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TESTIMONY OF COMMISSIONER MARTHA E. STARK
NEW YORK CITY DEPARTMENT OF FINANCE
BEFORE THE CITY COUNCIL
COMMITTEE ON FINANCE
HEARING ON THE FY2009 EXECUTIVE BUDGET
MAY 21, 2008

Good afternoon Chairman Weprin and members of the Committee on Finance. As you know, I am Finance Commissioner Martha E. Stark. Thank you for inviting me to testify today on the fiscal year 2009 Executive Budget.

I will do five things this afternoon. First, I'll discuss how the Executive Budget affects the Finance Department, and I will specifically address the additional 3 percent expense budget cut. Second, I will discuss the results of the annual lien sale. Third, I will briefly summarize the assessment roll changes since the tentative roll was released in January. Fourth, I will update you about legislation we are following in Albany. Finally, as always, I will be happy to take your questions.

Department of Finance Budget

When I appeared before you in March, we learned from OMB that all City agencies would have to cut their fiscal year 2009 expense budgets by another 3 percent. I know that Council Finance Committee staff has been in touch with our budget director to get more details about the cuts in our budget. Let me assure the Committee that we will be able to reduce our expenses without adversely affecting the quality of services we provide or reducing the amount of revenue we collect.

First, we will reduce our personal services costs by \$1.3 million. More than \$800,000 of that will come from reallocating resources and reducing expenses in the Adjudication Division. These changes will have a minimal impact on the service we provide to people who challenge their parking tickets, primarily because of the efficient method that we have adopted for adjudicating tickets. In addition to ensuring that tickets are properly written to the public and dismissing them if they are not, we have also developed a program to efficiently adjudicate tickets issued to businesses that deliver goods and services in New York. As a result of all the changes to ensure that tickets are adjudicated timely, we have eliminated the need for more than one million hearings each year.

As you know, we have been committed to achieving and measuring results at Finance. Therefore, we have chosen budget cuts that will not affect services. For example, in Adjudication, people requesting a hearing will:

- Receive a decision from our Hearing By Mail unit within three weeks; and
- Have a hearing in any one of our business centers in less than an hour with time left to even grab a sandwich.

Just as a reminder, when I started my tenure at Finance, the average wait time for a hearing by mail decision was more than four months and it took hours to have a hearing at our business centers.

Second, we will reduce our Other than Personal Services budget by \$3.9 million. To accomplish these savings we will, among other things:

1. Build internal capacity, especially in the information technology area, and we will reduce costs by \$1.1 million as we rely less heavily on outside technical consultants.
2. We are going to do a little contracting in. Finance used to contract with armored car companies to transport cash and checks from our payment centers to our lockbox banks for processing. Instead of spending \$430,000, we will utilize our deputy sheriffs for this part of our operation.
3. By utilizing technology and relying more on email, as the City Council's technology committee has encouraged us to do, we will consolidate office equipment and reduce mailings to save \$185,000.

Lien Sale Update

Let me turn to the lien sale, which began with a 90-day notice on February 19 and concluded on May 19, two days ago.

As we announced at the start of the lien sale, 23,770 owners received a 90-day notice, and these owners owed a total of \$307 million in property charges and \$146 million in water charges. Since February 19, Finance has resolved \$90 million (or 29%) of the amount that appeared on the 90-day notice. People paid \$5.75 million in down payments and entered into payment agreements that covered a total of \$35.6 million in outstanding debt. I should note that this year, for the first time, we allowed owners to enter into monthly installment agreements as well as quarterly installment agreements. For homeowners, we offered down payments as low as 5 percent of the total amount due. Previously, we required at least 10 percent down.

Once again I want to thank council members for facilitating outreach events with Finance and the Department of Environmental Protection to help us reach as many owners as possible. Your assistance helped us resolve your constituents' debt, correct errors in our records and help hundreds of people avoid having a lien sold on their property. This was a very busy outreach season. With your help, we conducted 50 sessions, served more than 2,000 people, and helped 512 homeowners enroll in exemption programs that made it possible for them to both avoid the lien sale and reduce their future tax bills.

Although the lien sale is over, our efforts to help people pay the right amount on time will continue throughout the year, and as always I hope I can count on your help.

Final Assessment Roll

Let me turn to the final assessment roll for fiscal year 2009. The market value of all City property is now \$812.8 billion, which is 2.8 percent higher than last year's final roll market value of a little less than \$796 billion. However, the assessment that taxes are based on increased a little less than five percent since last year.

The market value is .68 percent lower than the tentative assessment roll that we released on January 15 and revised later in January to address two issues—a problem with our computer model for small homes in Manhattan, and the need to comply with the Law Department's advice that our gross income multipliers should be the same for cooperatives, condominiums, and rental buildings even though the expenses on those buildings are different.

As you will recall, there are four factors that contribute to a change in the assessment roll since January 15. First, Finance responds to information that the public provides after they receive our Notice of Value. Second, we implement new exemptions. Third, the Tax Commission reviews our assessments and reduces assessed value. This year, more than 43,000 owners challenged their assessment with the Tax Commission, a slight increase over last year.

Finally, we are required to value properties under construction on the tentative assessment roll. However, if the property is not ready for occupancy on April 15th and it's the first year of construction, the value is removed. Most commercial properties and residential properties that have applied for 421-a exemption benefits have three years to complete construction. Finance is required to include the value of these properties on the tentative roll in January and remove the value in May if the property is not ready for occupancy by April 15th.

Legislation

Finally, let me update you on some of our legislative efforts.

Parking Issues

Currently, rental car companies pay us \$1 per month per car in their fleets, an amount that has not changed since 1981. In exchange, they send us the local address of the person who rented the car, which oftentimes is a New York City temporary address like a hotel; we don't tow the vehicles with outstanding tickets; and the rental car company is absolved of any liability.

When this law was adopted, the use of credit cards was certainly less widespread. However, now rental car companies are in the best position to remit charges for tickets issued to their

vehicles. In lots of instances, renters do not live in New York City and therefore Finance is not able to collect as effectively. For example, more than 80 percent of parking tickets issued typically get paid within a year. For rental cars, the payment rate is below 50 percent.

While we would prefer to have the rental car companies collect the tickets and remit the payment to us, the bill we proposed in Albany would at a minimum raise the amount of the fee to \$5 per month per car or \$60 per year per car.

If passed, the bill would generate more than \$7 million in revenue.

Two Other Bills: Utility Property and Manhattan Vacant Land

In addition to having our own agenda items, Finance also closely tracks and offers support for legislation introduced by others that affect our operations. This session there are two such bills.

The first, A8030/S5302, is a bill that would standardize the way utility property is valued statewide. This bill recognizes that utility property -- power lines, telephone wires or natural gas pipes -- often crosses city, county and town boundaries and goes above and under private and public land.

Currently, Finance values property that crosses over or under private property. However, the New York State Office of Real Property Services values that same property if it crosses over or under public property. It's a duplication of effort that is inefficient and costly. We support the State's bill that would require the Office of Real Property Services to value all utility property regardless of whether it is over or under public or private land.

The other bill, A8666/S6207, introduced by Assembly Member Farrell, addresses how the City values vacant land north of 110th Street in Manhattan. This bill would require Finance to reclassify vacant lots in northern Manhattan as commercial property instead of residential. This would result in those properties no longer benefiting from the assessment caps and being assessed at 45 percent instead of 6 percent.

I hope that as we head into the last weeks of the session, we can count on the Council's support of these bills as well.

Thank you. I'll stop there and am happy to answer your questions.