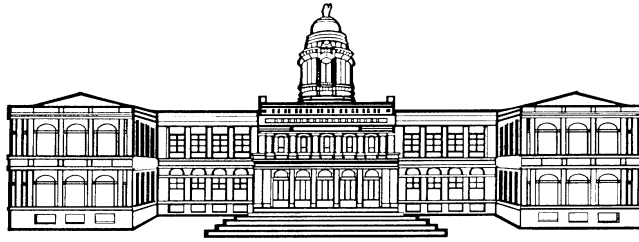


New York City Council



BUDGET NOTE

Finance Division

November 2008

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

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.

NYCHA's Budget is not part of the City's Budget and NYCHA's Fiscal Year follows the Calendar Year. This document summarizes NYCHA's Fiscal 2008 Budget and any actions relevant to the budget that NYCHA announced publicly to date.

FISCAL 2008 BUDGET

NYCHA Expenses. The Fiscal 2008 expense budget totals \$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 current Fiscal 2008 Budget reflects a restated 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 from shelter allowance will be \$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. NYCHA intends to begin with 1,000 units in Fiscal 2008 for \$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. This \$18 million along with other leveraged federal funds will be provided directly to these City agencies in order to provide the budgetary capacity to meet the provision of these services. Currently, the allocation of the \$18 million to City agencies is as follows:

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

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 phase 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.

Capital Budget

NYCHA's capital program goals include facility compliance with applicable codes, rules and regulations; renovation of facilities requiring immediate repair and maintenance to ensure quality conditions within these facilities; enhancement of NYCHA's automation systems; renovation of laboratories requiring immediate repair; identification of new technology that can assist NYCHA in performing critical public health and safety functions; and improvement of the process of inventory assessment at NYCHA facilities and replacement of all critical equipment on a regular basis.

FY09 Executive Capital Plan vs. FY09 Adopted Capital Budget (in \$000s)

	FY09	FY10	FY11	FY12	FY13	Total
May	34,434	33,588	46,417	11,737	12,077	138,253
Sept	51,444	26,870	37,134	9,390	31,209	156,047
Variance	17,010	-6,718	-9,283	-2,347	19,132	17,794

As part of the formulization of the FY09 Adopted Capital Budget agencies were required to reduce their capital plans by twenty percent in each year from FY09-12. The funds pushed-out from these four years could roll into the fifth year of the plan, FY13. As such, even with the inevitable roll of projects from FY08 which had yet to be committed, the FY09-13 plan is significantly less than the plan presented in May 2008.

The New York City Housing Authority's FY09-13 adopted capital plan is \$17.8 million greater than the Executive Capital Plan released in May. When taking into account the \$75.3 million of uncommitted projects rolled from FY08 the increase of \$17.8 million is actually a decrease of \$57.5 million over the five years of the 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.

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