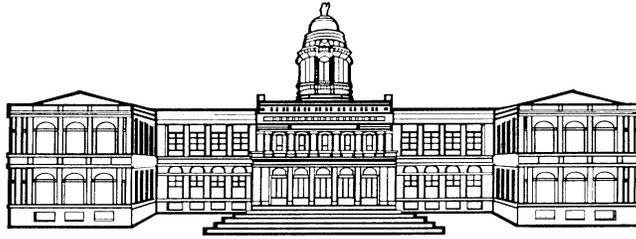


New York City Council



BUDGET REPORT

Finance Division

March 2009

***Analysis of the
Fiscal 2010 Preliminary Budget
And
Fiscal 2009 Preliminary Mayor's Management Report
for the
Conflicts of Interest Board
Monday, March 30, 2009***

Hon. Christine C. Quinn
Speaker

Hon. David I. Weprin, Chair
Committee on Finance

Hon. Inez Dickens, Chair
Committee on Standard and Ethics

Preston Niblack, Director

Jeffrey Rodus, First Deputy Director

Andy Grossman, Deputy Director

PREFACE

On March 30, 2009, at 10 am., the Committee on , chaired by the Hon. Inez Dickens, will hold a hearing on the Mayor's Fiscal 2010 Preliminary Budget and Fiscal 2009 Preliminary Mayor's Management Report for the Conflicts of Interest Board.

Section 236 of the New York City Charter requires the Mayor to submit by January 16th a preliminary budget for the upcoming fiscal year.^a In addition, under section 12 of the City Charter, the Mayor must make public and submit to the Council by January 30th the Preliminary Mayor's Management Report (PMMR) for the current fiscal year.^b Among other things, the PMMR must contain "proposed program performance goals and measures for the next fiscal year reflecting budgetary decisions made as of the date of submission of the preliminary budget."^c The Charter also requires the Council to hold hearings on the preliminary budget and to submit recommendations to the Mayor by March 25th.^d This year, the Council will hold joint hearings on the Fiscal 2010 Preliminary Budget and the Fiscal 2009 Preliminary Mayor's Management Report.

Beginning with the Fiscal Year 2008 Adopted Budget, the Council and the Mayor's Office of Management and Budget agreed to an additional budget presentation, referred to by OMB as the budget function analysis, and by the Council as the program budget. Two agencies were initially presented in the program budget form. Beginning with the January 2008 Financial Plan (Fiscal 2009 Preliminary Budget), a total of 16 agencies are now in program budget form. The Conflicts of Interest Board is not a program budget agency.

This report was prepared by Andy Grossman, Deputy Director.

^a The Charter prescribes specific actions that are required as part of the annual budget submission process during a fiscal year. The Charter allows for changes, via local law, in the dates in the submission of the PMMR, as well as an extension for subsequent steps in the budget process. This year, Local Law 03 of 2009 changed the date for the submission of the Preliminary Budget to January 30th, and the date for the Council's Response to the Preliminary Budget to April 8th.

^b Local Law 03 of 2009 changed the date of submission of the PMMR to February 13, 2009.

^c New York City Charter, §12(b)(2).

^d *See id.* at §247.

Conflicts of Interest Board (312)

The Conflicts of Interest Board (COIB) implements and interprets the conflicts of interest provisions of Chapter 68 of the New York City Charter. This is accomplished through the training and education of City employees regarding ethical standards and through the issuance of advisory opinions to prospective, current, and former City employees. The Board processes complaints concerning alleged violations of the provisions of Chapter 68, and receives and reviews financial disclosure statements.

PROGRAM TO ELIMINATE THE GAP

Since the Fiscal 2009 Budget was adopted in June, the Office of Management and Budget has twice asked agency heads to submit Program to Eliminate the Gap (PEG) proposals. In the first round, in September, OMB sought PEG submissions equal to five percent of agency City tax-levy budgets for Fiscal 2010, with a further seven percent sought in December.

PEGs reduce the City's budget gap either by reducing an agency's City tax-levy Expense Budget spending, or by increasing City revenues. The chart below indicates the proposed PEG amounts for the COIB based on the Fiscal 2010 forecast at the time the Fiscal 2009 Budget was adopted (June 2008).

November and January Plan PEGs for Fiscal 2010 <i>(in 000s)</i>	
Fiscal 2010 Forecast at Fiscal 2009 Adoption (June 2008)	\$1,989
Expense PEGs	(\$77)
Revenue PEGs	(\$138)
Total Fiscal 2010 PEGs	(\$215)
PEGs as a Percent of the Fiscal 2010 Forecast	10.81%

PRELIMINARY BUDGET HIGHLIGHTS

The Budget of the Conflicts of Interest Board is composed entirely of City tax-levy funds. The Preliminary Fiscal 2010 Budget for the agency is \$1,850,309, \$139,039 less than its Adopted Fiscal 2009 Budget of \$1,989,348. As discussed below, this reduction stems from a series of November Plan and January Plan PEGs impacting both the agency's Personal Services (PS) and Other Than Personal Services (OTPS) budgets. The proposed PS PEGs would yield a decrease in COIB headcount of two positions.

AGENCY FUNDING OVERVIEW

Agency Funding Sources	Fiscal 2009 Adopted Budget	Fiscal 2009 Modified as of 1/30/2009	Fiscal 2010 Preliminary Budget
City	\$1,989,348	\$1,989,348	\$1,850,309
Other Categorical	\$0	\$0	\$0
Capital IFA	\$0	\$0	\$0
State	\$0	\$0	\$0
Community Development	\$0	\$0	\$0
Federal-Other	\$0	\$0	\$0
Intra-City	\$0	\$0	\$0
Total	\$1,989,348	\$1,989,348	\$1,850,309

HEADCOUNT OVERVIEW

Headcount (Uniform and Civilian)	Fiscal 2009 Adopted Budget	Fiscal 2009 Modified as of 1/30/2009	Fiscal 2010 Preliminary Budget
City	22	22	20
Non-City	0	0	0
Total	22	22	20

UNITS OF APPROPRIATION

The operating budget of an agency is structured into several levels, each of which provides varying levels of detail on an agency's spending plans. The City Charter requires that U/As represent the amount appropriated for Personal Services (i.e. salaries, overtime, etc.) or Other Than Personal Services (i.e. supplies, contracts, etc.) for a particular program, purpose, activity or institution. The table below presents the Conflicts of Interest Board budget, comparing the Fiscal 2009 Adopted Budget to the Fiscal 2010 Preliminary Budget. The Fiscal 2009 Modified Budget reflects this year's budget at the time this financial plan was released.

U/A#	U/A Name	Fiscal 2009 Adopted Budget	Fiscal 2009 Modified as of 1/30/2009	Fiscal 2010 Preliminary Budget	Percent Change from Adoption
001	Personal Services	\$1,767,424	\$1,767,424	\$1,675,385	-5.21%
002	Other Than Personal Services	\$221,924	\$221,924	\$174,924	-21.18%
	Total Agency	\$1,989,348	\$1,989,348	\$1,850,309	-6.99%

FUNDING ANALYSIS

Personal Services

The January Plan contains four proposed PEGs for the Board, each of which would derive savings beginning in Fiscal 2010. The amounts of each PEG remain relatively constant from Fiscal 2010 through the outyears.

- **Turnover Savings.** The January Plan recognizes \$13,000 in annual turnover savings for the agency. These savings emanate from the separation of higher-paid staff who are replaced by staff who are paid less.
- **Elimination of Financial Disclosure Analyst Position.** The January Plan would reduce COIB's budget by \$61,000 in Fiscal 2010 through the elimination of a financial disclosure analyst position. This position, it may be argued, is no longer needed as the agency's utilization of a paperless, electronic financial disclosure system has streamlined the analysis process.
- **Elimination of Receptionist Position.** The sum of \$41,000 is removed in the January Plan to reflect the elimination of a receptionist position.
- **Salary Reduction.** The January Plan lowers the agency's PS budget by \$23,000 beginning in Fiscal 2010 to reflect salary savings.
- **Fringe Offset Reduction.** In order to give the agency PEG credit, the actions described above include fringe benefit savings that should be properly accounted for not in COIB's budget, but in the City's Miscellaneous Budget. To reflect the neutral impact on COIB's budget that would result from these fringe benefit savings, an offsetting sum totaling \$41,000 in Fiscal 2010 is being added back to the COIB's budget as an adjustment.

- **Collective Bargaining/Recurring Increment Payments.** The January Plan includes \$5,000 per year, beginning in Fiscal 2010, to properly fund PS costs.

Other Than Personal Services

OTPS Savings. The November Plan contained a single action impacting the agency: a proposed OTPS savings of \$30,000 in Fiscal 2009, increasing to \$47,000 in Fiscal 2010 and the outyears. This decrease beginning in Fiscal 2010 represents a more than 21% decrease in OTPS funding compared to COIB's Fiscal 2009 Adopted Budget.