

THE COUNCIL OF THE CITY OF NEW YORK

Hon. Melissa Mark-Viverito
Speaker of the Council

Hon. Julissa Ferreras-Copeland
Chair, Finance Committee



Report to the Committee on Finance on the Fiscal 2018 Executive Budget for the Department of Finance

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Finance Division

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

Paul Scimone, Deputy Director
Jonathan Seltzer, Financial Analyst
Cirlhien R. Francisco, Unit Head

Executive Budget Summary

- **Expense Budget Overview.** The Department of Finance's (DOF or the Department) Fiscal 2018 Executive Budget totals \$298.5 million. The Fiscal 2018 Executive Budget is \$21.8 million more than DOF's Fiscal 2017 Adopted Budget of \$276.8 million.
 - Approximately \$293.3 million, or 98 percent of DOF's Fiscal 2018 Budget is City tax-levy (CTL) funding; \$4.8 million, or 1.6 percent is Intra-City funding; and approximately \$438,000, or less than one percent is Intra-City funding.
 - DOF's total headcount for Fiscal 2018 is 2,180 positions, for a net increase of 14 positions when compared to the Fiscal 2017 Adopted Budget.
- **Executive Budget Changes**
 - New needs total \$10.7 million in Fiscal 2018 and \$10.8 million in the outyears:
 - \$9 million for the Pearl Street lease;
 - \$1 million for Streetscape Technology;
 - \$525,000 for an Assigned Counsel Plan; and
 - \$98,000 for a Cyclomedia contract funding adjustment.
 - Other adjustments total \$12.1 million for Fiscal 2018.
 - DOF's savings program totals \$3.2 million in Fiscal 2017 and \$2.8 million for Fiscal 2018 and in the outyears.
- **Major Agency Issue**
 - **Re-estimate Parking Violation Fines.** Parking violation fine revenue is projected at approximately \$519 million in Fiscal 2017 and Fiscal 2018, while actual revenue collection was \$563 million in Fiscal 2015 and Fiscal 2016, respectively. In the Preliminary Budget Response, the Council called for the Administration to re-estimate parking violation revenue collections to ensure it is in line with prior year actual revenue collections; although the Council called for this it was not included in the Executive Plan.

DOF Overview

This report presents a review of DOF's Fiscal 2018 Executive Budget. The section below presents an overview of the Department's budget and how it has changed during the course of Fiscal 2017, followed by a review of the significant budget actions introduced in the Fiscal 2018 Executive Budget. Major issues related to the Department's budget are then discussed. Appendix 1 reports the changes made to the Fiscal 2017 and Fiscal 2018 Budgets since Adoption of the Fiscal 2017 Budget. For additional information on the Department's budget and its various programs, please refer to the Fiscal 2018 Preliminary Budget Report for DOF at:

<http://council.nyc.gov/budget/wp-content/uploads/sites/54/2017/03/836-Finance.pdf>

DOF Financial Summary						
<i>Dollars in Thousands</i>	2015	2016	2017	Executive Plan		*Difference
	Actual	Actual	Adopted	2017	2018	2017 - 2018
Spending						
Personal Services	\$141,275	\$148,051	\$163,603	\$157,229	\$169,333	\$5,729
Other Than Personal Services	110,480	110,797	113,164	121,754	129,189	16,024
TOTAL	\$251,754	\$258,848	\$276,769	\$278,984	\$298,521	\$21,752
Budget by Program Area						
Administration	\$49,513	\$52,284	\$52,982	\$54,380	\$63,879	\$10,897
Audit	17,041	18,156	21,666	20,695	22,510	844
Civil Enforcement	39,513	40,015	41,853	42,594	44,133	2,280
Collections	18,615	16,852	17,459	17,620	18,537	1,078
Communications & Governmental Services	2,945	3,088	3,836	3,808	3,832	(4)
Financial Plan Savings	0	0	(898)	(885)	943	1,841
FIT (Finance Information Technology)	40,017	42,212	42,179	45,478	45,446	3,267
Legal & Adjudications	15,891	17,860	18,611	18,652	19,170	559
NYCSERV Contract Funding	3,399	2,458	3,356	2,367	3,356	0
Payment Ops & Application Processing	22,828	19,772	19,232	17,969	19,151	(81)
Property Records	5,000	5,186	5,572	6,474	5,615	43
Treasury	20,819	23,759	24,628	24,625	24,666	38
Valuing Property	16,173	17,206	26,293	25,207	27,283	990
TOTAL	\$251,754	\$258,848	\$276,769	\$278,984	\$298,521	\$21,752
Funding						
City Funds			\$271,611	\$273,438	\$293,277	\$21,666
State			438	438	438	0
Intra City			4,719	5,107	4,807	88
TOTAL	\$251,754	\$258,848	\$276,769	\$278,984	\$298,521	\$21,752
Budgeted Headcount						
Full-Time Positions - Civilian	1,856	1,882	2,166	2,169	2,180	14

*The difference of Fiscal 2017 Adopted Budget compared to Fiscal 2018 Executive Budget.

The City's Fiscal 2018 Executive Budget totals \$84.9 billion, \$2.8 billion more than the Fiscal 2017 Adopted Budget of \$82.1 billion. City funds (City tax-levy and non-tax revenues) total \$61.1 billion when compared to the Fiscal 2017 Adopted Budget amount of \$59.3 billion.

For DOF, the Fiscal 2018 Executive Budget totals \$298.5 million, \$21.8 million more than its Fiscal 2017 Adopted Budget of \$276.8 million. Additionally, the Department's personal services (PS) spending increased by \$5.7 million since the Fiscal 2017 Adopted Budget, while other than personal services (OTPS) spending increased by \$16 million. The increase in PS spending can be attributed to \$10.7 million in new needs, which includes an overall headcount of 14 full-time positions in Fiscal 2018 for counsel services and tax and policy planning. The increase in OTPS spending is due to increases in other adjustments totaling \$158.6 million.

Below is a summary of key funding changes by program area and source when comparing DOF's Fiscal 2018 Executive Budget to its Fiscal 2017 Adopted Budget.

- **Increase in City Funding.** Approximately \$293.3 million or 98 percent of DOF's Fiscal 2018 budget is City tax-levy (CTL) funding. The Department's Fiscal 2018 Executive Budget reflects a \$21.7 million increase in City funds. The majority of this increase is for administrative functions, information technology and civil enforcement contractual services.

New in the Executive Budget

The following are major financial plan actions for Fiscal 2018 included in the Executive Plan:

- **Pearl Street Lease.** DOF will be occupying leased space at 375 Pearl Street, Manhattan, with anticipated occupancy in October 2017. The Fiscal 2018 Executive Plan includes \$9 million in Fiscal 2018 and in the outyears for this lease.
- **DOF Streetscape.** The Fiscal 2018 Executive Plan includes \$1 million in Fiscal 2017 and \$1 million in Fiscal 2018 and in the outyears for Streetscape imagery. This system provides a visual, panoramic and street level perspective of buildings and roads, which is geo-coded with latitude and longitude coordinates. This additional funding is for eight full-time staff, integration software, image blurring capability, JPEG image extraction and one-time training to support the streetscape imagery integration with the property assessment process.
- **Assigned Agency Counsel (ACP).** Pursuant to Article 18B of the County Law, ACP administers and pays for legal services of indigent persons in NYC charged with criminal offenses. The Fiscal 2018 Executive Plan includes \$525,000 in Fiscal 2018 and in the outyears to hire seven full-time staff to support oversight and payment operations of the ACP.
- **Cyclomedia Contract Funding Adjustment.** The Fiscal 2018 Executive Plan includes \$97,574 in Fiscal 2018, growing to \$195,370 in the outyears related to a contract funding adjustment for Cyclomedia technology.
- **Citywide Savings Program.** The Citywide Savings Program allows agencies to voluntarily identify cost savings. In its Fiscal 2018 Executive Budget, DOF proposed \$3.1 million in savings in Fiscal 2017 and \$2.8 million in Fiscal 2018 and in the outyears.
 - **Personal Services.** The Fiscal 2017 November Plan included savings of \$500,000 in Fiscal 2017 and in the outyears as DOF reviewed and realigned its forecast for personnel spending. In addition to personal services savings in the November Plan, the Fiscal 2018 Executive Plan includes an additional one-time personnel spending reduction of \$500,000.
 - **Expanded Parking Fraud Reinstatement Unit.** In the Fiscal 2017 November Plan, DOF included funding for two additional positions for its Parking Fraud Unit, which will result in additional revenue collection of \$150,000 in Fiscal 2017 and \$343,000 in the outyears.
 - **Increase in Tax Audit Revenue.** In the Fiscal 2017 Adopted Plan, DOF received eighteen new City Tax Auditor positions and it anticipates an estimated \$2 million in additional audit revenue collection in Fiscal 2017 and in the outyears as a result.

Miscellaneous Revenue

In the Fiscal 2018 Executive Plan, DOF is expected to generate \$773.8 million in miscellaneous revenue in Fiscal 2018, which reflects a decrease of \$3.3 million when compared to the \$777 million in miscellaneous revenue projected in the Fiscal 2017 Adopted Budget.

DOF Miscellaneous Revenue Budget Overview						
<i>Dollars in Thousands</i>						
Revenue Sources	2015	2016	2017	Executive Plan		*Difference
	Actual	Actual	Adopted	2017	2018	2017 - 2018
Licenses, Permits & Franchises						
Cigarette License Fees	\$50	\$50	\$50	\$50	\$50	\$0
Subtotal	\$50	\$50	\$50	\$50	\$50	\$0
Interest Income						
Interest On Sales Tax	\$260	\$890	\$4,020	\$1,940	\$3,930	(\$90)
Interest-Court & Fine Trust	222	210	700	300	620	(80)
Subtotal	\$482	\$1,100	\$4,720	\$2,240	\$4,550	(\$170)
Charges For Services						
City Register Fees	\$27,000	\$27,500	\$34,598	\$29,000	\$34,598	\$0
City Collector Misc. Fees	925	925	925	1,300	925	0
Court & Trust Fees	2,000	2,125	2,000	3,100	1,600	(400)
Credit Card Convenience Fee	10,000	11,000	8,000	12,000	8,000	0
Lower Manhattan Project	100	100	100	100	100	0
Marshal Booting	15,000	13,800	12,000	14,000	14,000	2,000
On-Line Title Access Fees	150	150	150	150	150	0
Sheriff Desk Fees & Poundage	7,000	4,669	4,744	4,745	4,754	10
State Admin Reimbursement	88	88	88	88	88	0
Subtotal	\$62,263	\$60,357	\$62,605	\$64,483	\$64,215	\$1,610
Fines And Forfeitures						
Bus Lane Camera Fines	\$17,000	\$15,096	\$18,628	\$18,628	\$25,794	\$7,166
Cash Bail Forfeiture	1,500	539	520	520	500	(20)
Collection Unit-ECB Fines	49,500	61,500	52,125	78,000	43,250	(8,875)
Collection Unit-Tax (Sheriff)	3,120	3,118	0	0	0	0
Motor Vehicle Fines	12,567	23,800	12,567	14,750	9,567	(3,000)
Parking Violation Fines	563,000	555,000	518,800	519,050	519,300	500
Red Light Camera Fines	30,000	27,000	27,000	27,000	27,000	0
RPIE Late Penalty	22,000	10,000	5,000	6,500	5,000	0
RPTT Late Penalty	540	800	400	1,000	400	0
Speed Camera Fines	29,000	55,000	66,596	66,596	66,053	(543)
Subtotal	\$728,227	\$751,853	\$701,636	\$732,044	\$696,864	(\$4,772)
Miscellaneous Fees						
Treasury Fees	\$425	\$425	\$425	\$1,400	\$425	\$0
Rent Stabilization Fees	7,700	7,700	7,700	7,700	7,700	0
Subtotal	\$8,125	\$8,125	\$8,125	\$9,100	\$8,125	\$0
TOTAL	\$799,147	\$821,485	\$777,136	\$807,917	\$773,804	(\$3,332)

*The difference of Fiscal 2017 Adopted Budget compared to Fiscal 2018 Executive Budget.

As illustrated in the chart above, 90 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 decrease by \$4.8 million to \$696.9 million in Fiscal 2018 as compared to the Fiscal 2017 Adopted Budget of \$701.6 million. The bulk of this decrease is due to a realignment in revenue projections for motor vehicle 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 \$519 million in Fiscal 2018, or 67.1 percent of the Department's total projected miscellaneous revenue. Additionally, revenue generated for speed camera violations and ECB fine collection are a distant second and third of the total miscellaneous revenue collected by DOF with \$66.1 million, or 9.5 percent, and \$43.3 million, or 6.2 percent, respectively.

DOF Budget Issues

The following section provides issues and concerns as it pertains to DOF's Executive Budget.

Preliminary Budget Response

The Council's response to the Mayor's Fiscal 2018 Preliminary Budget included a recommendation for the Department of Finance relating realigning projected revenues for Fiscal 2017 and Fiscal 2018 with prior year actual collections.

Preliminary Budget Highlights

DOF's Fiscal 2018 Executive Budget also includes changes made in the Preliminary Budget. Below are some of the key highlights from the Department's Fiscal 2018 Preliminary Budget:

- **Vehicle Booting Contract Adjustment.** An additional \$2 million is included in the Fiscal 2017 November Plan and in the outyears to realign the Department with historical spending on vehicle boot fees paid to its vendor.
- **Outside Collection Agencies Business and Excise Tax Debt.** The Fiscal 2018 Preliminary Plan included \$800,000 in Fiscal 2018 and \$2 million in Fiscal 2019 and in the outyears for Outside Collection Agency (OCA) services to manage and collect outstanding Business and Excise Tax Debt. This effort is anticipated to collect an additional \$5 million in revenue per year for the Department.

Appendix 1: Fiscal 2018 Budget Actions since Fiscal 2017 Adoption

<i>Dollars in Thousands</i>	FY 2017			FY 2018		
	City	Non-City	Total	City	Non-City	Total
DOF Budget as of the Adopted 2017 Budget	\$271,611	\$5,157	\$276,729	\$278,642	\$5,246	\$283,888
New Needs - Prelim. 2018						
Vehicle Booting Contract Adjustment	\$2,000	\$0	\$2,000	\$2,000	\$0	\$2,000
Outside Collection Agencies Business and Excise Tax Debt	0	0	0	800	0	800
Subtotal, New Needs	\$2,000	\$0	\$2,000	\$2,800	\$0	\$2,800
Other Adjustments - Prelim. 2018						
Amex Payment	\$0	\$1	\$1	\$0	\$0	\$0
Collective Bargaining	15	2	17	9	0	9
Department of Consumer Affairs Attorney Trans.	98	0	98	98	0	98
IC W/ HRA - Deadbeat Parents/Warrants Prog.	0	(173)	(173)	0	245	245
IC W/ HRA - Deadbeat Parents/Warrants Prog.	0	173	173	0	245	245
Expanded Parking Fraud Reinstatement Unit	101	0	101	157	0	157
IC W/ DOF Return Surplus to BIC	0	(4)	(4)	0	(4)	(4)
PS Accruals	(500)	0	(500)	(500)	0	(500)
OTPS Adjustment	0	61	61	0	0	0
OTPS Adjustment	(\$286)	\$60	(\$226)	(\$236)	\$486	\$250
TOTAL, All Changes Prelim. 2018	\$1,714	\$60	\$1,774	\$2,564	\$486	\$3,050
DOF Budget as of the Preliminary 2018 Budget	\$273,325	\$5,217	\$278,503	\$281,206	\$5,732	\$286,450
New Needs - Exec. 2017						
Assigned Counsel Plan	\$0	\$0	\$0	\$525	\$0	\$525
Cyclomedia Contract Funding Adjustment	0	0	0	97	0	97
DOF Streetscape	0	0	0	1,014	0	1,014
Pearl Street Lease	0	0	0	9,039	0	9,039
Subtotal, New Needs	\$0	\$0	\$0	\$10,675	\$0	\$10,675
Other Adjustments - Exec. 2018						
Decrease the DOF Fund	\$0	(\$1)	(1)	\$0	\$0	0
DOF MOU	0	152	152	0	0	0
Fiscal 2018 Collective Bargaining	0	50	50	51	0	51
Heat, Light, Power	(32)	0	(32)	22	0	22
Lease Adjustment	0	0	0	1,322	0	1,322
OATH to DOF MOU	0	162	162	0	0	0
OTPS Adjustment	0	14	14	0	0	0
Personal Services Accruals	(500)	0	(500)	0	0	0
Subtotal, Other Adjustments	(\$532)	\$377	(\$155)	\$1,395	\$0	\$1,395
TOTAL, All Changes - Exec. 2018	(\$532)	\$377	(\$155)	\$12,070	\$0	\$12,070
DOF Budget as of the Fiscal 2018 Executive Plan	\$272,793	\$5,594	\$278,984	\$293,276	\$5,732	\$298,521