



## **BUDGETS**

**Organization of Staff  
Analysts**

# CURRICULUM

## Budget

- Definitions & Types of Budgets
- Budget Cycle in NYC
- Budget Structure

## Procurement

- Types of Procurement Methods
- Major Players in the Budget & Procurement Processes in NYC

## Sample Questions

# ***A Budget...***

- Is a device for managerial control
- Is used by agencies to monitor internal appropriations / funding
- Ensures goals are being met
- Ensures that you do not overspend
- Is an instrument of good management
- Ensures efficiency

# Types of Budgets

## Line Item

1. Specifically estimates cost of each item
2. A detailed budget which includes allocations for individual personal services (PS) and Other than Personal Services (OTPS)

# Types of Budgets

## Performance

- ❖ Easily understood
- ❖ Specifies what agency / manager intends to achieve and what it will cost
- ❖ Shows costs of each program / activity
- ❖ Encourages program planning and evaluation

# Types of Budgets

## ○ Zero Based

- ❑ Starting from zero, process where managers build budgets from the ground up
- ❑ Requires detailed information and great involvement from mid-level managers and even line managers. All items in budget require justification.

## Zero Based Budgets (Cont'd)

- ❑ Decision packages and documentation are substantial
- ❑ Rarely used due to the extensive involvement at all levels. “Starting from Scratch”

# Program

- Line Item (budget) + Service Delivery Costs  
(performance budget)



# NYC Agencies

## Mayoral Agencies

- Operate under jurisdiction of Mayor's Office
- Subject to the NYC Procurement Policy Board
- Procurements are governed by the NYC Charter

## Non Mayoral Agencies

- Purchases made are not subject to oversight by the Mayor's Office of Contracts (MOCS)
- Purchases not directly regulated by the City of New York or the Procurement Policy Board or NYC

# Mayoral vs Non-Mayoral

## Mayoral

- HRA – Human Resources Administration
- DDC – Dept. of Design and Construction
- DOHMH – Dept. of Health and Mental Hygiene
- DOT – Dept. of Transportation
- ACS – Administration of Children’s Services

## Non-Mayoral

- HHC – Health and Hospitals Corporation
- TBTA – Triborough Bridge and Tunnel Authority
- MTA – Metropolitan Transit Authority
- NYCHA – New York City Housing Authority

# Budget Cycles

## New York City

July 1 – June 30

## Federal

October 1 –  
September 30

## State

April 1 – March 31



# New York City Budget Process

- **The Budget Process**
- **Step 1: Preliminary Budget**
- Each January, the Mayor presents a preliminary budget- an outline of his priorities and goals for the city. The City Council then follows a process to ensure this budget meets the needs of our diverse neighborhoods.
- **Step 2: Council Analysis & Hearings**
- From March to April, the City Council analyzes the Mayor's preliminary budget and holds a series of public hearings to identify specific concerns through conversations with residents, advocates, and city agencies

# New York City Budget Process

The Budget Process (continued)

## **Step 3: Formal Response**

Based on our analysis, the City Council formally responds to the Mayor's preliminary budget. This includes a summary of concerns expressed during the hearings and recommendations to address those concerns.

## **Step 4: Executive Budget & Hearings**

In April, the Mayor releases the Executive Budget, an updated proposed budget based on the Council's response. Again, the Council analyzes this budget and conducts a second round of targeted hearings, ensuring that the budget reflects the priorities of New Yorkers in all 51 Council Districts.

## **Step 5: Adopted Budget**

Through May and June, the City Council and the Mayor negotiate adjustments to the Executive Budget, resulting in an agreement known as the adopted budget. This agreement must be reached before July 1, the beginning of the next fiscal year.

# The Budget Players

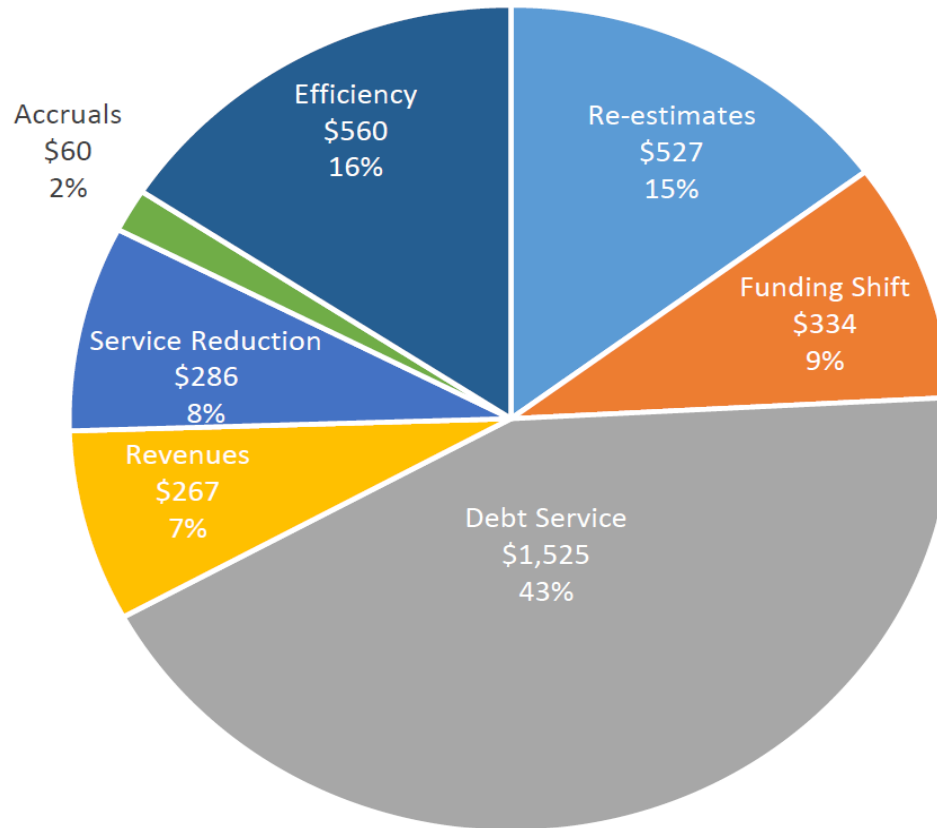
- Mayor
  - Community Boards
  - Comptroller
  - City Planning Commission
  - Independent Budget Office
  - Financial Information Services Agency (FISA)
- Office of Management & Budget (OMB)
- Agencies
- City Council
- Borough Presidents

# Budget Component # 1

## Expense

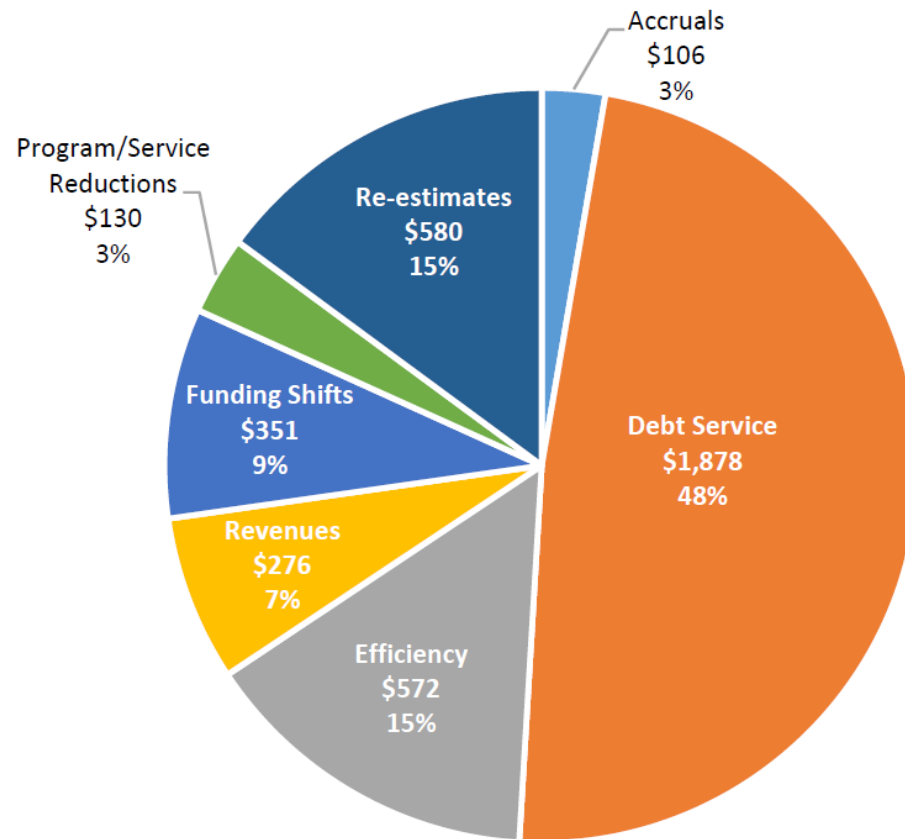
- Covers all expenditures for daily operations of city agencies and offices
  - OTPS [furniture, equipment, travel, rent, consultants, office temps, program services, etc.]
  - PS [salaries, fringe benefits (i.e. health, unemployment benefits, pensions)]

# New York City Preliminary Budget for Fiscal Year 2022

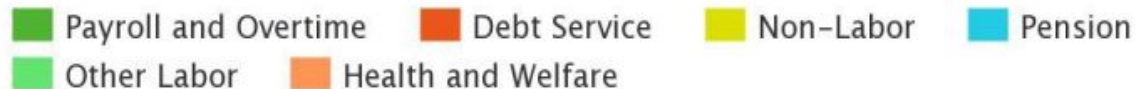
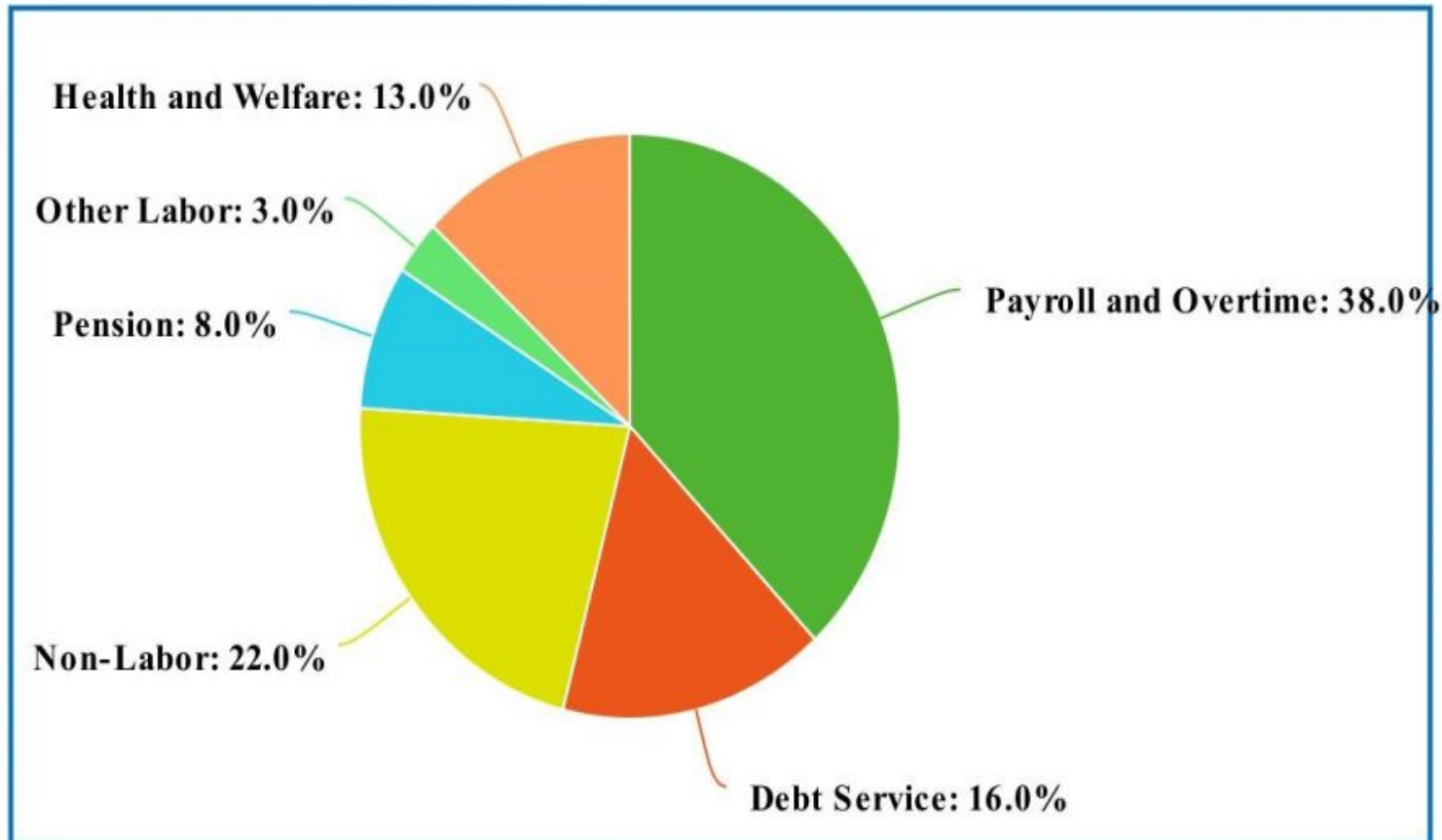




# New York City's Fiscal Year 2022 Executive Budget.



# New York City's Expense Budget.



# Budget Component # 2

## Revenue

- Covers projections of income from all sources

### Citywide Revenue (60% on average):

- Anticipated amounts and sources of funds to be collected or obligated for any given budget year such as...
  - **TAXES:** real property, individual, commercial, real property transfer, sales, excise

# Revenue Component (Cont'd).

## Federal and State Sources (33% on average):

Revenue reimbursements and grants given to agencies as offsets for expenses related to:

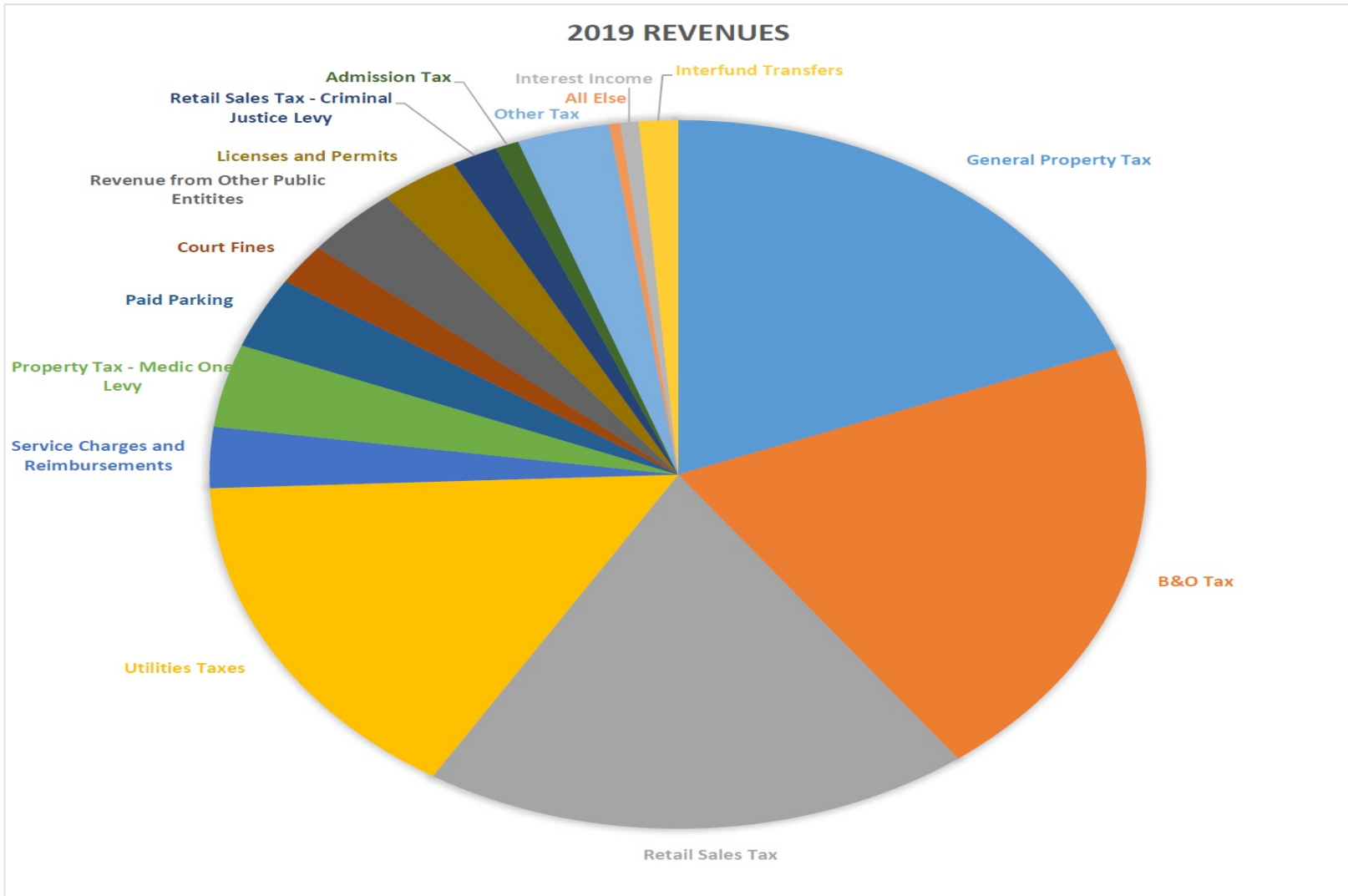
Medicaid; education; social services; homeland security; transportation

# Revenue Component (Cont'd)

## Miscellaneous (7% on average):

- *Fines – parking, environmental, sanitation*
- *Liens against personal properties*
- *User Fees*
- *Licenses*
- *Application Costs*

# NYC FY2019 Revenue Budget



# Capital Budget

Major fiscal commitments funded through general obligation or special purpose **bonds**

Funds are used for improvement or purchase of physical infrastructure in order to facilitate

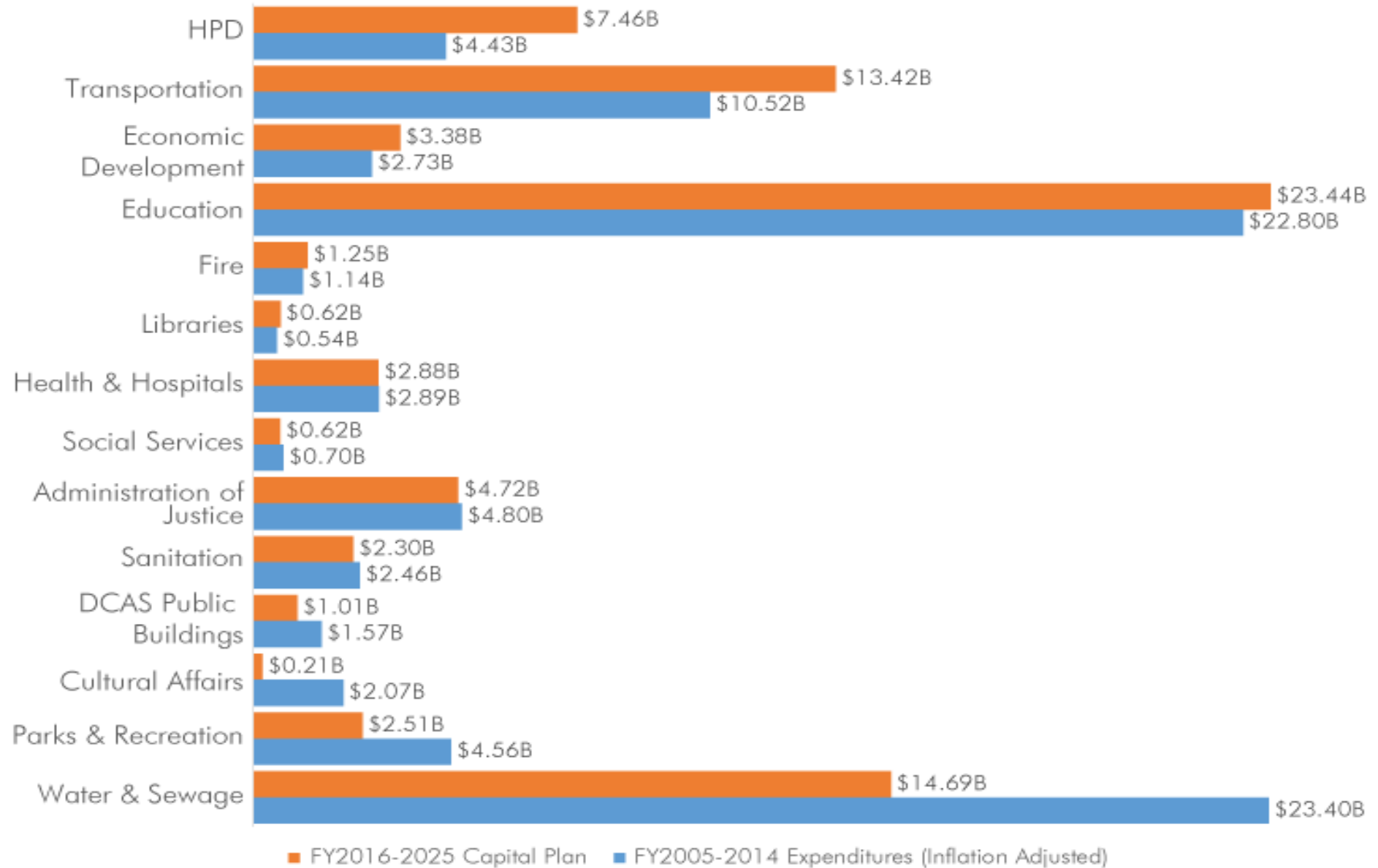
- government operations
  - government offices, schools, and fire stations
- general public use
  - roads, bridges, libraries, and parks

Capital Eligibility - Comptroller's Directive 10

- \$35K minimum
- period of probable usefulness (PPU) of at least five (5) years

Capital Projects can be deferred (rolled) from year to year

# NYC Capital Spending: FY2005-2014 Capital Expenditures vs FY2016-2025 Capital Plan





# Sample Questions

The major value of performance budgeting is that it

- A) distinguishes between programs and performance
- B) enables program planning
- C) relates output to input
- D) requires the participation of top officials

# Sample Questions

The success of a budget allotment program depends primarily on the budget examiner's knowledge of

- A) departmental accounting procedures
- B) departmental budget codes
- C) seasonal patterns of departmental expenditures
- D) workflow charts of departmental activities

# Sample Questions

After a budget has been developed, it serves to:

- A) assist the accounting department in posting expenditures
- B) measure the effectiveness of department managers
- C) provide a yardstick against which actual costs are measured
- D) provide the operating department with total expenditures

# Sample Questions

- The NYC Administration for Children's Services has an annual \$100 million dollar budget for child abuse related prevention services.
- In 2014, they spent 80% of their budgeted amount for fiscal year and can carry over 5% of the remainder to the following year. In fiscal year 2015, they project spending 90% of their total budgeted amount. How much will be left at the end of fiscal year 2015?
  - **A)** \$90.9 million
  - **B)** \$10.5 million
  - **C)** \$10.1 million
  - **D)** \$1 million

# Sample Questions

The Mayoral Administration is preparing a budget for the new fiscal year and wants all options for cuts on the table. Which method of budgeting would provide details on **every** budget item starting from the beginning of the process?

- A)** Performance Based Budgeting
- B)** Individual Procurement Budgeting
- C)** Fiscally responsible departmental budgeting
- D)** Zero based budgeting

## GLOSSARY OF TERMS

**ADOPTED EXPENSE AND REVENUE BUDGET:** A financial plan for the City and its agencies for a fiscal year, setting forth operating expenditures and anticipated revenues, following due authorization through the charter-mandated process.

**ALLOCATION:** A sum of money set aside for a specific purpose.

**ANNUALIZATION:** The impact of a new appropriation or expenditure reduction on the basis of a full year. For instance, if an employee is terminated halfway through the fiscal year, the budget reduction in that year will equal half the employee's annual salary. The "annualized" reduction is the full amount of the employee's salary.

**ANNUAL RATE:** Sum of the salaries paid to the full-time active employees in a title description.

**APPROPRIATION:** A general term used to denote the amount authorized in the budget for expenditure by an agency.

**ASSESSED VALUATION:** The value attached by the Finance Administrator to a parcel of real estate for purpose of taxation. The relationship between the assessed value and market value of a parcel may vary for properties of different types and in different parts of the City.

**AUTHORIZED HEADCOUNT:** The number of positions that an agency is authorized to fill. The number of positions filled at any time during the year will vary from the authorized headcount because of employee terminations, the hiring process and other reasons.

**ATTRITION:** The natural reduction of employees from a payroll through resignation, retirements, deaths and transfers.

**BUDGET:** A financial plan for the City and its agencies, setting forth operating and capital expenditures, interfund transfers, anticipated revenues and any other anticipated sources and uses of funds.

**BUDGET CODE:** A 4-character code assigned to a schedule within an agency which identifies the allocation made in such schedule in terms of its accounting fund class, unit of appropriation, responsibility center, control category, local service district and program.

**BUDGET GAP:** The difference between estimated expenditures and revenues for a future fiscal year.

**BUDGET LINE:** An identified amount allocated for a specific purpose in the expense budget supporting schedules for each budget code within a unit of appropriation. Budget lines are used to provide detailed information on the number of positions, titles, salaries and other expenses in a budget code.

**BUDGET MODIFICATION:** A change in an amount in any budget line during the fiscal year.

**BUDGET STABILIZATION ACCOUNT:** An appropriation which applies excess revenues to prepay future years' expenses.

**CASH FLOW:** A schedule reflecting projected cash receipts and disbursements to aid in determining seasonal and long-term borrowing needs and investment policy.

**CATEGORICAL AND OTHER CATEGORICAL AID:** Funding resources from the federal and New York State governments and private grants for specified purposes.

**COMMUNITY DEVELOPMENT FEDERAL FUNDS:** Provides Federal funds for housing, economic development, neighborhood facilities that benefit low income people.

**CONTRACT CATEGORY:** Represents a group of object codes (600 series) used to identify contracts by purpose for services that are technical, consulting or personal service in nature.

**CONTRACT IN or INSOURCING:** Outside contractor replaced by city government personnel who continue to perform the same work function.

**CONTROL CATEGORY:** A 4-character code assigned to a budget code which is used to identify the source of funding.

## GLOSSARY OF TERMS

**DEBT LIMIT:** A limit on long-term borrowing imposed by the State Constitution.

**DEBT LIMIT FUNDS:** Dollars budgeted in the capital budget that are subject to debt limit.

**DEBT SERVICE:** Expenditure providing for the repayment of principal and interest on City long-term obligations and interest costs on short-term borrowings for seasonal cash needs.

**EXECUTIVE EXPENSE AND REVENUE BUDGET:** A financial plan for the City and its agencies setting forth operating expenditures and anticipated revenues for the ensuing fiscal year as proposed by the Mayor.

**EXEMPT FUNDS:** Dollars budgeted in the capital budget that are exempt from the debt limit.

**EXPENDITURE RECOGNITION:** In general, expenditures are recognized on an encumbrance basis, that is, when a purchase order has been placed or a contract or other commitment has been registered. Transfers to the City's General Debt Service Funds are recorded on the cash basis when made.

**FINANCIAL PLAN SAVINGS:** Amounts by which a detailed schedule of expenditures must be reduced in accordance with a budget reduction program. Financial plan savings are allocated when it is not possible to reduce the lines in the schedule directly, such as for voluntary employee separations.

**FISCAL YEAR (FY):** The period of twelve months which begins July 1 and ends the following June 30. FY 2017 refers to the period July 1, 2016 to June 30, 2017.

**FRINGE BENEFITS:** Payments made by the City to cover pensions, health insurance and other benefits to City employees.

**FULL-TIME POSITIONS:** Employment in which a person works a specified minimum number of hours in a work-week (i.e. most full-time employees work 35 hours a week).

**FULL-TIME EQUIVALENT POSITIONS (ACTUAL):** The ratio of the total number of paid hours during a period by the number of working hours in that period.

**FULL-TIME EQUIVALENT POSITIONS (PLANNED):** The ratio of the non-full time funds appropriation by the derived non-full time average salary.

**FUND:** A 3-digit code that defines values for all funds in the accounting system (001 is the General Fund).

**GENERAL RESERVE:** A allowance provided in each fiscal year to cover potential reductions in projected revenues or increases in projected expenditures during such fiscal year.

**INTER-FUND AGREEMENT:** An internal contract for services of City engineering, architectural and design staffs and other expenditures associated for specific capital projects.

**INTRA-CITY PURCHASES AND SALES:** Services purchased and sold among City agencies. Agency budgets will include amounts required to pay for services purchased from other agencies.

**JUDGMENTS AND CLAIMS:** Expenditures which represent the City's cost for tort and contract liability.

**LEASE PURCHASE DEBT:** The annual lease and debt service costs associated with debt issued by other entities for the benefit of the City and certain covered organizations.

**LINE ITEM BUDGET:** A type of budget which details allocations for Personal Service and Other Than Personal Service.

**LUMP SUM APPROPRIATION:** Allocations which at the time of budget preparation cannot be assigned to particular lines or codes. Agencies modify their budgets to allocate the lump sum to particular budget lines and codes during the year. Such modification requires the approval of the Office of Management and Budget.

**MEAN SALARY:** A mean salary estimate is calculated by summing the salaries of all employees in a given title and dividing the total by the number of employees.

**MEMO ALLOCATION:** Relates corresponding Personal Service and Other Than Personal Service units of appropriation spending.

## GLOSSARY OF TERMS

**MIN-MAX:** Least and highest paid full-time active position in the title description.

**MODIFIED BUDGET:** The Adopted Budget as revised through modification and approval in accordance with the City Charter.

**OBJECT CODE:** A 3-character code which classifies expenditures pursuant to the Chart of Accounts issued by the City Comptroller.

**OTHER THAN PERSONAL SERVICE (OTPS):** Expenses other than salaries and fringe benefits, such as supplies, equipment, utilities and contractual services.

**PERIOD OF PROBABLE USEFULNESS (PPU):** The number of years established in the State Local Finance Law as the useful life of a particular type of capital project. This period is the maximum term for which a bond may be sold to finance a capital project.

**PERSONAL SERVICE:** Salaries, wages and fringe benefits of City employees.

**POSITION SCHEDULE:** Sum of the full-time active positions in a title description.

**PRELIMINARY EXPENSE AND REVENUE BUDGET:** The Mayor's proposed financial plan for the City and its agencies for the ensuing fiscal year, setting forth proposed operating expenditures and anticipated revenues.

**RESPONSIBILITY CENTER:** An organizational unit within an agency with an identifiable manager who is responsible for activities of the unit.

**REVENUE RECOGNITION:** Revenues are recognized when received in cash unless susceptible to accrual, i.e., measurable and available to finance the City's operations.

**SCHEDULE AMOUNT:** The maximum amount that may be obligated in a given budget line.

**SUPPORTING SCHEDULE:** Detailed itemization by budget lines of how funds will be spent within units of appropriation.

**TEMPORARY DEBT:** The interest cost associated with the City's seasonal cash flow borrowing.

**TERMS AND CONDITIONS:** General and special provisions, requirements, rules, specifications, and standards with respect to the Adopted Budget which form an integral part thereof.

**TITLE:** Briefly describes the position held by an employee.

**UNIT OF APPROPRIATION:** Represents the amount for a particular program, purpose, activity or institution in an agency's budget. Agencies have discretion to spend money within a unit of appropriation. Supporting schedules provide information on the responsibility centers and budget codes within each unit of appropriation.