal to 30% of family adjusted income and the subsidies fill the gap between the contract rent and rental payments. NYCHA also earns a fee from HUD for administering the program. Tenant rental revenues (\$955 million) and Federal subsidy (\$784,530 million) account for 33% and 27% of the Authority’s operating revenues, respectively. Projected tenant rental revenue is projected to increase to \$1.05 billion in 2018, a compound growth rate of 2%. Other Revenue from Operations consists of ancillary fees, primarily from residents, including sales and services charges, parking fees, and appliance surcharges intended to defer a portion of the cost of excess utility consumption. Other Revenue from Operations is projected to increase from \$18 million in 2014 to \$21 million in 2018. Total Other Revenue is projected to be about \$140 million in 2014; \$24 million of this funding stream is from a FEMA reimbursement.

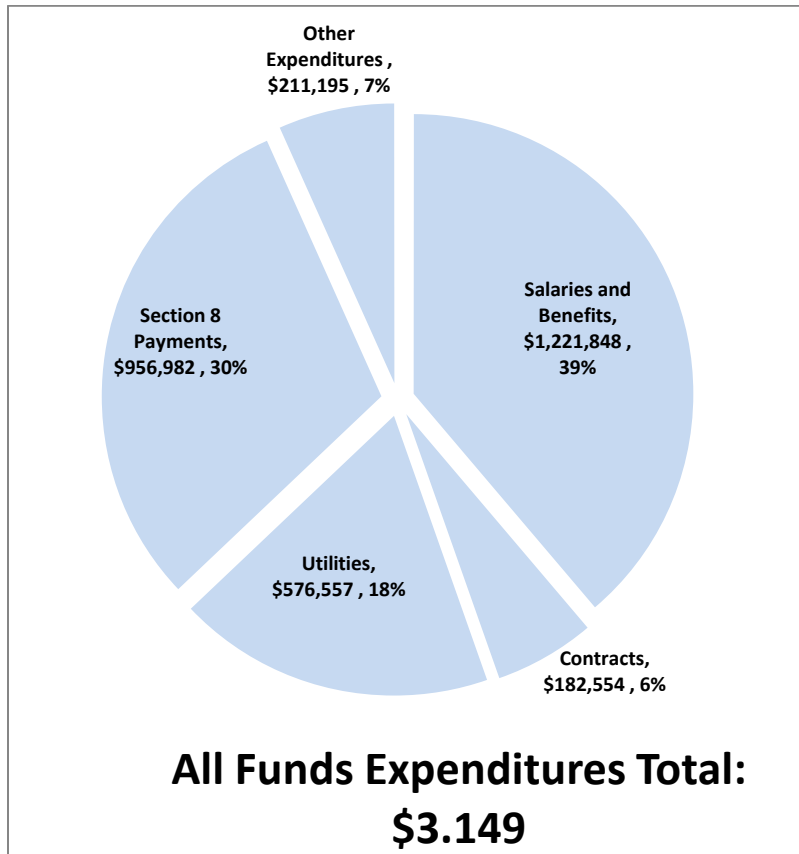
NYCHA's Chronic Funding Gap

Congressional Funding Deficit

Federal subsidies account for approximately 40% of NYCHA's General Fund and 100% of the Section 8 Housing Choice Voucher Program revenues. NYCHA receives federal capital grants for infrastructure improvements and major rehabilitation to public housing buildings. As the capital needs of aging buildings grow, operating costs, such as maintenance and repair increase. Operating budgets are funded separately by HUD from the public housing Operating Fund. This Fund provides subsidies to public housing agencies nationwide for day-to-day operations. Funding is based on the subsidy eligibility of all housing authorities and the annual federal appropriation. The eligibility formula is intended to capture the costs of operating public housing but if the total national eligibility exceeds the congressional appropriation, then HUD must prorate the allocation of subsidy. Additionally, while HUD's formula takes various factors into account, New York City has long advocated that the factors underlying the operating subsidy formula are inequitable, ignoring local factors, particularly consideration of the age and height of NYCHA's buildings, the City's uniquely high construction costs, and higher employment costs in comparison to authorities across the U.S.

From 2001 to 2013, proration resulted in a cumulative operating subsidy loss of over \$937 million compared to eligibility. Additionally, the volatility of funding appropriations precludes efficient and effective multi-year expenditure planning. Finally, the efficient management of NYCHA's limited resources is complicated by the current statutory restrictions on funding streams. In the past three years, funding has been sporadic and unpredictable making long-term planning and financial stability difficult to achieve for the Authority. NYCHA has had to become increasingly reactive and adaptive to changes in federal funding amounts and adjust strategic decisions accordingly.

2014 Operating Plan Expenditures



Other Expenditures <i>*In Thousands</i>	
Leases	\$37,322
Supplies	54,998
Equipment	10,723
Insurance	49,386
PILOT	29,791
Debt Services	3,498
Other	25,477
Total Other Expenditures	\$211,195

NYCHA’s total operating expenditures is approximately \$3.15 billion for 2014. These expenditures are mostly comprised of salaries and benefits, which account for \$1.22 billion, or 39 percent of total budget expenditures. Full-time salaries are budgeted for \$610 million for 2014 decreasing to \$594 million in 2018. Section 8 payments also make up a substantial portion of the expense budget, totaling approximately \$957 million in 2014. The cost of utilities is also an expenditure that continues to increase and the current plan estimates a cost of \$576.6 million for 2014. Of Other Expenditures, about \$49.4 million is allocated for insurance in 2014. NYCHA saw its property insurance premiums increase in 2014 due to Superstorm Sandy. The cost of insurance is projected to increase up to \$59.7 million in 2018.

Contracts includes third-party services payments for painting, floor tiling, elevator maintenance, fire safety, environmental services, marshal fees, security services, energy contracts, carting fees, automotive services, office equipment rentals and services, information technology software and hardware services, telecommunications services, lockbox fees, professional services, and others. Payments by NYCHA to the New York Police Department for services are budgeted in this line at \$70 million annually.

Uncontrollable and Controllable Expenditures

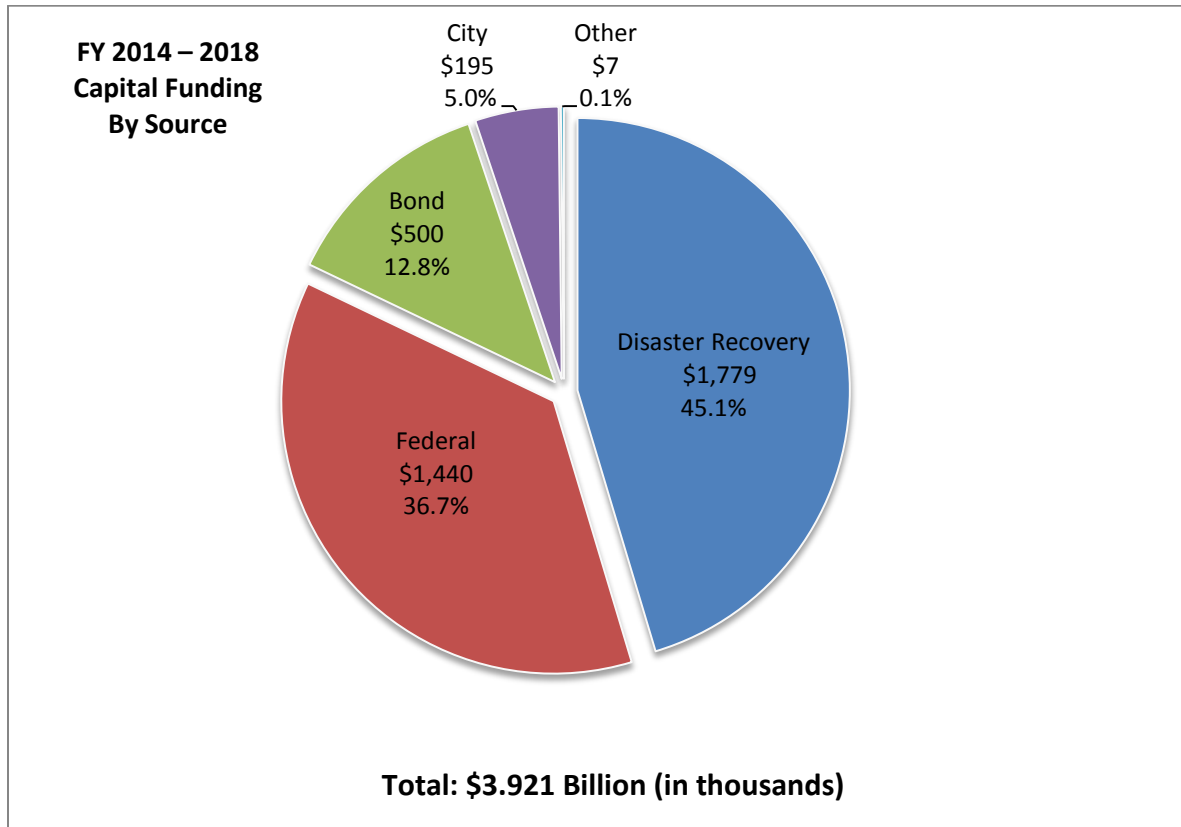
Uncontrollable vs. Controllable Expenditures (General Fund)		
	2013-2017 CAGR %	% of 2014 Cost Base
Uncontrollable OTPS (utilities, insurance, PILOT)	3.8%	31%
Uncontrollable PS (fringe, shift differential, other salary, retro)	4.6%	25%
Controllable OTPS (leases, supplies, equipment, contracts, other)	2.7%	14%
Controllable PS (FT and PT salary, seasonal, overtime)	-0.5%	30%

Higher pension, healthcare, and workers’ compensation costs will continue to place financial strain on the Authority for the next five years and foreseeable future. With high prospects for continued underfunding, it is reasonable to assume the Authority will face structural deficits through 2018 and beyond.

Since 2006, NYCHA’s average fully loaded cost per employee has risen 4.4% annually, while federal operating funding has risen only 0.5% percent annually. During the same time, NYCHA has reduced its full time headcount in an attempt to match costs with funding sources. Uncontrollable Personal Service costs, which are mainly fringe benefits and other entitlements, are growing fastest, at 4.6% annually between 2013 and 2017. The Plan projects similar future trends with Total Personal Service Costs increasing 7.4% over the next five years, while the Federal Operating Subsidy is projected to decrease by 0.8% over the same time period.

2014 - 2018 Capital Plan

NYCHA’s 2014 Capital Plan provides approximately \$3.921 billion in planned commitments for infrastructure improvements, major modernization, systemic upgrades, repair, resiliency, and fortification of developments damaged or impacted by Superstorm Sandy and those located in expanded Flood Zone A. The Plan is based on the current federal capital funding outlook, and relies on the near-term implementation of certain Plan NYCHA initiatives.



The Plan includes an increase of \$11 million in federal capital fund awards over the 2013-2017 Adopted Capital Plan. However, the Plan also includes \$1.779 billion in one-time disaster recovery funds to address the impacts of Superstorm Sandy. Overall, of the \$3.921 billion dollars included in this Capital plan, 36.7% are from Annual Federal Capital Grants, 45.1% are from funds related to disaster recovery, 12.8% are from a Bond issue, 5.0% come from the City of New York, and .10% comes from other sources.

- Disaster Recovery – Superstorm Sandy** . This plan includes \$1.779 billion dollars that NYCHA has requested for disaster recovery funding in the wake of Superstorm Sandy. NYCHA proposes that these funds will be used to repair the damage caused by Superstorm Sandy to infrastructure and critical systems at 32 developments and to fortify 26 additional developments in the expanded Flood Zone A.
- Capital Fund Reimbursements.** Capital Fund Reimbursements are reimbursements from the federal capital program to the operating program for capital-related costs incurred in the

operating budget. NYCHA is permitted to charge against capital fund grants to cover Capital Program administration costs funded from the operating budget. Further, it includes the reimbursement of direct costs of frontline staff involved in designing and managing capital projects. Additionally, it includes the central office allocations of budgeted information technology capital expenditures for projects that benefit NYCHA's frontline and central support functions. Finally, this line includes reimbursements from the Capital Program for funding the capital replacement reserves of NYCHA's mixed-finance portfolios (which are funded from the operating budget) and \$10 million each year of 2014-2016 for the Painter's Apprentice Program. Capital Fund Reimbursements are projected to be approximately \$50 million in 2014 and approximately \$47 million in the years 2015-2018.

- **Capital Fund Bond Issue.** Under HUD's Capital Fund Financing Program (CFFP), NYCHA may borrow private capital to make improvements and pledge, subject to availability of appropriations, a portion of future year annual capital funds for debt service. Borrowing capacity under CFFP is limited so that annual debt service may not exceed 33 percent of annual federal capital grant awards. Bond proceeds are required to be expended over a four year period. In 2013, the Authority intended to complete a \$500 million CFFP bond issue. This revenue would partially offset the loss of federal capital funds and accelerate the completion of critically needed capital work. NYCHA plans to use the net proceeds to rehabilitate building envelopes, principally for the remediation of Local Law 11 violations, as well as install new roofs at selected locations. Local Law 11 applies to exterior walls of buildings that are six or more stories in height and addresses the dangers associated with deteriorating building facades. The bond issuance will cure approximately 55-60% of the currently outstanding Local Law 11 violations.
- **Contract Based Section 8.** NYCHA owns certain developments that consist of contract-based Section 8 dwelling units. These buildings have not received appropriate levels of investment and need substantial rehabilitation. The long-term, contract-based nature of the HUD subsidy for these properties provides a predictable source of income and cash flow that may be leveraged to complete a structured financing. Net proceeds from a structured financing transaction are \$43.5 million which will be used to perform rehabilitation work needed to bring properties to a state of good repair.
- **Heating and Plumbing.** This plan provides \$193 million for heating and plumbing work, including \$123 million for the replacement of 25 boilers in a critical state of repair, \$18 million for gas riser replacements that will help reduce gas supply outage, \$6 million for underground steam main replacements that will reduce heating system failures and \$9 million for various heating and plumbing systems. This plan also includes \$37 million for the installation of energy-efficient instantaneous hot water heaters.
- **Preliminary Mayor's Management Performance Measures.** The percentage of active capital projects in the construction phase that are on schedule decreased 30 percent from 89.4 percent during the first four months of Fiscal 2013 to 59 percent in Fiscal 2014. The percentage of active capital projects on schedule overall was down from 39.5 percent to 33 percent. NYCHA's continued work to address the immediate and long-term repairs needed after Hurricane Sandy impacted on-time performance (For more capital-related performance measures, see Appendix E).

FISCAL 2014 PERFORMANCE INDICATORS

- **Section 8 Placements.** The number of housing applicants placed through Section 8 vouchers decreased 38% from 249 in 2013 to 155 over the same four month period in 2014. Utilization rate for Section 8 vouchers decreased, from 94.8% in 2013 to 92.5% over the same period in 2014. This is below NYCHA's target of 97% utilization rate. Additionally, the Section 8 occupied units decreased 2%, from 92,669 to 90,789. Fewer occupied units and a lower unit utilization rate are directly related to a decrease in funding from the Department of Housing and Urban Development (HUD) for the Section 8 program. The PMMR states that NYCHA utilized 100 percent of the funding allocated for the Section 8 vouchers.
- **Applicants Placed in Housing.** The number of applicants placed in NYCHA housing increased 8% during the first four months of Fiscal 2014, from 1,711 in Fiscal 2013 to 1,847. At the end of August 2013, NYCHA released apartments previously held for non-residents and residents impacted by Hurricane Sandy and made them available to applicants, which may be a contributing factor to this increase. During the reporting period, NYCHA prioritized repair work to reduce the backlog of repairs in occupied units. As a result, this impacted performance for apartment turnaround time, which increased from 49.8 days in Fiscal 2013 to 79.1 days in Fiscal 2014.
- **Service Requests.** The average time to resolve emergency service requests, which includes heat service requests, increased 31% from 7.8 hours during the first four months of Fiscal 2013 to 10.2 hours during the same period in Fiscal 2014. During this period in Fiscal 2013, NYCHA received 31 percent more heat service requests compared to the same period last year as a result of a much colder heating season. The higher volume of work orders impacted the time to resolve heat and emergency requests overall. However, the time to resolve them remained below the Authority's target of 24 hours. With regards to non-emergency service requests, the average time to resolve a request decreased from 36.9 hours in Fiscal 2013 to 32.6 hours in Fiscal 2014. This improvement is the direct result of NYCHA's Maintenance and Repair Plan. NYCHA has reduced its backlog of work orders by approximately 95 percent, from 332,639 open work orders on January 1, 2013, to 16,566 as of January 1, 2014. When including the approximately 90,000 open work orders that consist of regular, routine maintenance work in progress, the total number of open work orders is 106,000.
- **Elevator Maintenance.** With regards to elevators, the average time to resolve elevator outages increased 8.8% from 6.8 hours during the first four months of Fiscal 2013 to 7.4 hours during the same period in Fiscal 2014. In addition, the average number of elevator outages per month was up from 1.05 outages per car to 1.08 during the same period. The percentage of time that elevators are in service was 99% and exceeded the target of 97%. The number of elevator related injuries decreased from 7 to 5.
- **Supportive Services for Seniors.** The initial Social Services tenant contacts conducted within five days increased to 65% during the first four months of Fiscal 2014 compared to 60% for the same period in Fiscal 2013. NYCHA's Family Services Department (FSD) monitors performance to improve referrals from community partners and reduce the number of missed appointment with tenants. The referrals to supportive services rendered to senior residents decreased by 17% during the first four months of Fiscal 2014 to 28,060 compared to 33,971 for the same period in Fiscal 2013.

- **Supportive Services for Youth.** The average daily attendance for children aged 6-12 at community centers decreased 13 percent during the first four months of Fiscal 2014 to 1,760 compared to 2,034 in Fiscal 2013. The average daily attendance for youth aged 13-19 decreased by 13 percent, from 886 to 772 during the same period. Reductions in the number of NYCHA managed community centers and the number of summer camp slots impacted community center capacity and reduced fall registration at remaining locations.
- **Domestic Violence Victims.** NYCHA's Emergency Transfer Program (ETP) is available to NYCHA residents who are victims of domestic violence, intimidated victims, intimidated witnesses, or child sexual victims. The program is intended to enhance safety for at-risk residents by providing case management and confidential relocation services to another NYCHA development. Fewer residents were approved for the ETP program during the first four months of Fiscal 2014, when 295 residents were approved, compared to 345 during the same period last year. At the same time, the ETP disposition time improved by 24 percent, from 61 days to 46 days.
- **Job Placements.** Resident job placements declined 35 percent during the first four months of Fiscal 2014, to 530, compared to 817 during the prior period. This indicator includes the number of residents placed by NYCHA's Department of Resident Economic Empowerment and Sustainability (REES) and through Human Resources (HR). Fewer training sessions at NYCHA's Resident Training Academy impacted the number of trained residents available for placement. A hiring freeze, among other constraints, affected NYCHA's capacity to place residents into jobs in-house and with contractors.

Appendix A

2014-2018 Operating Budget (All Funds)

<i>Dollars in Thousands</i>	2014	2015	2016	2017	2018
Revenues					
<i>Revenues from Operations:</i>					
Tenant Rental Revenue	\$954,980	\$988,189	\$1,019,106	\$1,045,478	\$1,050,220
Other Revenue from Operations	18,330	20,115	20,561	21,020	21,455
Total Revenue from Operations	\$973,310	\$1,008,304	\$1,039,667	\$1,066,498	\$1,071,675
<i>Other Revenues</i>					
Federal Subsidies	\$784,530	\$791,011	\$781,178	\$777,358	\$778,141
Contract-Based Section 8 Properties	5,403	0	0	0	0
Debt Service Subsidies	621	525	438	360	285
Capital Fund Reimbursements	49,569	47,569	46,569	46,569	46,569
Interest on Investments	1,159	1,299	1,642	2,327	2,743
Other	19,909	20,983	21,195	21,498	21,719
Land Lease Strategy	0	16,200	32,400	32,400	32,400
FEMA Reimbursement	23,872	7,881	7,966	7,709	7,709
Categorical Grants	3,378	3,382	3,175	3,175	3,175
Section 8 Housing Assistance Payments	926,813	934,653	959,206	983,853	1,001,669
Section 8 Admin	62,121	65,085	66,996	67,963	68,009
City Funds	17,700	0	0	0	0
Total Other Revenues	\$1,895,075	\$1,888,588	\$1,920,765	\$1,943,212	\$1,962,419
Total Revenues	\$2,868,385	\$2,896,892	\$2,960,432	\$3,009,710	\$3,034,094
Expenditures					
<i>Personal Service:</i>					
Salary F/T	\$610,030	\$605,021	\$600,910	\$597,912	\$594,456
Salary P/T	515	227	227	227	227
Seasonal	36	36	36	36	36
Overtime	54,128	54,108	54,104	54,104	54,104
Shift Differential	1,374	1,355	1,355	1,355	1,355
Retro	53	53	53	53	53
Fringe	536,126	557,592	583,271	611,505	641,963
Other Salary	19,584	19,632	19,637	19,637	19,637
Total Personal Service	\$1,221,846	\$1,238,024	\$1,259,593	\$1,284,829	\$1,311,831
<i>Other Than Personal Service:</i>					
Leases	\$37,322	\$40,576	\$41,805	\$42,852	\$43,965
Supplies	54,998	52,468	52,468	52,466	52,466
Equipment	10,723	10,757	9,795	8,863	8,339
Utilities	576,557	588,557	614,038	642,000	671,643
Contracts	182,554	185,037	186,217	187,115	187,569
Debt Services	3,498	3,360	3,232	3,104	2,987
Insurance	49,386	51,994	54,723	57,582	59,700
Payment in Lieu of Taxes (PILOT)	29,791	32,673	33,688	33,104	31,234
OTPS Other	25,477	35,242	51,160	51,216	51,279
Section 8 Payments	956,982	955,690	947,898	948,934	958,738
Total Other Than Personal Expenses	\$1,927,288	\$1,956,354	\$1,995,024	\$2,027,236	\$2,067,920
Total Expenditures	\$3,149,134	\$3,194,378	\$3,254,617	\$3,312,065	\$3,379,751
Surplus/(Deficit)	(\$280,749)	(\$297,486)	(\$294,185)	(\$302,355)	(\$345,657)

Appendix B

2014-2018 Operating Budget (General Fund)

<i>Dollars in Thousands</i>	2014	2015	2016	2017	2018
Revenues					
Revenues from Operations:					
Tenant Rental Revenue	\$954,980	\$988,189	\$1,019,106	\$1,045,478	\$1,050,220
Other Revenue from Operations	18,330	20,115	20,561	21,020	21,455
Total Revenue from Operations	\$973,310	\$1,008,304	\$1,039,667	\$1,066,498	\$1,071,675
Other Revenues					
Federal Subsidies	\$782,813	\$789,252	\$779,374	\$775,242	\$776,024
Contract-Based Section 8 Properties	5,403	0	0	0	0
Debt Service Subsidies	621	525	438	360	285
Section 8 Phased Conversion	47,062	58,983	77,083	88,823	95,324
Section 8 Management Fees	13,245	0	0	0	0
Capital Fund Reimbursements	49,569	47,569	46,569	46,569	46,569
Interest on Investments	1,159	1,299	1,642	2,327	2,743
Other	18,712	19,777	19,980	20,189	20,410
Land Lease Strategy	0	16,200	32,400	32,400	32,400
FEMA Reimbursement	23,872	7,881	7,966	7,709	7,709
Categorical Grants	0	0	0	0	0
Section 8 Housing Assistance Payments	0	0	0	0	0
Section 8 Admin	0	0	0	0	0
City Funds	10,076	0	0	10	20
Total Other Revenues	\$952,532	\$941,486	\$965,452	\$973,629	\$981,484
Total Revenues	\$1,925,842	\$1,949,790	\$2,005,119	\$2,040,127	\$2,053,159
Expenditures					
Personal Service:					
Salary F/T	\$577,003	\$576,362	\$572,391	\$569,403	\$565,956
Salary P/T	281	0	0	0	0
Seasonal	23	23	23	23	23
Overtime	52,243	52,348	52,343	52,343	52,343
Shift Differential	1,333	1,354	1,354	1,354	1,354
Retro	53	53	53	53	53
Fringe	510,479	534,014	558,471	584,980	613,989
Other Salary	18,578	18,702	18,707	18,707	18,707
Total Personal Service	\$1,159,993	\$1,182,856	\$1,203,342	\$1,226,863	\$1,252,425
Other Than Personal Service:					
Leases	\$32,862	\$35,677	\$36,708	\$37,641	\$38,634
Supplies	54,861	52,368	52,368	52,367	52,367
Equipment	8,633	8,921	8,887	7,526	7,565
Utilities	576,366	588,356	613,827	641,778	671,409
Contracts	178,740	181,293	182,450	183,303	183,737

<i>Dollars in Thousands</i>	2014	2015	2016	2017	2018
Debt Services	\$3,498	\$3,360	\$3,232	\$3,104	\$2,987
Insurance	49,245	51,846	54,565	57,413	59,525
Payment in Lieu of Taxes (PILOT)	29,791	32,673	33,688	33,104	31,234
OTPS Other	22,479	32,631	48,565	48,621	48,684
Section 8 Payments	0	0	0	0	0
Total Other Than Personal Expenses	\$956,475	\$987,125	\$1,034,290	\$1,064,857	\$1,096,142
Total Expenditures	\$2,116,468	\$2,169,981	\$2,237,632	\$2,291,720	\$2,348,567
Surplus/(Deficit)	(\$190,626)	(\$220,191)	(\$232,513)	(\$251,593)	(\$295,408)

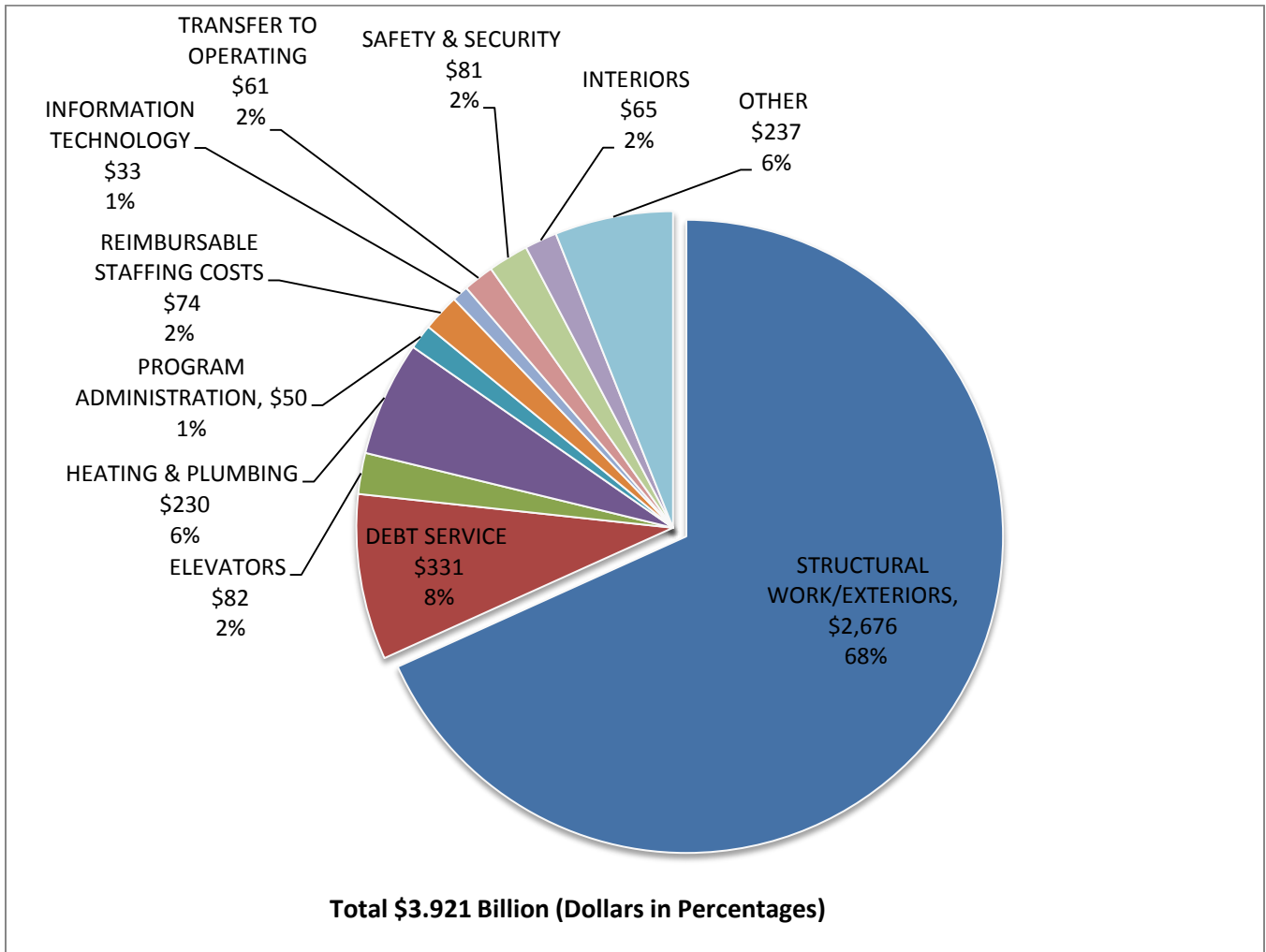
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Appendix C

2014-2018 Operating Budget (Section 8 HVC)

<i>Dollars in Thousands</i>	2014	2015	2016	2017	2018
Revenues					
Section 8 Housing Assistance Payments	\$926,813	\$934,653	\$959,206	\$983,853	\$1,001,669
Total Housing Assistance Payments	\$926,813	\$934,653	\$959,206	\$983,853	\$1,001,669
Other Revenues					
Other	\$855	\$855	\$855	\$855	\$855
Section 8 Admin	62,121	65,085	66,996	67,963	68,009
City Funds	-	-	-	-	-
Total Other Revenues	\$62,976	\$65,940	\$67,851	\$68,818	\$68,864
Total Revenues	\$989,789	\$1,000,593	\$1,027,057	\$1,052,671	\$1,070,533
Expenditures					
Personal Service:					
Salary F/T	\$27,155	\$26,692	\$26,661	\$26,661	\$26,661
Salary P/T	-	-	-	-	-
Seasonal	14	14	14	14	14
Overtime	1,761	1,761	1,761	1,761	1,761
Shift Differential	1	1	1	1	1
Retro	-	-	-	-	-
Fringe	21,425	22,116	23,329	24,648	26,098
Other Salary	932	931	931	931	931
Total Personal Service	\$51,288	\$51,515	\$52,697	\$54,016	\$55,466
Other Than Personal Service:					
Leases	\$4,460	\$4,898	\$5,097	\$5,211	\$5,331
Supplies	99	99	99	99	99
Equipment	2,090	1,836	908	1,336	774
Utilities	192	201	211	222	233
Contracts	16,789	3,708	3,767	3,812	3,832
Debt Services	-	-	-	-	-
Insurance	141	148	158	169	175
Payment in Lieu of Taxes (PILOT)	-	-	-	-	-
OTPS Other	811	811	811	811	811
Section 8 Payments	1,004,045	1,014,673	1,024,981	1,037,757	1,054,062
Total Other Than Personal Expenses	\$1,028,627	\$1,026,374	\$1,036,032	\$1,049,417	\$1,065,317
Total Expenditures	\$1,079,915	\$1,077,889	\$1,088,729	\$1,103,433	\$1,120,783
Surplus/(Deficit)	(\$90,126)	(\$77,296)	(\$61,672)	(\$50,762)	(\$50,250)

Appendix D 2014-2018 Capital Plan by Work Type



Appendix E

Fiscal 2014 Mayor's Management Report Performance Measures (July-October)

Performance Indicators	Actual			Target		4-Month Actual	
	FY11	FY12	FY13	FY14	FY15	FY13	FY14
Apartments vacated	4.6%	5.0%	4.5%	*	*	N/A	N/A
Occupancy rate (%)	99.4%	99.2%	98.8%	99.2%	99.2%	99.2%	98.8%
Applicants placed in public housing	5,650	6,012	4,233	*	*	1,711	1,847
Working families residing in public housing (cumulative) (%)	46.7%	48.0%	47.8%	*	*	N/A	N/A
Families on Section 8 waiting list (000)	N/A	124	123	*	*	124	123
Utilization rate for Section 8 vouchers (%)	98.3%	95.3%	93.9%	97.0%	97.0%	94.8%	92.5%
Section 8 Occupied Units (certificates and vouchers)	95,898	93,789	91,892	93,789	93,879	92,669	90,789
Annual Section 8 inspections	N/A	89.18%	84.36%	*	*	80.48%	91.50%
Annual Section 8 recertifications	N/A	86.36%	91.24%	*	*	94.97%	93.26%
Applicants placed through Section 8 vouchers	N/A	421	933	*	*	249	155
Apartments (000)	179	179	179	*	*	179	179
Number of developments	334	334	334	*	*	334	334
Number of buildings	2,597	2,597	2,585	*	*	2,597	2,585
Average time to prepare vacant apartments (days)	30.9	31.8	39.6	30.0	30.0	36.8	47.0
Average turnaround days for vacant apartments	35.2	40.0	60.3	40.0	40.0	49.8	79.1
Active capital projects on schedule (%)	27.5%	29.1%	24.3%	29.1%	29.1%	39.5%	33.0%
Active capital projects in construction phase on schedule (%)	71.6%	91.1%	70.2%	91.1%	91.1%	89.4%	59.0%
Average time to resolve emergency service requests (hours)	18.3	7.5	13.6	24.0	24.0	7.8	10.2
Average time to resolve nonemergency service requests (days)	29.0	30.0	42.5	15.0	15.0	36.9	32.6
Average time to resolve heat service requests (hours)	12.9	11.9	19.8	24.0	24.0	9.0	13.0
Average time to resolve elevator outages (hours)	5.2	3.8	5.8	10.0	10.0	6.8	7.4
Annual HUD Assessment rating	80.0	N/A	N/A	*	*	N/A	N/A
Average outage per elevator per month	1.08	1.01	0.97	1.01	1.01	1.05	1.08
Elevator service uptime	99.2%	99.4%	99.2%	97.0%	97.0%	99.0%	99.0%
Alleged elevator injuries reported to DOB	24.0	13.0	16.0	Down	Down	7.0	5.0
Elevator related fatalities	0	0	0	Down	Down	0	0
Management cost per dwelling unit (\$)	\$858	\$885	\$1,012	\$875	\$875	\$867	\$876
Crime Rate Year To Date	5.4	5.8	6.0	*	*	10.3	11.0
Major felony crimes in public housing developments	4,406	4,771	5,018	Down	Down	1,734	1,945
Residents approved for the Emergency Transfer Program	859	849	937	*	*	345	295
Emergency Transfer Program disposition time	39.76	44.18	54.25	45.00	45.00	60.68	46.37
Average daily attendance in community centers ages 6-12	2,800	2,447	1,980	2,447	2,447	2,034	1,760
Average daily attendance in community centers ages 13-19	1,720	1,618	1,437	1,618	1,618	886	772
Initial social service tenant contacts conducted within five days of referral (%)	76%	76%	64%	76%	76%	60%	65%
Referrals to supportive social services rendered to senior residents	95,299	94,665	96,548	*	*	33,971	28,060
Community centers	70	70	68	*	*	69	66
Senior centers	38	38	37	*	*	38	37

Performance Indicators	Actual			Target		4-Month Actual	
	FY11	FY12	FY13	FY14	FY15	FY13	FY14
Utilization of senior centers (%) ages 60+	156.0%	157.0%	133.5%	85.0%	85.0%	136.0%	154.0%
Residents job placements	2,090	1,593	1,567	1,593	1,593	817	530
Job training programs - ratio of job placements to program graduates (current period)	75%	61%	91%	*	*	N/A	N/A
Youth placed in jobs through youth employment programs	1,127	1,188	607	*	*	N/A	N/A
Letters responded to in 14 days (%)	81.92%	80.57%	73.99%	*	*	76.71%	87.76%
E-mails responded to in 14 days (%)	90.33%	86.72%	85.8%	*	*	85.37%	93.62%
Calls answered in 30 seconds (%)	70%	70%	65%	*	*	43%	69%

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