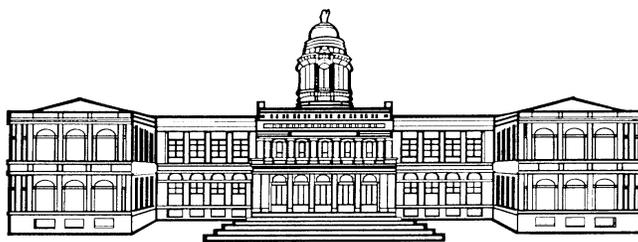


New York City Council



BUDGET REPORT

Finance Division

March 2009

***Analysis of the
Calendar Year 2009 Budget
for the
New York City Housing Authority
Monday, March 9, 2009***

Hon. Christine C. Quinn
Speaker

Hon. David I. Weprin, Chair
Committee on Finance

Hon. Erik Martin-Dilan, Chair
Committee on Housing and Buildings

Hon. Rosie Mendez, Chair
Subcommittee on Public Housing

Preston Niblack, Director

Jeffrey Rodus, First Deputy Director

Jonathan Rosenberg, Deputy Director

Anthony Brito, Legislative Financial
Analyst

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.

FISCAL 2009 BUDGET

NYCHA's Budget is not part of the City's Budget and NYCHA's Fiscal Year follows the Calendar Year. NYCHA has yet to release its finalized Fiscal 2009 Budget and Four-Year Financial Plan due to recent adjustments in expected federal aid. In particular, the City projects that NYCHA will receive approximately \$423 million in capital funds from the American Recovery and Reinvestment Act of 2009 with federal requirements stipulating 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 baseline operating deficit for the start of Fiscal 2009 is expected to be approximately \$150 million. This document summarizes NYCHA's Fiscal 2008 Budget and any relevant actions to the Fiscal 2009 Budget that NYCHA has announced publicly to date.

FISCAL 2008 BUDGET

- **NYCHA Expenses.** The Fiscal 2008 expense budget totaled \$2.8 billion, which is approximately the same amount as Fiscal 2007. The primary costs under the Personal Services component of the budget consist of the cost of full/part-time employees, overtime pay, seasonal workers, and fringe benefits in the amount of \$1.1 billion. The largest component of NYCHA's expense budget is \$821 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 2008 revenue budget totals \$2.6 billion. NYCHA's three largest sources of revenue include the following: federal operating subsidy 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. Another major revenue source which has been used in previous years to close budget gaps is the transfer of capital funds to the operating budget. The Fiscal 2007 budget included the transfer of \$100 million in federal capital grant funds to the operating budget. This was above the reimbursement of the expense budget with capital funds to cover administrative costs associated with the capital program. Other revenue sources consist of interest on investments, categorical grants and other miscellaneous revenue.

NYCHA's FISCAL 2008 DEFICIT

The Fiscal 2008 Budget ended with a deficit of approximately \$171 million based on certain budgetary actions NYCHA has implemented. NYCHA anticipates closing the remaining \$171 million gap by utilizing reserve funds and transferring capital funds to the operating budget. The following items summarize these adjustments.

(in millions)	
Deficit as of January 2008	\$233,314
Implemented Actions	
Shelter Allowance	\$29,500
Workforce Reductions	\$20,877
Hiring Freeze & Vacancy Accrual	8,000
Section 8 Transition	\$2,235
Total Implemented Actions	\$61,438
Remaining Deficit as of November 2008	(\$171,876)
<i>Source: NYCHA FY 2008 Preliminary Operating Budget and 4-year Financial Plan</i>	

- In summer, 2007 former Governor Spitzer signed the Shelter Allowance Bill into law to increase the shelter allowance provided to public housing authorities serving families on public assistance. The new law will mean a maximum of approximately \$47 million a year in additional dollars for NYCHA by 2010, when it is fully phased in. In Fiscal 2008 the revenue received from shelter allowance was \$29.5 million.
- In April, 2008 NYCHA eliminated approximately 427 positions including 190 layoffs resulting in a savings of \$21 million. As part of this action, NYCHA also announced that 19 community centers would be closed and consolidated into nearby facilities.
- As a component of the workforce reductions, NYCHA had a staff reduction of 411 positions for a savings of approximately \$8 million.
- HUD has granted preliminary approval for the Section 8 Transition program which NYCHA plans to implement over a three-year period. In total 8,400 units in City and State developments that currently do not receive direct subsidies from the federal government will be subsidized through the use of Section 8 vouchers. To date NYCHA has transitioned over 450 units into the program since September 2008 and the goal is to have 1,500 units transitioned by the end of Fiscal 2009. The projected revenue thus far from the Transition program is approximately \$2.2 million.
- NYCHA will likely continue the practice of transferring capital funds to their operating budget in order to close their budget gap. In addition, NYCHA anticipates payments from the City for the sale of NYCHA land that will be used to develop moderate/middle income housing.

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. Due to the federal disinvestment in public housing which has contributed to the Authority's structural deficit, NYCHA will begin shifting the provision of community-based services to City agencies that specialize in certain areas that are pertinent to these services. In particular, the following agencies will cover community services for NYCHA residents:

Administration for Children Services	Preventative services
Human Resource Administration & Small Business Services	Employment services
Department of Youth and Community Development	Youth Services
Department for the Aging	Senior Services

In the City's Fiscal 2009 budget the City Council provided \$18 million to NYCHA to help the Authority close its budget gap. The \$18 million allocation is being held in the expense budget for the Department for the Aging until there is an agreement between the City Council and the Administration as to how these funds will be used. There is a proposal by the Administration to use the \$18 million along with other leveraged federal funds to be provided directly to these City agencies in order to provide the budgetary capacity to meet the provision of these services. This proposal is subject to negotiation with the City Council, the Administration has planned funding for the transition of these services to City agencies as follows:

Administration for Children Services	\$3.9 million
Human Resource Administration	\$1.8 million
Department of Youth and Community Development	\$12.3 million

The Department of Youth and Community Development Fiscal 2010 Preliminary Budget reflects the implementation of a multi-agency plan to ensure the continuity of services at 25 NYCHA community centers. The Agency intends to infuse \$12.3 million in total to these facilities in two phases. The first phase will consist of funding going to DYCD's beacon community centers located near the 25 NYCHA facilities to establish satellite programs operating from February through December 2009. DYCD identified the 25 NYCHA sites through needs-assessment analysis and they 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. In the second phase of implementation, DYCD will issue a new RFP, with contracts beginning on January 1, 2010 designed to serve youth ranging from ages 5 to 21 at the 25 sites.

Currently NYCHA's Community Operations budget is \$115 million. The Authority anticipates cutting approximately \$75 million from this budget by Fiscal 2011. These savings will be phased in over a 3-year period starting with \$49 million in Fiscal 2009, \$10 million in Fiscal 2010, and \$16 million in Fiscal 2011. The table below summarizes the Community Operations Reduction Plan from 2009-2011.

(in millions)

Description Items	Funding Amount
FY09 Community Ops baseline budget	\$115,000
Community Ops Reduction Plan	
DFTA Payments	(29,400)
Community Ops Department-wide savings-Phase 1-FY09	(\$20,000)
Community Ops Department-wide savings-Phase 2-FY10	(\$10,000)
Community Ops Department-wide savings-Phase 3-FY11	(\$16,000)
Total Savings by FY11	(\$75,000)
<i>Source: NYCHA</i>	

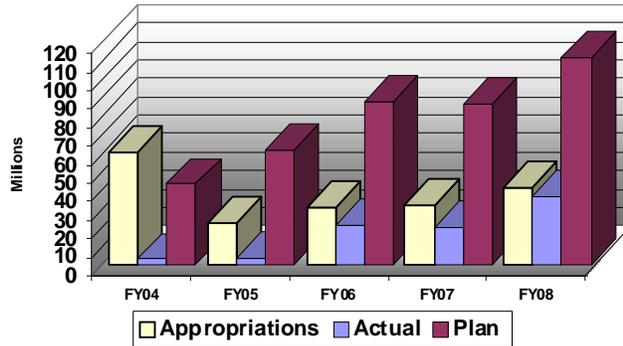
- The memorandum of understanding which stipulated that NYCHA pay The Department for the Aging 29.4 million a year for senior services has expired. It is expected that DFTA will now be responsible for the provision of these services and will be able to pay for it with Intra City agency funding from the Human Resource Administration.
- The departmental-wide savings in the Community Operations budget between Fiscal 2009-2011 totaling \$46 million will primarily consist of the gradual transfer of other community-based services (excluding DFTA) from NYCHA to City agencies.

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.

HOUSING AUTHORITY
Appropriations vs. Actual & Planned Commitments
(City funds)



Current Budget Summary

The January 2009 Capital Commitment Plan includes \$162.3 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 is less than 1 percent of the City's total \$50.5 billion January Plan for Fiscals 2009-2013.

The agency's January Commitment Plan for Fiscals 2009-2013 is 1 percent more than the \$161.3 million in the September Commitment Plan, an increase of 1 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 debt service as a percentage of total revenues. The 30 percent reduction in the Ten-Year Capital Plan Fiscal 2010 – Fiscal 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 capital cut would eliminate nearly \$7 billion worth of planned commitments from the current Plan.

Capital Plan Highlights

The majority of the New York City Housing Authority's Five year capital program is financed through grants from the federal government through the U.S. Department of Housing and Urban Development (HUD). Other sources of funding include NYCHA's participation in HUD's Capital Fund Financing Program (CFFP) and the City and State of New York. NYCHA's 2008 to 2012 Capital Plan totaled \$2.7 billion.

- NYCHA intends on doubling its \$51 million capital budget for elevators to \$107 million in FY09 in order to replace or modernize the current stock of elevators. This new funding for elevators does not represent an overall increase to the capital budget but rather a reallocation of funds from other capital projects.
- The American Recovery and Reinvestment Act of 2009 will provide \$423 million in capital funds to NYCHA to augment its current capital budget. The federal requirements stipulate that 60 percent of the total funding is spent by the end of Fiscal 2010 and the remaining 40 percent by the end of Fiscal 2011. The exact use of these funds has yet to be determined.

The Housing Authority's capital commitments for the last five years are shown below:

FIVE YEAR HISTORY - CAPITAL BUDGET
 (\$ in millions)

	FY04	FY05	FY06	FY07	FY08
CITY	\$3	\$4	\$21	\$19	\$37
NON-CITY	0	0	0	0	0
TOTAL	\$3	\$4	\$21	\$19	\$37

The Adopted Five-Year Capital Plan is shown below:

ADOPTED FIVE YEAR CAPITAL BUDGET – NOVEMBER 2008
 (\$ in millions)

	FY09	FY10	FY11	FY12	FY13	FY's 09-13
CITY	\$46,503	\$26,870	\$37,134	\$9,390	\$41,451	\$161,348
NON-CITY	0	0				0
TOTAL	\$46,503	\$26,870	\$37,134	\$9,390	\$41,451	\$161,348

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	\$41,451	\$162,348
NON-CITY	0	0	0	0	0	0
TOTAL	\$46,503	\$26,870	\$37,134	\$9,390	\$41,451	\$162,348