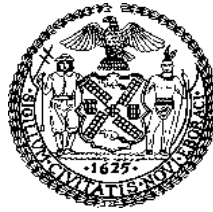


The Council of the City of New York

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Report on a Reforecasted 2014 Budget for the

New York City Housing Authority

June 6, 2014

A reforecasted 2014 Operating Budget for the New York City Housing Authority (NYCHA) projects a General Fund deficit of \$69 million, a decrease of an approximately \$156 million deficit when compared to the 2014 Adopted Operating Budget. The Authority's deficits are driven by chronic federal underfunding of public housing and increased employee entitlement costs (costs that are "uncontrollable" in the near-term).

2014 Budget Highlights

- **New Operating Needs:**

- **Repair and Inspection Unit.** NYCHA was granted reprieve from paying \$52.5 million of the 2014 payment to the New York Police Department (NYPD). These funds will be used to address about 32,000 vendor work tickets and the creation of a new monitoring unit.
- **57 Community and Senior Centers set to close in 2014.** NYCHA is requesting \$10 million in funding and support from the Council in order to continue the operation of 24 Community Centers and 33 Senior Centers currently under NYCHA management. These centers provide critical services for about 5,000 residents and community members annually, and provide about 160 jobs.
- **Painter Apprentice Program (PAP).** In Fiscal Year 2013, NYC Council made a \$20 million dollar, 2 year commitment to NYCHA (\$10 million each year for two years) to improve maintenance and repair conditions at NYCHA developments. Although PAP funds will expire year end 2014, NYCHA's budget assumes City council will continue to fund the Painters Apprentice Program throughout the next 5 years.

- **Adjustments and projections:**

- **Congressional Operating Subsidy Proration increase (12%).** The current 2014 Budget projects a federal operating subsidy proration rate of 89%, up from 77%. This reflects a \$122 million increase in NYCHA's 2014 General Fund.
- **Congressional Housing Assistance Payments (HAP) Subsidy Proration increase (6%).** The current 2014 Budget projects a HAP Subsidy Proration rate of 99%, up from 93%. This reflects a \$61 million increase in NYCHA's 2014 Section 8/HCV Fund.

- **Congressional Section 8 Administrative fee proration increase (6%).** The current 2014 Budget projects a 6 percent increase in Section 8 Administrative fee proration. This reflects a \$7 million increase in NYCHA's 2014 Section 8/HCV Fund.
- **2014 and 2015 NYPD Payment Forgiveness.** The City's Fiscal 2015 Preliminary Budget relieved NYCHA of \$52.5 million that would otherwise be owed to the NYPD in Fiscal Year 2014. NYCHA was also granted reprieve from paying the full \$70 million NYPD payment in 2015. NYCHA will use half of the 2015 NYPD subsidy reprieve to cover the Agency's 2014 deficit. This adjustment reflects a \$52 million increase in NYCHA's 2014 General Fund.
- **Section 8 Shortfall Funding.** NYCHA requested Section 8 shortfall funding from the U.S. Department of Housing and Urban Development (HUD) in December 2013 and projects to receive \$13 million in 2014. This adjustment reflects a \$13 million increase in NYCHA's 2014 Section 8/HCV Budget.

- **Capital Budget:**

- **Capital:** NYCHA's 2014-2018 Capital Plan provides approximately \$3.921 billion in planned commitments for infrastructure improvements, major modernization, systemic upgrades, repair, resiliency, and fortification of developments damaged or impacted by Superstorm Sandy and those located in expanded Flood Zone A. The Plan is based on the current federal capital funding outlook, and relies on the near-term implementation of certain Plan NYCHA initiatives. The Plan includes an increase of \$11 million in federal capital fund awards over the 2013-2017 Adopted Capital Plan. However, the Plan also includes \$1.779 billion in one-time disaster recovery funds to address the impacts of Superstorm Sandy.

New York City Housing Authority Overview

The New York City Housing Authority (NYCHA) provides affordable housing to nearly 420,000 low-and moderate income City residents by managing and maintaining 334 public housing developments with 181,000 apartment units in the five boroughs. Through federal rent subsidies (Section 8 Leased Housing Program), the Authority assists nearly 92,000 families in locating and renting housing in privately owned buildings. In addition, the Authority provides social services for its residents through 68 community centers, 38 senior centers and a variety of programs. NYCHA's budget is not part of the City's budget and NYCHA's fiscal year follows the calendar year. On December 18, 2013, the NYCHA Board approved the 2014-2018 Operating Plan.

This report highlights changes in the Agency's 2014 Budget Assumptions since the adoption of the 2014-2018 Operating Plan. For additional information on NYCHA's budget and its various programs, please refer to the "New York City Housing Authority's 2014 -2018 Operating and Capital Budget Hearing Report" available at: <http://www.council.nyc.gov>

NYCHA 2014 Reforecasted Budget <i>*In Thousands</i>	2014 General Fund	2014 Section 8/HCV	2014 All Funds
2014 Adopted Budget	(\$191) ¹	(\$90) ²	(\$281) ³
Congress Operating Subsidy Proration increase (12%)	122		122
Congress Housing Assistance Payments Subsidy Proration increase (5%)		61	61
Congress Section 8 Administrative fee Proration increase (6%)		7	7
2014 NYPD Payment Forgiveness	52		52
New Initiatives (Repair & Inspection unit)	(52)		(52)
Reduction of Section 8 Admin Fee		6	6
Other Section 8 Expenses Realignment		3	3
Section 8 Shortfall Funding		13	13
2014 Reforecasted Surplus/(Deficit)	(\$69)	\$0	(\$69)

¹ See Appendix A for 2014 Adopted Operating Budget (General Fund) figures.

² See Appendix B for 2014 Adopted Operating Budget (Section 8 HVC) figures.

³ See Appendix C for 2014 Adopted Operating Budget (All Funds) figures.

New in the Executive Budget

New Needs

Repair and Inspection Unit. NYCHA was granted reprieve from paying \$52.5 million of the 2014 payment to the New York Police Department (NYPD). These funds will be used in 2014 to address about 32,000 vendor work tickets and the creation of a new monitoring unit. NYCHA anticipates that the new monitoring unit will have the capacity to perform inspections in every unit every two years. NYCHA expects to spend down all \$52.5 million in 2014.

57 Community and Senior Centers set to close in 2014. NYCHA has requested funding and support from the Council and partner agencies in order to continue the operation of 24 Community Centers and 33 Senior Centers currently under NYCHA management. NYCHA's 2014-2018 Adopted Operating Plan assumes funding for these centers through June 30, 2014, leaving a \$17 million shortfall for the remainder of the year. These centers provide critical services for about 5,000 residents and community members annually, and provide about 160 jobs. (See Appendix D and E for information pertaining to all centers).

Painter Apprentice Program (PAP). In Fiscal Year 2013, NYC Council made a \$20 million dollar, two year Capital commitment to NYCHA (\$10 million each year for two years) to improve maintenance and repair conditions at NYCHA developments. In the first year, NYCHA used these funds for a maintenance and resident employment program and successfully hired 176 residents for temporary Caretaker positions. In the second year, NYCHA created the Painter Apprentice Program where many of the caretakers from the first year transitioned over to this program and were trained to become painters. HUD allows Public Housing Authorities to convert up to 20% of their capital budget to cover operating expenses, as such NYCHA converted this \$20 million Capital commitment to operating funds. Although PAP funds will expire year end 2014, NYCHA's budget assumes City council will continue to fund the Painters Apprentice Program throughout the next 5 years.

Other Adjustments

Congressional Operating Subsidy Proration increase (12%). NYCHA based its 2014 budget on the 2013 appropriation of 82% less 5% to account for the impact of Federal Sequestration for a total of 77% proration. Operating subsidy assessment is based on many factors including the number of eligible units, project expense levels, utility expense levels, and formula income which is based on Tenant Rental Revenue. While this assessment determines eligibility level, additional assumptions must be made to determine future appropriations and proration levels, which have been on average 91% for the past decade. 2014 Congressional appropriations were announced that were much higher than previously expected. The reforecasted 2014 Budget projects a federal operating subsidy proration rate of 89%, up from 77%. This reflects a \$122 million increase in NYCHA's 2014 General Fund.

Congressional Housing Assistance Payments (HAP) Subsidy Proration increase (6%). NYCHA provides rental subsidies to landlords on behalf of eligible participants through housing assistance payments (HAP). Based on estimated 2013 HAP expenditures of \$992 million, NYCHA expected HAP funding of \$926.8 million in 2014 at 93% proration. 2014 Congressional appropriations were announced that were higher than previously expected. The current 2014 Budget projects a HAP Subsidy Proration rate of 99%, up from 93%. This reflects a \$61 million increase in NYCHA's 2014 Section 8/HCV Fund.

Congressional Section 8 Administrative fee proration increase (6%). The Housing Choice Voucher (HCV) administrative fee available to NYCHA for administration of the program is subject to proration by HUD. In 2013, HUD applied 69% proration to NYCHA's eligible administrative fee. 2014 Congressional appropriations were announced that were higher than previously expected. The reforecasted 2014 Budget projects a 6 percent increase in Section 8 Administrative fee proration. This reflects a \$7 million increase in NYCHA's 2014 Section 8/HCV Fund.

2014 NYPD Payment Forgiveness. The City's Fiscal 2015 Preliminary Budget relieved NYCHA of \$52.5 million that would otherwise be owed to the NYPD in Fiscal Year 2014. NYCHA has been paying the New York Police Department (NYPD) approximately \$70 million annually for police services at NYCHA developments. The funds will be used to address vendor work tickets and the creation of a new inspection unit. This reflects a \$52 million increase in NYCHA's 2014 General Fund.

2015 NYPD Payment Forgiveness. NYCHA was also granted reprieve from paying the full \$70 million NYPD payment in 2015. NYCHA plans to use half of the 2015 NYPD payment reprieve to cover the Agency's 2014 deficit. The Authority has not specified how it will use the second half of the payment reprieve, but may also apply it towards deficit reduction in 2015 as well.

Section 8 Shortfall Funding. NYCHA requested Section 8 shortfall funding from the U.S. Department of Housing and Urban Development (HUD) in December 2013 and projects to receive \$13 million in year-end 2014. HUD established a \$100 million set-aside fund to assist all housing authorities across the country that were short of funds and facing the need to terminate households from the program. This projection reflects a \$13 million increase in NYCHA's 2014 Section 8/HCV Budget.

Reduction of Section 8 Administrative Fee. This projection reflects a \$6 million increase in NYCHA's 2014 Section 8/HCV Budget

Other Section 8 Expenses Realignment. This projection reflects a \$3 million increase in NYCHA's 2014 Section 8/HCV Budget.

2014- 2018 Capital Plan Highlights

NYCHA's 2014-2018 Capital Plan provides approximately \$3.921 billion in planned commitments for infrastructure improvements, major modernization, systemic upgrades, repair, resiliency, and fortification of developments damaged or impacted by Superstorm Sandy and those located in expanded Flood Zone A. The Plan is based on the current federal capital funding outlook, and relies on the near-term implementation of certain Plan NYCHA initiatives. The Plan includes an increase of \$11 million in federal capital fund awards over the 2013-2017 Adopted Capital Plan. However, the Plan also includes \$1.779 billion in one-time disaster recovery funds to address the impacts of Superstorm Sandy. Overall, of the \$3.921 billion dollars included in the current Capital plan, 37% are from Annual Federal Capital Grants, 45% are from funds related to disaster recovery, 13% are from a Bond issue, 5.0% come from the City of New York, and less than one percent come from other sources.

- **Disaster Recovery – Superstorm Sandy.** This plan includes \$1.779 billion dollars that NYCHA has requested for disaster recovery funding in the wake of Superstorm Sandy. These funds will be used to repair the damage caused by Superstorm Sandy to infrastructure and critical systems at 32 developments and to fortify 26 additional developments in the expanded Flood Zone A.
- **Heating and Plumbing.** This plan provides \$193 million for heating and plumbing work, including \$123 million for the replacement of 25 boilers in a critical state of repair, \$18 million for gas riser replacements that will help reduce gas supply outage, \$6 million for underground steam main replacements that will reduce heating system failures and \$9 million for various heating and plumbing systems. This plan also includes \$37 million for the installation of energy-efficient instantaneous hot water heaters.
- **Capital Fund Reimbursements.** Capital Fund Reimbursements are reimbursements from the federal capital program to the operating program for capital-related costs incurred in the operating budget. NYCHA is permitted to charge against capital fund grants to cover Capital Program administration costs funded from the operating budget. Further, it includes the reimbursement of direct costs of frontline staff involved in designing and managing capital projects. Additionally, it includes the central office allocations of budgeted information technology capital expenditures for projects that benefit NYCHA's frontline and central support functions. Finally, this line includes reimbursements from the Capital Program for funding the capital replacement reserves of NYCHA's mixed-finance portfolios (which are funded from the operating budget) and \$10 million each year of 2014-2015 for the Painter's Apprentice Program. Capital Fund Reimbursements are projected to be approximately \$50 million in 2014 and approximately \$47 million in the years 2015-2018.
- **Contract Based Section 8.** NYCHA owns certain developments that consist of contract-based Section 8 dwelling units. These buildings have not received appropriate levels of investment and need substantial rehabilitation. The long-term, contract-based nature of the HUD subsidy for these properties provides a predictable source of income and cash flow that may be leveraged to complete a structured financing. Net proceeds from a structured financing transaction are \$43.5 million which will be used to perform rehabilitation work needed to bring properties to a state of good repair.

2014 City Capital Funding Highlights

For Fiscal 2014-2018, Capital Commitments to NYCHA from City Funds will total \$205.7 million. City Council will provide approximately \$98 million to NYCHA's Capital Plan, while Mayoral Funds will provide the Agency with approximately \$97.9 million, and Borough Presidents from Brooklyn, Queens, Manhattan and the Bronx will provide about \$9.8 million. Most of the funding from the City is provided by the City Council in the form of discretionary funds and includes projects such as upgrades to security systems, heating and plumbing systems and construction of community centers and are further outlined below.

- **City Capital Funded Projects.** As of September 2013, there are over 203 city capital funded projects in NYCHA's project portfolio, where 53 are newly funded 2014 projects. This total is comprised of approximately \$187 million from New York City Council allocations. However, some of these projects receive additional funding from Borough Presidents, Mayoral, State and Federal resources. NYCHA generally divides City Capital projects into two categories: Security and Non-Security Projects. Security projects include security cameras, intercoms, new entrances, electronic key fob entry and other elements of enhanced security. Non-Security projects include playgrounds, upgrades to community centers and lighting upgrades. The main reason for this delineation has to do with the project process which differs. Security projects are to be constructed using a Job Order Contract (JOC). This expedites the process as the procurement was done upfront for all projects. Non-Security projects tend to use a traditional procurement methodology.
- **Closed Circuit Television System (CCTV).** As per NYCHA's July 1- September 30, 2013 Quarterly report, installations of CCTV systems were started at 58 locations during the reporting period. Currently, there are installations planned at 362 buildings.
- **Non-Security Projects.** As per NYCHA's July 1- September 30, 2013 Quarterly report, 73 non security projects are currently in NYCHA's project portfolio.

NYCHA's aging housing stock requires far more capital investment than has been available from Federal, State, and City grants. Of NYCHA's 2,596 residential buildings, 75% are more than 40 years old and have over \$6 billion dollars in unfunded capital needs. Modernization is crucial if NYCHA is to maintain its housing stock in a state of good repair and improve service levels and quality of life for residents.

Appendix A: 2014 Adopted Operating Budget (General Fund)

NYCHA 2014 Adopted Operating Budget (General Fund) <i>*In Thousands</i>	2014
Revenues	
<i>Revenues from Operations:</i>	
Tenant Rental Revenue	\$954,980
Other Revenue from Operations	18,330
Total Revenue from Operations	\$973,310
<i>Other Revenues</i>	
Federal Subsidies	\$782,813
Contract-Based Section 8 Properties	5,403
Debt Service Subsidies	621
Section 8 Phased Conversion	47,062
Section 8 Management Fees	13,245
Capital Fund Reimbursements	49,569
Interest on Investments	1,159
Other	18,712
Land Lease Strategy	0
FEMA Reimbursement	23,872
Categorical Grants	0
Section 8 Housing Assistance Payments	0
Section 8 Admin	0
City Funds	10,076
Total Other Revenues	\$952,532
Total Revenues	\$1,925,842
Expenditures	
<i>Personal Service:</i>	
Salary F/T	\$577,003
Salary P/T	281
Seasonal	23
Overtime	52,243
Shift Differential	1,333
Retro	53
Fringe	510,479
Other Salary	18,578
Total Personal Service	\$1,159,993
<i>Other Than Personal Service:</i>	
Leases	\$32,862
Supplies	54,861
Equipment	8,633
Utilities	576,366
Contracts	178,740
Debt Services	3,498
Insurance	49,245
Payment in Lieu of Taxes (PILOT)	29,791
OTPS Other	22,479
Section 8 Payments	0
Total Other Than Personal Expenses	\$956,475
Total Expenditures	\$2,116,468
Surplus/(Deficit)	(\$190,626)

Appendix B: 2014 Adopted Operating Budget (Section 8 HVC)

NYCHA 2014 Adopted Budget (Section 8 HCV) *In Thousands	2014
Revenues	
Section 8 Housing Assistance Payments	926,813
Total Housing Assistance Payments	\$926,813
Other Revenues	
Other	855
Section 8 Admin	62,121
City Funds	-
Total Other Revenues	\$62,976
Total Revenues	\$989,789
Expenditures	
Personal Service:	
Salary F/T	\$27,155
Salary P/T	-
Seasonal	14
Overtime	1,761
Shift Differential	1
Retro	-
Fringe	21,425
Other Salary	932
Total Personal Service	\$51,288
Other Than Personal Service:	
Leases	\$4,460
Supplies	99
Equipment	2,090
Utilities	192
Contracts	16,789
Debt Services	-
Insurance	141
Payment in Lieu of Taxes (PILOT)	-
OTPS Other	811
Section 8 Payments	1,004,045
Total Other Than Personal Expenses	\$1,028,627
Total Expenditures	\$1,079,915
Surplus/(Deficit)	(\$90,126)

Appendix C: 2014 Adopted Operating Budget (All Funds)

NYCHA 2014 Adopted Operating Budget (All Funds) <i>*In Thousands</i>	2014
Revenues	
<i>Revenues from Operations:</i>	
Tenant Rental Revenue	\$954,980
Other Revenue from Operations	18,330
Total Revenue from Operations	\$973,310
<i>Other Revenues</i>	
Federal Subsidies	\$784,530
Contract-Based Section 8 Properties	5,403
Debt Service Subsidies	621
Capital Fund Reimbursements	49,569
Interest on Investments	1,159
Other	19,909
Land Lease Strategy	0
FEMA Reimbursement	23,872
Categorical Grants	3,378
Section 8 Housing Assistance Payments	926,813
Section 8 Admin	62,121
City Funds	17,700
Total Other Revenues	\$1,895,075
Total Revenues	\$2,868,385
Expenditures	
<i>Personal Service:</i>	
Salary F/T	\$610,030
Salary P/T	515
Seasonal	36
Overtime	54,128
Shift Differential	1,374
Retro	53
Fringe	536,126
Other Salary	19,584
Total Personal Service	\$1,221,846
<i>Other Than Personal Service:</i>	
Leases	\$37,322
Supplies	54,998
Equipment	10,723
Utilities	576,557
Contracts	182,554
Debt Services	3,498
Insurance	49,386
Payment in Lieu of Taxes (PILOT)	29,791
OTPS Other	25,477
Section 8 Payments	956,982
Total Other Than Personal Expenses	\$1,927,288
Total Expenditures	\$3,149,134
Surplus/(Deficit)	(\$280,749)

Appendix D: NYCHA Managed Community Centers

Number of Community Centers	Borough	Development	Average Daily Attendance April 2013- 2014	Number of Full Time Permanent Staff	City Council Member
1	Bronx	Davidson	57	2	Arroyo
2	Bronx	Ft Independence	58	3	Cabrera
3	Bronx	Murphy	62	2	Torres
4	Bronx	Parkside	114	3	Torres
5	Bronx	Pelham Parkway	36	3	Vacca
6	Bronx	St. Mary's Park	83	3	Mark-Viverito
7	Brooklyn	Brevoort	134	2	Mealy
8	Brooklyn	Howard	32	2	Mealy
9	Brooklyn	Independence Towers	101	2	Levin
10	Brooklyn	Kingsborough	34	1	Mealy
11	Brooklyn	Lafayette Gardens	67	1	Cumbo
12	Brooklyn	Langston Hughes	57	1	Mealy
13	Brooklyn	Marcus Garvey	42	1	Mealy
14	Brooklyn	Saratoga	122	2	Mealy
15	Brooklyn	Tompkins	104	1	Cornegy
16	Brooklyn	Williams Plaza	80	2	Levin
17	Brooklyn	Wyckoff Gardens	79	1	Levin
18	Manhattan	Baruch	68	2	Mendez
19	Manhattan	Clinton	192	3	Mark-Viverito
20	Manhattan	Drew Hamilton	186	3	Dickens
21	Manhattan	Lehman	158	3	Mark-Viverito
22	Manhattan	Seward Park Ext	102	2	Chin
23	Queens	Woodside	78	2	Van Bramer
24	Staten Island	Mariner's Harbor	49	2	Rose

Appendix E: NYCHA Managed Senior Centers

Number of Senior Centers	Borough	Development	Average Daily Attendance April 2013- 2014	Number of Full Time Permanent Staff	City Council Member
1	Bronx	Ft Independence	31	2	Cabrera
2	Bronx	Highbridge Grdns	22	2	Gibson
3	Bronx	Morrisania Air Rights	21	2	Gibson
4	Bronx	Sedgwick	13	2	Gibson
5	Bronx	Soundview	28	2	Palma
6	Brooklyn	Armstrong	15	1	Cornegy
7	Brooklyn	Brevoort	31	1	Mealy
8	Brooklyn	Brownsville	20	1	Mealy
9	Brooklyn	Bushwick/Hylan	15	1	Reynoso
10	Brooklyn	Cooper Park	25	1	Reynoso
11	Brooklyn	Cypress Hills	20	1	Barron
12	Brooklyn	Glenmore Plaza	11	1	Espinal
13	Brooklyn	Langston Hughes	15	1	Mealy
14	Brooklyn	Marcus Garvey	26	1	Mealy
15	Brooklyn	Palmetto Gardens	55	1	Reynoso
16	Brooklyn	Seth Low	36	1	Mealy
17	Brooklyn	Stuyvesant Gardens	23	1	Cornegy
18	Brooklyn	Sumner	45	2	Cornegy
19	Manhattan	Douglass Addition	36	1	Levine
20	Manhattan	King Towers	17	1	Dickens
21	Manhattan	Lehman	32	1	Mark-Viverito
22	Manhattan	Lincoln	20	1	Dickens
23	Manhattan	Manhattanville	34	1	Levine
24	Manhattan	Meltzer Towers	45	1	Mendez
25	Manhattan	Rangel	46	2	Dickens
26	Manhattan	St. Nicholas	19	1	Dickens
27	Manhattan	Taft	15	1	Dickens
28	Manhattan	Wagner	19	1	Mark-Viverito
29	Queens	Astoria	17	1	Constantinides
30	Queens	Baisley Park	6	1	Wills
31	Queens	Bland	21	1	Koo
32	Queens	International Towers	22	2	Miller
33	Queens	Shelton	23	1	Lancman