

THE ECONOMIC CONDITION OF THE CITY

REPORT PURSUANT TO  
SECTION 6.6.4 OF THE  
FEDERAL CREDIT AGREEMENT

EDWARD I. KOCH, MAYOR

JANUARY 31, 1978



Municipal Building  
New York, N.Y. 10007

Robert J. Bott  
Director

February 2, 1978 FEB 6 '78

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MEMORANDUM

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From : Robert J. Bott *[Signature]* Director

Subject: Report on the economic condition of the City

Attached for your information is a copy of the report on the economic condition of the City, as submitted by the Mayor, pursuant to Section 6.6.4 of the Federal Credit Agreement.

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THE ECONOMIC CONDITION OF THE CITY

REPORT PURSUANT TO

CREDIT AGREEMENT SECTION 6.6.4

EDWARD I. KOCH  
MAYOR

January 31, 1978

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## I. GENERAL ECONOMIC CONDITIONS

The local economy continued its modest improvement in the first five months of the City's 1978 fiscal year. This is in contrast to the sharp declines of recent years. Overall, New York City's resident labor force has been stable during the period reflecting compensating changes in the numbers of employed and unemployed persons.

Over the five month period from July employment among residents of New York City continued to increase: it increased 0.6% in the third quarter of calendar 1977, probably reflecting the effects of increased government summer jobs (See Chart I.). In the October-November period, the increase was an additional 0.2%, thus continuing the pattern of moderate expansion that began in the spring.

While the employment picture has been stable, the number of unemployed City residents and the unemployment rate has declined sharply in the last several months. In November, the City's unemployment rate stood at 8.6% (seasonally adjusted), down one percentage point from July. Assuming that the forthcoming benchmark revisions will not drastically alter this pattern, the primary explanation for the abrupt drop in the number of unemployed appears to be the large number of individuals exhausting their unemployment insurance benefits. A high proportion of exhaustees normally give up their active search for employment and therefore are no longer classified as unemployed according to the BLS definition.

Total jobs (seasonally adjusted) held by residents and non-residents increased 0.5% from the second to third quarter, and fell

## Chart I

Source: N.Y.C. Department of City Planning, "New York City Economic Conditions Quarterly", Third Quarter 1977

### LABOR FORCE (SEASONALLY ADJUSTED)\*

	AVERAGE 3rd QUARTER 1977** (000)		% CHANGE FROM PREVIOUS QUARTER		% CHANGE FROM 3rd QUARTER 1976	
	N.Y.C.	U.S.	N.Y.C.	U.S.	N.Y.C.	U.S.
Civilian Labor Force .....	3,021	97,623	0.7	0.4	-3.2	2.5
Employed .....	2,744	90,809	0.6	0.5	-1.0	3.4
Unemployed .....	278	6,814	2.0	a	-20.8	-8.6

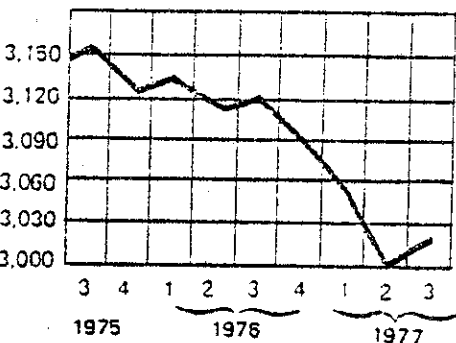
a. Insignificant change

#### UNEMPLOYMENT RATE

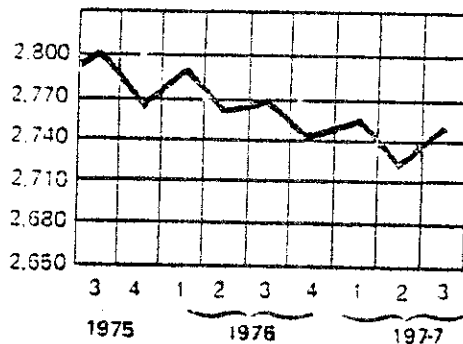
N.Y.C.	11.2	11.1	9.8	9.1	9.2
U.S.	7.8	7.9	7.9	7.0	7.0
	3rd Qt. 1976	4th Qt. 1976	1st Qt. 1977	2nd Qt. 1977	3rd Qt. 1977

### THE LABOR FORCE AND ITS COMPONENTS, NEW YORK CITY

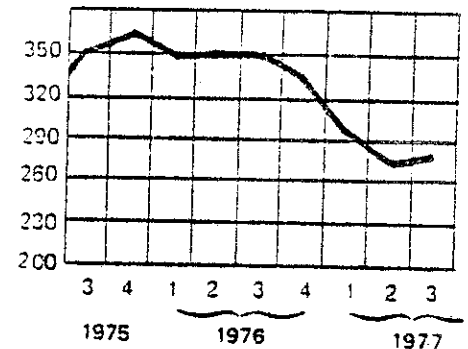
(000) CIVILIAN LABOR FORCE



(000) EMPLOYED LABOR FORCE



(000) UNEMPLOYED LABOR FORCE



\*New York City data are seasonally adjusted by N.Y.C. Department of City Planning.  
 \*\*New York City data for most recent month are preliminary and subject to revision.

Sources: N.Y.S. Department of Labor and U.S. Bureau of Labor Statistics.

0.5% in October-November. Even after seasonal adjustment, the quarterly data show a 5.9% increase in the summer months in government employment: local government hiring for Federally-funded youth summer jobs programs has inflated the figures. This inflation can be seen in the Government sector portion of Chart II. Seasonally adjusted private sector employment in New York City declined 0.4% during the third quarter, because of a decline in manufacturing of 1.6% and a decline in the transportation, communication and public utilities sector of 1.1%. Employment rose slightly in several other sectors during the quarter: construction, 0.2%; finance, insurance and real estate, 0.3%; and services, 0.2%.

The impact of softer consumer demand on production of consumer goods is apparent in the statistics for non-durable goods manufacturing employment. Nationally, jobs in these industries declined 0.4% during the third quarter over the second quarter; locally they fell 1.9%. Non-durable goods industries make up a large proportion of total manufacturing in the City, so the decline in that subsector was the main factor in the decline in total manufacturing employment.

Among the other economic indicators (See Chart III), the local Consumer Price Index (CPI) continues to increase at a more moderate rate than its national counterpart, suggesting that New York's competitive position continues to improve relative to the nation. During the first 11 months of the year the local CPI increased by 5% from last December, compared with a national increase of almost 6%. Retail sales data for the third quarter are unavailable for

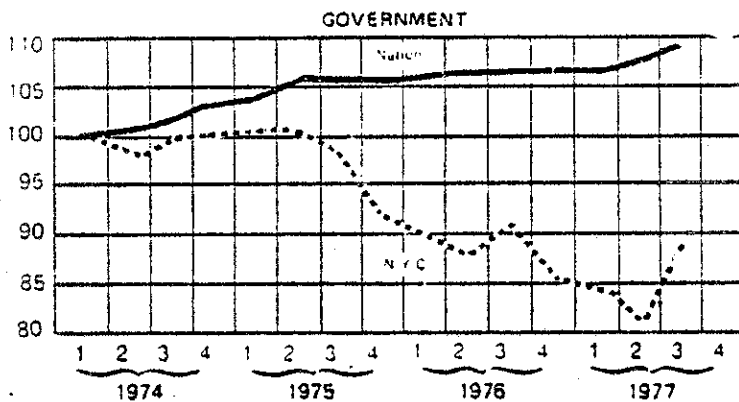
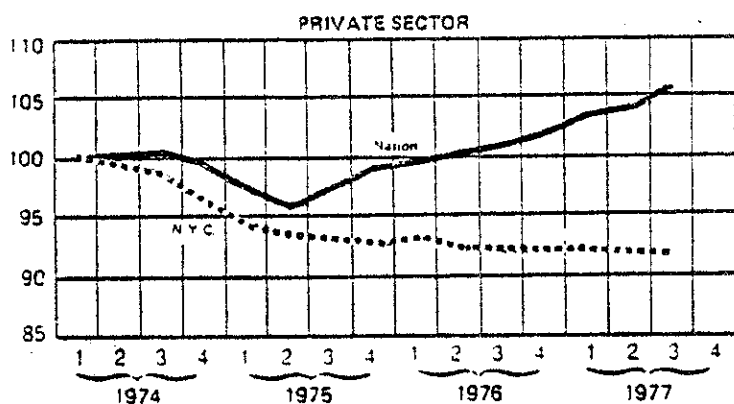
## Chart II

Source: N.Y.C. Department of City Planning, "New York City Economic Conditions Quarterly", Third Quarter 1977

### PAYROLL JOBS (SEASONALLY ADJUSTED)\*

	AVERAGE 3rd QUARTER 1977** (000)		% CHANGE FROM PREVIOUS QUARTER		% CHANGE FROM 3rd QUARTER 1976	
	N.Y.C.	U.S.	N.Y.C.	U.S.	N.Y.C.	U.S.
	Total***	3,175	82,551	0.5	0.8	-0.4
Private Sector	2,655	67,279	-0.4	0.7	-0.8	3.9
Manufacturing	536	19,637	-1.6	0.3	-0.7	3.3
Durable Goods	117	11,548	-0.7	0.8	-0.6	4.1
Nondurable Goods	419	8,089	-1.9	-0.4	-0.8	2.1
Contract Construction	83	3,901	0.2	1.1	-3.7	8.8
Trans., Comm., & Public Utilities	255	4,587	-1.1	0.2	-2.9	1.7
Wholesale and Retail Trade	619	18,361	-0.4	0.7	-0.7	3.3
Finance, Insurance & Real Estate	415	4,522	0.3	1.0	-0.1	4.7
Services and Miscellaneous	765	15,437	0.2	1.5	-0.3	4.7
Government	520	15,272	5.9	1.0	-1.1	2.1

### PRIVATE SECTOR AND GOVERNMENT EMPLOYMENT (FIRST QUARTER 1974=100)



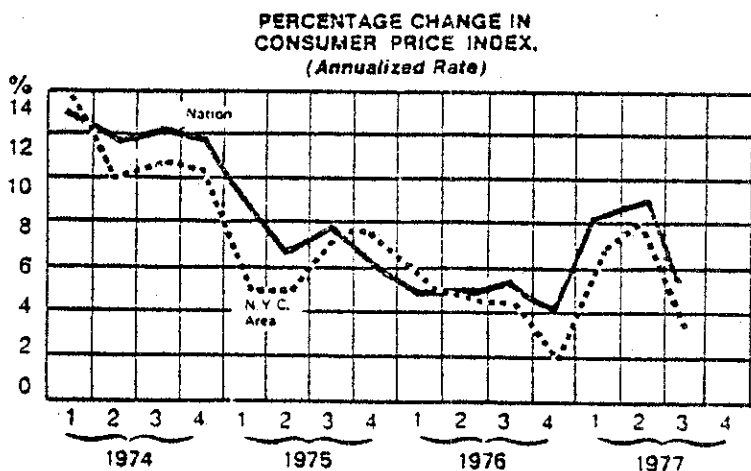
\*New York City data are seasonally adjusted by the N.Y.C. Department of City Planning.  
 \*\*New York City data for most recent month are preliminary and subject to revision.  
 \*\*\*Mining employment included in total.

Sources: N.Y.S. Department of Labor and U.S. Bureau of Labor Statistics.

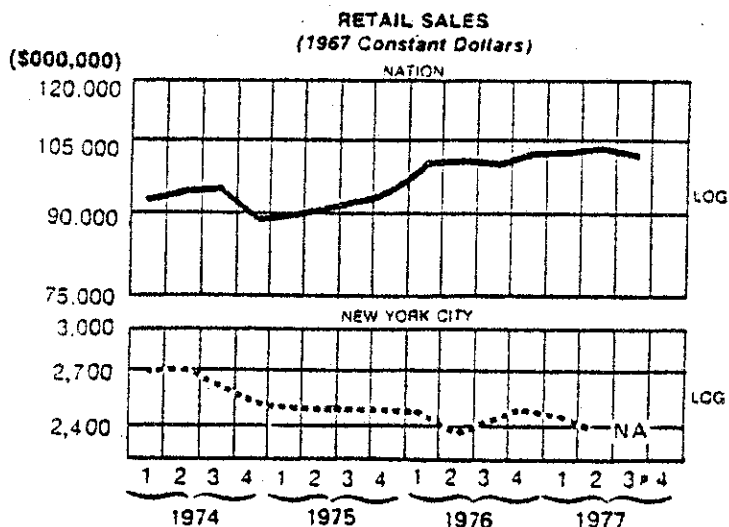


### Chart III

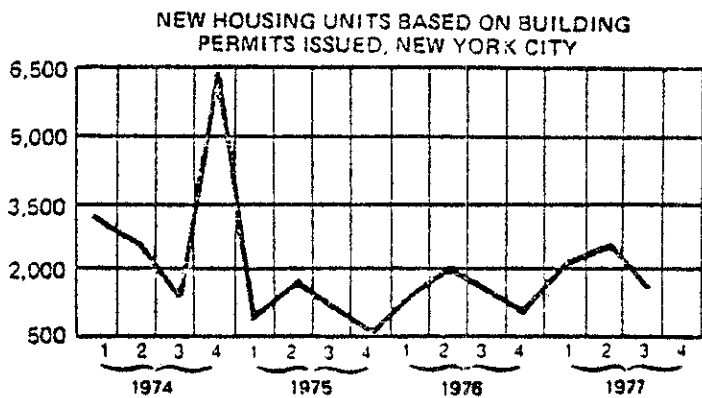
Source: N.Y.C. Department of City Planning, "New York City Economic Condition Quarterly, Third Quarter 1977



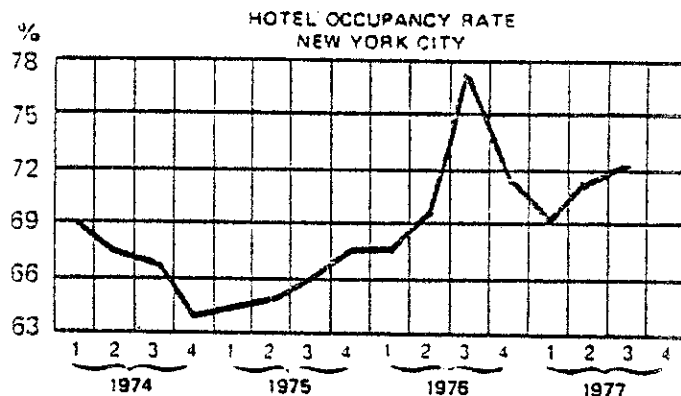
Source: U.S. Bureau of Labor Statistics \*



Source: U.S. Commerce Department \* (Series being revised)



Source: N.Y.S. Division of Housing and Community Renewal \*



Source: Harris, Kerr, Forster & Co. \*

\*New York City data are seasonally adjusted by N.Y.C. Department of City Planning.  
 \* New York City data for most recent month are preliminary and subject to revision.

New York City pending revisions in the series.

The number of new housing units (based on building permits issued) fell during the third quarter, but remained above most quarterly levels of 1975 and 1976. The hotel occupancy rate was at 72.1% for the third quarter, up from 71.1%. Recent figures indicate that the City hosted more conventions and convention visitors in 1976 than in any year since the 1964-5 World's Fair and that 1977 may have been as good or better than 1976.

Increased activity in the City's real estate industry is described in Section IV, Condition of the Real Estate Tax Base.

Economic Recovery Program - Tax Reductions

The July 1977 report highlighted the major elements of the fiscal year 1978 tax reduction program to improve the business climate in the City. They are:

- reduction of the real estate tax by five points, amounting to \$20 million.
- removal of the sales tax burden on manufacturing machinery and equipment, at a cost to the City of \$17 million, through a credit mechanism.
- credit for market-makers on the stock transfer tax currently estimated at \$20 million.
- a 10% reduction in commercial rent taxes, totaling \$20 million.
- a 10% reduction in the general corporation tax, amounting to \$55 million on an annual basis.

The 1978 program provided for further stages of tax reductions which are reflected in the City's four-year Plan including:

- second and third stage reductions in the commercial rent tax reaching a total 20% reduction by 1982.
- elimination of the Stock Transfer tax surcharge.
- expected phase-out of the entire effect of the stock transfer tax through the granting of rebates under specified conditions designed to protect the MAC revenue stream.
- capping the real estate tax rate at the current \$8.75 level.

In addition to the above tax reductions, the City grants exemptions under specific conditions on new commercial or industrial construction and on renovations, and is undertaking a number of other efforts to stimulate the City's economic recovery. (See Section III-Business Expansion, Contraction and Relocation).

#### Revenues - First Half Fiscal 1978

Tax collections for the first half of FY 1978 reflected the moderate upturn in the City's business cycle anticipated by the Financial Plan estimates. Personal income and sales taxes performed better than expected. The level of the business income tax is consistent with the Plan, showing some growth, but not as strong as the previous year. Receipts from the stock transfer tax continue at good levels. However, receipts from the financial tax are at last year's levels, reflecting continuing weakness in this revenue source.

The two major taxes that most directly reflect the economic climate of the City itself are the personal income and the sales taxes. The seven-year trend of employment decline has almost ceased; resident employment is now declining at an annual rate of only 0.5%. The growth in taxable personal income, calendar year 1977 compared to 1976, is expected to be about 6%. The growth in the personal income tax, after adjustments, is estimated at more than 4.6% over FY 1977. For the first half of FY 1978, personal income tax receipts are about \$12 million above Plan, and 7% above the comparable six-month period last year.

From all indications, retail sales are continuing to grow in current dollars. Due to a sampling change by the US Commerce Department reporting agency, however, current and future time series will not be comparable to previous years'.

Sales tax revenues for 1978 are now projected to rise 7% over FY 1977, based on increasing personal income and a 5.6% rate of inflation. The estimates reflect a \$17 million deduction covering the elimination of the tax on machinery and equipment purchases by wholesalers and manufacturers (actually provided through a credit on business taxes). The first half of 1978 showed a 16% increase in collections over last year, after totals are adjusted for known factors affecting comparability, but irregularities in the collection process still prevent accurate year-to-year comparison.

Most economic forecasters estimate that corporate profits in calendar 1977 were about 10% higher than the unusually good 1976 year and they anticipate a further 12% growth in 1978. Even with the 10% reduction in the corporate tax rate, the City expects a decline in its 1978 fiscal year of less than 3% in general corporation tax receipts; i.e., without the tax rate reductions, collections would have risen 5%. Six-month results are at Plan levels when allowance is made for the crediting of marketmaking and machinery and equipment deductions on the corporate tax, as provided by the Economic Recovery Program tax reductions.

Financial tax collections are disappointing. Lack of growth in loan volume, lowered profits on loans, and a shift of bank business to out-of-City branches will mean lowered payments in the remainder of the fiscal year, and requires a reduction of the full-year estimate to \$139 million.

After taking into account marketmakers' credits on the stock transfer tax provided by the Economy Recovery tax reduction program, six-month collections for 1978 are about the same as the comparable period last year. The annual total is now projected to remain at

the same level as in FY 1977 except for the marketmakers' adjustments currently estimated at \$20 million. While the marketmakers' tax reduction is provided through adjustments to business taxes, for accounting purposes it is allocated to the stock transfer tax. In conjunction with the City's tax reduction in this area, a similar amount of tax reduction is available from the State.

Continuation at last year's level is forecast because it is now believed that legislative and structural changes pending for the industry will not impact collections this year. Stock volume on the registered exchanges has continued strong, but this has been balanced by a decline in revenues from sources other than the registered exchanges.

Legislation has been enacted to eliminate through rebates the effect of the stock transfer tax gradually over a five-year period, while preserving the tax itself and the availability of stock transfer tax collections for payment of MAC securities. The State will share in the City's revenues loss, reimbursing the City for up to \$16 million of its losses in 1979.

### III. BUSINESS EXPANSION, CONTRACTION AND RELOCATION

#### Recent Trends

Recent New York State Department of Commerce data on business expansions and contractions are consistent with recent employment data. As reported in Section I, General Economic Conditions, New York City has continued to experience a decline in total manufacturing employment. Seasonally adjusted manufacturing employment declined by approximately 8,500 jobs, or 1.6%, during the third quarter.

During the period July through November, a total of approximately 33 manufacturing firms experienced major reductions in their New York City operations and an estimated 9 manufacturing firms conducted major expansions. According to the Commerce Department a major change consists of an increase or decrease of at least 25 employees or 10,000 square feet of space. Expansions also include firms investing \$100,000 or more in plant or equipment.

Despite the publicized loss of a number of major corporate headquarters in recent years the business sectors providing services to corporations have continued to grow.

Employment in Finance, Insurance, and Real Estate and Services rose slightly during the third quarter. Seasonally adjusted employment in these categories rose by approximately 1,250 jobs, or .3%, and employment in services increased by an estimated 1,500 jobs, or .2%, during the quarter.

In addition, recent actions by a few major corporations have revealed a growing confidence in the City as a headquarters location: the Mobil Oil and J.C. Penney Corporations have decided to purchase the skyscrapers they largely occupy; I.B.M. has applied for tax abatement for construction of a new office building;

and American Telephone and Telegraph has moved ahead with its plans for a new office structure. An added contribution to continued employment growth in the service areas has been the attraction of numerous foreign corporations and financial institutions to New York City.

### Economic Development Programs

The City has embarked on a number of programs to encourage business investments, expansion and redevelopment within the City.

One major program involves real estate tax exemption of a percentage of the increased assessed value resulting from construction or reconstruction for certain industrial and commercial projects. Each project must be reviewed and approved for tax exemption by the Industrial and Commercial Incentive Board.

As of December 31, 1977, 71 projects representing investments totaling \$295.5 million had passed the stage of preliminary approval for certificates of eligibility. The facilities to be completed within three years are expected to provide 7,500 new job opportunities. Among the projects approved are the construction of two major midtown office buildings - the I.B.M. Building at a cost of \$78.5 million and the Fisher Brothers Park Avenue Building at a cost of \$82 million - and the construction or renovation of a number of hotels, including the new 51 story Palace Hotel at a cost of \$36 million.

Pursuant to 1976 State Law, for new construction the Board may approve exemptions of up to 50% of the difference between the final assessed value after construction is completed and the assessed value at the time of application. For reconstruction



projects the law permits exemption of 95 percent of the difference between the assessed value after completion and the assessed value at the time of application. In both cases the exemption decreases at a rate of 5 percent per year; the former over a 10 year period and the latter over a 19 year period. Inasmuch as the tax exemption relates to increases in assessed value, no current real estate tax revenues are lost. The real estate tax base grows immediately to the extent the increase in assessed value is not exempt, and incrementally each year as the exemption declines.

In addition, the Mayor's Business Investment Incentive Program provides long term real estate tax relief. For selected projects the City provides tax abatement and exemption through the participation of the New York State Urban Development Corporation. \$80 million in financing has been arranged for the reconstruction of the Commodore Hotel, the first project approved under the program, and construction is expected to begin in February, on a property which has been delinquent on real estate taxes since 1970. Under the terms of the tax abatement agreement, the City will receive the payment of back taxes, and base tax payments according to a schedule that escalates over the 40 year period. In addition, the City will share in any hotel profits over a given level.

The City has also implemented two tax incentive programs designed to encourage companies to locate in New York City. The first provides a credit against the City General Corporation Tax and Unincorporated Business Tax to offset the cost of relocation to New York City from outside the State. A credit of \$300 per non-

retail commercial job and \$500 per industrial job will be available to firms moving more than ten jobs to the City. The second provides a credit against the same taxes for up to 75% of any real estate tax rate escalation passed on in accordance with a lease agreement. Only firms locating 100 or more jobs in the City from out of State can receive this credit which is good for ten years.

Since these programs have become available only recently, no data are yet available to indicate the extent to which firms will take advantage of these opportunities.

In order to conduct a five year marketing campaign to attract and retain business the City has already provided \$900,000 of a total of \$1.5 million in 1978 to establish a New York City Business Marketing Corporation. The private sector is being asked to contribute an additional \$2 to \$2.5 million to this joint public-private non-profit corporation.

Through a combination of City funds and Federal Community Development, UDAG, and EDA grants, the City plans to accelerate its program of acquiring and preparing land for industrial parks. This action is important because the City cannot remain competitive with other communities for the construction of new manufacturing space if firms are required to assume the costs and risk of site development and land assembly which are routinely borne by local governments in other communities. Important new projects include the 125 acre Federal surplus Brooklyn Army Terminal and the unused 100 acre Harlem River Yards in the South Bronx. The latter project is part of the "South Bronx Plan for Revitalization" submitted to President Carter in December which also calls for a multi-million dollar industrial retention program for the "South Bronx Industrial

Corridor" and infrastructure investments in existing City industrial parks.

In order to make better use of its limited capital resources, the City is currently developing a new planning capacity to target investments to better meet economic development needs. Land use policies are being altered to encourage commercial and industrial development and with a Federal planning grant, the City Planning Commission has undertaken a survey of vacant City-owned property.

The City is attempting to augment its capability to finance development by seeking Federal funds to create a number of new financing mechanisms. Applications are being submitted for UDAG funds to establish an insurance fund for industrial revenue bonds and a loan pool for direct loans to energy intensive firms to construct cogeneration plants. The City's South Bronx Plan for Revitalization requests Federal funds to create a low interest loan program for new and expanding businesses and to provide the 10% equity needed by an SBA local development corporation.

The State is currently studying various locations in the City for construction of an intermodal freight facility to provide piggyback freight service to local companies. The South Bronx Plan for Revitalization requests Federal funds for the clearance of obstructions in the Bronx which prevent piggyback transport.

New investment in container port development in Red Hook, Brooklyn will provide the modern facilities necessary to continue the City's position as a central hub of trade and to take advantage of its huge goods market.

A most important new construction project is the Convention Center. It is estimated that this new facility could create up to

31,750 new permanent jobs and result in \$45 million annually in new tax revenues and more than \$1 billion in new business receipts to the benefit of both the City and the State.

A City-wide Neighborhood Commercial Revitalization Program is being formulated to improve the viability of neighborhood shopping strips. The program will provide funds for street reconstruction, facade improvements, new lighting and street furniture, and the construction of off-street parking facilities. In addition, a number of major long term commercial development projects are proceeding through combined City and Federal funding. Federal UDAG funds are being sought for construction of a parking garage as part of the Fordham Plaza retail complex and for construction of a fish market as part of a retail complex at the South Street Seaport Museum. Other major projects include the Brooklyn Center retail complex.

#### IV. CONDITION OF THE REAL ESTATE TAX BASE

##### Assessed Valuation and the Real Estate Tax

The real estate tax is a direct levy upon the City's taxable real property and it is the City's largest single revenue source. However, its percentage of the total receipts has declined as the City's revenue structure has expanded and lack of growth in the base has limited the yield from the tax.

The State Constitution limits the amount of revenue that the City can raise from the real estate tax for operating purposes (the "operating limit"). The operating limit is 2.5 percent of the average full value of taxable real estate in the City for the most recent five years, less any amounts required to pay principal and interest on certain short-term debt. The City is also authorized to levy a real estate tax without limit for the payment of principal and interest on all City indebtedness.

The following table shows information as to real estate levies for fiscal years 1966 through 1978:

Table I

REAL ESTATE TAX LEVIES,

DEBT SERVICE, AND REAL ESTATE TAX LIMITS

FOR NEW YORK CITY: FISCAL YEAR 1966 - FISCAL YEAR 1978

<u>Fiscal Year</u>	<u>Total Levy</u>	<u>Levy Within Operating Limit</u>	<u>Debt Service Levy (\$ in Million)</u>	<u>Operating Limit*</u>	<u>Proportion of Levy Within Operating Limit to Operating Limit</u>	<u>Proportion of Debt Service Levy to Total Levy</u>
1966 . . . .	\$1,408.1	\$ 877.5	\$ 530.5	\$ 881.8	99.5%	37.7%
1967 . . . .	1,573 .0	962.2	610.8	962.6	100.0	38.8
1968 . . . .	1,648.0	1,021.8	626.2	1,022.0	100.0	38.0
1969 . . . .	1,737.7	1,094.3	643.4	1,187.1	92.2	37.0
1970 . . . .	1,892.5	1,240.5	652.0	1,249.7	99.3	34.5
1971 . . . .	2,080.4	1,325.1	755.3	1,329.6	99.7	36.3
1972 . . . .	2,188.7	1,379.1	809.5	1,380.5	99.9	37.0
1973 . . . .	2,467.9	1,400.8	1,067.2	1,490.4	94.0	43.2
1974 . . . .	2,654.6	1,541.7	1,112.8	1,679.3	91.8	41.9
1975 . . . .	2,896.0	1,198.9	1,697.1	1,343.4	89.2	58.6
1976 . . . .	3,246.4	1,494.7	1,751.7	1,559.9	95.8	54.0
1977 . . . .	3,414.8	1,703.6	1,711.2	1,704.3	99.9	50.1
1978 . . . .	3,378.5	1,790.7	1,587.8	1,888.1	94.8	47.0

\* Two and a half percent of five-year average of full value of taxable real estate less short-term debt service required to be paid within the 2.5 percent limit.

The real estate tax is calculated at a rate per one hundred dollars of the assessed value of the City's taxable real estate. Like many other jurisdictions in New York State, the City traditionally has assessed real property at less than market value. (This practice is currently being challenged. See "Litigation on Basis of Equalization Rate" below). The State Board of Equalization and Assessment is required by law to determine the full value of City real estate and to calculate the ratio of assessed value (the "equalization ratio").

Since the State Board does not complete its determination before the City's fiscal year commences, the City is permitted, for the purpose of fixing the real estate tax rate, to request the use of a "special equalization ratio" calculated by the State Board. The special equalization ratio is intended to reflect estimated market values in the fiscal year for which the tax will be levied and is based on trends developed by the State Board from its most recent surveys. The State Board surveys reflect actual real estate sales data and appraisals by the State Board for types of property for which adequate sales data are unavailable. Because of the time lag between issuance of the special ratios and final determination of the equalization rates, ratios can be changed in succeeding years.

The special equalization ratio (i.e., the tentative ratio between assessed value and full value) is 45 percent for the 1978 fiscal year (a favorable economic decline from the 1977 fiscal year rate of 47 percent).

Table II shows the full value (based on the latest special equalization ratios) of the City's taxable real estate from FY 1974 through 1978. Table III presents a comparison of tax rates for fiscal year 1972 through 1978.

Table II

CHANGES IN FULL VALUE OF TAXABLE REAL ESTATE

The following chart shows the changes in the full value of the City's taxable real estate since the 1974 fiscal year.

<u>Fiscal Year</u>	<u>Assessed Valuation of Taxable Real Estate*</u>	<u>Assessment Percentage</u>	<u>Full Valuation**</u>
1974 .....	\$38,730,166,716	53	\$73,075,786,257
1975 .....	39,604,009,742	51	77,654,921,063
1976 .....	39,854,408,339	49	81,335,527,222
1977 .....	39,025,624,989	47	83,033,244,657
1978 .....	38,810,805,862	45	86,246,235,249

\*Includes value of exemptions for veterans' properties.

\*\*Full valuation for all the fiscal years shown is based on the special equalization ratios as reported to the City Council for purposes of fixing the tax rate for the 1978 fiscal year.



Table III

COMPARISON OF REAL ESTATE TAX RATES 1972-78

<u>Fiscal Year</u>	<u>Tax Levy (In Millions)</u>	<u>Rate Per Dollar of Assessed Valuation*</u>	<u>Rate Per Dollar of Full Valuation**</u>
1972 .....	\$2,188.7	.05970	.0338
1973 .....	2,467.9	.06518	.0331
1974 .....	2,654.6	.06890	.0336
1975 .....	2,896.0	.07350	.0373
1976 .....	3,246.4	.08187	.0399
1977 .....	3,414.8	.08795	.0411
1978 .....	3,378.5	.08750	.0392

\*The assessed valuation on which the tax rate is computed excludes the value of exemptions for veterans' properties. The value of these exemptions is included in the determination of assessed valuation of taxable real estate for certain purposes, but no tax is levied on them.

\*\*Full valuation for each fiscal year shown is based on the special equalization ratios as reported to the City Council for such year for purposes of fixing the tax rate for such year.

## Delinquency in Real Estate Tax Collections

Although delinquency in real estate tax payments increased rapidly over the period 1970-1976, as shown in Table IV both the amount and percentage of the current year's levy left uncollected at June 30 decreased in 1977 compared to the prior years. From 1970 to 1976, the uncollected amounts rose from \$80 million or 4.2% of the year's levy to \$240 million or 7.5% of the year's levy in 1976. In 1977, the uncollected amount declined to \$230 million or 6.8%.

Table IV

### UNCOLLECTED REAL ESTATE TAXES 1970-1977

(\$ In Millions)

<u>Fiscal Year</u>	<u>Real Estate Tax Levy</u>	<u>Amount Uncollected June 30 Each Year</u>	<u>% Uncollected June 30 Each Year</u>
1970 .....	\$1,901.4	\$80.3	4.23%
1971 .....	2,089.6	101.0	4.83
1972 .....	2,204.5	114.0	5.18
1973 .....	2,468.6	122.0	4.94
1974 .....	2,657.2	148.6	5.59
1975 .....	2,897.4	207.2	7.15
1976 .....	3,246.7	242.5	7.47
1977 .....	3,414.8	230.4	6.76

In 1977, there was also a marked improvement in the collection of delinquent taxes from prior years, as shown in Table V.

TABLE V  
COLLECTION OF PRIOR YEARS' TAXES

<u>As of June 30</u>	<u>Collections*</u> <u>(\$ In Millions)</u>
1967	\$ 23.1
1968	46.1
1969	37.6
1970	32.8
1971	29.1
1972	38.9
1973	29.9
1974	23.7
1975	31.0
1976	67.0
1977	119.0

\* Net figures after payment of refunds.

The 1978 Financial Plan shows a decline of \$215 million in assessed valuation of the City's taxable real estate to \$38,612 million (value excluding veterans' exemptions). The major components of the City's taxable real estate are discussed in "Activity in the Real Estate Area" below.

### 1978

As part of the City's Economic Recovery Program, the real estate tax rate for 1978 was set at \$8.750 per \$100 of assessed valuation, a reduction from the 1977 fiscal year rate of \$8.795. This results in a total levy of \$3,378.5 million. For 1978 the debt service levy was computed as the sum of amounts for a) principal and interest of funded debt; b) the portion of the reserve attributable to the tax levy for principal and interest on funded debt less collections of prior years' taxes allocated to the debt service levy; c) interest on temporary debt; and d) required direct payments for capital improvements.

The 1978 Revenue Budget is based not on the total levy but on the amount expected to be collected, originally projected at \$3,166.2 million including \$77 million in delinquent taxes. The 1978 budget includes \$289 million as a reserve for uncollected taxes, covering delinquencies and other factors for nonpayment such as cancellations, abatements, and discounts for prepayment of taxes.

However, as a result of first and second quarter collection experience the annual estimate for the current levy has been increased by \$20 million. The estimated collection of prior years' taxes has also increased by \$2 million as a result of additional downpayments received from property owners entering

into installment agreements through July 1977. The actual level of 1978 collections may reflect such factors as the one-year in rem law adopted by the City Council and legislation allowing delinquent taxpayers to enter into an installment payment plan with the City in order to avoid loss of their properties.

For most taxpayers, the in rem law reduces from three years to one the period of time that the taxpayer may be delinquent before the City begins a tax foreclosure action. The payment plan legislation originally gave the taxpayer until August 1, 1977 to conclude an agreement with the City. Such an agreement required him to make a 15% downpayment on the delinquent taxes, establish an installment schedule for paying the remaining 85% at a 7% interest rate, and stay current on all new tax levies during the course of the agreement. The legislation also provided that the payment plan may be spread to two times the number of periods of arrearages, to a maximum of eight years. Further, local legislation effective December 2, 1977 gives the taxpayer until March 31, 1978 to make such an agreement.

#### Litigation on Basis of Equalization Rate

Historically the City has assessed real estate used for commercial and multiple-family dwelling purposes (which predominate in Manhattan and the Bronx) at higher percentages of full value than real estate used as one-and two-family dwellings (which predominate in other boroughs). In June 1975, in a case involving assessments in the Town of Islip, the State Court of Appeals held that the practice of assessing at less than 100% of full value violates Section 306 of the State Real Property Tax Law. (Hellerstein v. Assessor of the Town of Islip.) The Court ordered the Town of Islip to commence

assessing at full value not later than December 31, 1976; but, by order dated June 15, 1976, the Court extended the date for compliance to July 1, 1978. A recent amendment to Section 306 provides that any tax assessing unit (or any county acting on behalf of such unit) which in good faith initiates a revaluation of the real property within such unit on or after its taxable status date of 1976, and is actively carrying out such revaluation, shall not be required to complete and file a final assessment roll in compliance with the standard of assessment at full value through December 31, 1980. It is not known what, if any, impact the Hellerstein decision or the new legislation will have on the amount of revenue derived by the City from the real property tax.

The City is a party to numerous proceedings involving claims regarding the legality, amount and alleged inequality of assessments of real property for real estate tax purposes. Recent court decisions have reduced the evidentiary burden of taxpayers challenging alleged unequal real property assessments. Under these cases a taxpayer may offer in evidence the equalization rate fixed by the State Board as the basis of determining the ratio of assessed value to full value. A recent amendment to the State Real Property Tax Law provides that, in cases involving taxpayer challenge to assessment, particular reference may be made to the ratio between assessments and market values for each major type of taxable real property.

The City expects that within the next sixty days one of the pending cases challenging assessments of real property for real estate tax purposes on grounds of alleged inequality will be tried. This case could be a test case, the result of which may have an important impact on similar proceedings presently pending and

hereafter commenced. Should the City lose this case, the financial impact on the City in eventual reduction of assessments and tax refunds to successful taxpayer litigants could be very great. Depending on various factors, many of which cannot be accurately projected at this time, the adverse impact on the City could amount to hundreds of millions of dollars.

A Temporary State Commission on the Real Property Tax has been created to conduct a comprehensive review of and make recommendations with respect to the administration and application of the real property tax. The Commission will consider, among other topics, the impact of the full value assessment standard and the impact and effectiveness of the system of real property tax exemptions.

## Activity in the Real Estate Area

Table VI shows the major components of the assessed valuation of taxable real estate in the City in 1965, 1974 and 1977. Between 1974 and 1977 the assessed valuation of the largest sector, elevator apartments, declined by 8%. The assessed valuation of the next largest sector, office buildings, increased by 6%. Because new undertakings in these areas have been rather limited over the past few years, it is not expected that major increases in assessed valuation will be forthcoming in the next few years. In addition, in order to encourage the activity that has occurred, the City has provided certain tax exemptions and/or abatements that postpone full tax payments on the increase in assessed value due to improvements. These programs have been described in previous reports.

There are signs, however, that the real estate market is improving. According to industry sources, in the past six months, the demand for office space in prime areas of Manhattan (predominantly in midtown) has increased sharply. The construction boom in office buildings during the 1960's had been followed by a long recession and a large proportion of the newly created office space was difficult to rent. Vacant office space in Manhattan was reported by Cross and Brown, Inc., as follows:

	<u>Millions of Square Feet</u>
January 1976	26.3
January 1977	23.3
July 1977	19.9



Table VI

Assessed Valuation of Taxable Real Estate by Components for New York City

	1965		1974		1977	
	Assessed Value (In Millions)	Percentage Of Taxable Real Estate	Assessed Value (In Millions)	Percentage Of Taxable Real Estate	Assessed Value (In Millions)	Percentage Of Taxable Real Estate
One Family Dwellings .....	\$ 2,785.2	9.4%	\$ 3,054.6	7.9%	\$ 3,015.0	7.8%
Two Family Dwellings .....	2,562.9	8.6	3,000.3	7.8	3,048.5	7.9
Walk-Up Apts .....	4,056.2	13.6	4,028.5	10.5	3,638.9	9.4
Elevator Apts .....	6,243.1	21.0	8,030.3	20.8	7,373.9	19.0
Warehouses .....	333.0	1.1	493.4	1.3	527.0	1.3
Factories .....	946.3	3.2	1,258.4	3.3	1,214.3	3.1
Garages .....	517.4	1.7	614.6	1.6	602.8	1.5
Hotels .....	517.8	1.7	584.2	1.5	690.2	1.8
Theatres .....	140.0	0.5	114.3	0.3	127.7	0.3
Store Buildings .....	1,258.8	4.2	1,686.8	4.4	1,705.8	4.4
Lofts .....	1,244.2	4.2	1,417.8	3.7	1,371.9	3.5
Office Buildings .....	3,731.7	12.5	6,644.3	17.2	7,067.3	18.2
Misc. Buildings .....	866.2	2.9	1,042.8	2.7	1,271.3	3.3
Vacant Land .....	473.6	1.6	559.5	1.5	569.0	1.5
Real Estate of Public Utilities & Special Franchises .....	4,076.3	13.8	5,999.4	15.5	6,603.5	17.0
Total .....	\$29,752.7	100.0%	\$38,529.2*	100.0%	\$38,827.1*	100.0%

\*These totals differ from the totals of assessed valuation for the same years set forth in the table entitled "Changes in Full Value of Taxable Real Estate" in that these totals do not include the value of special assessments for property of veterans which are included in the determination of assessed valuation of taxable real estate but on which no tax is levied. For the 1974 fiscal year the assessed value of such special assessments was approximately \$201 million. For the 1977 fiscal year the assessed value of such special assessments is approximately \$198.5 million.

No figures are available as yet for January 1978 but industry sources believe the trend of reduction in vacancies, particularly in prime space, has continued to improve. The Edward S. Gordon Company reported that as of January 15, 1978 its sample of 150 prime buildings containing more than 85 million square feet of office space had a vacancy rate of 5.9% compared to 6.64% in October 1977 and more than 14% in February 1974. The increasing strength of the office space market has encouraged several soon-to-be constructed commercial buildings. However, such new construction and rehabilitation may also be eligible for various forms of tax exemption so that it will take a period of years for these activities to be fully reflected in the taxable base. See Section III - Business Expansion, Contraction and Relocation.

## V. SOCIAL ASSISTANCE PROGRAMS

As of December 1977, the City's budgetary obligations for FY 1978 for Public Assistance, Medicaid and similar assistance programs total approximately \$4.1 billion. The City's portion is \$1,202.7 million and the City forecasts that expenditures for 1978 will fall within this amount. The rest of the budgeted amount is provided through Federal and State Aid. The \$4.1 billion total is divided as follows:

	(\$ in Millions)		
	Total Budget	City Funds	City Funds as % of Total Budget
Public Assistance	\$1,452.1	\$ 482.4	33.2%
Social Services	367.3	109.3	29.8%
Medical Assistance	1,890.0	519.2	27.5%
Administrative Services	397.5	91.8	23.1%
	\$ 4,106.9	\$ 1,202.7	29.3%

### Public Assistance

Federal and State laws require the City to provide for needy individuals and families who qualify for assistance. There are four components to this assistance: Federal Aid to Families with Dependent Children (AFDC), Home Relief (HR), Emergency Assistance to Adults (EAA), and Supplemental Security Income (SSI). Excluding SSI, there were approximately 934,000 persons on Public Assistance as of November 1977.

The total appropriation in the FY 1978 Financial Plan for all program costs of public assistance is approximately \$1.5 billion. This amount excludes staff costs, which are included in Administrative Services below.

The following are the City appropriations by category of assistance:

	(\$ in Millions)		
	<u>Total Budget</u>	<u>City Funds</u>	<u>City Funds as % of Total Budget</u>
AFDC	\$1,119.5	\$275.4	24.6%
HR including EAA	251.2	125.6	50.0%
SSI	<u>81.4</u>	<u>81.4</u>	<u>100.0%</u>
	<u>\$1,452.1</u>	<u>\$482.4</u>	<u>33.2%</u>

AFDC supports 85% of the City's non-SSI caseload and receives 50% Federal and 25% State reimbursement. HR is a local category of assistance that provides support for those who do not qualify for AFDC and yet are in need of public assistance. The EAA program provides emergency relief including relocation. The costs of these two categories are borne equally by the City and the State.

The SSI program for the aged, blind and disabled is administered directly by the Federal government. The program supports an average of 226,000 persons a month in the City, each receiving a flat grant based on a nationwide standard. In New York City, State law requires this standard to be supplemented. Although the basic SSI program is entirely Federally funded, the cost of local supplementation is supposed to be shared equally by the City and State. The City believes however that the State's allo-

cation of costs to the City does not conform to this principle. The local share charged the City by the State for SSI recipients is based on the local share for the 1972 calendar year for the predecessor program, Aid to the Aged, Blind and Disabled. Since the SSI program began in 1974, the City proportion of the State-wide caseload has declined from 71% to 61% while its share of the expenditures has remained at the 1972 level of 71%. The City is currently challenging this inequity in United States District Court. If this inequity is remedied the City will save \$11 million annually.

The 1978 allocation of \$275.4 million of City funds for AFDC is an increase of \$7.7 million or 2.9% from the 1977 level of \$267.7 million. The increase in this category reflects a projected increase in the average grant as a result of higher rent payments by AFDC recipients.

This increase would have been significantly larger in the absence of cost reduction programs implemented by the City to reduce non-mandated costs in all the social service programs. The City's original and supplemental Cost Reduction Programs begun in March and August of 1976 were intended to realize an annualized savings of \$47 million by the end of 1978. The programs also set a goal of cash savings of \$24 million in Fiscal 1977. Actual results have been better than these targets. Cash savings in 1977 were \$34 million and annualized savings by June 30, 1978 will be \$51 million.

The programs included changes in rent security payment procedures, increased face-to-face and mail recertifications of eligibility, expanded computer matches to detect outside income and reclassification of HR clients to AFDC eligibility. Most of these actions also generate substantial savings for the State and Federal governments. A further program for the 1978 fiscal year was begun in July to generate an additional \$10 million of City savings through revised application and re-application procedures and more thorough investigation of eligibility.

### Social Services

In addition to the income maintenance programs discussed above, the City provides many social services such as day care, foster care, family care, family planning, services for the elderly, and special employment services for welfare recipients. Many of these services are eligible for funding under Title XX of the Social Security Act which provides for 75% Federal and 12.5% State reimbursement, subject to certain ceilings. The City expects that its 1978 expenditures will be within the Federal ceilings,

Obligations by major service category are as follows:

	(\$ in Millions)		
	<u>Total Budget</u>	<u>City Funds</u>	<u>City Funds as % of Total Budget</u>
Day Care	\$119.2	\$ 24.9	20.9%
Adult Services	23.8	3.9	16.3%
Foster Care (DSS)	48.8	17.7	36.3%
*Foster Care (CIB)	<u>175.5</u>	<u>62.8</u>	<u>35.8%</u>
	<u>\$367.3</u>	<u>\$109.3</u>	<u>29.8%</u>

\*Excludes Medicaid Expenditures for children cared for under this category.

Day Care. The Day Care Program is administered through the City Department of Social Services. The total day care budget for FY 1978 is \$119.2 million (exclusive of \$10 million of U.S. Department of Agriculture funds for food). There are 333 City funded group day care centers serving 36,000 children with a maximum reimbursement rate allowable by the State of \$65 per week, per child.

The Day Care budget includes \$10 million in City funds to meet costs not currently eligible for State and Federal reimbursement. These funds cover:

- a) Expenditures above the State-set limit of \$65 per week per child and \$15 per week for rent and real estate taxes;
- b) Disallowances based on State utilization criteria; and
- c) Lease payments on centers which were defunded.

If the State revised its utilization criteria and eliminated its expenditure restrictions, \$8.6 million of the \$10 million would be 87.5% reimbursed by the Federal and State governments.

Adult Services. Approximately \$24 million in FY 1978 is appropriated to DSS for purchase of service for operation of senior citizen centers and other programs, including family planning services. This amount excludes New York City operated senior citizen centers which require \$1.7 million of City funds and are included in Administrative Services.

Foster Care. The Foster Care program is charged with the care, support and maintenance of children placed in the program by

the Family Court. Currently there are approximately 28,400 children in care, with the majority cared for through voluntary agencies rather than through City-operated programs.

The Foster Care program is funded through the DSS budget, for City-operated programs, and the Charitable Institutions Budget, which primarily provides for programs operated by voluntary agencies. Funds in the DSS budget are approximately \$49 million, exclusive of personal services included in Administrative Services below. On the CIB side, the budget amount is approximately \$200 million of which \$24 million is for Medicaid payments for children in foster care. The CIB amount also provides for a rate adjustment to the voluntary agencies, with an annualized value of \$12.0 million (\$4 million City funds) to cover increased costs of operation after a two-year freeze on child care rates.

#### Medical Assistance

The City is mandated by State law to participate in the medical assistance program (Medicaid) for all City residents meeting eligibility requirements established by the State. On average, the Federal government pays 45% of all medical assistance costs, the State 27.5%, and the City 27.5%. Funding by agency in 1978 is as follows:

	(\$ in Millions)		
	<u>Total Budget</u>	<u>City Funds</u>	<u>City Funds as % of Total</u>
DSS	\$1,005.2	\$266.6	26.5%
HHC	480.6	137.5	28.6%
CIB	<u>404.2</u>	<u>115.1</u>	<u>28.5%</u>
	\$1,890.0	\$519.2	27.5%



The DSS budget primarily provides for payments for nursing homes, out-patient clinics, private physicians and drugs. The HHC amount is the amount due the New York City Health and Hospital Corporation for Medicaid-eligible services it renders. The CIB amount primarily covers payments to voluntary hospitals for Medicaid eligibles and also includes Medicaid costs for children in CIB-funded foster care.

Two recent developments are expected to have a substantial impact on the City's Medicaid program.

1. In November 1977, the State of New York began implementation of its Medicaid Management Information System (MMIS) in which the State will take over from the City all responsibility for processing payments to Medicaid providers.

2. The City now has under way a program to improve operational efficiency and accountability in its Home Attendant Program. This service, designed to shorten hospital in-patient stays for the elderly and disabled and minimize expensive institutional care, has experienced a major expansion in recent years. The use of data processing equipment will help to assign personnel, pay providers and insure timely recertification of need.

The budget impacts of these developments are currently under study.

Administrative Services

The \$398 million appropriation for Administrative Services includes amounts for DSS administration, OTPS, staff providing direct services, income maintenance clerks, and other operational expenses. The budget is divided between Personal Service and Other Than Personal Service as follows:

	(\$ In Millions)		
	<u>Total Budget</u>	<u>City Funds</u>	<u>City as % of Total</u>
Personal Services	\$319.1	\$83.3	26.1%
*Admin. OTPS	<u>78.4</u>	<u>8.5</u>	<u>10.8%</u>
	<u>\$397.5</u>	<u>\$91.8</u>	<u>\$23.1%</u>

\*Excludes capital funds.

## VI. RECENT SIGNIFICANT EVENTS

The following significant events which affect the economic condition of the City of New York are discussed in this section.

A. Submission of Four-Year Plan

B. Financing Events

1. Restructuring Agreement
2. Moratorium Repayment
3. Public Note Offering
4. MAC Actions

C. Mitchell-Lama Refinancing

D. Financial Reporting

1. Integrated Financial Management System (IFMS)
2. Independent Audit

E. 1979 State Budget

## VI. RECENT SIGNIFICANT EVENTS

### A. Submission of Four-Year Plan

On January 20, 1978 the City presented to the Secretary of the Treasury a Financial Plan for the four-year period 1979-1982. The plan was prepared by the Mayor with the cooperation of the City Comptroller, the President of the City Council and the Municipal Assistance Corporation. The plan assumed continuation of the current trend of stabilization and some moderate improvement in the City's economy. This trend is not expected to generate revenues sufficient to cover increased costs over the four-year period.

The plan included a series of actions to be undertaken by the City, the State and Federal governments to meet the City's budget and financing needs over the four-year period, so that the City may have recurring balanced budgets and at the end of the four-year period meet its credit needs on its own.

### B. Financing Events

1. Restructuring Agreement. On August 17, 1977 MAC entered into a Restructuring Agreement that provided for 1) exchange of approximately \$819 million of City notes held by the Clearing House Banks and the Pension Funds for MAC bonds, and 2) exchange of approximately \$1,550 million of outstanding 6% MAC bonds held by the Clearing House Banks and Pension Funds for new longer maturity MAC bonds with rates generally at 7½%. In addition, the Pension Funds reaffirmed their commitment to purchase City serial bonds during the 1978 fiscal year.

Refinancing of the notes eliminated any cash flow or budget problems that might have arisen as a result of the decision declaring the Moratorium Act of 1975 unconstitutional. Refinancing of the bonds and notes together accomplished substantial debt service reductions for the City and MAC over 1978-1984, although it resulted in increased debt service in later years. Taken as a whole the refinancing produced a substantially more level and therefore more manageable stream of City and MAC debt service payments.

2. Moratorium Repayment. By November 22, 1977, the City had either paid or provided escrowed funds for payments of all outstanding notes that had been subject to the 1975 Moratorium. The City obtained permission from the Court of Appeals to discontinue further accrual of interest on Moratorium notes held by the public effective December 28, 1977. With the refinancing of the \$819 million of notes held by the Clearing House Banks and the Pension Funds described above, this action provided for disposition of all City notes that had been scheduled to mature within the 12 month period after the City became unable to market its securities in early 1975.

3. Public Note Offering. Consistent with the Federal Credit Agreement requirements that the City use its best efforts to meet its seasonal financing needs during the 1978 fiscal year without resorting to borrowings under the Credit Agreement, in November 1977 the City attempted to re-enter the public capital markets through an underwritten offering of its revenue anticipation notes. To facilitate this offering the City obtained State legislation applicable to the 1978-1982 period which enhances the security

for such notes by providing for deposit of State aid due the City directly to a trustee for noteholders.

Following receipt of a MIG-4 rating from Moody's Investors Service, which was lower than anticipated, the City, based on advice from its underwriters, cancelled the note offering.

4. MAC Actions.

a. MAC Funding Procedures. Second resolution MAC bonds for which payments are to be made in July 1978 and in January 1979 were projected to be funded in FY 1978. Under revised MAC funding procedures the July 1978 payments are to be funded earlier in the 1978 FY than anticipated and \$40 million of the January 1979 payments are anticipated to be funded in FY 1979 (in October 1978). These procedures result in (1) a decreased flow of sales tax revenues to the City in January and April 1978 and a compensating increase in the flow of per capita aid revenues to the City in June 1978 and (2) an anticipated reduction in FY 1978 funding requirements of \$40 million to be reflected in higher than anticipated per capita aid revenues in June.

b. MAC Refunding. On January 10, 1978 MAC issued \$250 million of Series JJ First Resolution Bonds, with interest coupons ranging from 7½% to 8½%, to refund the Series B First Resolution Bonds issued in 1975 at interest rates of 10 to 11%. The refunding results in budget savings to the City averaging approximately \$40 million over 1978-1981. After 1981 funding for MAC debt service and capital reserve requirements will be greater than they would have been in the absence of refunding. Aggregate debt service on the Series JJ bonds will be greater than aggregate debt service remaining to be paid on the Series B Bonds at the date of the refunding.

During the past several months, the market prices of MAC securities have declined significantly although prices have stabilized in the past few weeks. No further financing by MAC is envisioned until the issue of financial aid for the City is resolved, probably May or June at the earliest.

C. Mitchell-Lama Refinancing

As of January 15, 1978 approximately \$120 million in net cash proceeds had been realized from the refinancing of Mitchell-Lama mortgages of which \$96 million had been remitted to the City to support the City's cash flow.

The refinancing is accomplished with Federal Housing Administration (FHA) insurance under the 223 (f) program. Some of the insured mortgages have been sold for cash in the secondary mortgage market. However, most of the insured mortgages are being used as security for issuance of bonds by the New York City Housing Development Corporation. Immediate and/or long-term proceeds to be realized by the City are greater under this method.

The City anticipates generating a total of \$280 million in cash from the refinancing program. The \$160 million not yet realized consists of approximately \$60 million expected to be derived from project applications already submitted to FHA, and \$100 million to be derived from applications not yet submitted. The City's ability to realize the latter amounts, including \$60 million from refinancing Manhattan Plaza, depends on extension by FHA of the 223 (f) regulations beyond their December 31, 1977 expiration date.

## D. Financial Reporting

### 1. Integrated Financial Management System (IFMS).

The Integrated Financial Management System was designed to provide a common data base for budgeting, accounting, purchasing and payroll functions, and to enable the City to report its financial operations in accordance with generally accepted municipal accounting principles. Most elements of IFMS went into effect on July 1, 1977 and the City's monthly Financial Plan Statements have been based on IFMS-generated data since that time. Work is continuing on the Phase II payroll system in order to enhance the City's control and recording of personnel-related data.

2. Independent Audit. The consortium of independent auditors selected by the City, which is led by Peat, Marwick, Mitchell & Co., has completed its preliminary audit work including a review of IFMS. The major auditing efforts will occur in the second half of the fiscal year. The auditors have informed the City Comptroller that they currently have no reason to believe that they will be unable to complete the audit.

### E. 1979 State Budget

On January 17, 1978, Governor Carey presented his proposed budget for the 1979 State fiscal year. Since the 1979 State year includes the last quarter of the City's 1978 fiscal year, the 1979 State budget may affect the level of revenues to the City in the current fiscal year. The potential impact of the Governor's proposals is under study by the City.