

THE COUNCIL OF THE CITY OF NEW YORK

Hon. Corey Johnson
Speaker of the Council

Hon. Daniel Dromm
Chair, Finance Committee



Report to the Committee on Finance
on the Fiscal 2020 Executive Plan

Department of Finance

May, 23, 2019

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Department of Finance Overview

This report presents a review of the Department of Finance's (DOF or the Department) Fiscal 2020 Executive Budget. The section below presents an overview of the Department's budget and how it has changed during the course of Fiscal 2019, followed by a review of the significant budget actions introduced in the Fiscal 2020 Executive Budget. Major issues related to the Department's budget are then discussed. Analysis of DOF's Miscellaneous Revenue follows the discussion of the expense budget. Appendix 1 reports the changes made to the Fiscal 2019 and Fiscal 2020 Budgets since Adoption of the Fiscal 2019 Budget. For additional information on the Department's budget and its various programs, please refer to the Fiscal 2020 Preliminary Budget Report for the Department of Finance at:

<https://council.nyc.gov/budget/wp-content/uploads/sites/54/2019/03/836-Department-of-Finance-2020.pdf>

Below is a summary of key funding changes by program area and source when comparing DOF's Fiscal 2020 Executive Budget to its Fiscal 2019 Adopted Budget.

Department of Finance Financial Summary						
<i>Dollars in Thousands</i>	2017	2018	2019	Executive Plan		*Difference
	Actual	Actual	Adopted	2019	2020	2019 - 2020
Spending						
Personal Services	\$112,655	\$157,849	\$170,835	\$163,962	\$176,152	\$5,317
Other Than Personal Services	153,968	121,010	132,676	148,459	138,008	5,332
TOTAL	\$266,623	\$278,860	\$303,511	\$312,421	\$314,160	\$10,649
Budget by Program Area						
Administration	\$53,590	\$54,441	\$63,747	\$68,408	\$69,495	\$5,748
Audit	19,268	19,899	24,070	22,460	25,894	1,824
Civil Enforcement	40,594	40,993	44,992	43,386	45,988	996
Collections	14,057	13,091	20,152	19,846	22,814	2,662
Communications & Governmental Services	3,268	3,458	3,836	3,797	3,958	122
Financial Plan Savings			(2,964)	(8,887)	(7,394)	(4,430)
FIT (Finance Information Technology)	44,209	50,080	48,629	63,240	49,576	947
Legal & Adjudications	17,968	19,071	19,195	19,299	19,902	707
NYCSERV Contract Funding	4,543	3,193	3,356	4,241	3,356	0
Payment Ops & Application Processing	16,185	17,722	19,182	18,680	20,094	912
Property Records	5,530	6,290	5,623	5,685	5,769	146
Treasury	24,336	26,186	24,667	24,409	24,741	0
Valuing Property	23,075	24,435	29,026	27,856	29,967	942
TOTAL	\$266,623	\$278,860	\$303,511	\$312,421	\$314,160	\$10,649
Funding						
City Funds			\$298,234	\$307,078	\$308,883	\$10,649
Other Categorical			0	0	0	0
State			438	438	438	0
Federal - Community Development			0	0	0	0
Federal - Other			0	0	0	0
Intra City			4,839	4,905	4,839	0
TOTAL	\$266,623	\$278,860	\$303,511	\$312,421	\$314,160	\$10,649
Budgeted Headcount						
Full-Time Positions	1,931	1,882	2,198	2,155	1,943	(2,198)
TOTAL	1,931	1,882	2,198	2,155	1,943	(2,198)

**The difference of Fiscal 2019 Adopted Budget compared to Fiscal 2020 Executive Budget.*

DOF's Fiscal 2020 Executive Budget of \$314.2 million is \$10.6 million more than the Fiscal 2019 Adopted Budget amount of \$303.5 million and consists of \$176.2 million in Personal Services (PS) costs and \$138 million in Other Than Personal Services (OTPS) costs. The \$10.6 million increase

is primarily due to increased funding for collective bargaining adjustments, modernization of Environmental Control Board collections, lease costs and three additional new needs in the Executive Budget outlined on the next page.

Below is a summary of key funding changes by program area and source when comparing DOF's Fiscal 2020 Executive Budget to its Fiscal 2019 Adopted Budget.

Overall Increases and Decreases to the DOF's Budget

Overall the Fiscal 2020 Executive Budget for DOF includes new needs of \$924,000 in Fiscal 2019 and \$2.9 million in Fiscal 2020 and in the outyears. This is in addition to Other Adjustments which increased the budget by \$136,000 in Fiscal 2019 and \$3.7 million in Fiscal 2020. These increases are partially offset by identified City tax-levy savings and Programs to Eliminate the Gap (PEGs) totaling \$4.2 million in Fiscal 2020 and \$5.2 million in the outyears. Combined, the above actions reconciles the Department to its current budget of \$312.4 million for Fiscal 2019 and \$314.2 million for Fiscal 2020. See Appendix 1 for a list of all budget actions since the Fiscal 2019 budget adoption.

Changes by Funding Source

- DOF's budget is largely City-funded with no federal funds and State funds accounting for less than one-half of one percent. For Fiscal 2020, City tax-levy funding for DOF reflects a net increase of \$10.6 million with State funding and funding through Intra City funds continuing to remain flat.

Significant Programmatic Changes

The Fiscal 2020 Executive Budget for DOF supports 13 program areas within the Department. However, the majority of the funding increases in the Fiscal 2020 Executive Budget are allocated to three key program areas to account for 68.2 percent of programmatic increases. The three program areas are as follows:

- **Administration** which increased by \$5.7 million due to collective bargaining, the assigned counsel plan case management system, and a lease adjustment;
- **Collections** increased by \$2.7 million due to new headcount and collective bargaining; and
- **Audit** increased by \$1.8 million due to collections modernization and collective bargaining.

Headcount Changes

The Department's Fiscal 2020 headcount totals 2,146, a decrease of 52 positions when compared to the Fiscal 2019 Adopted Budget headcount of 2,198 positions.

New in the Executive Plan

DOF's Fiscal 2020 Executive Plan includes a new need of \$2.9 million in Fiscal 2020. The Plan also includes net increases in other adjustments totaling \$3.7 million in Fiscal 2020. In addition, the Executive Budget contains a savings program reduction of \$1.4 million in Fiscal 2019 and \$9.1 million in Fiscal 2020. The following are the major financial plan actions for Fiscal 2020 included in the Executive Plan for DOF.

New Needs

- **Assigned Counsel Plan Case Management System.** The Fiscal 2020 Executive Plan includes \$1.6 million in Fiscal 2020 and \$169,500 in Fiscal 2021 and in the outyears. This funding will be used to purchase a new case management and voucher payment system for the Assigned Counsel Plan (ACP). The ACP is a statutorily-required provider of constitutionally-mandated indigent defense at the City's Criminal Courts. DOF is responsible for processing vouchers for members of the ACP criminal court and family court panels.
- **Cybersecurity Infrastructure.** The Fiscal 2020 Executive Plan includes \$924,000 in Fiscal 2019, and \$814,000 in Fiscal 2020 and in the outyears for non-capitally eligible costs associated with a cybersecurity capital project to upgrade DOF network and security infrastructure including core switches and firewalls. This security upgrade effects all DOF systems.
- **Property Tax Aid Unit.** The Fiscal 2020 Executive Plan includes \$407,000 in Fiscal 2020 and in the outyears for costs associated with four new staff positions to assist with the Property Tax and Interest Deferral Program which was enacted by legislation recently passed by the City Council. Of the \$407,000, \$332,000 is PS costs and the remaining \$75,000 is OTPS costs to be used for postage, printing and other costs associated with outreach and materials for the PT Aid Program.

In addition to the above new needs, other key actions affecting the Agency's proposed budget include the follow.

Other Adjustments

- **Agency Phone Plan Review.** The Department of Information Technology and Telecommunication (DoITT) has re-examined DOF's phone service plan resulting in a re-estimated and right-sized inventory. As a result, the Fiscal 2020 Executive Plan includes OTPS savings of \$34,000 in Fiscal 2020 and in the outyears from costs associated with DOF's phone plan.
- **Commuting Vehicles.** As part of the Citywide Savings Program, the Administration set a target to reduce 25 percent of agency commuting vehicles, while converting one-eighth of commuting vehicles into the non-commuting vehicle fleet. As a result, the Fiscal 2020 Executive Plan includes a savings of \$28,000 in Fiscal 2020 and \$2,831 in Fiscal 2021 and in the outyears from the conversion of commuting vehicles into non-commuting vehicles from DOF's fleet.
- **Collective Bargaining.** The Department's Fiscal 2020 Executive Plan includes funding for collective bargaining adjustments added since the Preliminary Plan totaling \$20,000 in Fiscal 2019, \$39,000 in Fiscal 2020, and \$50,000 Fiscal 2021 and in the outyears.
- **Fleet Size.** The Fiscal 2020 Executive Plan includes City tax-levy savings of \$76,000 in Fiscal 2020 and in Fiscal 2021, and \$2,000 in Fiscal 2022 and in the outyears due to the elimination of vehicles from DOF's fleet starting in Fiscal 2020. This action, is in response to an Executive Order calling for the reduction of agency fleets citywide.
- **Heat, Light and Power.** Due to a re-estimate, DOF anticipates an increase of \$121,000 in Fiscal 2019 and a decrease of \$228,000 in Fiscal 2020 and in the outyears for costs associated with heat, light and power.

- **Lease Adjustment.** Due to re-estimates, DOF anticipates increases of \$4.1 million in Fiscal 2020 and \$3.7 million in Fiscal 2021, and in the outyears for costs associated with leased space.
- **Vehicle Right-Sizing.** The Fiscal 2020 Executive Plan includes savings of \$57,000 in Fiscal 2020, \$32,000 in Fiscal 2021, \$34,000 in Fiscal 2022 and \$36,000 in Fiscal 2023 from the removal of SUVs from DOF's fleet and replacing them with more fuel efficient vehicles.

PEG Associated Savings

Citywide Savings Program. In conjunction with the Fiscal 2020 Executive Plan, the Office of Management and Budget (OMB) released a Citywide Savings Program that outlined a plan to reduce City spending by \$916 million in Fiscal 2019 and Fiscal 2020 combined. To develop the program, OMB asked all agencies to identify efficiencies, alternative funding sources and programmatic changes, including PEGs that would yield budgetary savings. DOF was required to identify \$10 million in savings between Fiscal 2019 and Fiscal 2020. DOF has identified the following savings totaling \$1.4 million in Fiscal 2019 and \$9.1 million in Fiscal 2020.

- **Hiring Freeze Savings.** Due to the citywide hiring freeze, DOF anticipates a savings of \$4.2 million in Fiscal 2020 and \$5.2 million in Fiscal 2021 and in the outyears from 68 unfiled vacant positions.
- **Increased Tax Audit Revenue.** By implementing a new process that will review taxpayer filed data, DOF anticipates to generate additional tax audit revenue of \$750,000 in Fiscal 2019 and in Fiscal 2020 from improved tax audit efficiency.
- **Parking Violation Bureau Debt.** DOF anticipates to generate additional Parking Violation Bureau revenue of \$647,000 in Fiscal 2019 and \$4.1 million in Fiscal 2020 from increased collection of delinquent parking summons debt.

Budget Issues

The following section provides issues and concerns as it pertains to DOF's Executive Budget. Specifically, reporting and budget structure issues that have not been addressed in DOF's Executive Budget.

- **Miscellaneous Revenue.** Actual miscellaneous revenues collected by DOF in Fiscal 2018 totaled \$829 million. For Fiscal 2019, DOF projects to collect \$841 million, \$39.4 million less when compared to an estimate based on the current year-to-date miscellaneous revenue collection which is closer to \$880 million. This underestimation in miscellaneous revenue projections compared to year-to-date revenue actuals are discussed in the Miscellaneous Budget section.
- **Units of Appropriation.** DOF has 13 program areas but only 7 units of appropriation. Bringing the number of units of appropriation in line with the Agency's program areas would provide clarity and bring transparency to DOF's budget. Program areas act as functional and programmatically connected areas within an agency where spending is allocated. Units of appropriation are the item the Council votes on and how the budget is structured and organized.

- **Headcount Reduction Ambiguity.** The Executive Budget includes a freeze of 68 positions at DOF for a savings of \$4.2 million. However, the program areas where these positions are located is not shown, making oversight harder to perform and operations impact harder to determine. This ambiguity further shows the need for more units of appropriation as those are required for every budget line.
- **Continued Vacancy Rate.** Despite an additional 46 hires since January and a reduction in budgeted headcount of 43, DOF continues to have a vacancy rate of 9.8 percent as shown in the chart below.

DOF Headcount Changes & Vacancy Rate					
Fiscal 2019 Adopted Headcount	Fiscal 2019 Executive Budgeted Headcount	Fiscal 2020 Executive Budgeted Headcount	Actual Headcount as of April	Difference of 2019 Budgeted Headcount and Actual Headcount	Vacancy Rate
2,198	2,155	2,146	1,943	(212)	9.8%

Note: Actuals are as of April 2019. Hiring freeze impact is included in Executive Plan headcounts.

Miscellaneous Budget

The accompanying chart lists by category DOF's miscellaneous revenues with details of individual sources. In the Fiscal 2019 columns you will find an estimate of expected revenue based on revenues collected year to date and an estimate of possible surplus funds not budgeted in the executive based on the current year to date estimate.

A few highlights include the following.

- "Courts & Trust Fees" is estimated to bring in \$1.6 million in revenue for Fiscal 2019 and Fiscal 2020. So far in Fiscal 2019 \$2 million in revenue has been received.
- "Sheriff Desk Fees & Poundage" stands out as a large overestimation of expected revenue. It is estimated to bring in \$4.8 million in revenue for Fiscal 2019 and Fiscal 2020. So far in Fiscal 2019 only \$3.7 million in revenue was received, and in fact, only \$3.6 million was received in Fiscal 2018.
- "Cigarette License Fees", "Court & Trust Fees", "Lower Manhattan Project", and Cash Bail Forfeiture" have Fiscal 2020 estimates in the Executive Budget that combined are \$664,695 below their year to date actuals as of the beginning of May.

Miscellaneous Revenue - Actuals, Estimate, Possible Surplus							
<i>Dollars in Thousands</i>	FY15-FY17	FY18	FY19 Estimates				FY20
Description	Average Actual	Actual	Adoption Estimate	Exec Estimate	Estimate based of YTD*	Possible Surplus **	Exec Estimate
Licenses, Permits & Franchises							
Cigarette License Fees	\$40	\$67	\$50	\$50	\$116	\$66	\$50
Interest Income							
Interest-Court & Fine Trust	\$222	\$423	\$830	\$690	\$634	(\$56)	\$850
Interest on Sales Tax	949	3,979	7,170	7,630	7,534	(96)	8,530
Charges for Services							
Sheriff Desk Fees & Poundage	\$5,660	\$3,566	\$4,754	\$4,754	\$3,695	(\$1,058)	\$4,754
Court & Trust Fees	2,688	2,436	1,600	1,600	2,328	728	1,600
On-Line Title Access Fees	149	152	150	150	114	(36)	150
Credit Card Convenience Fee	11,602	13,922	8,000	12,500	13,450	950	8,000
City Register Fees	28,682	26,022	34,598	24,000	24,189	189	32,598
Marshal Booting	15,413	14,679	14,000	14,000	16,098	2,098	14,000
State Admin Reimbursement	72	71	88	88	69	(19)	88
City Collector Misc Fees	1,178	1,049	925	925	1,074	149	925
Lower Manhattan Project	72	112	100	100	256	156	100
Fines and Forfeitures							
RPIE Late Penalty	\$12,252	\$8,104	\$5,000	\$7,000	\$7,036	\$36	\$5,000
RPIE Late Penalty	813	\$1,325	400	1,500	1,748	248	400
Motor Vehicle Fines	18,100	23,991	12,317	21,000	23,397	2,397	19,000
Bus Lane Camera Fines	13,395	11,390	29,946	\$16,400	16,291	(109)	15,500
Speed Camera Fines	51,863	52,000	50,739	45,320	43,640	(1,680)	58,339
Redlight Camera Fines	26,421	22,806	27,000	\$22,000	20,503	(1,497)	23,000
Parking Violation Fines	542,118	566,620	538,281	575,647	606,591	30,944	568,366
Collection Unit-ECB Fines	67,630	67,308	51,848	76,000	81,813	5,813	72,348
Cash Bail Forfeiture	554	561	500	500	710	210	490
Miscellaneous							
Treasury MISC Fees	\$550	\$224	\$425	\$1,100	\$1,269	\$169	\$425
Rent Stabilization Fees	8,259	8,089	7,700	7,700	7,520	(180)	7,700
Grand Total	\$808,682	\$828,896	\$796,421	\$840,654	\$880,075	\$39,422	\$842,213

*YTD is from 7/1/2018 through 5/8/19. Fiscal 2019 ends on 6/30/19. ** Possible surplus reflects YTD estimate minus Exec estimate.

Appendix 1: Fiscal 2020 Budget Actions since Fiscal 2019 Adoption

<i>Dollars in Thousands</i>	FY 2019			FY 2020		
	City	Non-City	Total	City	Non-City	Total
DOF Budget as of the Fiscal 2019 Adopted Budget	\$298,234	\$5,277	\$303,511	\$301,161	\$5,277	\$306,438
New Needs - Prelim. 2020						
Postage and Moving Services	\$2,826		\$2,826	\$0	\$0	\$0
PTS Post-Production Support	1,470	0	1,470	0	0	0
Subtotal, New Needs	\$4,296	\$0	\$4,296	\$0	\$0	\$0
Other Adjustments - Prelim. 2020						
Collections Modernization	\$0	\$0	\$0	\$2,300	\$0	\$2,300
Collective Bargaining	3,741	0	3,741	6,418	0	6,418
Lease Auditing	(455)	0	(455)	0	0	0
OTPS Adjustment	0	66	66	0	0	0
Sheriff Road Unit	202	0	202	548	0	548
Vacancy Reductions	0	0	\$0	(3,907)	0	(3,907)
Subtotal, Other Adjustments	\$3,488	\$66	\$3,554	\$5,359	\$0	\$5,359
TOTAL, All Changes Prelim. 2020	\$7,784	\$66	\$7,850	\$5,359	\$0	\$5,359
DOF Budget as of the Preliminary 2020 Plan	\$306,018	\$5,343	\$311,361	\$306,520	\$5,277	\$311,797
New Needs - Exec. 2020						
Assigned Counsel Plan Case Management System	\$0		\$0	\$1,633		\$1,633
Cybersecurity Infrastructure	924		924	814		814
Property Tax Aid Unit	0		0	407		407
Subtotal, New Needs	\$924	\$0	\$924	\$2,854	\$0	\$2,854
Other Adjustments - Exec. 2020						
Agency Phone Plan Review	\$0		\$0	(\$35)		(\$35)
Commuting Vehicles	0		0	(28)		(28)
DC 37 Collective Bargaining	20		20	39		39
Fleet Size	0		0	(76)		(76)
Heat, Light and Power	121		121	(227)		(227)
Lease Adjustment	0		0	4,128		\$4,128
Lease Auditing	(5)		(5)	0		0
Vehicle Right-sizing	0		0	(57)		(57)
Savings - Hiring Freeze	0		0	(4,235)		(4,235)
Subtotal, Other Adjustments	\$136	\$0	\$136	(\$491)	\$0	(\$491)
TOTAL, All Changes - Exec. 2020	\$1,060	\$0	\$1,060	\$2,363	\$0	\$2,363
DOF Budget as of the Fiscal 2020 Executive Plan	\$307,078	\$5,343	\$312,421	\$308,883	\$5,277	\$314,160