

THE COUNCIL OF THE CITY OF NEW YORK

Speaker of the Council
Christine C. Quinn



Hon. Domenic M. Recchia, Jr., Chair, Finance Committee

Hearing on the Mayor's Fiscal 2013 Preliminary Budget & the Fiscal 2012 Preliminary Mayor's Management Report

Department of Finance

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Nathan Toth, Deputy Director

Anthony Brito, Senior Legislative Financial Analyst

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Agency Overview

The Department of Finance (DOF) is charged with collecting tax and other revenues, valuing approximately one million properties each year, administering tax audit and enforcement action to promote compliance, conducting hearings on parking tickets each year and maintaining property records.

Fiscal 2013 Preliminary Plan Highlights

	2011	2012	2012	2013	*Difference
<i>Dollars in Thousands</i>	Actual	Adopted	Feb. Plan	Feb. Plan	2012 - 2013
Personal Services	\$129,096	\$136,614	\$133,121	\$140,699	\$4,085
Other Than Personal Services	89,143	86,880	95,683	83,900	(2,980)
Agency Total	\$218,239	\$223,494	\$228,804	\$224,599	\$1,105

*The difference of Fiscal 2012 Adopted compared to Fiscal 2013 February Plan funding.

The Department of Finance's (DOF) Fiscal 2013 Preliminary Budget is \$224.6 million, which is \$1.1 greater than the \$223.4 million Fiscal 2012 Adopted Budget. Since the Fiscal 2012 budget adoption, the agency has implemented a plan to increase its personnel costs and generate revenue for the City through greater tax enforcement initiatives which will result in increased tax collections of \$10.3 million in the current fiscal year and \$46.4 million in Fiscal 2013. The overall net number of full-time positions within the agency will increase by 43 from 1,977 budgeted full-time positions to 2,020 in Fiscal 2013. This headcount increase takes into account the hiring of 40 employees in Fiscal's 2012 and 2013 and the realization of three new employees from the previous financial plan. In addition to prioritizing staffing resources towards revenue generation, the agency will also fund new needs to update and enhance the Real Property Assessment Division (RPAD) system and the payment and receivables repository system. The following table and highlights summarizes the revenue, expense and new need actions the agency has undertaken since the Fiscal 2012 Adoption.

REVENUE INITIATIVES

Revenue Actions				
<i>Dollars in Thousands</i>	Fiscal 2012	Fiscal 2013	Fiscal 2014	Fiscal 2015
Exemption Renewal & Verification		\$7,111	\$7,111	\$7,111
Increase Audit Tax Revenue	10,000	35,000	10,000	10,000
Specialty Properties in Assessment Role		1,809	3,617	5,426
Record clean up property tax bills		1,800	1,1000	
Enforcement of untaxed tobacco products	375	750	750	750
TOTAL	\$10,375	\$46,459	\$22,578	\$23,287

- Exemption Renewal and Verification.** DOF will review and give greater scrutiny to new and renewal exemption applications. The agency will purchase a subscription to a Social Security death index to match against active beneficiaries. The agency expects that this will result in the revocation of benefits if they are found ineligible and therefore save the City \$7.1 million in Fiscal 2013. These exemption programs include the Senior Citizens Homeowner Exemption (SCHE), the Disability Homeowner's Exemption (DHE), and the Veterans Exemption. This greater scrutiny to verifying applications is due to DOF discovering that some individuals who are still receiving exemptions might be deceased. A comparison between the social security numbers of the recipients with the Social Security Death Master File identified approximately 18,000 potentially deceased recipients who receive a combined annual tax benefit of over \$16 million. DOF will complete a full review of the recipients using these social security numbers

and remove the benefit from deceased individuals. Notices will be sent to recipients informing them of their exemption/abatement removal and DOF assumes that approximately 50% of the benefits will be neither contested by a living recipient nor replaced by a new owner. DOF will also be mailing renewal applications to exemption program participants for exemption programs where the benefit is subject to annual renewal on proof of continued qualification. The participants will be given approximately 30 days to submit the required documentation back to DOF. Staff will review the documentation and determine whether the exemption is valid. Participants that no longer meet the requirements will have their exemption revoked for the 2012-13 tax year. The agency will begin this process in March, 2012 with the goal of sending out notices by mid-March to mid-April

DOF will hire 25 new employees to help implement this new initiative of reviewing exemption applications at a cost of \$1.1 million in Fiscal 2012 and \$1.7 million in Fiscal 2013. The 25 new employees will consist of Assessors, outreach staff, processing staff, and tax commission staff. All of these new employees will be spread out among different program areas which include Finance Information Technology, Administration, Payment Operations/Application Processing and Property Valuation.

- **Increasing Audit Tax Revenue Baseline.** The increased audit revenues are related to the increased use of data mining to detect cases. The cases include underreporting of taxable income by businesses. The increase in Fiscal 2013 revenues is due to a special audit program focusing on ensuring that expenses are attributed correctly among related unincorporated business so that taxable income is correctly reported. The program anticipates increased upfront voluntary compliance in future years. The agency will hire seven new employees and spend a total of \$1.49 million in Fiscal 2012 and \$1.59 million in Fiscal 2013 in expenditures in order to increase their audit revenue targets by \$10 million in Fiscal 2012 and \$35 million in Fiscal 2013 (see pages 8 and 10).
- **Inclusion of Specialty Properties in Assessment Role.** The agency will now begin accurately assessing properties that have been difficult to value. Specifically DOF will include on the tax roll the additional value related to cell sites and billboards. New York State law governing assessments provides that newly recognized value is phased in through transitional increases of 20% a year over 5 years. The gradual increase in revenue reflects transitional assessed value treatment on the assessment roll. This action is projected to generate \$1.8 million in Fiscal 2013 increasing to \$5.4 million in Fiscal 2015.
- **Property Tax Bills Corrections.** DOF has identified property tax bills that are not being mailed to taxpayers because of incomplete addresses. Through data mining techniques DOF will acquire alternative addresses and mail delinquent notices to taxpayers and request accurate addresses and payments due to the City. The agency estimates that there are approximately 8,000 properties that were not mailed a July and/or October 2011 property tax bill because of an incomplete address, missing address, or an address that resulted in returned mail more than three times. All of these properties have unpaid property taxes and/or other property charges. DOF will select a firm through a bid process at a cost of \$30,000 to investigate these properties and identify better ownership information and mailing addresses. In addition DOF will hire two new employees with data mining skills at a cost of \$50,000 in Fiscal 2012 and \$110,000 in Fiscal 2013 to help carry out the goals of this initiative (see page 18).

- **Tobacco Diversion Unit.** The agency will establish the Tobacco Diversion Unit which will be charged with employing more vigorous enforcement of untaxed tobacco products. This action is expected to generate 350,000 in Fiscal 2012 and \$750,000 in Fiscal 2013. In order to execute this initiative DOF will hire six new employees for the Tobacco Diversion Unit at a cost of \$225,000 in Fiscal 2012 and \$450,000 in Fiscal 2013(see page 13).

EXPENSE REDUCTIONS

- **Insource Information Technology (IT) Functions.** DOF will insource IT functions with agency staff instead of paying for expensive contracts which will save the City \$150,000 for the remainder of Fiscal 2012 and \$900,000 in Fiscal 2013 (see pages 9 and 16)

NEW AGENCY SPENDING NEEDS

- **RPAD Fairtax and Stars Replacement Project.** DOF will replace its antiquated system of collecting City property, business taxes and charges. The costs of this initiative will be \$400,000 in Fiscal 2012 and \$700,000 in Fiscal 2013 (see pages 10, 19-20).
- **Payments and Receivables Repository.** DOF will spend \$417,000 in Fiscal 2012 and \$364,000 in Fiscal 2013 to create a Payments and Receivables Repository (see page 20).

Financial Summary

<i>Dollars in Thousands</i>	2011 Actual	2012 Adopted	2012 Feb. Plan	2013 Feb. Plan	*Difference 2012 - 2013
Budget by Program Area					
Administration	\$45,655	\$56,226	\$54,703	\$54,451	(\$1,775)
Audit	12,818	23,053	19,587	20,916	(2,138)
Civil Enforcement	23,006	15,155	16,812	17,037	1,883
Collections	14,776	18,741	19,903	19,172	431
Communications & Governmental Services	2,076	1,153	1,448	1,493	340
Customer Relations	414	1,955	1,954	1,955	-
FIT (Finance Information Technology)	33,061	27,463	24,631	28,248	785
Legal & Adjudications	15,911	15,025	17,461	16,408	1,384
NYCSERV Contract Funding	5,310	1,312	4,977	(323)	(1,636)
Payment Ops & Application Processing	18,361	17,210	22,302	19,504	2,293
Property Records	6,520	8,121	8,048	8,121	-
Treasury	27,320	25,460	25,681	25,460	-
Valuing Property	13,012	12,619	11,305	12,156	(463)
TOTAL	\$218,239	\$223,495	\$228,812	\$224,599	\$1,105
Funding					
City Funds		\$220,171	\$223,781	\$219,843	(\$328)
State		438	513	438	-
Intra City		2,887	4,519	4,319	1,433
TOTAL	\$0	\$223,495	\$228,804	\$224,599	\$1,105
Positions					
	1668	1977	2019	2020	43
TOTAL	1668	1977	2019	2020	43

**The difference of Fiscal 2012 Adopted compared to Fiscal 2013 February Plan funding.*

Program Areas

Administration

This program area includes funding for the Executive Division, the Employee Services Division which provides support services to Finance employees in accordance with City rules and regulation, and the Tax Policy division which provides information and analysis to help decision makers improve the City’s tax system and public understanding of the revenue system.

<i>Dollars in Thousands</i>	2011	2012	2012	2013	*Difference
	Actual	Adopted	Feb. Plan	Feb. Plan	2012 - 2013
Spending					
Personal Services Subtotal	\$11,751	\$11,274	\$11,274	\$11,274	\$0
Fulltime Salaried	\$11,386	\$10,771	\$10,771	\$10,771	-
Other Salaried & Unsalariied	1	175	175	175	-
Additional Gross Pay	338	319	319	319	-
Amounts to be Scheduled	-	1	1	1	-
Overtime-Civilian	20	4	4	4	-
Fringe Benefits	3	4	4	4	-
P.S Other	3	-	-	-	-
Other Than Personal Services					
Supplies and Materials	\$2,817	\$1,882	\$1,937	\$1,882	-
Fixed and Misc Charges	7	22	7	22	-
Property and Equipment	66	139	65	139	-
Other Services and Charges	30,390	34,163	33,179	33,288	(875)
Contractual Services	624	8,746	8,242	7,846	(900)
Subtotal	\$33,904	\$44,953	\$43,429	\$43,178	(\$1,775)
TOTAL	\$45,655	\$56,226	\$54,703	\$54,451	(\$1,775)
Funding					
City Funds		\$56,226	\$54,503	\$54,451	(\$1,775)
Intra-City Funds		0	199,854	0	0
TOTAL		\$56,226	\$254,357	\$54,451	(\$1,775)

**The difference of Fiscal 2012 Adopted compared to Fiscal 2013 February Plan Funding.*

Exemption Renewal and Verification. Under this program area DOF will hire 4 new positions to carry out the goals of the exemption renewal and verification initiative at a cost of \$120,000 in Fiscal 2012 and \$240,000 in Fiscal 2013 and the outyears.

Audit

This program area includes DOF employees who conduct in-depth audits of business and personal income, excise and other tax returns. The Audit Division identifies non-filing and delinquent businesses, and, when appropriate, assesses additional taxes and/or seeks civil penalties.

<i>Dollars in Thousands</i>	2011	2012	2012	2013	*Difference
	Actual	Adopted	Feb. Plan	Feb. Plan	2012 - 2013
Spending					
Personal Services Subtotal	\$12,562	\$22,730	\$18,740	\$20,164	(\$2,566)
Fulltime Salaried	\$10,893	\$18,846	\$14,856	\$16,281	(\$2,565)
Full-Time Salaried - Pedagogical	2	-	-	-	-
Other Salaried & Unsalariated	-	10	10	10	-
Additional Gross Pay	1,693	2,655	2,655	2,655	(1)
Amounts to be Scheduled	-	1,218	1,218	1,218	-
P.S Other	(26)	-	-	-	-
Other Than Personal Services					
Supplies and Materials	\$143	\$119	\$521	\$357	\$239
Fixed and Misc Charges	-	1	1	1	-
Property and Equipment	51	102	255	292	190
Other Services and Charges	62	99	63	99	-
Contractual Services	-	3	7	3	-
Subtotal	\$256	\$324	\$848	\$752	\$429
TOTAL	\$12,818	\$23,053	\$19,587	\$20,916	(\$2,138)
Funding					
City Funds		\$23,053	\$19,587	\$20,916	(\$2,138)
TOTAL		\$23,053	\$19,587	\$20,916	(\$2,138)

*The difference of Fiscal 2012 Adopted compared to Fiscal 2013 February Plan Funding.

Performance Measures

	FY 09	FY 10	FY 11	FY 11 4-Month Actual	FY 12 4-Month Actual	Target FY 13
Percent increase in tax liability as a result of audits	7.4%	18.6%	29.9%	12%	19.4%	-
Audits closed within 1 year (%)	N/A	33%	35%	31.8%	34.5%	-
Average turnaround time for audits (days)	N/A	598	612	626	655	-
Average amount collected from a closed audit (\$000)	N/A	\$68	\$90	\$45	\$73	-

Due to changes in DOF's audit selection process the average amount collected from a closed audit rose to \$73,000 from \$45,000 a year ago this time. This is largely due to DOF's initiative to use sophisticated data mining techniques which have helped develop audit cases as well as increasing efforts to detect tax shelters and other cases of tax compliance abuse. The agency's

efforts in auditing is also reflected in the percent increase in tax liability which increased from 12% in the Fiscal 2011 actuals to 19% in Fiscal 2012.

Increasing Audit Revenue. Other than Personal Services (OTPS) costs under this program area will increase by \$429,000 from the Fiscal 2012 Adopted Budget primarily due to increased resources for the audit revenue initiative. In particular, approximately \$324,000 in Fiscal 2012 and \$228,000 in Fiscal 2013 will be devoted to OTPS costs for the audit revenue initiative. The projected revenue from this initiative is \$10 million in Fiscal 2012 and \$35 million in Fiscal 2013.

Finance Information Technology

This program area includes funding to ensure the development and delivery of information and technology solutions that aid the Department of Finance in achieving its goals.

<i>Dollars in Thousands</i>	2011	2012	2012	2013	*Difference
	Actual	Adopted	Feb. Plan	Feb. Plan	2012 - 2013
Spending					
Personal Services Subtotal	\$22,097	\$25,254	\$21,846	\$26,039	\$785
Fulltime Salaried	\$21,183	\$23,705	\$20,297	\$24,490	\$785
Other Salaried & Unsalariated	48	74	74	74	-
Additional Gross Pay	774	720	720	720	-
Amounts to be Scheduled	-	560	560	560	-
Overtime Civilian	93	195	195	195	-
Other Than Personal Services					
Supplies and Materials	\$1,404	\$683	\$96	\$252	(\$431)
Fixed and Misc Charges	0	0	2	0	-
Property and Equipment	3	3	17	3	-
Other Services and Charges	334	151	746	582	431
Contractual Services	9,222	1,373	1,924	1,373	-
Subtotal	\$10,963	\$2,210	\$2,785	\$2,210	-
TOTAL	\$33,061	\$27,463	\$24,631	\$28,248	\$785
Funding					
City Funds		\$27,463	\$24,631	\$28,248	\$785
TOTAL		\$27,463	\$24,631	\$28,248	\$785

*The difference of Fiscal 2012 Adopted compared to Fiscal 2013 February Plan Funding.

Insource IT Functions. This program area has gradually increased since Fiscal 2009 due to the hiring of information technology specialist who have been charged with maintaining the NYC Serv system which serves as the payment and adjudications engine for all debts, collections, licensing, and permits to the City of New York. Previously DOF had paid IT consultants to perform these tasks however the costs of keeping these consultants exceeded the costs of insourcing permanent City employees. Consequently the NYC Serv program budget has decreased significantly while the FIT program area has had its personal services costs increase from \$25.2 million in the Fiscal 2012 adopted plan to \$26 million in Fiscal 2013.

In continuation of this programmatic trend the Preliminary Budget eliminates funding for contractors that managed the agency's New York State relief program (STARS) production control and Helpdesk function. Instead the agency will insource these responsibilities within DOF's information Technology (IT) department. There are a set number of consultants assigned to support the STARS application and they work on their functions on an as needed basis. DOF will phase in moving the functions from the consultants to the agency's IT staff by the late spring of 2012. Because of this phased in transition the agency will only show a partial savings of \$150,000 in Fiscal 2012 and a total savings of \$900,000 by Fiscal 2013.

Increasing Audit Revenue. Under this program area DOF will hire seven new positions at a cost of \$355,000 in Fiscal 2012 and \$710,000 in Fiscal 2013 in order to increase the agency's audit revenue targets. The projected revenue from this initiative is \$10 million in Fiscal 2012 and \$35 million in Fiscal 2013.

RPAD, Fairtax STARS Replacement Project. The RPAD and Fairtax systems serve as the clearinghouse for property information data that helps the City collect \$20 billion in property and business taxes. The RPAD, Fairtax and STARS replacement project will replace this 20 year old system which has become outdated and does not facilitate a more efficient way of collecting taxes. The agency will hire a consultant for the remainder of Fiscal 2012 under this program area at a cost of \$500,000 who will provide guidance to current DOF staff and to two new hires on how a new and more efficient tax collecting system would look like.

Exemption Renewal and Verification. Under this program area DOF will hire one new position to carry out the goals of the exemption renewal and verification initiative at a cost of \$37,500 in Fiscal 2012 and \$75,000 in Fiscal 2013 and the outyears.

Treasury

DOF's Treasury administers the City's network of bank accounts, manages the cash flow of the City's investments, and holds all cash bail until it is ordered to be refunded.

<i>Dollars in Thousands</i>	2011	2012	2012	2013	*Difference
	Actual	Adopted	Feb. Plan	Feb. Plan	2012 - 2013
Spending					
Personal Services Subtotal	\$2,591	\$2,402	\$2,402	\$2,402	\$0
Fulltime Salaried	\$2,487	\$2,236	\$2,236	\$2,236	-
Other Salaried & Unsalariated	-	54	54	54	-
Additional Gross Pay	104	112	112	112	-
Overtime-Civilian	0	-	-	-	-
Other Than Personal Services					
Supplies and Materials	\$9	\$3	\$10	\$3	-
Property and Equipment	9	10	3	\$0	-
Other Services and Charges	83	20	204	20	-
Contractual Services	24,628	23,025	23,063	23,025	-
Subtotal	\$24,729	\$23,058	\$23,279	\$23,058	-
TOTAL	\$27,320	\$25,460	\$25,681	\$25,460	\$0
Funding					
City Funds		\$25,460	\$25,681	\$25,460	-
TOTAL		\$25,460	\$25,681	\$25,460	\$0

**The difference of Fiscal 2012 Adopted compared to Fiscal 2013 February Plan Funding.*

Collections

This program area is responsible for processing business income tax returns, collecting remittances and issuing tax refunds, and for billing the real property tax. It also collects non-tax revenue and provides taxpayer assistance.

<i>Dollars in Thousands</i>	2011 Actual	2012 Adopted	2012 Feb. Plan	2013 Feb. Plan	*Difference 2012 - 2013
Spending					
Personal Services Subtotal	\$10,286	\$15,557	\$15,157	\$15,558	\$0
Fulltime Salaried	\$9,310	\$11,196	\$10,796	\$11,202	\$5
Other Salaried & Unsalariated	-	(201)	(201)	(201)	-
Additional Gross Pay	664	866	866	866	-
Amounts to be Scheduled	-	1,584	1,584	1,584	-
Overtime-Civilian	4	87	87	87	-
Fringe Benefits	308	2,025	2,025	2,020	(5)
Other Than Personal Services					
Supplies and Materials	\$460	\$266	\$800	\$428	\$162
Property and Equipment	542	120	396	123	3
Other Services and Charges	27	463	1,100	729	266
Contractual Services	3,462	2,335	2,450	2,335	0
Subtotal	\$4,491	\$3,184	\$4,746	\$3,615	\$431
TOTAL	\$14,776	\$18,741	\$19,903	\$19,172	\$431
Funding					
City Funds		\$18,741	\$19,903	\$19,172	\$431
TOTAL		\$18,741	\$19,903	\$19,172	\$431

*The difference of Fiscal 2012 Adopted compared to Fiscal 2013 February Plan Funding.

Performance Measures

	FY 09	FY 10	FY 11	FY 11 4-Month Actual	FY 12 4-Month Actual	Target FY 13
Average time to issue a property tax refund (days)	14	19	22	19	20	20
Average time to issue a business tax refund (days)	44	39	39	38	31	45

The average number of days to issue business tax refunds declined by 7 from 38 days in Fiscal 2011 to 31 days in Fiscal 2012. This is primarily due to organizational and programmatic changes the agency has implemented recently to expedite refunds more efficiently. This has not occurred however with property tax refunds which has stayed at the same levels of 19 to 20 days.

Civil Enforcement

This program area includes funding for the Tax Enforcement Division which attempts to ensure that all taxpayers pay their fair share and provides enforcement against those who intentionally do not. This program area also includes funding for the Sheriff's Division which promotes public safety and enforces court orders, including those for the collection of judgment debt.

<i>Dollars in Thousands</i>	2011	2012	2012	2013	*Difference
	Actual	Adopted	Feb. Plan	Feb. Plan	2012 - 2013
Spending					
Personal Services Subtotal	\$20,458	\$13,519	\$14,703	\$14,928	\$1,409
Fulltime Salaried	\$18,251	\$12,263	\$13,334	\$13,612	\$1,349
Other Salaried & Unsalariied	-	83	83	83	-
Additional Gross Pay	2,080	915	948	915	-
Overtime-Civilian	128	247	327	307	60
Fringe Benefits	-	11	11	11	-
Other Than Personal Services					
Supplies and Materials	\$675	\$564	\$334	\$582	\$18
Fixed and Misc Charges	0	7	8	7	-
Property and Equipment	190	134	533	148	14
Other Services and Charges	1,222	504	810	926	422
Contractual Services	461	427	424	446	19
Subtotal	\$2,548	\$1,636	\$2,109	\$2,109	\$473
TOTAL	\$23,006	\$15,155	\$16,812	\$17,037	\$1,883
Funding					
City Funds		\$12,268	\$12,493	\$12,718	\$450
Intra-City Funds		2,887	4,319	4,319	1,433
TOTAL		\$15,155	\$16,812	\$17,037	\$1,883

*The difference of Fiscal 2012 Adopted compared to Fiscal 2013 February Plan Funding.

Tobacco Diversion Unit. The Civil Enforcement program area will increase slightly from \$15 million in Fiscal 2012 to \$17 million in the Fiscal 2013 Preliminary plan. This is primarily due to an increase in personal costs associated with the hiring of 6 new employees for the Tobacco Diversion Unit which will be charged with enforcing untaxed tobacco products. DOF will generate additional revenue of \$350,000 in Fiscal 2012 and \$750,000 in Fiscal 2013 through a more vigorous enforcement of untaxed tobacco products. The agency will conduct combined civil and criminal inspection efforts and joint undercover operations and engage in joint action with the Law Department to support civil lawsuits against illegal tobacco operations. DOF will also engage in vehicle stops throughout the City based on intelligence from the Bureau of Alcohol, Tobacco and Firearms (ATF) and law enforcement officials from the State of Virginia. And finally DOF will coordinate law enforcement activity within the City by coordinating with the Department of Homeland Security (DHS) and the Immigration and Customs Enforcement Department (ICE) airport cargo operations and coordinating with NYPD Vice-tobacco unit. In order to execute this

initiative DOF will hire six new employees for the Tobacco Diversion Unit at a cost of \$225,000 in Fiscal 2012 and \$450,000 in Fiscal 2013.

Legal & Adjudications

This program area includes funding for the Legal Affairs Division which ensures that laws, rules and regulations are clear, easy to understand and fairly applied to the public, and that DOF has adequate legal support. This program area also funds the Adjudication Division which provides a forum for motorists to challenge their parking or red light tickets.

<i>Dollars in Thousands</i>	2011 Actual	2012 Adopted	2012 Feb. Plan	2013 Feb. Plan	*Difference 2012 - 2013
Spending					
Personal Services Subtotal	\$14,043	\$13,141	\$15,240	\$14,275	\$1,134
Fulltime Salaried	\$9,165	\$5,541	\$7,556	\$6,593	\$1,052
Other Salaried & Unsalariated	4,159	3,998	3,998	3,998	-
Additional Gross Pay	719	652	735	734	82
Amounts to be Scheduled	-	2,942	2,942	2,942	-
Overtime-Civilian	-	9	9	9	-
Other Than Personal Services					
Supplies and Materials	\$492	\$359	\$623	\$609	\$250
Fixed and Misc Charges	-	-	1	-	-
Property and Equipment	54	54	65	54	-
Other Services and Charges	49	58	105	58	-
Contractual Services	1,273	1,412	1,428	1,412	-
Subtotal	\$1,868	\$1,883	\$2,221	\$2,133	\$250
TOTAL	\$15,911	\$15,025	\$17,461	\$16,408	\$1,384
Funding					
City Funds		\$15,025	\$17,461	\$16,408	\$1,384
TOTAL		\$15,025	\$17,461	\$16,408	\$1,384

*The difference of Fiscal 2012 Adopted compared to Fiscal 2013 February Plan Funding.

Performance Measures

	FY 09	FY 10	FY 11	FY 11 4-Month Actual	FY 12 4-Month Actual	Target FY 13
Percent of parking tickets issued that are paid within 90 days	62	61	63	63	64	-
Percent of parking tickets issued that are dismissed with 90 days	13	13.8	13	12.5	12.4	-
Percent of parking ticket appeals granted a reversal	14.4	15	15.6	16.8	10.6	
Average time to issue refunds for parking tickets, appeals and towing	15.6	15	12.3	12.8	9.3	

The organizational efficiencies DOF employed refunding business taxes was also utilized for issuing parking ticket refunds more quickly. In particular, DOF reduced nearly four days from its processing times for a low of 9.3 days which surpassed the 10-day target for the first time.

NYCSERV Contract Funding

This program area includes funding for Other than Personal Services expenses of the NYCServ Contract. NYCServ is the payment and adjudications engine for all debts, collections, licensing, and permits to the City of New York. It enables customers to pay taxes and fines or dispute parking tickets and violations in a single location while improving customer service.

<i>Dollars in Thousands</i>	2011	2012	2012	2013	*Difference
	Actual	Adopted	Feb. Plan	Feb. Plan	2012 - 2013
Spending					
Personal Services Subtotal	\$0	(\$767)	(\$767)	(\$767)	\$0
Fulltime Salaried	-	(\$940)	(\$940)	(\$940)	-
Other Salaried & Unsalariied	-	(40)	(40)	(40)	-
Amounts to be Scheduled	-	213	213	213	-
Other Than Personal Services					
Supplies and Materials	-	-	\$1	-	-
Property and Equipment	-	-	1	-	-
Other Services and Charges	-	25	3,332	25	-
Contractual Services	5,310	2,055	2,410	419	(1,636)
Subtotal	\$5,310	\$2,080	\$5,745	\$444	(\$1,636)
TOTAL	\$5,310	\$1,312	\$4,977	(\$323)	(\$1,636)
Funding					
City Funds		\$1,312	\$4,977	(\$323)	(\$1,636)
TOTAL		\$1,312	\$4,977	(\$323)	(\$1,636)

**The difference of Fiscal 2012 Adopted compared to Fiscal 2013 February Plan Funding.*

Insource IT Functions. Since Fiscal 2009 spending in this program area has declined from \$18 million to less than half a million dollars in Fiscal 2013. This significant decline is due primarily to an elimination of contractual services from \$16.8 million in Fiscal 2009 to the projected total of 419,000 in Fiscal 2013 for administering information technology functions such as the STARS system. In particular, the Fiscal 2013 preliminary plan reduces contractual spending by \$150,000 during the current fiscal year and \$900,000 in Fiscal 2013 and the outyears. In Fiscal 2010 DOF hired 29 information technology specialists who were charged with performing the duties the contractors were responsible for. According to DOF the average annual cost of a consultant is \$345,000, while the costs of the information technology specialist are between \$95,000 and \$140,000 annually (not including fringe).

Property Records

This program area includes funding for the City Register which maintains official records of real and personal property transfers and interests. ACRIS is the Automated City Register Information System, which allows anyone to view property-related ownership documents online going back to 1966. The surveyor, who reports to the City Register, updates and maintains the official tax maps of the City of New York when property owners request the subdivision of large lots into smaller lots (apportionment) or the merging of smaller lots into one large lot (merging).

<i>Dollars in Thousands</i>	2011	2012	2012	2013	*Difference
	Actual	Adopted	Feb. Plan	Feb. Plan	2012 - 2013
Spending					
Personal Services Subtotal	\$5,570	\$6,314	\$6,314	\$6,314	\$0
Fulltime Salaried	\$5,353	\$5,809	\$5,809	\$5,809	\$0
Other Salaried & Unsalariied	-	82	82	82	-
Additional Gross Pay	216	186	186	186	-
Amounts to be Scheduled	-	214	214	214	-
Overtime-Civilian	1	22	22	22	-
Fringe Benefits	0	0	0	0	-
Other Than Personal Services					
Supplies and Materials	\$335	\$28	\$50	\$28	\$0
Fixed and Misc Charges	1	-	1	-	-
Property and Equipment	5	1	6	1	-
Other Services and Charges	100	110	120	110	-
Contractual Services	509	1,668	1,556	1,668	-
Subtotal	\$950	\$1,808	\$1,734	\$1,808	\$0
TOTAL	\$6,520	\$8,121	\$8,048	\$8,121	\$0
Funding					
City Funds		\$8,121	\$7,973	\$8,121	-
State		-	75	-	-
TOTAL		\$8,121	\$8,048	\$8,121	\$0

**The difference of Fiscal 2012 Adopted compared to Fiscal 2013 February Plan Funding.*

Valuing Property

The function of this program area is to determine the taxable value of more than 900,000 parcels of NYC real estate each year. It oversees the computer-assisted mass appraisal system (CAMA) to enhance data collection and accuracy of assessments for small residential properties.

<i>Dollars in Thousands</i>	2011	2012	2012	2013	*Difference
	Actual	Adopted	Feb. Plan	Feb. Plan	2012 - 2013
Spending					
Personal Services Subtotal	\$11,731	\$11,281	\$9,768	\$10,819	(\$463)
Fulltime Salaried	\$10,989	\$9,465	\$7,952	\$9,004	(\$461)
Other Salaried & Unsalariied	-	(37)	(37)	(37)	
Additional Gross Pay	672	582	582	580	
Amounts to be Scheduled	-	1,222	1,222	1,222	
Overtime-Civilian	70	49	49	49	
Other Than Personal Services					
Supplies and Materials	\$693	\$257	\$680	\$257	-
Fixed and Misc Charges	-	2	-	2	-
Property and Equipment	98	52	89	52	-
Other Services and Charges	37	187	247	187	-
Contractual Services	452	840	520	840	-
Subtotal	\$1,281	\$1,337	\$1,536	\$1,337	\$0
TOTAL	\$13,012	\$12,619	\$11,305	\$12,156	(\$463)
Funding					
City Funds		\$12,181	\$10,867	\$11,719	(\$463)
State		438	438	438	-
TOTAL		\$12,619	\$11,305	\$12,156	(\$463)

*The difference of Fiscal 2012 Adopted compared to Fiscal 2013 February Plan Funding.

Property Tax Bills Corrections. Under this program area the agency will hire two new employees in Fiscal 2013 at cost of \$110,000 in order to implement the record cleanup of property tax bills initiative. DOF has identified approximately 8,000 properties that were not mailed a July and/or October 2011 property tax bill because of an incomplete address, missing address, or an address that resulted in returned mail more than three times. By hiring two new employees with data mining experience and other techniques DOF will acquire alternative addresses and mail delinquent notices to taxpayers and request accurate addresses and payments due to the City. The agency estimates that all of these properties have unpaid property taxes and/or other property charges. The projected revenue from this initiative will be \$1.8 million in Fiscal 2012 and \$1.1 million in Fiscal 2013.

Exemption Renewal and Verification. Under this program area DOF will hire 10 new positions to carry out the goals of the exemption renewal and verification initiative at a cost of \$242,000 in Fiscal 2012 and \$484,000 in Fiscal 2013 and the outyears.

Payment Operations & Application Processing

This program area includes funding for Payment Operations which ensures quick and accurate processing of payments, returns exemptions and business tax refunds, while providing people with convenient options to pay and file.

<i>Dollars in Thousands</i>	2011	2012	2012	2013	*Difference
	Actual	Adopted	Feb. Plan	Feb. Plan	2012 - 2013
Spending					
Personal Services Subtotal	\$15,725	\$12,881	\$15,303	\$16,426	\$3,545
Fulltime Salaried	\$14,811	\$11,456	\$13,879	\$15,001	\$3,545
Other Salaried & Unsalariied	13	142	142	142	-
Additional Gross Pay	871	636	636	636	-
Amounts to be Scheduled	-	590	590	590	-
Overtime-Civilian	30	56	56	56	-
Other Than Personal Services					
Supplies and Materials	\$544	\$939	\$734	\$730	(\$210)
Fixed and Misc Charges	1	1	2	1	
Property and Equipment	20	8	206	4	(4)
Other Services and Charges	162	1,757	2,665	768	(990)
Contractual Services	1,908	1,625	3,392	1,577	(48)
Subtotal	\$2,636	\$4,330	\$6,999	\$3,078	(\$1,252)
TOTAL	\$18,361	\$17,210	\$22,302	\$19,504	\$2,293
Funding					
City Funds		\$17,210	\$22,302	\$19,504	\$2,293
TOTAL		\$17,210	\$22,302	\$19,504	\$2,293

*The difference of Fiscal 2012 Adopted compared to Fiscal 2013 February Plan Funding.

Exemption Renewal and Verification. This program area will increase from Fiscal 2011 levels due to an increase in personal costs (PS) and other than personal costs (OTPS) for initiatives that are intended to generate revenue and enhance citywide payment systems. To generate revenue for the City the agency will enact a renewal and verification process for exemption programs such as SCHE, DHE and the veteran's exemption. DOF will hire 25 new employees throughout the agency to administer the renewal and verification process, 10 of which will be located in this program area at a cost of \$322,500 in Fiscal 2012 and \$645,000 in Fiscal 2013 and the outyears once the full costs of these new employees are realized. It is expected that this initiative will generate \$7.1 million in Fiscal 2013.

New Needs

There two new needs in DOF's budget that are funded in this program area which includes added PS funding for the Fairtax and STARS replacement project and funding for the Payments and Receivables Repository.

RPAD, Fairtax, and STARS Replacement Project. The Real Property Assessment Division (RPAD) and Fairtax applications are key systems critical to the annual collection of over \$20

billion in City property, business and other taxes and charges. Since properties in New York City are assessed at a percent of value and are subject to other complex rules, the RPAD system is programmed with legally mandated formulas to arrive at assessments used for tax purposes. RPAD also is the repository for property sales dating back to the 1970s. In addition, RPAD is used to calculate exemption and abatement values. The system also maintains information about assessment protests filed with the Tax Commission. The systems were written and deployed more than 30 years ago and have seen extensive modifications through the years as tax and DOF business needs have changed. The agency must replace these systems because some of the components are no longer supported and many of the long time DOF employees who are knowledgeable about the systems have retired or are planning to retire. In addition, these systems need to change in order to facilitate and match more efficient and effective revenue collection and business processes.

The expense funding will enable DOF to carefully plan and stage the development and replacement of the many components of these critical taxing systems. The systems are complex and perform many functions and some tax work areas are not effectively supported. The expense funding supports a consultant to help a steering committee of agency leadership work with subject matter experts, present and review alternatives and explore different ideas before the actual project plan is developed in the current year. To implement the plan DOF will hire senior and lower level staff who will be dedicated exclusively to managing the business analysis and transition planning from the operations side. Funding in the program area will support the hiring to two new employees at a cost of \$200,000 in Fiscal 2012 and \$400,000 in Fiscal 2013 and the outyears who will be managing the business analysis and transition planning from the operations side.

Payment and Receivables Repository. Additional expense funding supports the ongoing creation of a Payments and Receivables Repository (“Repository”), which will enable data access to and from existing New York City agency systems so that these agencies can participate in the broader Citywide Payments & Receivables program that is currently underway. The program will simplify the process for agencies to take money, match it to receivables and collect unpaid charges. The cost of this initiative is \$417,000 in Fiscal 2012 and \$364,000 in Fiscal 2013.

Revenue Summary

The Fiscal 2013 Revenue Budget for DOF is projected to be \$667.6 million, a decrease of more than \$35 million when compared to the Fiscal 2012 Adopted Budget amount of \$703 million. This is primarily due to an anticipated decrease of \$31.9 million in revenues from fines and forfeitures in Fiscal 2013 and the outyears. This decrease is related to the projected decline in the number and type of parking ticket summonses issued by the New York City Police Department.

Agency Revenue Overview

Dollars in Thousands

Agency Revenue Sources	Fiscal 2012 Adopted Budget	Fiscal 2012 Modified	Fiscal 2013 Preliminary Budget
License, Permit & Franchises	\$105	\$105	\$105
Interest Income	\$4,400	\$4,400	\$990
Charges for Services	49,658	49,658	49,436
Fines and Forfeitures	640,467	640,467	608,512
Miscellaneous	8,175	8,175	8,175
State Grants-Categorical	437	512	437
Total	\$703,242	\$703,317	\$667,655

Appendix A: Budget Actions in the November and February Plans

<i>Dollars in Thousands</i>	FY 2012			FY 2013		
	City	Non-City	Total	City	Non-City	Total
Agency Budget as of June 2011 Plan	\$220,171	\$3,334	\$223,495	\$216,110	\$3,324	\$219,434
Program to Eliminate the Gap (PEGs)						
Record Clean-Up for Property Tax Bills	\$50		\$50	\$110		\$110
Exemption Renewal & Verification	1136		1136	1708		1708
Increase Audit Tax Revenue	1149		1149	1595		1595
Insource IT Functions	(150)		(150)	(900)		(900)
Tobacco Diversion Unit	225		225	450		450
TOTAL, PEGs	\$2,410	\$0	\$2,410	\$2,963	\$0	\$2,963
New Needs						
Citywide Payments	\$417		\$417	\$364		\$364
RPAD, Fairtax, and STARS Replacement Project	700		700	400		400
TOTAL, New Needs	\$1,117	\$0	\$1,117	\$764	\$0	\$764
Other Adjustments						
DOF IC for Security	\$162		\$162			\$0
Intra City Adjustment	26		26			0
Intra City Adjustment for Sheriff's Office	1433		1433	1433		1433
Transfer to DOITT			0	(79)		(79)
DC37 Adjustment	83		83	84		84
SARA Grant		67	67			0
Security Services	12		12			0
TOTAL, Other Adjustments	\$1,715	\$67	\$1,782	\$1,438	\$0	\$1,438
TOTAL, All Changes	\$5,242	\$67	\$5,309	\$5,165	\$0	\$5,165
Agency Budget as of February 2012 Plan	\$225,413	\$3,401	\$228,804	\$221,275	\$3,324	\$224,599

Appendix B: Contract Budget

Category	Number	Budgeted	Pct of DOF Total	Pct of City Total
Contractual Services General	17	\$2,723	7%	1%
Telecommunications Maintenance	1	375	1%	1%
Maintenance and Repair	18	1,357	3%	1%
Costs Associated with Financing	3	25,514	62%	32%
Security Services	4	323	1%	0%
Cleaning Services	4	1	0%	0%
Training Program City Employees	5	98	0%	1%
Accounting & Auditing	1	50	0%	0%
Engineer & Architect	1	8	0%	0%
Computer Services	3	10,464	26%	9%
Other Services	1	47	0%	0%
Preliminary Budget	58	\$40,960	100%	3%

Appendix C: Fiscal 2012 Mayor's Management Report Performance Measures

	FY 09	FY10	FY 11	4-Month Actual FY 11	4-Month Actual FY 12	Target FY 13
Percent of City debt resolved	42.6%	42.%	39.6%	16.9%	18%	
Percent of property taxes billed that are paid	98%	98%	97%	NA	NA	
Average turnaround time for audits (days)	NA	598	612	626	655	
Percent increase in tax liability as a result of audits	7.4%	18.6%	26.9%	19.4%	12%	
Percent of parking tickets issued that are paid within 90 days	62	61	63	63	64	-
Percent of parking tickets issued that are dismissed with 90 days	13	13.8	13	12.5	12.4	-
Percent of parking ticket appeals granted a reversal	14.4	15	15.6	16.8	10.6	
Average time to issue refunds for parking tickets, appeals and towing	15.6	15	12.3	12.8	9.3	
Average wait time to see a cashier at payment centers (minutes)	4.8	5.5	8.7	6	6	
Average time to issue a property tax refund (days)	14	19	22	19	20	20
Average time to issue a business tax refund (days)	44	39	39	38	31	45
Average turnaround time for in-person parking ticket hearings (minutes)	28	25	23	40	40	
Average time to issue decision for parking tickets hearing by mail/web (days)	31	36	29	40	40	
Average time to issue decision for parking ticket appeals (days)	11	11	11	11	11	15

Appendix D: Reconciliation of Program Areas to Units of Appropriation

<i>Dollars in Thousands</i>	Personal Services							Other Than Personal Services							Grand Total
	001	002	003	004	005	007	009	011	022	033	044	055	077	099	
Administration	\$11,274	\$0	\$0	\$0	\$0	\$0	\$0	\$35,545	\$0	\$0	\$0	\$0	\$0	\$0	\$46,818
Audit	0	0	0	19,104	0	0	0	0	0	0	752	0	0	0	19,856
Civil Enforcement	0	0	0	3,554	0	0	11,375	0	0	0	0	0	0	2,109	17,037
Collections	0	8,757	0	0	0	0	6,991	0	3,615	0	0	0	0	0	19,362
Communications & Governmental Services	1,314	0	0	0	0	0	0	179	0	0	0	0	0	0	1,493
Customer Relations	1,954	0	0	0	0	0	0	0	0	0	0	0	0	0	1,955
Financial Plan Savings	70	(190)	(300)	1,060	(94)	(500)	(767)	(450)	0	0	0	0	3	0	(1,168)
FIT(Finance Information Technology)	25,145	0	0	893	0	0	0	10,292	0	0	0	0	0	0	36,331
Legal & Adjudications	0	0	0	0	5,356	9,443	0	0	0	0	0	128	2,002	0	16,930
NYCSERV Contract Funding	0	0	0	0	0	0	0	344	0	0	0	0	0	100	444
Payment Ops & Application Processing	0	16,426	0	0	0	0	0	0	1,578	0	0	0	0	1,500	19,504
Property Records	0	0	6,314	0	0	0	0	0	0	1,808	0	0	0	0	8,121
Treasury	2,402	0	0	0	0	0	0	23,058	0	0	0	0	0	0	25,460
Valuing Property	0	0	11,119	0	0	0	0	0	0	1,337	0	0	0	0	12,456
Grand Total	\$42,160	\$24,993	\$17,133	\$24,611	\$5,262	\$8,943	\$17,598	\$68,968	\$5,193	\$3,145	\$752	\$128	\$2,005	\$3,709	\$224,599