

# THE COUNCIL OF THE CITY OF NEW YORK

Hon. Melissa Mark-Viverito  
Speaker of the Council

Hon. Julissa Ferreras-Copeland  
Chair, Finance Committee



## Report on the Fiscal 2017 Executive Budget

### Department of Finance

May 24, 2016

Jonathan Seltzer, Legislative Financial Analyst  
Emre Edev, Assistant Director

#### **Finance Division**

Latonia McKinney, Director  
Regina Poreda Ryan, Deputy Director  
Nathan Toth, Deputy Director  
Paul Scimone, Deputy Director

## Executive Budget Summary

- **Expense Budget Overview.** The Department of Finance (DOF or the Department) Fiscal 2017 Executive Budget totals \$274.6 million. The Fiscal 2017 Executive Budget is \$8.6 million more than DOF's Fiscal 2016 Adopted Budget of \$266 million.
  - Approximately \$269.6 million or 98.1 percent of DOF's Fiscal 2017 budget is City tax-levy (CTL) funding;
  - \$4.5 million, or 1.6 percent is Intra-City Funding; and
  - \$438,000, or less than one percent is State Funding.
- **Headcount.** DOF's total headcount for Fiscal 2017 is 2,137 full-time positions, for a net increase of 93 positions when compared to the Fiscal 2016 Adopted Budget.
- **Executive Budget Changes.** In the Fiscal 2017 Executive Budget there is \$2.6 million in new needs for 35 new positions, including:
  - 26 Homeowner Tax Benefit (HTB) positions at a cost of \$1.7 million;
  - 6 Personal Exemption Administration Community Assistance Program positions at a cost of \$614,000;
  - 2 Economist positions at a cost of \$250,000;
  - 1 Office Machine Aide (OMA) 55-a Employee Reinstatement positions at a cost of \$32,000; and
  - There is \$1.8 million in other adjustments.
- **Citywide Savings Program.** The Fiscal 2017 Executive Plan includes \$1.9 million in Fiscal 2017 and a total of \$1.3 million in the outyears in savings for the Department of Finance. The City released a Citywide Savings program that outlines plans to reduce City spending by \$589 million in Fiscal 2016 and \$465.5 million in Fiscal 2017. DOF savings includes:
  - \$2 million in Fiscal 2016 and \$1 million in Fiscal 2017 for salary accruals;
  - A \$490,000 banking legislation funding takedown;
  - A \$186,000 reduction in security service expenses;
  - A \$127,000 reforecast of printing expenses;
  - A \$55,000 maintenance expense reduction;
  - A \$35,000 land record reader/scanner maintenance reduction;
  - A \$11,000 software expense reduction;
  - A \$5,000 reforecast adjudication expenses; and
  - A \$1,000 other than personal services reduction.

## DOF Overview

This report presents a review of DOF's Fiscal 2017 Executive Budget. This report provides: 1) an overview of the agency's budget and the way in which it has changed during the course of Fiscal 2016; 2) a review of significant budget actions introduced in the Fiscal 2017 Executive Budget; and 3) major issues related to DOF's budget. Appendix 1 reports the changes made to the Fiscal 2016 and Fiscal 2017 Budgets since Adoption of the Fiscal 2016 Budget. For additional information on the Department's budget and its various programs, please refer to the Fiscal 2017 Preliminary Budget Report for the Department of Finance at:

<http://council.nyc.gov/html/budget/2017/pre/836%20-Department%20of%20Finance.pdf>

DOF Financial Summary						
<i>Dollars in Thousands</i>	2014	2015	2016	Executive Plan		*Difference
	Actual	Actual	Adopted	2016	2017	2016 - 2017
<b>Spending</b>						
Personal Services	\$133,368	\$141,275	\$158,439	\$151,470	\$163,281	\$4,842
Other Than Personal Services	106,921	110,480	107,572	119,447	111,282	3,710
<b>TOTAL</b>	<b>\$240,289</b>	<b>\$251,755</b>	<b>\$266,011</b>	<b>\$270,917</b>	<b>\$274,563</b>	<b>\$8,552</b>
<b>Budget by Program Area</b>						
Administration	\$49,236	\$49,513	\$52,373	\$56,954	\$52,982	\$609
Audit	15,896	17,041	19,345	18,475	20,889	1,544
Civil Enforcement	37,880	39,513	39,499	42,066	40,692	1,193
Collections	17,541	18,615	17,430	20,557	17,427	(3)
Communications & Governmental Services	2,218	2,945	3,107	3,529	3,816	709
Financial Plan Savings	0	0	418	418	418	0
FIT (Finance Information Technology)	37,622	40,017	42,131	41,367	41,398	(733)
Legal & Adjudications	14,629	15,891	16,576	16,607	18,611	2,035
NYCSERV Contract Funding	2,910	3,399	3,356	2,526	3,356	0
Payment Ops & Application Processing	22,307	22,828	23,243	20,845	19,232	(4,011)
Property Records	4,875	5,000	5,610	5,510	5,572	(38)
Treasury	20,756	20,819	24,633	24,444	24,628	(5)
Valuing Property	14,418	16,173	18,289	17,619	25,543	7,254
<b>TOTAL</b>	<b>\$240,289</b>	<b>\$251,755</b>	<b>\$266,011</b>	<b>\$270,917</b>	<b>\$274,563</b>	<b>\$8,552</b>
<b>Funding</b>						
City Funds			\$261,093	\$265,821	\$269,625	\$8,532
State			438	438	438	\$0
Intra City			4,480	4,659	4,501	\$21
<b>TOTAL</b>	<b>\$240,289</b>	<b>\$251,755</b>	<b>\$266,011</b>	<b>\$270,917</b>	<b>\$274,563</b>	<b>\$8,552</b>
<b>Budgeted Headcount</b>						
Full-Time Positions - Civilian	1,799	1,856	2,044	2,107	2,137	93
<b>TOTAL</b>	<b>1,799</b>	<b>1,856</b>	<b>2,044</b>	<b>2,107</b>	<b>2,137</b>	<b>93</b>

\*The difference of Fiscal 2016 Adopted Budget compared to Fiscal 2017 Executive Budget.

The City's Fiscal 2017 Executive Budget totals \$82.2 billion, \$3.7 billion more than the Fiscal 2016 Adopted Budget of \$78.5 billion. City funds (City tax-levy and non-tax revenues) total \$59.4 billion, an increase when compared to the Fiscal 2016 Adopted Budget amount of \$56.9 billion. For DOF, the Fiscal 2017 Executive Budget totals \$274.6 million, which represents less than one percent of the City's total budget.

Below is a summary of key funding changes by program area and source when comparing DOF's Fiscal 2017 Executive Budget to its Fiscal 2016 Adopted Budget.

- **City Tax-Levy Increase.** The DOF's Fiscal 2017 City-funded portion of the budget shows an increase of \$8.5 million when compared to the Fiscal 2016 Adopted Budget of \$261.1

million. When compared to the modified budget for Fiscal 2016, it shows growth of \$3.8 million.

- **Non-City Funding.** For Fiscal 2017, DOF's non-city funding increases by a net of \$21,000 when compared to the Fiscal 2016 Adopted Budget of \$4.9 million. When compared to the current modified budget for Fiscal 2016, DOF's Fiscal 2017 budget shows a slight reduction in funding.
- **Headcount Changes.** The agency's overall headcount increased by 93 full-time positions from Fiscal 2016 to 2017 for tax and benefit staff. The current modified budget for Fiscal 2016 increased by 63 positions.

## New in the Executive Budget

The following are major financial plan actions for Fiscal 2017 included in the Executive Plan:

**Citywide Savings Program.** Along with the Fiscal 2017 Executive Plan, the Office of Management and Budget (OMB) released a Citywide Savings Program that outlines plans to reduce City spending by \$589 million in Fiscal 2016 and \$465.5 million in Fiscal 2017. To develop the program, OMB asked all agencies to identify efficiencies, alternative funding sources and programmatic changes that would yield budgetary savings without reducing service levels. DOF has proposed savings totaling \$1.9 million in Fiscal 2017. DOF's savings plan includes:

- **Personal Services Accrual.** DOF expects to achieve a savings of \$2 million in Fiscal 2016 and \$1million in Fiscal 2017 as a result of salary accruals from hiring delays.
- **Banking Legislation Funding Takedown.** DOF expects to achieve a savings of \$490,000 in Fiscal 2017, and \$240,000 in the outyears due to the fact funds are no longer needed for the implementation of the Responsible Banking Act.
- **Reduced Security Service Expenses.** DOF expects to achieve a savings of \$186,000 in Fiscal 2017 and in the outyears as a result of the installation of a magnetometer (metal detector), which would reduce the contracted security services that were previously needed to hand search visitors at the Manhattan Business Center.
- **Reforecast Printing Expenses.** DOF expects to achieve a savings of \$127,000 in Fiscal 2017 as a result of a reforecast of spending on printing and mailing.
- **Maintenance Expense Reductions.** DOF expects to achieve a savings of \$55,000 in Fiscal 2017 due to the purchase of 551 new personal computers which would be less costly to maintain than the older computers.
- **Land Record Reader/Scanner Maintenance.** DOF expects to achieve a savings of \$35,000 in Fiscal 2017 in the Property Records program area due to the purchase of new scanners that would replace microfiche machines and allow City Register staff and the public to efficiently and effectively view property records. Maintenance on the new equipment would be more cost effective than maintenance on the older equipment.
- **Software Expense Reduction.** DOF expects to achieve a savings of \$11,000 in Fiscal 2017 and in the outyears in the Finance Information and Technology and Collections program areas due to a reduction in software license agreements that are no longer needed.

- **Reforecast Adjudication Expenses.** DOF expects to achieve a savings of \$5,000 in Fiscal 2017 as a result of a reforecast of customer support services needs in Adjudications.
- **OTPS Reduction.** DOF expects to achieve a savings of \$1,000 in Fiscal 2017 as a result of the reduction of legal publication subscriptions used by the Legal Division.

**New Needs.** The Fiscal 2017 Executive Plan includes \$2.6 million in new needs. Below are the major actions.

- **Homeowner Tax Benefits (HTB) Staff.** The Fiscal 2017 Executive Plan includes \$1.6 million in Fiscal 2017 and funding in the outyears for the addition of 26 administrative staff, to assist with processing approximately half a million homeowner tax exemption renewals, related to the Senior Citizen Homeowner Exemption (SCHE); Disabled Homeowners' Exemption (DHE); Veterans' Exemption; and Cooperative and Condominium Tax Abatement.
- **Economists.** The Fiscal 2017 Executive Plan includes \$250,000 in Fiscal 2017 and funding in the outyears for the addition of two economists to analyze property tax data, as the Department transitions to a new property tax system by July 2017.
- **Personal Exemptions Administration Community Assistance Program.** The Fiscal 2017 Executive Plan includes \$614,000 in Fiscal 2017 and funding in the outyears for the addition of six staff, including four exemption and two outreach positions to assist with community outreach and education regarding the rent freeze program.
- **OMA 55-a Employee Reinstatement.** The Fiscal 2017 Executive Plan includes \$32,000 in Fiscal 2017 and funding in the outyears for the addition of one office machine aide as a result of a 2010 lawsuit agreement.

## Miscellaneous Revenue

In the Fiscal 2017 Executive Plan, DOF is expected to generate \$777.1 million in miscellaneous revenue in Fiscal 2017, which reflects an increase of \$72.1 million when compared to the miscellaneous revenue projected in the Fiscal 2016 Adopted Budget, and an increase of \$3.9 million from the Fiscal 2016 Executive Budget.

<b>DOF Miscellaneous Revenue Budget Overview</b>						
Revenue Sources	2014	2015	2016	Executive Plan		*Difference
<i>Dollars in Thousands</i>	Actual	Actual	Adopted	2016	2017	2016 - 2017
<b>Licenses, Permits &amp; Franchises</b>						
Cigarette License Fees	\$46	\$40	\$50	\$50	\$50	\$0
<b>Subtotal</b>	<b>\$46</b>	<b>\$40</b>	<b>\$50</b>	<b>\$50</b>	<b>\$50</b>	<b>\$0</b>
<b>Interest Income</b>						
Interest On Sales Tax	\$370	\$275	\$1,860	\$890	\$4,020	\$2,160
Interest-Court & Fine Trust	187	218	430	210	700	270
<b>Subtotal</b>	<b>\$557</b>	<b>\$493</b>	<b>\$2,290</b>	<b>\$1,100</b>	<b>\$4,720</b>	<b>\$2,430</b>
<b>Charges For Services</b>						
City Register Fees	\$30,618	\$27,813	\$34,598	\$27,500	\$34,598	\$0
City Collector Misc Fees	765	843	925	925	925	0
Court & Trust Fees	2,112	2,075	2,650	2,125	2,000	(650)
Credit Card Convenience Fee	9,399	10,490	8,000	11,000	8,000	0
ICIP	37	0	0	0	0	0
Lower Manhattan Project	111	92	100	100	100	0
Marshal Booting	11,719	14,961	12,000	13,800	12,000	0
On-Line Title Access Fees	145	132	150	150	150	0
Reconvenyance In-Rem Real Prop.	3	0	0	0	0	0
Sheriff Desk Fees & Poundage	7,485	7,223	4,669	4,669	4,745	75
State Admin Reimbursement	72	68	88	88	88	0
<b>Subtotal</b>	<b>\$62,466</b>	<b>\$63,696</b>	<b>\$63,180</b>	<b>\$60,357</b>	<b>\$62,606</b>	<b>(\$575)</b>
<b>Fines And Forfeitures</b>						
Bus Lane Camera Fines	\$11,622	\$16,657	\$15,096	\$15,096	\$18,628	\$3,532
Cash Bail Forfeiture	1,370	665	1,500	539	520	(980)
Collection Unit-ECB Fines	41,453	50,089	23,000	55,000	52,125	29,125
Collection Unit-Tax (Sheriff)	573	3,118	0	0	0	0
Motor Vehicle Fines	14,122	10,516	12,567	23,300	12,567	0
Parking Violation Fines	546,338	565,384	518,800	518,800	518,800	0
Redlight Camera Fines	27,550	29,457	27,000	27,000	27,000	0
RPIE Late Penalty	20,240	20,230	4,000	8,000	5,000	1,000
RPTT Late Penalty	3,237	608	400	800	400	0
Speed Camera Fines	2,114	31,255	29,000	55,000	66,596	37,596
<b>Subtotal</b>	<b>\$668,617</b>	<b>\$727,979</b>	<b>\$631,363</b>	<b>\$703,535</b>	<b>\$701,636</b>	<b>\$70,273</b>
<b>Miscellaneous Fees</b>						
Treasury Fees	\$652	\$433	\$425	\$425	\$425	\$0
Rent Stabilization Fees	9,317	8,349	7,700	7,700	7,700	0
<b>Subtotal</b>	<b>\$9,969</b>	<b>\$8,782</b>	<b>\$8,125</b>	<b>\$8,125</b>	<b>\$8,125</b>	<b>0</b>
<b>TOTAL</b>	<b>\$741,654</b>	<b>\$800,989</b>	<b>\$705,008</b>	<b>\$773,167</b>	<b>\$777,137</b>	<b>\$72,128</b>

*\*The difference of Fiscal 2016 Adopted Budget compared to Fiscal 2017 Executive Budget.*

As illustrated in the chart above, 90.3 percent of DOF's miscellaneous revenue comes from fines and forfeitures, and the agency estimates that the miscellaneous revenue generated from fines and forfeitures to increase by \$70.3 million to \$701.6 million in Fiscal 2017 as compared to the Fiscal 2016 Adopted Budget of \$631.4 million. The bulk of this increase is generated from bus lane camera and speech camera fines, as well as ECB fine collection.

Overall, parking violation fines comprise the majority of miscellaneous revenue collected by DOF. Parking fines are projected to total \$518.8 million, or 73.9 percent of the Department's total miscellaneous revenue generated in Fiscal 2017; and revenue generated for speed camera violations and ECB fine collection are a distant second and third with \$66.6 million, or 8.6

percent, and \$52.1 million, or 6.7 percent, respectively, of the total miscellaneous revenue collected by DOF.

### **Preliminary Budget Highlights**

- **New York City Tax Auditor Headcount.** The Fiscal 2017 Executive Plan includes \$1.9 million in Fiscal 2017 and in the outyears in the Audit program area for the addition of 30 City Tax Auditors within the Tax Audit & Enforcement Division. The increased headcount will support compliance and revenue for personal income tax, general corporation tax, unincorporated business tax, commercial rent & hotel tax and business income tax. With this new addition in headcount, authorized headcount for City Tax Auditors in the Office of Tax Audit and Enforcement totals 320.
- **Synthetic Cannabinoid (K2) Enforcement Investigative Group.** The Fiscal 2017 Executive Plan includes \$621,000 in Fiscal 2017, and increases to \$685,000 in the outyears in the Civil Enforcement program area for the addition of four Deputy Sheriffs, four City Tax Auditors, and four Fraud Investigators within the Sheriff's Bureau of Criminal Investigation to investigate and follow-up on K2 seizures and cases. The Office of the Sheriff conducts tobacco enforcement investigations of licensed cigarette retail locations in New York City. On these inspections, other contraband, including K2, is often found. Additional staff will support more investigations and follow up on K2 seizures and cases. Staff was also added at the Department of Consumer Affairs, as well as funding for a media campaign at the Department of Health and Mental Hygiene to support this initiative.

## Appendix 1: DOF Fiscal 2017 Budget Actions since Fiscal 2016 Adoption

<i>Dollars in Thousands</i>	FY 2016			FY 2017		
	City	Non-City	Total	City	Non-City	Total
<b>DOF as of the Adopted 2016 Budget</b>	<b>\$261,093</b>	<b>\$4,918</b>	<b>\$266,011</b>	<b>\$262,130</b>	<b>\$4,938</b>	<b>\$267,068</b>
<b>New Needs</b>						
Auditor Administrative Support	\$50	\$0	\$50	\$198	\$0	\$198
Civil orders of protection	299	0	299	509	0	509
Deed fraud investigations	155	0	155	258	0	258
In-rem foreclosure actions	256	0	256	108	0	108
New York City Tax Auditor headcount	585	0	585	1907	0	1907
Payment and Transaction Reporting System Upgrade	0	0	0	154	0	154
SCRIE/DRIE Ombudsperson & Administrative Support	114	0	114	204	0	204
Synthetic Cannabinoid (K2) Enforcement Investigative Group	425	0	425	621	0	621
<b>Subtotal, New Needs</b>	<b>\$1,884</b>	<b>\$0</b>	<b>\$1,884</b>	<b>\$3,959</b>	<b>\$0</b>	<b>\$3,959</b>
<b>Other Adjustments - Prelim. 2017</b>						
Banking Legislation Takedown	(\$314)	\$0	(\$314)	(\$490)	\$0	(\$490)
Collection Agencies	3,200	0	3,200	0	0	0
Collective Bargaining	788	0	788	972	0	972
Department of Consumer Affairs Attorney Transfer	49	0	49	98	0	98
DOF Intra City	0	60	60	0	0	0
DOF Safe Costs	0	72	72	0	0	0
Land Record Reader	(35)	0	(35)	(35)	0	(35)
Maintenance Expense Reduction	(25)	0	(25)	(55)	0	(55)
OTPS Reduction	(1)	0	(1)	(1)	0	(1)
Paylock	1,800	0	1,800	0	0	0
PS Accrual	(1,000)	0	(1,000)	(1,000)	0	(1,000)
Reduced Security Service Expenses	(93)	0	(93)	(186)	0	(186)
Reforecast Adjudication Expenses	(5)	0	(5)	(5)	0	(5)
Reforecast Printing Expenses	(127)	0	(127)	(127)	0	(127)
Software Expense Reduction	(95)	0	(95)	(11)	0	(11)
<b>Subtotal, Other Adjustments</b>	<b>\$4,142</b>	<b>\$132</b>	<b>\$4,274</b>	<b>(\$840)</b>	<b>\$0</b>	<b>(\$840)</b>
<b>TOTAL, All Changes Prelim. 2017</b>	<b>\$6,025</b>	<b>\$132</b>	<b>\$6,157</b>	<b>\$3,119</b>	<b>\$0</b>	<b>\$3,119</b>
<b>DOF as of the Preliminary 2017 Budget</b>	<b>\$267,118</b>	<b>\$5,050</b>	<b>\$272,168</b>	<b>\$265,249</b>	<b>\$4,938</b>	<b>\$270,187</b>
<b>New Needs - Exec. 2017</b>						
Economists	\$0	\$0	\$0	\$250	\$0	\$250
Homeowner Tax Benefits (HTB) Staff	0	0	0	1,660	0	1,660
OMA 55-a Employee Reinstatement	0	0	0	32	0	32
Personal Exemptions Administration Community Assistance Program	0	0	0	614	0	614
<b>Subtotal, New Needs</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$2,556</b>	<b>\$0</b>	<b>\$2,556</b>
<b>Other Adjustments - Exec. 2017</b>						
CCCR Construction	\$0	\$46	\$46	\$0	\$0	\$0
Heat, Light, and Power	(298)	0	(298)	(247)	0	(247)
Lease Adjustment	0	0	0	2,065	0	2,065
Personal Service Savings	(1,000)	0	(1,000)	0	0	0
<b>Subtotal, Other Adjustments</b>	<b>(\$1,298)</b>	<b>\$46</b>	<b>(\$1,252)</b>	<b>\$1,818</b>	<b>\$0</b>	<b>\$1,818</b>
<b>TOTAL, All Changes - Exec. 2017</b>	<b>(\$1,298)</b>	<b>\$46</b>	<b>(\$1,252)</b>	<b>\$4,374</b>	<b>\$0</b>	<b>\$4,374</b>
<b>DOF Budget as of the Fiscal 2017 Executive Plan*</b>	<b>\$265,820</b>	<b>\$5,096</b>	<b>\$270,917</b>	<b>\$269,623</b>	<b>\$4,938</b>	<b>\$274,563</b>

*Differences Due to Rounding\**