



New York City Council

Christine C. Quinn, Speaker

Finance Division

Preston Niblack, Director

Jeffrey Rodus, First Deputy Director

**Hearing on the Mayor's Fiscal Year 2012 Preliminary Budget &
the Fiscal Year 2011 Preliminary Mayor's Management Report**

Department of Finance

March 21, 2011

Committee on Finance

Hon. Domenic M. Recchia, Jr., Chair

Latonia McKinney, Deputy Director, Finance Division
Anthony Brito, Senior Legislative Financial Analyst

Summary and Highlights

The Department of Finance's (DOF) Fiscal 2012 Preliminary Budget is \$220.4 million which is slightly greater than the \$220 million Fiscal 2011 Adopted Budget. Since the Fiscal 2011 budget adoption the agency has implemented a plan to reduce its personnel costs and generate revenue for the City through greater tax enforcement initiatives which will result in a savings of \$4.2 million in the current fiscal year and \$20 million in Fiscal 2012. The overall net number of full-time positions within the agency will decrease by 81 in Fiscal 2012. This headcount reduction takes into account the elimination of 129 employees, the hiring of 61 new employees and the realization of headcount reductions from previous fiscal years.

The Fiscal 2012 Preliminary budget reflects the agency's shifting priorities of reducing expenses and increasing collections. In particular, over the past three fiscal years the agency has made it a priority to decrease funding in expensive contractual obligations by eliminating contracts for the maintenance of DOF's NYCServ and ACRIS' systems and further eliminating contracts for information technology consultants which will instead be done with the in-sourcing of DOF employees that were hired in Fiscal 2010. These actions reflect the agency's programmatic and budgetary shift from outsourcing technology maintenance to hiring in-house personnel to meet the objectives of the agency and yield net savings. In addition, the Fiscal 2012 budget eliminates low-level skill workers with administrative and clerical positions while simultaneously continuing the practice of hiring new employees with the high level technical expertise to advance the City's tax enforcement collections.

The following highlights summarize the major changes in DOF's budget since the Fiscal 2011 Adoption as well as some key performance indicators from the Preliminary Mayor's Management Report (PMMR).

Fiscal 2012 Preliminary Budget Highlights

Agency Wide Eliminations. DOF began the process of laying-off a total of 127 employees in Fiscal 2011 which is expected to reduce agency spending by \$2.7 million in the current fiscal year. The Council restored \$800,000 to fund 80 office machine aides through May 6, 2011, however the agency's Fiscal 2012 preliminary budget calls for the elimination of these positions. An additional 2 positions will be eliminated in Fiscal 2012 and the full value of the budget reductions will be a total of \$8.1 million in Fiscal 2012 and the out years. These personnel reductions will impact primarily agency wide clerical positions such as office machine aides, cartographers, and stock workers. DOF also targeted specific divisions within the agency for budget reductions such as the Sheriffs Division which will have its headcount reduced by 10 positions. The following table provides a detailed breakdown of the layoffs and savings that have occurred in Fiscal 2011 and will continue in Fiscal 2012.

Agency Wide Title Eliminations	FISCAL 2011		FISCAL 2012	
	Personnel Costs	Head Count	Personnel Costs	Head Count
Elimination of Office Machine Aides	(\$1,258,415)	(78)	(\$3,914,679)	(78)
Elimination of Supervisor of Office Machine Aides	(\$36,347)	(2)	(\$113,169)	(2)
Elimination of Associate Investigators	(\$209,903)	(8)	(\$594,686)	(8)
Elimination of Cartographer Titles	(\$344,175)	(11)	(\$928,811)	(11)
Elimination of Stock Workers	(\$91,899)	(5)	(\$285,862)	(5)
Executive Divisions	(\$270,025)	(9)	(\$990,250)	(11)
Sheriff's Division	(\$382,419)	(10)	(\$983,437)	(10)
Operations	(\$55,096)	(2)	(\$153,912)	(2)

	FISCAL 2011		FISCAL 2012	
	Personnel Costs	Head Count	Personnel Costs	Head Counts
Property	(\$22,208)	(1)	(\$66,276)	(1)
Legal	(\$46,351)	(1)	(\$114,563)	(1)
Adjustment: due to Rounding	\$7,883		(\$2,450)	
Total PS Expense Reductions	(\$2,708,955)	(127)	(\$8,148,095)	(129)

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Enhanced Tax Enforcement. DOF will generate additional revenue for the City by promoting strategic objectives such as tax compliance, efficient production of accurate property rolls, identification of audit targets through the use of data matching/modeling, and targeted audits and enforcement strategies for sales, business and personal income tax filers. In particular, DOF will hire 61 new auditors to implement this initiative at a cost of \$775,000 in Fiscal 2011 and \$3.1 million beginning in FY12. The net projected revenue will be \$4.2 million in Fiscal 2011, \$20 million in Fiscal 2012 increasing to \$29 million by Fiscal 2014.

Vehicle Traffic Law. The agency will coordinate with the State Department of Motor Vehicles to generate additional revenue from the enforcement of a provision in the Vehicle and Traffic Law that suspends an owner's vehicle registration if there are five tickets in judgment in a rolling twelve-month period. DOF anticipates that by suspending vehicle registrations, it will compel owners of mostly commercial vehicles to pay their parking tickets which are in arrears. The total universe of vehicles that have parking ticket arrears is 14,000 which has a total value of \$17 million. DOF projects based on historical data, that enough commercial vehicle owners will pay their parking tickets because businesses might be hindered if they cannot use a vehicle to transport goods and services. The projected revenue from enforcing this law is expected to be \$1 million in Fiscal 2011 and \$1 million in Fiscal 2012.

New Agency Needs

Payment Services Pilot. The Fiscal 2012 Preliminary budget includes funding for the Department's Payments and Receivables repository project. This project would allow the City to bill, accept, process and reconcile payments across almost 40 city agencies. This is an estimate of the expense for a systems integrator and vendor to build a data warehouse to use for centralized billing and collection as well as presenting modernized payment methods through a demonstration project with a bank or similar vendor. The Pilot will cost \$950,000 in Fiscal 2011, \$600,000 in Fiscal 2012, and \$250,000 in Fiscal 2013 and the out-years.

Pension Unit. The Fiscal 2012 Preliminary budget includes \$300,000 and the out years for the Mayor's Office of Pensions and Investments which was created in Fiscal 2011 in order to provide guidance on investment issues for all city-side trustees. This Office's mandate is to monitor the investments of over \$100 million in investments and investment managers for all asset classes held by the pension systems and Deferred Compensation Plan on behalf of 700,000 New York City retirees and employees. These pension funds include: the New York City Employees' Retirement System; the Teachers' Retirement System of the City of New York; the New York City Police Pension Fund; New York City Fire Department Pension Fund; and the New York City Board of Education Retirement System.

Preliminary Mayor's Management Report (PMMR) Highlights

- The average turnaround time for audit cases increased by 13.2 percent to 626 days, and the percent of cases closed within one year fell from 39.8 percent to 31.8 percent. This is due to DOF's efforts to close older cases.
- DOF issued refunds for parking tickets, appeals and towing charges in 12.8 days, five days faster than a year ago, but still longer than the 10-day target.
- The time to see a cashier at Finance's payment centers averaged 9.1 minutes compared to 4.3 minutes during the same 4-month period last year.
- Due to a high volume of refund requests and changes in procedures to safeguard against fraud, the time to issue property tax refunds increased by 35.7 percent to 19 day which was under the agency's target of 20 days.
- The average time to issue decisions for parking ticket hearings by mail or internet improved by 4.6 days to 31.2 days which is below the agency's goal of 40 days. This is due largely to a decrease in the number of requested hearings.

Fiscal 2012 Preliminary Contracts Budget

The New York City Charter mandates the preparation of a Contract Budget to identify expenditures for contractual services, which are defined as any technical, consultant or personal service provided to the City by means of a contract. The Contract Budget is actually a subset of the Other Than Personal Services (OTPS) portion of the City's Expense Budget. The Administration prepares a Contract Budget twice each fiscal year. In January, it is prepared with the Departmental Estimates, and in late April it is submitted to the Council with the Executive Budget.

Category	Fiscal 2012 Prelim Number	Fiscal 2012 Prelim Budgeted	Pct. of DOF Total
Contractual Services General	17	\$2,732,280	7%
Telecommunications Maintenance	1	375,000	1%
Maintenance & Repair, General	18	1,377,001	3%
Costs Associated with Financing	3	25,514,080	61%
Security Services	4	323,300	1%
Cleaning Services	4	500	0%
Training Programs for City Employees	5	97,950	0%
Professional Services: Accounting & Auditing	1	50,000	0%
Professional Services: Engineering & Architecture	1	8,200	0%
Professional Services: Computer Services	5	11,045,491	27%
Professional Services: Other	1	46,629	0%
Preliminary Budget	60	\$41,570,431	100%

The Fiscal 2012 Preliminary Contracts budget for DOF totals \$41.5 million and consists of 60 contracts, 35 of which are for general contractual services such as maintenance and repairs. Most of the agency's contract spending (61 percent of total) is for expenditures associated with the support of the City's financing program. This includes all payments to financial advisors, board and disclosure counsel, fees paid to credit-rating agencies, and all other costs. Another major category for contract spending (27 percent of total) is for computer services performed by vendors who are not City employees.

Department of Finance

The Department of Finance (DOF) is charged with collecting tax and other revenues, valuing approximately one million properties each year, administering tax audit and enforcement action to promote compliance, conducting hearings on parking tickets each year and maintaining property records.

Key Public Services Areas

- Fair and timely collection of all City revenues.
- Maintain and enhance access to public records.

Critical Objectives

- Reduce processing time of payments, refunds, tax returns, applications, and parking violation hearings and appeals.
- Aggressively pursue individuals and business that do not file or pay taxes and fines.
- Record publicly filed documents on a timely-basis and increase the number of property documents available online.

SOURCE: Mayor's Management Report

Department of Finance Financial Summary

	2009 Actual	2010 Actual	2011 Adopted	2011 Feb Plan	2012 Feb Plan	Difference 2010–2011
Budget by Program Area						
Administration	\$49,460,794	\$47,081,816	\$39,436,818	\$46,749,172	\$47,092,525	\$7,655,707
Audit	17,472,565	15,315,902	20,535,142	20,928,892	22,109,342	1,574,200
Civil Enforcement	15,552,103	17,186,429	15,914,429	15,240,801	15,670,051	(244,378)
Collections	16,810,997	22,090,749	20,590,639	20,556,504	19,117,400	(1,473,239)
Communications & Government Services	1,601,882	1,666,518	1,592,316	1,282,497	1,152,497	(439,819)
Customer Relations	4,407,103	1,805,907	1,991,244	1,954,354	1,954,594	(36,650)
Finance Information Technology	33,110,480	32,975,270	39,225,935	35,672,070	36,444,827	(2,781,108)
Legal & Adjudications	14,461,582	14,840,476	15,170,978	15,288,685	15,024,435	(146,543)
NYCSERV Contract Funding	18,050,091	14,386,869	4,421,889	2,151,438	(642,105)	(5,063,994)
Payment Ops & Application Processing	16,095,410	18,107,354	13,949,843	16,994,643	16,299,943	2,350,100
Property Records	10,145,064	7,818,405	8,648,003	7,321,078	8,121,423	(526,580)
Treasury	15,792,224	25,003,252	25,459,570	25,522,773	25,459,570	0
Valuing Property	12,135,455	12,619,305	13,146,929	13,194,531	12,618,457	(528,472)
TOTAL	\$225,095,750	\$230,898,253	\$220,083,735	\$222,857,438	\$220,422,959	\$339,224
Funding						
City Funds	N/A	N/A	\$217,440,316	\$219,269,746	\$217,098,918	(\$341,398)
Intra-City	N/A	N/A	2,205,919	2,964,001	2,886,541	680,622
State	N/A	N/A	437,500	623,691	437,500	0
TOTAL	N/A	N/A	\$220,083,735	\$222,857,438	\$220,422,959	\$339,224

Department of Finance (cont'd)

	2010 Actual	2011 Adopted	2011 Feb Plan	2012 Feb Plan	Difference 2010-2011
Positions					
Total Full-Time Positions	1,961	2,053	2,048	1,972	(81)

Program Areas

Administration

This program area includes funding for the Executive Division, the Employee Services Division which provides support services to Finance employees in accordance with City rules and regulation, and the Tax Policy division which provides information and analysis to help decision makers improve the City's tax system and public understanding of the revenue system.

	2009 Actual	2010 Actual	2011 Adopted	2011 Feb Plan	2012 Feb Plan	Difference 2012 vs. 2011
Spending						
Personal Services						
Full-Time Salaried – Civilian	12,614,689	\$13,091,012	\$10,770,872	\$10,770,872	\$10,770,872	\$0
Other Salaried and Unsalari ed	284,949	100,029	174,739	174,739	174,739	0
Additional Gross Pay	342,564	318,709	316,398	316,398	316,398	0
Overtime – Civilian	3,801	16,221	4,277	4,277	4,277	0
Fringe Benefits	3,340	4,008	4,000	4,000	4,000	0
Amounts to be Scheduled	0	0	709	709	709	0
P.S Other	4,712	3,102	0	0	0	0
Subtotal, PS	\$13,254,055	\$13,533,082	\$11,270,995	\$11,270,995	\$11,270,995	\$0
Other than Personal Services						
Supplies and Materials	\$2,293,416	\$1,425,146	\$3,501,115	\$953,364	\$1,149,168	(\$2,351,947)
Property and Equipment	97,218	172,127	308,748	188,629	169,570	(139,178)
Other Services and Charges	30,084,861	30,673,839	33,162,085	33,387,909	33,982,221	820,136
Contractual Services	3,655,725	1,262,894	(8,844,225)	926,325	498,621	9,342,846
Fixed and Misc. Charges	75,520	14,728	38,100	21,950	21,950	(16,150)
Subtotal, OTPS	\$36,206,739	\$33,548,735	\$28,165,823	\$35,478,177	\$35,821,530	\$7,655,707
TOTAL	\$49,460,794	\$47,081,816	\$39,436,818	\$46,749,172	\$47,092,525	\$7,655,707
Funding						
City Funds	N/A	N/A	\$39,436,818	\$46,559,696	\$47,092,525	\$7,655,707
Intra City	N/A	N/A	0	77,460	0	0
State	N/A	N/A	0	112,016	0	0
TOTAL			\$39,436,818	\$46,749,172	\$47,092,525	\$7,655,707

Preliminary Plan Actions

DOF's Fiscal 2012 Preliminary budget of \$47 million for the Administration program area is expected to remain at approximately the same level as in previous fiscal years. The Fiscal 2012 Preliminary Budget is \$7.6 million greater than the Fiscal 2011 Adopted Budget due to a deregistration of contracts in the amount of \$8.8 million that occurs in the other than personal services (OTPS) budget during budget adoption. Throughout the course of the fiscal year, DOF adds funding for contractual services in this program area

that the agency deems is necessary. The agency has budgeted at least \$498,621 for Fiscal 2012 which will likely increase throughout the course of the next fiscal year.

Audit

This program area includes DOF employees who conduct in-depth audits of business and personal income, excise and other tax returns. The Audit Division identifies non-filing and delinquent businesses, and, when appropriate, assesses additional taxes and/or seeks civil penalties.

	2009 Actual	2010 Actual	2011 Adopted	2011 Feb Plan	2012 Feb Plan	Difference 2012 vs. 2011
Spending						
Personal Services						
Full-Time Salaried - Civilian	\$14,433,170	\$12,791,104	\$16,371,989	\$16,765,739	\$17,946,989	\$1,575,000
Other Salaried and Unsalariated	82,925	27,938	9,952	9,952	9,952	0
Additional Gross Pay	2,803,112	2,234,431	2,655,882	2,655,882	2,655,082	(800)
Overtime - Civilian	0	1,098	0	0	0	0
Fringe Benefits	0	0	0	0	0	0
Amounts to be Scheduled	0	0	1,218,319	1,218,319	1,218,319	0
P.S Other	(32,398)	(28,173)	0	0	0	0
Subtotal, PS	\$17,286,810	\$15,026,398	\$20,256,142	\$20,649,892	\$21,830,342	\$1,574,200
Other than Personal Services						
Supplies and Materials	\$85,202	\$114,237	\$49,900	\$112,990	\$116,000	\$66,100
Property and Equipment	58,428	93,695	12,300	73,100	72,100	59,800
Other Services and Charges	33,126	78,587	206,800	89,060	87,050	(119,750)
Contractual Services	0	1,719	10,000	3,000	3,000	(7,000)
Fixed and Misc. Charges	9,000	1,265	0	850	850	850
Subtotal, OTPS	\$185,756	\$289,503	\$279,000	\$279,000	\$279,000	\$0
TOTAL	\$17,472,565	\$15,315,902	\$20,535,142	\$20,928,892	\$22,109,342	\$1,574,200
Funding						
City Funds	N/A	N/A	\$20,535,142	\$20,928,892	\$22,109,342	\$1,574,200
TOTAL			\$20,535,142	\$20,928,892	\$22,109,342	\$1,574,200

Preliminary Plan Actions

Overall spending for the Audit Division has increased since Fiscal 2009 largely due to the hiring of new employees in the Agency's Data Integrity and Mining Group Initiative. The objectives of this initiative are to improve productivity through data analysis techniques and to yield additional revenue from tax compliance. The Fiscal 2012 Preliminary budget includes a total of 61 new auditors into the agency, 35 of which are within this program area. The hiring of these 35 auditors began in Fiscal 2011 at a cost of \$393,750 which will increase to \$1.8 million in Fiscal 2012 and the out-years once the full value of these new hires are realized.

Performance Measures

	FY 08	FY 09	FY 10	FY 11 4-Month Actual	Target FY 12
Percent increase in tax liability as a result of audits	14.3%	7.4%	18.6%	16.9%	-
Audits closed within 1 year (%)	28%	23%	33%	31.8%	-
Average turnaround time for audits (days)	N/A	N/A	598	626	-
Average amount collected from a closed audit (\$000)	N/A	N/A	\$68	\$45	-

According to the Preliminary Mayor's Management Report, there has been an increase since Fiscal 2009 in the tax liability as a result of a greater emphasis on audits and tax enforcement policies by the agency. In addition, the average turnaround time for field audit cases improved 628 days in Fiscal 2008 to 580 days in Fiscal 2009. The annual amount of audits closed decreased by 5 percent (28 percent to 23 percent) from Fiscal 2008 to Fiscal 2009 due to the agency's focus on closing larger and more complex cases in the first half of 2009. In Fiscal 2010, DOF changed its method of evaluating audits by focusing on audit returns rather than tracking the number of audit cases. In particular, DOF consolidated its desk and field audit operations to create a single unit with the intention of improving the accuracy and timeliness of audits.

Finance Information Technology

This program area includes funding to ensure the development and delivery of information and technology solutions that aid the Department of Finance in achieving its goals.

	2009 Actual	2010 Actual	2011 Adopted	2011 Feb Plan	2012 Feb Plan	Difference 2012 vs. 2011
Spending						
Personal Services						
Full-Time Salaried – Civilian	\$16,971,686	\$21,029,877	\$23,104,832	\$23,254,832	\$23,704,832	\$600,000
Other Salaried and Unsalariated	134,365	57,301	73,707	73,707	73,707	0
Additional Gross Pay	776,491	753,466	718,542	718,542	718,542	0
Overtime - Civilian	131,684	142,088	195,120	195,120	195,120	0
Amounts to be Scheduled	(7,669)	(11,011)	560,260	560,260	560,260	0
Subtotal, PS	\$18,006,557	\$21,971,720	\$24,652,461	\$24,802,461	\$25,252,461	\$600,000
Other than Personal Services						
Supplies and Materials	\$1,914,345	\$949,677	\$3,406,509	\$1,730,700	\$1,418,000	(\$1,988,509)
Property and Equipment	29,943	1,236	132,212	3,301	3,058	(129,154)
Other Services and Charges	278,040	300,759	166,509	134,172	150,872	(15,637)
Contractual Services	12,857,795	9,751,878	10,868,046	9,001,436	9,620,436	(1,247,610)
Fixed and Misc. Charges	23,800	0	198	0	0	(198)
Subtotal, OTPS	\$15,103,923	\$11,003,550	\$14,573,474	\$10,869,609	\$11,192,366	(\$3,381,108)
TOTAL	\$33,110,480	\$32,975,270	\$39,225,935	\$35,672,070	\$36,444,827	(\$2,781,108)
Funding						
City Funds	N/A	N/A	\$39,225,935	\$35,672,070	\$36,444,827	(\$2,781,108)
TOTAL			\$39,225,935	\$35,672,070	\$36,444,827	(\$2,781,108)

Preliminary Plan Actions

The agency's Fiscal 2012 Preliminary Budget includes a decrease of \$2.7 million in funding for Finance Information Technology (FIT) than was included in the Fiscal 2011 Adopted Budget. The agency projects savings of \$1.2 million in Fiscal 2011 and the out years through the in-sourcing of information technology rather than contracting out these services. According to DOF, the average annual cost of a consultant is \$345,000, while the new hires will be paid between \$95,000 and \$140,000 annually (not including fringe benefits). This overall decrease is offset by the addition of eight new employees in this program area who will support the agency's enhanced tax enforcement initiative. The personnel cost of these eight new employees is \$150,000 in Fiscal 2011 and \$600,000 in Fiscal 2012 and the out years.

Treasury

DOF's Treasury administers the City's network of bank accounts, manages the cash flow of the City's investments, and holds all cash bail until it is ordered to be refunded.

	2009 Actual	2010 Actual	2011 Adopted	2011 Feb Plan	2012 Feb Plan	Difference 2012 vs. 2011
Spending						
Personal Services						
Full-Time Salaried - Civilian	\$2,563,224	\$2,647,065	\$2,236,033	\$2,236,033	\$2,236,033	\$0
Other Salaried and Unsalari ed	88,888	10,490	53,802	53,802	53,802	0
Additional Gross Pay	97,126	172,817	111,484	111,484	111,484	0
Subtotal, PS	\$2,749,238	\$2,830,703	\$2,401,319	\$2,401,319	\$2,401,319	\$0
Other than Personal Services						
Supplies and Materials	\$36,538	\$3,881	\$23,000	\$3,900	\$3,300	(\$19,700)
Property and Equipment	10,971	9,833	13,400	10,184	9,950	(3,450)
Other Services and Charges	43,235	19,684	37,600	129,119	20,121	(17,479)
Contractual Services	12,952,242	22,139,150	22,982,251	22,978,251	23,024,880	42,629
Fixed and Misc. Charges	0	0	2,000	0	0	(2,000)
Subtotal, OTPS	\$13,042,986	\$22,172,549	\$23,058,251	\$23,121,454	\$23,058,251	\$0
TOTAL	\$15,792,224	\$25,003,252	\$25,459,570	\$25,522,773	\$25,459,570	\$0
Funding						
City Funds	N/A	N/A	\$25,459,570	\$25,522,773	\$25,459,570	\$0
TOTAL			\$25,459,570	\$25,522,773	\$25,459,570	\$0

Preliminary Plan Actions

Although funding in this program area has not changed since the Fiscal 2011 Adopted Budget, overall funding for the Treasury Division has increased since the Fiscal 2009 Adopted Budget due to a change in how DOF maintains banking contracts for the City. Prior to 2009, DOF had an arrangement with banks whereby the City maintained funds on deposit that did not earn cash interest but instead earned credits that accrued at rates typically tied to the rates of 3-month treasury bills, which cost the City approximately \$20 million a year. It was determined that since the rates on the 3-month treasury bills are low given the current economic environment it was not fiscally prudent to continue this policy. The credits the City was able to earn on its deposits were not sufficient to offset the charges the City paid for banking services. Therefore, the Administration decided to redirect the City's funds on deposit to the Comptroller's Office for investment which is expected to earn enough to offset the increased cost in banking services.

Collections

This program area is responsible for processing business income tax returns, collecting remittances and issuing tax refunds, and for billing the real property tax. It also collects non-tax revenue and provides taxpayer assistance.

	2009 Actual	2010 Actual	2011 Adopted	2011 Feb Plan	2012 Feb Plan	Difference 2012 vs. 2011
Spending						
Personal Services						
Full-Time Salaried – Civilian	\$13,679,544	\$13,792,327	\$12,414,380	\$11,985,218	\$11,196,363	(\$1,218,017)
Other Salaried and Unsalari ed	68,950	5,107	(201,357)	(201,357)	(201,357)	0
Additional Gross Pay	919,413	969,112	864,715	864,715	864,715	0
Overtime - Civilian	56,622	39,563	87,225	87,225	87,225	0
Fringe Benefits	246,680	270,902	2,407,374	2,330,374	2,402,252	(5,122)
Amounts to be Scheduled	0	0	1,584,302	1,584,302	1,584,302	0
Subtotal, PS	\$14,971,210	\$15,077,011	\$17,156,639	\$16,650,477	\$15,933,500	(\$1,223,139)
Other than Personal Services						
Supplies and Materials	\$895,633	\$305,112	\$115,979	\$265,600	\$265,600	\$149,621
Property and Equipment	63,555	358,175	54,621	580,000	120,000	65,379
Other Services and Charges	38,166	2,460,046	54,100	37,582	462,870	408,770
Contractual Services	840,433	3,890,405	3,209,300	3,022,845	2,335,430	(873,870)
Fixed and Misc. Charges	2,000	0	0	0	0	\$0
Subtotal, OTPS	\$1,839,787	\$7,013,738	\$3,434,000	\$3,906,027	\$3,183,900	(\$250,100)
TOTAL	\$16,810,997	\$22,090,749	\$20,590,639	\$20,556,504	\$19,117,400	(\$1,473,239)
Funding						
City Funds	N/A	N/A	\$20,590,639	\$20,556,504	\$19,117,400	(\$1,473,239)
TOTAL			\$20,590,639	\$20,556,504	\$19,117,400	(\$1,473,239)

Preliminary Plan Actions

The Collections program budget has had an overall increase since Fiscal 2009 primarily due to a multi-agency initiative (Office of Management and Budget, the Environmental Control Board and DOF) which seeks to improve collections on receivables that are owed to the City. Revenue collections in Fiscal 2010 increased by \$25 million as a result of this initiative with another anticipated increase in Fiscal 2011. The initiative costs \$2.3 million which represents expected payments to a third-party vendor, largely contingent upon meeting the revenue target. Since the payments have been made to the vendors, overall spending in the OTPS budget will decrease by \$250,100 along with a reduction of \$873,870 in contractual services in Fiscal 2012. Most of the funding decrease in this program area is due to the elimination of 30 office machine aide positions in the Collections division, which will save the agency in personnel costs a total of \$566,016 in Fiscal 2011 and \$1.7 million in Fiscal 2012 and the out years.

Performance Measures

	FY 08	FY 09	FY 10	FY 11 4-Month Actual	Target FY 12
Average time to issue a property tax refund (days)	15	14	19	19	20
Average time to issue a business tax refund (days)	47	44	39	38	45

According to the Preliminary Mayor's Management Report, the average time to issue a business tax refund was reduced from 44 days in Fiscal 2009 to 38 days in Fiscal 2011. This is a result of the agency's efforts in expanding the criteria for automated issuance of business tax refunds which significantly reduced the processing time.

Civil Enforcement

This program area includes funding for the Tax Enforcement Division which attempts to ensure that all taxpayers pay their fair share and provides enforcement against those who intentionally do not. This program area also includes funding for the Sheriff's Division which promotes public safety and enforces court orders, including those for the collection of judgment debt.

	2009 Actual	2010 Actual	2011 Adopted	2011 Feb Plan	2012 Feb Plan	Difference 2012 vs. 2011
Spending						
Personal Services						
Full-Time Salaried – Civilian	\$10,751,422	\$13,504,156	\$10,907,031	\$11,833,403	\$12,262,653	\$1,355,622
Other Salaried and Unsalariated	45,067	6,070	83,206	73,206	83,206	0
Additional Gross Pay	881,696	1,339,391	914,814	924,814	914,814	0
Overtime – Civilian	58,057	113,993	247,241	247,241	247,241	0
Fringe Benefits	25,736	0	10,736	10,736	10,736	0
Amounts to be Scheduled	0	(5,541)	0	0	0	0
Subtotal, PS	\$11,761,978	\$14,958,069	\$12,163,028	\$13,089,400	\$13,518,650	\$1,355,622
Other than Personal Services						
Supplies and Materials	\$1,946,366	\$419,579	\$1,805,005	\$505,700	\$535,000	(\$1,270,005)
Property and Equipment	177,162	316,801	171,543	259,275	157,200	(14,343)
Other Services and Charges	1,152,154	1,076,912	1,247,253	957,185	1,024,960	(222,293)
Contractual Services	506,124	412,130	516,400	422,000	427,000	(89,400)
Fixed and Misc. Charges	8,320	2,938	11,200	7,241	7,241	(3,959)
Subtotal, OTPS	\$3,790,125	\$2,228,359	\$3,751,401	\$2,151,401	\$2,151,401	(\$1,600,000)
TOTAL	\$15,552,103	\$17,186,429	\$15,914,429	\$15,240,801	\$15,670,051	(\$244,378)
Funding						
City Funds	N/A	N/A	\$13,708,510.00	\$12,354,260.00	\$12,783,510.00	(\$925,000)
Intra City	N/A	N/A	2,205,919.00	2,886,541.00	2,886,541.00	680,622
TOTAL			\$15,914,429	\$15,240,801	\$15,670,051	(\$244,378)

Preliminary Plan Actions

Tax Enforcement

In Fiscal 2011 the agency hired 29 auditors within the Tax Enforcement Division at a cost of \$1.8 million in Fiscal 2010, and \$2.9 million in Fiscal 2011 and the outyears. The agency added an additional 13 employees to this division during Fiscal 2011 at a cost of \$168,750 and \$675,000 in Fiscal 2012 and the out years. The new auditors focus on a variety of tax return types to increase City audit revenue. In particular, the new hires will expand the division's ability to assess and collect taxes owed the City due to underreported and unreported taxable income. DOF has been implementing data-mining and screening techniques to increase the inventory of audit-worthy business income and excise tax cases. Some of the key results of recent data-mining efforts include cases related to the underreporting of business income and sales tax by cash businesses, unreported business income by high-income entrepreneurs and inappropriate expenses deducted by corporations conducting business in the City. In addition, DOF

created a tax shelter unit which will focus on identifying and pursuing sub-national tax shelter activity, such as the shifting of profits out of entities existing in New York City through the creation of captive subsidiaries in low-tax states. The agency will also increase the number of personal income tax and sales tax auditors who will identify additional cases in areas such as personal income tax under withholding by employers and sales and use tax under reporting by businesses and individuals.

In total, the revenue from the addition of the 42 new auditors in this program area, along with the 48 new auditors in other program areas, is projected to be \$17.3 million in Fiscal 2011 and \$20 million in Fiscal 2012 and the outyears. These revenue projections are based on the increasing number of closed audit cases with positive assessments resulting from productivity improvements and greater staff capacity. One of the main elements of the productivity improvements includes more efficient screening of potential audit cases so that individuals and businesses are not subject to an audit unless DOF has sufficient cause to investigate a tax compliance issue.

Deputy Sheriff's

The addition of these auditors is offset, however, by the elimination of 10 Deputy Sheriff positions which will save the agency \$382,419 in Fiscal 2011 and \$983,437 in Fiscal 2012. The elimination of these positions reflects the agency's growing reliance on the Marshals to enforce civil laws and collect revenue for the City. There are currently 47 Marshals who are non-City employees appointed by the Mayor's Committee on City Marshals to enforce orders from Civil Court cases, including collecting on judgments, towing, seizing utility meters and carrying out evictions. The Marshals have collected a total of \$8.9 million for the City between Fiscals 2008-2010. Approximately 68 percent of this revenue comes from the 4.5 percent fee the Marshals pay the City out of the total collections that they keep as income.

Legal & Adjudications

This program area includes funding for the Legal Affairs Division which ensures that laws, rules and regulations are clear, easy to understand and fairly applied to the public, and that DOF has adequate legal support. This program area also funds the Adjudication Division which provides a forum for motorists to challenge their parking or red light tickets.

	2009 Actual	2010 Actual	2011 Adopted	2011 Feb Plan	2012 Feb Plan	Difference 2012 vs. 2011
Spending						
Personal Services						
Full-Time Salaried - Civilian	\$9,336,710	\$9,508,685	\$5,697,462	\$5,815,169	\$5,540,981	(\$156,481)
Other Salaried and Unsalariated	3,917,594	3,692,365	3,990,164	3,990,164	3,997,702	7,538
Additional Gross Pay	633,288	656,534	649,329	649,329	651,729	2,400
Overtime - Civilian	793	0	8,551	8,551	8,551	0
Amounts to be Scheduled	0	2,500	2,945,483	2,945,483	2,942,285	(3,198)
Subtotal, PS	\$13,888,385	\$13,860,084	\$13,290,989	\$13,408,696	\$13,141,248	(\$149,741)
Other than Personal Services						
Supplies and Materials	\$390,773	\$292,469	\$304,272	\$358,840	\$359,040	\$54,768
Property and Equipment	48,082	50,501	92,818	54,700	54,200	(38,618)
Other Services and Charges	131,000	75,478	721,499	54,655	58,153	(663,346)
Contractual Services	2,343	559,867	759,000	1,411,794	1,411,794	652,794
Fixed and Misc. Charges	1,000	2,077	2,400	0	0	(2,400)
Subtotal, OTPS	\$573,198	\$980,393	\$1,879,989	\$1,879,989	\$1,883,187	\$3,198
TOTAL	\$14,461,582	\$14,840,476	\$15,170,978	\$15,288,685	\$15,024,435	(\$146,543)
Funding						
City Funds	N/A	N/A	\$15,170,978	\$15,288,685	\$15,024,435	(\$146,543)
TOTAL			\$15,170,978	\$15,288,685	\$15,024,435	(\$146,543)

Preliminary Plan Actions

Overall spending has increased in this program area since the 2010 Adopted Budget to fund the anticipated costs associated with State legislation that expanded the Red Light Camera Program. This legislation allows for the expansion of 150 red light cameras within 50 additional intersections in New York City. The increased funding is primarily for added personal services costs for the Administrative Law Judge (ALJ) Division which will be handling a larger caseload. Since the Fiscal 2009 Adopted Budget, the Legal and Adjudications headcount has reduced by 103 positions. In Fiscal 2010, DOF eliminated 25 machine operators from the Hearing-by-Mail program and instead digitize the process of appealing fines issued by the City. The cost of digitizing the hearing by mail process will be approximately \$850,000 per year. DOF will utilize an existing DCAS requirements contract to have all documents scanned off-site, thereby creating electronic case files, which will enable ALJs to decide cases from any location. The Fiscal 2011 Adopted Budget eliminated 31 positions for a savings of \$520,497 which will increase to \$1.597 million in Fiscal 2012 once the full value of these cuts are realized. In the Fiscal 2012 Preliminary Plan, an additional 27 positions, mostly clerical aides, will be laid off for a savings of \$1.1 million.

Performance Measures

	FY 08	FY 09	FY 10	FY 11 4-Month Actual	Target FY 12
Average turnaround time for in-person parking ticket hearings (minutes)	24	26	28	25	40
Average time to issue decision for parking ticket hearing-by-mail/web (days)	34	43	31	36	40
Average time to issue decision for parking ticket appeals (days)	11	12	11	11	15
Average time to issue refunds for parking tickets, appeals and towing charges (days)	N/A	15	15.6	18	10
Time to render tax conciliation cases decided within 6 months (%)	56%	60%	78%	66%	65%

In the Preliminary Mayor's Management Report, the turnaround time for in-person parking ticket hearings improved to 25 minutes, however hearings by mail/web increased to 36 days due to the long processing time. Despite DOF introducing a new online tool for motorists to submit hearing request electronically, the overall efficiency gains were offset by a temporary decrease in the Administrative Law Judges available to adjudicate tickets. The average time to issue refunds for parking tickets, appeals and towing charges rose from 15 to 18 days due to DOF reallocating resources and staff time to responding to refund-related inquiries that had previously been performed by the helpline. In addition, the agency completed 66 percent of its tax conciliation cases within six months which is lower than the 78 percent during the same period last year when a larger number of relatively simple cases led to quicker resolutions.

NYCSERV Contract Funding

This program area includes funding for Other than Personal Services expenses of the NYCServ Contract. NYCServ is the payment and adjudications engine for all debts, collections, licensing, and permits to the City of New York. It enables customers to pay taxes and fines or dispute parking tickets and violations in a single location while improving customer service.

	2009 Actual	2010 Actual	2011 Adopted	2011 Feb Plan	2012 Feb Plan	Difference 2012 vs. 2011
Spending						
Personal Services						
Full-Time Salaried - Civilian	\$0	\$0	\$0	(\$430,457)	(\$939,864)	(\$939,864)
Other Salaried and Unsalariated	0	0	(40,000)	(40,000)	(40,000)	0
Amounts to be Scheduled	0	0	212,759	212,759	212,759	0
Subtotal, PS	\$0	\$0	\$172,759	(\$257,698)	(\$767,105)	(\$939,864)
Other than Personal Services						
Supplies and Materials	\$1,185,804	\$0	\$0	\$0	\$0	\$0
Property and Equipment	5,053	0	0	0	0	0
Other Services and Charges	24,952	78,366	25,000	25,000	25,000	0
Contractual Services	16,834,282	14,308,503	4,224,130	2,384,136	100,000	(4,124,130)
Subtotal, OTPS	\$18,050,091	\$14,386,869	\$4,249,130	\$2,409,136	\$125,000	(\$4,124,130)
TOTAL	\$18,050,091	\$14,386,869	\$4,421,889	\$2,151,438	(\$642,105)	(\$5,063,994)
Funding						
City Funds	N/A	N/A	\$4,421,889	\$2,151,438	(\$642,105)	(\$5,063,994)
TOTAL			\$ 4,421,889	\$2,151,438	(\$642,105)	(\$5,063,994)

Preliminary Plan Actions

Funding of this program area has decreased since Fiscal 2010 by approximately \$12 million largely due to DOF's initiative to eliminate contracts in the OTPS budget that were responsible for providing maintenance to the NYCSERV system which will instead be handled by the hiring of new information technology specialists. In addition, the personnel costs decreased by \$454,846 in Fiscal 2011 and \$1.2 million by Fiscal 2012 due to the elimination of 15 office machine aide positions that provided clerical support in this program area.

Performance Measures

	FY 08	FY 09	FY 10	FY 11 4-Month Actual	Target FY 12
Average wait time to see a cashier at payment centers (minutes)	5.9	4.9	4.8	4.3	6
Average response time for mail and e-mail (days)	22.2	6.5	6.7	3.9	7
Average response time for mail correspondence (days)	21.5	8.0	9.9	6.0	10

Property Records

This program area includes funding for the City Register which maintains official records of real and personal property transfers and interests. ACRIS is the Automated City Register Information System, which allows anyone to view property-related ownership documents online going back to 1966. The surveyor, who reports to the City Register, updates and maintains the official tax maps of the City of New York when property owners request the subdivision of large lots into smaller lots (apportionment) or the merging of smaller lots into one large lot (merging).

	2009 Actual	2010 Actual	2011 Adopted	2011 Feb Plan	2012 Feb Plan	Difference 2012 vs. 2011
Spending						
Personal Services						
Full-Time Salaried - Civilian	\$6,693,259	\$6,709,361	\$5,809,227	\$5,809,227	\$5,809,227	\$0
Other Salaried and Unsalariated	161,458	12,914	82,166	82,166	82,166	0
Additional Gross Pay	272,922	265,720	186,369	186,369	186,369	0
Overtime - Civilian	18,544	1,118	21,952	21,952	21,952	0
Fringe Benefits	134	134	120	120	120	0
Amounts to be Scheduled	0	0	214,069	214,069	214,069	0
Subtotal, PS	\$7,146,318	\$6,989,246	\$6,313,903	\$6,313,903	\$6,313,903	\$0
Other than Personal Services						
Supplies and Materials	\$77,556	\$25,704	\$26,050	\$27,700	\$28,300	\$2,250
Property and Equipment	1,832	65,572	10,945	5,425	1,225	(9,720)
Other Services and Charges	274,040	101,498	105,815	306,125	110,325	4,510
Contractual Services	2,642,648	635,715	2,186,910	667,325	1,667,670	(519,240)
Fixed and Misc. Charges	2,670	670	4,380	600	0	(4,380)
Subtotal, OTPS	\$2,998,746	\$829,158	\$2,334,100	\$1,007,175	\$1,807,520	(\$526,580)
TOTAL	\$10,145,064	\$7,818,405	\$8,648,003	\$7,321,078	\$8,121,423	(\$526,580)
Funding						
City Funds	N/A	N/A	\$8,648,003	\$7,246,903	\$8,121,423	(526,580)
State	N/A	N/A	0	74,175	0	0
TOTAL			\$8,648,003	\$7,321,078	\$8,121,423	(\$526,580)

Preliminary Plan Actions

The funding in this program area has decreased by approximately \$2 million since the Fiscal 2009 Adopted Budget. This decrease is partly due to DOF's initiative to eliminate contacts in the OTPS budget that were responsible for providing maintenance to the ACRIS system which will now be handled internally with the hiring of a new information technology specialist.

Valuing Property

The function of this program area is to determine the taxable value of more than 900,00 parcels of NYC real estate each year. It oversees the computer-assisted mass appraisal system (CAMA) to enhance data collection and accuracy of assessments for small residential properties.

	2009 Actual	2010 Actual	2011 Adopted	2011 Feb Plan	2012 Feb Plan	Difference 2012 vs. 2011
Spending						
Personal Services						
Full-Time Salaried - Civilian	\$10,951,734	\$11,279,308	\$10,517,999	\$10,026,841	\$9,464,547	(\$1,053,452)
Other Salaried and Unsalariated	81,607	4,089	(36,565)	(36,565)	(36,565)	0
Additional Gross Pay	678,731	656,185	583,128	583,128	581,528	(1,600)
Overtime - Civilian	2,344	1,426	49,071	49,071	49,071	0
Subtotal, PS	\$11,714,415	\$11,941,008	\$11,113,633	\$10,622,475	\$10,058,581	(\$1,055,052)
Other than Personal Services						
Supplies and Materials	\$237,115	\$178,707	\$156,500	\$585,000	\$256,500	\$100,000
Property and Equipment	111,565	82,661	52,000	124,550	52,000	0
Other Services and Charges	47,052	38,936	170,480	39,700	186,670	16,190
Contractual Services	25,107	360,156	429,710	600,400	840,100	410,390
Fixed and Misc Charges	200	17,837	2,200	0	2,200	0
Subtotal, OTPS	\$421,039	\$678,297	\$810,890	\$1,349,650	\$1,337,470	\$526,580
TOTAL	\$12,135,455	\$12,619,305	\$11,924,523	\$11,972,125	\$11,396,051	(\$528,472)
Funding						
City Funds	N/A	N/A	\$12,709,429	\$12,757,031	\$12,180,957	(\$528,472)
State	N/A	N/A	437,500	437,500	437,500	0
TOTAL			\$13,146,929	\$ 13,194,531	\$ 12,618,457	(\$528,472)

Preliminary Plan Actions

The overall personnel costs in this program area will decrease from the Fiscal 2011 Adopted Budget to the Fiscal 2012 Preliminary Budget due to the elimination of 26 employees, saving the agency \$601,682 in Fiscal 2011 and \$1.7 million in Fiscal 2012 and the out years. These budget cuts are offset by the addition of five auditors which will cost \$62,500 in Fiscal 2011 and \$250,000 in Fiscal 2012 and the out years.

Tax Assessments in Fiscal 2011

One of DOF's responsibilities is to calculate the market value of every property in the City, every year. This is a very difficult process – very few other localities in the United States attempt to value property every year, especially on the scale that New York City does. Indeed, part of this difficulty is in determining the best way to determine a value. Towards that end DOF has been moving towards a mass evaluation system, which is basically a statistically based method to determine values based on inputs. Not only would this create a more objective system of valuation, it would also free up tax assessors to spend more time in the field to verify the data used in valuation.

Part of this evolution involved several changes to the valuation methodology for the 2011 tentative roll, which is used to determine the property taxes for Fiscal 2012¹. As a result of these changes a number of properties, particularly coops in certain areas such as northeast Queens, saw extremely large increases in the market valuation of their property compared to the previous year. At time of press, DOF is currently reviewing properties with large market value increases and making adjustments where justified. Additionally, many properties have appealed to the Tax Commission which has the discretion to adjust market valuation they believe to be incorrect.

Performance Measures

	FY 08	FY 09	FY 10	FY 11 4-Month Actual	Target FY 12
Property assessments reduced by the Tax Commission (%) (calendar year)	12%	11%	12%	N/A	N/A

¹ These changes are described in further detail in the revenue budget briefing.

Appendix A: Budget Actions in the November and February Plans

<i>Dollars in Thousands</i>	FY 2011			FY 2012		
	City	Non-City	Total	City	Non-City	Total
Agency Budget as of June 2010 Plan	\$217,441	\$2,644	\$220,085	\$216,107	\$2,644	\$218,751
Program to Eliminate the Gap (PEGs)						
Enhanced Tax Enforcement-PS	\$755	\$0	\$755	\$3,100	\$0	\$3,100
Employee Layoffs	(2,084)	0	(2,084)	(5,121)	0	(5,121)
OMA restorations	800	0	800		0	0
Enhanced Tax Enforcement Revenue	(5,000)	0	(5,000)	(23,100)	0	(23,100)
Suspension of NYS Registration Revenue	(1,000)	0	(1,000)	(1,000)	0	(1,000)
Total, PEGs	(\$6,529)	\$0	(\$6,529)	(\$26,121)	\$0	(\$26,121)
New Needs						
Collection agency costs	\$1,000	\$0	\$1,000	\$0	\$0	\$0
Dun & Bradstreet Data Matching	400	0	400	0	0	0
Payment Services Pilot	950	0	950	600		600
Pension Unit	300	0	300	300	0	300
Total, New Needs	\$2,650	\$0	\$2,650	\$900	\$0	\$900
Other Adjustments						
LGRMIF Grant for FY11	\$0	\$74	\$74			\$0
Mental Hygiene funding shift-Deputy Sheriff's		681	681	0	681	681
Staffing Fringe Offset	(199)	0	(199)	2,113	0	2,113
Establish LGMIF Grant	112	0	112	0	0	0
Shift from Agency 068 to DOF	0	55	55	0	0	0
DOF Security Services	0	11	11	0	0	0
Staffing Fringe Offset	(112)		(112)	0	0	0
To pay for Security Services		11	11	0	0	0
Enhanced Tax Enforcement Revenue	5,000	0	5,000	23,100	0	23,100
Suspension of NYS Registration Revenue	1,000	0	1,000	1,000	0	1,000
Total, Other Adjustments	\$5,800	\$832	\$6,632	\$26,213	\$681	\$26,894
Agency Budget as of February 2011 Plan	\$219,270	\$3,588	\$222,858	\$217,099	\$3,324	\$220,422

Appendix B: Reconciliation of Program Areas to Units of Appropriation

Dollars in Thousands

Program Area	Personal Services (PS)					Other Than Personal Services (OTPS)									TOTAL
	001	002	003	004	005	007	009	011	022	033	044	055	077	099	
Administration	\$11,270							\$35,821							\$47,092
Audit				\$21,830							\$279				\$22,109
Civil Enforcement				\$5,854			\$7,664				\$135			\$2,016	\$15,670
Collections		\$8,560					\$7,373		\$3,183						\$19,117
Communications & Government Services	\$1,073							\$78							\$1,152
Customer Relations	\$1,954														\$1,954
Finance Information Technology	\$24,359			\$893				\$11,192							\$36,444
Legal & Adjudications	\$950				\$3,805	\$8,384						\$127	\$1,755		\$15,024
NYCSERV Contract Funding								\$25						\$100	(\$642)
Payment Ops & Application Processing		\$12,949					(\$767)		\$1,850					\$1,500	\$16,299
Property Records			\$6,313							\$1,807					\$8,121
Treasury	\$2,401							\$23,058							\$25,459
Valuing Property			\$11,280							\$1,337					\$12,618
TOTAL	\$42,010	\$21,510	\$17,954	\$28,577	\$3,805	\$8,384	\$14,270	\$70,176	\$5,034	\$3,144	\$414	\$127	\$1,755	\$3,616	\$220,422