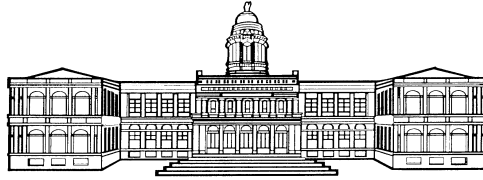


THE COUNCIL OF THE CITY OF NEW YORK

Finance Division



***Analysis of the
Calendar Year 2009 Budget
for the
New York City Housing Authority***

May 28, 2009

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Housing Authority

The New York City Housing Authority (NYCHA) provides affordable housing for low-income City residents by managing and maintaining 345 public housing developments with 181,000 apartments, housing approximately 420,000 authorized residents. NYCHA also administers Section 8 vouchers. The Authority manages new construction and rehabilitation of public housing buildings and units and also provides social services to its residents. NYCHA's budget is not part of the city's budget and NYCHA's fiscal year follows the calendar year. NYCHA's baseline operating deficit for Fiscal 2009 is approximately \$45.1 million. This document summarizes NYCHA's Fiscal 2009 Expense Budget and any relevant actions that NYCHA has announced publicly to date. The NYCHA board has yet to approve or release its Fiscal 2009 Capital Budget.

FISCAL 2009 BUDGET

- **NYCHA Expenses.** The Fiscal 2009 expense budget totaled \$2.74 billion, which is approximately \$600 million less than the Authority's Fiscal 2008 expense budget. The most significant portion of NYCHA's budget consists of the cost of full/part-time employees, overtime pay, seasonal workers, and fringe benefits, which make up nearly 40 percent or \$1.09 billion of the authority's budget. The largest component of NYCHA's expense budget is \$770.3 million for Section 8 payments to landlords who provide private housing to low-income families. Other expenses include insurance, supplies, leases, PILOT payments, equipment, debt service, and other expenses.
- **NYCHA Revenues.** The Fiscal 2009 revenue budget totals \$2.69 billion. NYCHA's three largest sources of revenue include federal operating subsidies from the Department of Housing and Urban Development (HUD), subsidies from HUD to operate the Section 8/Housing Choice Voucher Program, and rental income from NYCHA tenants. The Fiscal 2009 budget also includes \$76 million in federal capital grant funds that were transferred to the operating budget. These funds are in addition to any reimbursements made to cover administrative costs of its capital program which NYCHA pays for out of its expense budget. Other revenue sources consist of interest on investments, categorical grants and other miscellaneous revenue.
- **Federal Stimulus Funding.** NYCHA will receive approximately \$423 million in capital funds from the American Recovery and Reinvestment Act of 2009 with the requirement that 60 percent of the total funding be spent by the end of Fiscal 2010 and the remaining 40 percent by the end of Fiscal 2011. This infusion of capital funds is intended to augment NYCHA's capital budget and not replace capital funds that have been transferred to the operating budget to close prior and future year deficits

NYCHA's FISCAL 2009 DEFICIT

In January 2008, the NYCHA Board passed a budget that included a projected deficit of \$198 million for Fiscal 2009. Since that time NYCHA has undertaken numerous initiatives to reduce its deficit including workforce reductions which resulted in a savings of \$48.7 million, the consolidation of 19 community centers which resulted in a savings of \$2.4 million, and \$6.5 million less in PILOT payments to the City as a result of lower utility costs. Despite these actions NYCHA's deficit for Fiscal 2009 was still \$171.7 million. The deficit was the result of greater than expected expenses relating to collective bargaining and increased needs in the Authority's elevator program. Funding for the elevator program has increased by \$12 million in Fiscal 2009 allowing NYCHA to hire 68 additional elevator mechanics and helpers which represents an 18 percent increase over the current staffing levels. The following actions summarize the gap closing initiatives NYCHA will undertake to further reduce the Fiscal 2009 gap to \$45.1 million.

(in thousands)

Revised Deficit	(\$171,772)
Implemented Actions	
Capital Transfer to Operating Budget	\$76,023
Revenue from Sale of University Avenue	\$22,000
HUD Subsidy Adjustments	\$13,475
Central Office Reductions	\$10,000
Rent Increases	\$5,000
Total Implemented Actions	\$126,618
Remaining Deficit as of November 2008	(45,154)
<i>Source: NYCHA FY 2009 Budget and 4-year Financial Plan</i>	

- As it has done in prior fiscal years, NYCHA will transfer \$76 million from its federal capital grant funds to the operating budget in order to help close the budget gap. This practice results in deferred capital projects.
- NYCHA will receive approximately \$22 million from the disposition of land to Bronx Pro which will develop affordable housing as a part of the University Avenue Consolidated III project in the Morris Heights section of the Bronx. The project is expected to begin construction by the summer of 2009 with the first units ready for residents in the summer of 2010.
- NYCHA will receive an additional \$13.5 million from HUD due to changes in the federal operating subsidy related to inflation.
- NYCHA reduced its workforce within its Central Office, eliminating 100 positions, 56 managerial and 44 administrative positions. The personnel services costs savings resultant from these actions is approximately \$5 million with an additional \$5 million in OTPS costs savings.
- NYCHA will collect an additional \$5 million in rents as a result of the second phase of rental increases. These rent increases will affect 49,374 households, or 28 percent of all NYCHA residents, who pay on average 20 percent of their income on rent.

NYCHA's Community Operations Reduction Plan Fiscal 2009-2011

One of the major initiatives NYCHA will undertake in Fiscal 2009 is its reorganization of community-based services provided to residents. In order to lessen its structural budgetary deficit NYCHA will begin shifting the provision of community-based services to City agencies that specialize in those areas that are pertinent to these services. The City Council provided \$18 million for NYCHA in City Fiscal 2009 to help the Authority close its budget gap. The City Council and the Administration agreed to utilize the \$18 million, along with other leveraged federal funds, to fund those City agencies that would provide the services that NYCHA was abdicating. The following agencies will cover community services for NYCHA residents:

City Agency	Services	Funding Amount
Administration for Children Services	Preventative Services	\$3.9 million
Human Resource Administration	Employment Services	\$1.8 million
Department of Youth and Community Development	Youth Services	\$12.3 million

The Department of Youth and Community Development's (DYCD) Fiscal 2010 Executive Budget reflects the implementation of a multi-agency plan to ensure the continuity of services at 25 NYCHA community centers. \$12.3 million will be provided through DYCD for these facilities in two phases. The first phase will consist of funding for the agency's beacon community centers located near the 25 NYCHA facilities. This will enable DYCD to establish satellite programs which will operate from February through December 2009. DYCD identified the 25 NYCHA sites through a needs-assessment analysis that took into account poverty and youth population indicators, availability of services, geographic diversity and the suitability of physical facilities within each public housing development. The sites are distributed among the boroughs as follows: ten in Brooklyn; five in Queens; five in the Bronx; four in Manhattan; and one in Staten Island. . The second phase of implementation will consist of a Request for Proposal (RFP) seeking qualified community-based organizations interested in operating programs at the 25 sites with new contracts beginning on January 1, 2010 and expiring on June 30, 2012.

Fiscal 2010 Capital Plan

Agency Overview

The mandate of the New York City Housing Authority (NYCHA) is to provide affordable housing for low-income New Yorkers. The Authority owns and operates 345 developments with 181,000 apartments; housing approximately 420,000 authorized tenants throughout the city. The Housing Authority also operates a Leased Housing Program (Section 8) within the private housing market. In addition, the Authority maintains and runs ancillary services such as day-care centers and playgrounds, child health stations and senior centers.

Current Budget Summary

The Executive 2009 Capital Commitment Plan includes \$127.3 million in Fiscals 2009-2013 for NYCHA, which represents only City funds since NYCHA's federal capital grant is not carried in the City's budget. This represents less than 1 percent of the City's total \$47.11 billion January Plan for Fiscals 2009-2013.

NYCHA's Executive Commitment Plan for Fiscals 2009-2013 is 22 percent less than the \$162.3 million in the Preliminary Commitment Plan, a decrease of 35 million. Over the past five years NYCHA has only committed an average of 21.4 percent of its annual City capital plan. Therefore it is assumed that a large portion of the agency's Fiscal 2009 capital plan will be rolled into Fiscal 2010 increasing the size of the Fiscal 2009-2013 capital plan. Currently NYCHA's appropriations total \$119 million in city-funds for Fiscal 2009. These funds are to be used to finance the Authority's \$96.6 million city-funded capital commitment program for the current fiscal year. The agency has approximately 19 percent more city funding than it needs to meet its capital commitment program for the current fiscal year.

In January the Mayor announced his intention to reduce the City's capital plan by 30 percent. The objective of the capital cut is to reduce the amount of the City's general obligation (GO) debt service as a percentage of total revenues. The 30 percent reduction in the Ten-Year Capital Plan Fiscals 2010 – 2019 would reduce the long-term average annual growth in debt service costs to 3.4 percent, equal to the level of forecast growth in City revenues. The 2010 Executive Capital Budget includes \$47.0 billion in planned commitments for Fiscals 2010 – 2019. This total includes \$12.84 billion in commitments for capital projects for the Department of Environmental Protection (DEP) which are funded primarily by non-GO debt. The GO-funded portion of the Fiscal 2010 – 2019 Executive Capital Plan is \$34.17 billion; this is \$6.93 billion or 16.86 percent less than the \$41.1 billion Preliminary Fiscal 2010 – 2019 Capital Plan.

The Preliminary Five-Year Capital Plan is shown below:

PRELIMINARY FIVE YEAR CAPITAL PLAN – JANUARY 2009
(\$ in millions)

	FY09	FY10	FY11	FY12	FY13	FY's 09-13
CITY	\$46,503	\$26,870	\$37,134	\$9,390	\$42,451	\$162,348
NON-CITY	0	0	0	0	0	0
TOTAL	\$46,503	\$26,870	\$37,134	\$9,390	\$42,451	\$162,348

The Executive Five-Year Capital Plan is shown below:

EXECUTIVE FIVE YEAR CAPITAL BUDGET – MAY 2009
(\$ in millions)

	FY09	FY10	FY11	FY12	FY13	FY's 09-13
CITY	\$46,503	\$18,870	\$25,994	\$6,573	\$29,366	\$127,306
NON-CITY	0	0				0
TOTAL	\$46,503	\$18,870	\$25,994	\$6,573	\$29,366	\$127,306