

The Council of the City of New York

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Report on the Fiscal Year 2015 Executive Budget for

Department of Finance

June 6, 2014

The Fiscal 2015 Executive Budget of the Department of Finance (DOF or the Agency) is \$248.3 million, which is \$13.9 million or six percent more than the \$234.4 million Fiscal 2014 Adopted Budget.

Executive Budget Highlights

o New Needs

- **Cooperative and Condominium Abatement Unit.** \$93,000 in City funds in Fiscal 2014 and \$280,000 in City funds in Fiscal 2015 for personal services costs associated with five new staff in order to meet the additional requirements imposed by this legislation.
- **Security Guards 66 John Street.** \$411,000 in City funds in Fiscal 2014 and \$936,000 in City funds in Fiscal 2015 for security services at the Manhattan Business Center.
- **Automobile Auction Personal Service Needs.** \$79,000 in City funds in Fiscal 2015 for personal service costs associated with two Deputy Sheriffs to support increased Automobile Auction duties as a result of DOF's Vehicle Booting program.
- **Banking Legislation.** \$490,000 in City funds in Fiscal 2015 for personal service and other than personal service costs associated with two new staff with banking services expertise in order to meet the additional requirements imposed by this legislation.
- **Booting Operation Personal Service Needs.** \$375,000 in City funds in Fiscal 2015 for personal service costs associated with six staff to perform general administrative support related to booting services.
- **Cigarette Tax Legislation.** \$266,000 in City funds in Fiscal 2015 for personnel costs to support the enforcement role of the Tobacco Legislation. New duties created by the Legislation require back office tracking of hearings, civil penalties and evidence that was previously not required.

o Other Adjustments:

- **Credit Card Convenience Fees.** \$2 million in City Funds in Fiscal 2014 and \$3 million in City funds in Fiscal 2015 towards anticipated fees resulting from increased credit card service transactions. A recent re-forecasting of anticipated fees resulted in an additional base line funding need of \$2 million per year starting in Fiscal 2014.

- **Outside Collection Agencies (OCAs).** \$2.5 million in City Funds to make anticipated payments to OCAs from the increase in debt collection rates for the current Fiscal Year.
- **Paylock Reimbursement for Marshal and Sheriff Booting.** \$3.5 million in City Funds in Fiscal 2015 for vendor costs related to the Vehicle Booting Program. DOF works with a vendor, PayLock, to administer the program and has a City registered contract ending in April 2017. This adjustment will bring the total DOF baseline budget for booting fees to \$10.5 million, and will ensure timely payments to the vendor.

Department of Finance Overview

The Department of Finance (DOF) collects over \$30 billion in revenue for the City and assesses more than one million properties collectively valued at over \$900 billion. DOF also records property-related documents; administers exemption and abatement programs; adjudicates and collects on parking tickets; maintains the City's treasury; and enforces compliance with City tax laws. In addition, the Department chairs the City's Banking Commission and, through the Office of the Sheriff, acts as the City's chief civil law enforcement officer.

This report provides an overview of the Department of Finance's Fiscal 2015 Executive Budget. Appendices 1-2 report the changes made to the Fiscal 2014 and Fiscal 2015 Budget since adoption of the Fiscal 2014 Budget. For additional information on DOF's budget and its various programs, please refer to the "Department of Finance's Preliminary Budget Hearing Report" available at: <http://www.council.nyc.gov>.

DOF Financial Summary

<i>Dollars in Thousands</i>	FY12 Actual	FY13 Actual	FY14 Adopted	FY14 as of FY15 Exec. Budget	FY15 Exec. Budget	*Change FY14 - FY15
Spending						
Personal Services	\$128,903	\$131,132	\$144,341	\$137,619	\$145,884	\$1,543
Other Than Personal Services	92,444	91,158	90,084	115,335	102,447	12,363
Total	\$221,346	\$222,290	\$234,425	\$252,955	\$248,331	\$13,907
Budget by Program Area						
Administration	\$49,734	\$47,114	\$49,824	\$53,316	\$49,843	\$19
Audit	14,606	14,889	16,354	17,214	16,088	(266)
Civil Enforcement	21,995	24,538	25,280	38,216	34,078	8,799
Collections	13,509	15,361	17,476	18,788	16,932	(544)
Communications & Governmental Services	2,229	2,333	2,432	2,247	3,029	597
FIT(Finance Information Technology)	36,583	36,210	38,969	38,416	40,075	1,106
Legal & Adjudications	16,018	14,737	15,832	14,878	15,672	(160)
NYCSERV Contract Funding	5,334	4,929	3,356	3,165	3,356	0
Payment Ops & Application Processing	21,652	22,527	22,776	22,739	22,408	(368)
Property Records	4,670	4,844	5,697	5,086	5,215	(482)
Treasury	21,294	19,898	21,372	23,067	24,736	3,364
Valuing Property	13,722	14,910	15,057	15,822	16,900	1,843
Total	\$221,346	\$222,290	\$234,425	\$252,955	\$248,331	\$13,907
Funding						
City Funds	\$216,702	\$217,216	\$229,667	\$247,902	\$243,462	\$13,795
State	75	438	438	513	438	0
Federal - Other	0	195	0	0	0	0
Intra City	4,569	4,442	4,319	4,540	4,431	112
Total	\$221,346	\$222,290	\$234,425	\$252,955	\$248,331	\$13,907
Positions						
Full-Time Positions	1,750	1,746	1,915	1,926	1,938	23
Total	1,750	1,746	1,915	1,926	1,938	23

*Change from Fiscal 2014 Adopted to Fiscal 2015 Executive Budget.

New in the Executive Budget

The Department of Finance has a Fiscal 2015 Expense Budget of \$234.4 million, an increase of approximately \$14 million when compared to the Fiscal 2014 Adopted Budget. This is mainly due to a \$12.4 million increase in Other Than Personal Services costs related to the Vehicle Booting Program Booting and increased credit card service transactions. Budget actions—composed of the New Needs, and Other Adjustments in the November 2013, February 2014 and the May 2014 Plans—added \$3.9 million to DOF's Fiscal 2014 Budget and increased the Agency's Fiscal 2015 budget by \$7.8 million since the Fiscal 2014 Adopted Budget. These budget actions are highlighted below and detailed in Appendix 2.

New Needs

Cooperative and Condominium Tax Abatement Unit. In January 2013, the New York State Legislature passed bill S2320/A3354, which amended the Condo/Coop Abatement tax to capture eligible owners that reside in a co-op or condo unit as a primary residence. The abatement gives eligible co-op and condo owners a reduction in their property taxes. Under the legislation, owners of cooperative units can have their property taxes reduced based on the average assessed value of the residential units in the building. In order to bring the Condo/Coop Abatement Unit to scale, DOF hired five full-time employees at a total cost of \$93,000 in City funds in Fiscal 2014. This program was baselined at a total cost of \$280,000 in Fiscal 2015 and outyears.

Security Guards 66 John Street. DOF's Fiscal 2015 Executive budget reflects a \$411,000 increase in City funds in Fiscal 2014 and a \$936,000 increase in City funds in Fiscal 2015 for security services at the Manhattan Business Center. The Finance Business Center and the Offices of the Sheriff located at 66 John Street provide a variety of services, including collecting payments, issuing vehicle tow releases, enforcing civil law, and holding parking ticket hearings.

Automobile Auction Personal Service Needs. DOF's Fiscal 2015 Executive budget reflects a \$79,000 increase in City funds in Fiscal 2015 for personal service costs associated with two Deputy Sheriffs to support increased Automobile Auction duties as a result of DOF's Vehicle Booting program. Since the Booting program was introduced in 2012, there has been an increase in selling and disposing of unclaimed vehicles. The Sheriff's Office has been utilizing staff from other projects to complete the legally mandated tasks associated with the sale of vehicles. This is causing backlogs and delays in service in other functions of the division. Therefore, due to the increase in auction activities, additional dedicated staff were approved to perform these tasks. The total annual cost of the two positions is \$79,000.

Banking Legislation. DOF's Fiscal 2015 Executive budget reflects a \$490,000 increase in City funds in Fiscal 2015 for personal service and other than personal service costs associated with two new staff with expertise in community development, banking services and the Community Reinvestment Act (CRA). The legislation established a Community Investment Advisory Board ("CIAB") to conduct an assessment of banking services needs throughout New York City and to evaluate the performance of the City's depository banks in meeting those needs. Current staff capacity cannot handle the additional requirements imposed by this legislation. As a result, DOF is adding one Senior Evaluator and one Financial Analyst at an approximate annual Personal Service cost of \$140,000 and Other Than Personal Service cost of \$350,000 for vendor services related to the production of analytical reports as required under Local Law 38.

Booting Operation Personal Service Needs. DOF's Fiscal 2015 Executive budget reflects a \$375,000 increase in City funds in Fiscal 2015 for costs related to six support staff (three Principal Administrative Associates and three Clerical Associates) to perform general administrative support related to booting services.

Cigarette Tax Legislation. DOF's Fiscal 2015 Executive budget reflects a \$266,000 increase in City funds in Fiscal 2015 for personal costs associated with five new hires (2 Staff Analysts, 1 City Tax Auditor, and 2 Associate Fraud Investigators) to support the enforcement role of the Tobacco Legislation. In October 2013, NYC passed ordinance 1021-A, which increased the enforcement role of the Department of Finance and Office of the Sheriff to collect taxes and related penalties for the possession and sale of untaxed cigarettes and other prohibited tobacco products. New duties created by the legislation require back office tracking of hearings, civil penalties and evidence that was previously not required. New personnel will support this legislation, which is anticipated to generate approximately \$2 million in revenue per year.

Microsoft Dynamics. DOF's Fiscal 2015 Executive budget reflects a \$500,000 increase in City funds in Fiscal 2015 for costs of a software solution to track correspondence and provide better customer service. Currently, the Agency does not have any internal tracking system for customer correspondence. The total cost of the software, licenses and consultant fees to implement the system is \$500,000.

Other Adjustments

Credit Card Convenience Fees. The Fiscal 2014 Executive Budget allocates \$2 million in City Funds and \$3 million in City funds Fiscal 2015 towards anticipated fees resulting from increased credit card service transactions. DOF has recently expanded credit card services to other City agencies as an efficient and effective tool for payments. A recent re-forecasting of anticipated fees resulted in an additional base line funding need of \$2 million per year starting in Fiscal 2014.

Outside Collection Agencies (OCAs). DOF's Fiscal 2014 Executive Budget allocates \$2.5 million in City Funds to make anticipated payments to OCAs from the increase in debt collection rates for the current Fiscal Year. Some reasons why the debt collection rate has increased include: increased OCA staffing to collect debt, OCAs incentivizing staff to collect debt, and newer debt being assigned to OCAs which has resulted in increased collection.

Paylock Reimbursement for Marshal and Sheriff Booting. The Fiscal 2015 Executive Budget reflects a \$3.5 million increase in City Funds for vendor costs related to the Vehicle Booting Program. DOF works with a vendor, PayLock, to administer the program and has a City registered contract ending in April 2017. Additional funding of \$3.5 million starting in Fiscal 2015 will bring the total DOF baseline budget for booting fees to \$10.5 million to ensure timely payments to the vendor.

Appendix 1: DOF Fiscal 2015 Executive Budget Actions

<i>Dollars in Thousands</i>	FY 2014			FY 2015		
	City	Non-City	Total	City	Non-City	Total
DOF Preliminary Fiscal 2015 Budget	\$243,513	\$5,049	\$248,562	\$232,725	\$4,870	\$237,595
Program to Eliminate the Gap (PEGs)						
None	\$0	\$0	\$0	\$0	\$0	\$0
Total PEGs	\$0	\$0	\$0	\$0	\$0	\$0
New Needs						
Cooperative and Condominium Abatement Unit	\$93	\$0	\$93	\$280	\$0	\$280
Security Guards 66 John Street	411	0	411	936	0	936
Automobile Auction PS Needs	0	0	0	79	0	79
Banking Legislation	0	0	0	490	0	490
Booting Operation PS Needs	0	0	0	375	0	375
Cigarette Tax Legislation	0	0	0	266	0	266
Microsoft Dynamics	0	0	0	500	0	500
Total New Needs	\$504	\$0	\$504	\$2,926	\$0	\$2,926
Other Adjustments						
311 Calltaker MOU with DoITT	\$0	\$0	\$0	(\$500)	\$0	(\$500)
DEP (BPS)-DOF RTK Program Pay	0	4	4	0	0	0
Lease Adjustment	80	0	80	0	0	0
311 Calltaker MOU	0	0	0	500	0	500
Credit Card Convenience Fees	2,000	0	2,000	3,000	0	3,000
Funding Roll	(811)	0	(811)	811	0	811
Heat, Light and Power	117	0	117	(66)	0	(66)
Lease Adjustment	0	0	0	469	0	469
Outside Collection Agencies	2,500	0	2,500	0	0	0
Paylock	0	0	0	3,500	0	3,500
Technical Adjustment	0	0	0	96	0	96
Total Other Adjustments	\$3,886	\$4	\$3,890	\$7,810	\$0	\$7,810
Total All Changes	\$4,390	\$4	\$4,394	\$10,736	\$0	\$10,736
DOF Executive Fiscal 2015 Budget	\$247,902	\$5,053	\$252,955	\$243,462	\$4,870	\$248,331

Appendix 2: DOF Budget Actions since Fiscal 2014 Adoption

<i>Dollars in Thousands</i>	FY 2014			FY 2015		
	City	Non-City	Total	City	Non-City	Total
DOF Preliminary Fiscal 2015 Budget	\$229,667	\$4,757	\$234,424	\$227,840	\$4,757	\$232,597
New Needs						
Property Tax System/Business Tax System Staff	\$648	\$0	\$648	\$595	\$0	\$595
Tax Discovery Initiative	907	0	907	0	0	0
Cooperative and Condominium Abatement Unit	93	0	93	280	0	280
Security Guards 66 John Street	411	0	411	936	0	936
Automobile Auction PS Needs	0	0	0	79	0	79
Banking Legislation	0	0	0	490	0	490
Booting Operation PS Needs	0	0	0	375	0	375
Cigarette Tax Legislation	0	0	0	266	0	266
Microsoft Dynamics	0	0	0	500	0	500
Total New Needs	\$2,059	\$0	\$2,059	\$3,521	\$0	\$3,521
Other Adjustments						
Allied Barton	\$0	\$15	\$15	\$0	\$0	\$0
CITI-Serv - DOF Transfer	(210)	0	(210)	(210)	0	(210)
FR 6622/332 To 6500/40X	0	15	15	0	0	0
Funds for CPRR MOU	0	2	2	0	0	0
IC w/ DOF - Sheriff Office	0	112	112	0	112	112
OATHOCT 201403	0	73	73	0	0	0
Paylock Reimbursement for Marshal and Sheriff Booting	12,500	0	12,500	4,500	0	4,500
TR \$75,000 TO 3600/600	0	75	75	0	0	0
311 Calltaker MOU with DoITT	0	0	0	(500)	0	(500)
DEP (BPS)-DOF RTK Program Pay	0	4	4	0	0	0
Lease Adjustment	80	0	80	0	0	0
311 Calltaker MOU	0	0	0	500	0	500
Credit Card Convenience Fees	2,000	0	2,000	3,000	0	3,000
Funding Roll	(811)	0	(811)	811	0	811
Heat, Light and Power	117	0	117	(66)	0	(66)
Lease Adjustment	0	0	0	469	0	469
Outside Collection Agencies	2,500	0	2,500	0	0	0
Paylock	0	0	0	3,500	0	3,500
Technical Adjustment	0	0	0	96	0	96
Total Other Adjustments	\$16,176	\$296	\$16,472	\$12,100	\$112	\$12,212
Total All Changes	\$18,235	\$296	\$18,531	\$15,621	\$112	\$15,734
DOF Executive Fiscal 2015 Budget	\$247,902	\$5,053	\$252,955	\$243,462	\$4,870	\$248,331