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Inter-Departmental Memo

To: Hon. Judith A. Jacobs, Presiding Officer
Hon. Peter J. Schmitt, Minority Leader
Hon. Joseph Scannell, Chairman of Public Safety Committee
All member of the Public Safety Committee

From: Eric C. Naughton, Director
Office of Legislative Budget Review

Date: October 2, 2006

Re: FY 07 Budget Hearing – October 3, 2006 (Police Department)

Enclosed please find the preliminary review of the FY 07 budget and Multi-Year Plan (MYP) for the Police Department. In order to better evaluate the Proposed Budget, in our analyses we have included tables of historical expenditures and revenue. In addition, in looking at staffing needs we also compare the proposed FY 06 budget to actual staffing levels for the last four years.

One of the primary issues in the proposed budget is the assumed savings from the labor unions. It is very unlikely that the Administration will be able to successfully negotiate contracts with the Patrolmen's Benevolent Association (PBA), the Detectives Association Inc (DAI) and the Sheriff Officers Association (ShOA) in time to realize savings in 2007. As the County Executive likes to point out, the police unions have binding arbitration, so why would they want to negotiate a contract that has recurring labor savings of \$25.8 (PBA 18.9 and DAI 6.9) million next year? As an isolated item, these savings are a risk, but the Administration did include funds for anticipated raises and did not make any adjustments for attrition, which could partially offset this risk. Proper accounting will require the County to book a raise based on historic norms in 2007 even if there is not a contract in place by February 2008 (close of books for 2007). However, concessions cannot be booked unless there is some sort of signed MOA. It is possible that when a contract is finally implemented the union may take a 0% raise for 2007 or offer some

other concession, but it is improbable that they would agree to this concession during 2007. Therefore the savings would not be recognized until the out-years although they may be retroactive to 2007.

It should be noted that the labor concessions create a potential shortfall **before** the vacant positions are filled. If the Police Department hires 100 cadets in early (January or February) 2007 and another 100 in late (November) 2007, then the potential deficit would grow. It was originally contemplated that the 100 officers would be hired in late 2006, but delays in the new academy building and the financial benefit from delaying the class to the start of 2007 as reported by the Office of Legislative Budget Review (OLBR) in the August 22, 2006 memo, has caused the change to early 2007.

OLBR calculates a salary deficit in the proposed FY 07 budget for Police District Fund of about \$13.1 million and in the Headquarters Fund of about \$12.4 million. This does not include new sworn personnel hires for 2007, which would add about \$4.7 million to this shortfall. It also does not include funding for the 31 vacant civilian positions. However, when factoring in the \$4.1 million set aside in the Police District Fund, fringe savings (which will not be achieved without a contract), attrition savings and other possible surpluses within the funds, the total potential shortfall for both funds would be \$16.3 million (\$6.6 in Headquarters and \$9.7 in District). The potential deficit in the District Fund is especially problematic because as a special taxing district, funds cannot be transferred from the countywide General Fund or Police Headquarters Fund to offset this potential deficit.

In addition, current information suggests that interfund charges may be understated by \$6.8 million in the Police District Fund and \$1.3 million in the Police Headquarters Fund, but this issue is still under review by the Comptroller.

My staff and I remain ready to provide any additional assistance the Legislature may require in consideration of the proposed budget and Financial Plan.

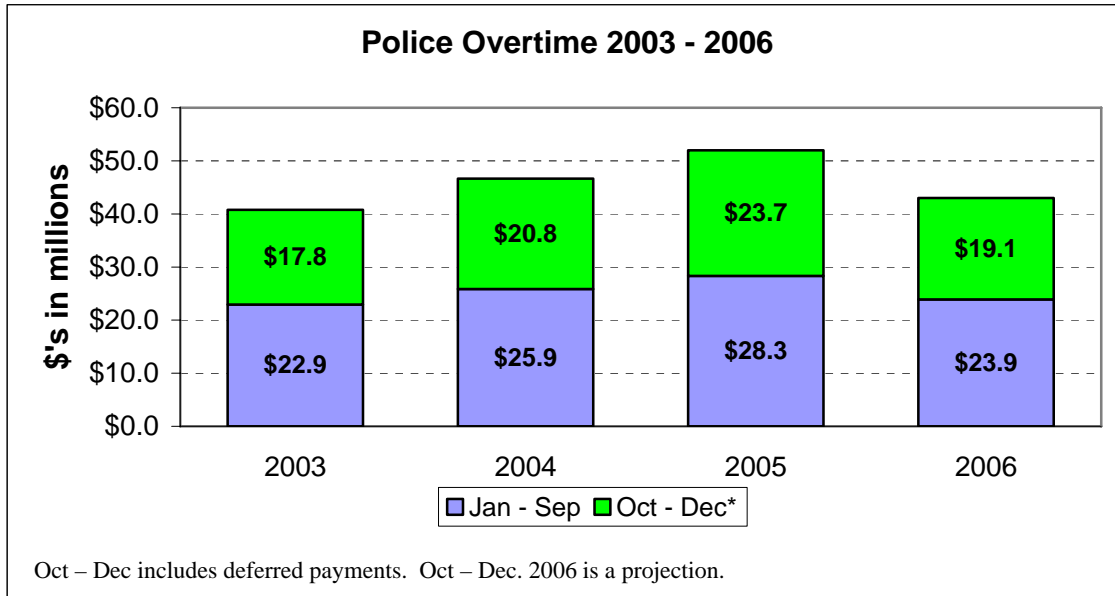
cc: Hon. Howard Weitzman, County Comptroller
David Gugerty, Majority Counsel
Joe Nocella, Minority Counsel
Mark Young, Budget Director, Office of Management and Budget
Richard Luke, Executive Director, NIFA
Dan McCloy, Special Assistant Minority
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NASSAU COUNTY POLICE DEPARTMENT

Since 2002, the Police Department has been struggling to contain escalating overtime costs. The major drivers of this expense were declining headcount and contractual constraints. Uniform headcount had been steadily decreasing in 2002 and 2003, which was in accordance with the Administration's plan to reduce overall staffing in the Department. That trend had been reversed beginning in July 2004 when the Department hired four new classes, for a total of 453 recruits, with the goal of reining in runaway overtime expense. It appears that the Department is on the road towards achieving that objective as evidenced by the current decline in total overtime hours and expense. When compared to the same time last year overall overtime hours are down by 14%. Although overtime expense is still high, the 2006 projection is approximately \$44 million, which is within range of the \$47.3 million overtime budget. This decline not only illustrates the Department's commitment to successfully manage resources more effectively through creative redeployment, it also demonstrates the importance of having a proper balance between overtime and the staffing level of the uniform force. The September 2006 headcount has increased by 10% when compared to 2005 numbers.

OLBR calculates a salary deficit in the proposed FY 07 budget for Police District Fund of about \$13.1 million and in the Headquarters Fund of about \$12.4 million. This does not include new sworn personnel hires for 2007, which would add about \$4.7 million to this shortfall. It also does not include funding for the 31 vacant civilian positions. However, when factoring in the \$4.1 million set aside in the Police District Fund, fringe savings (which will not be achieved without a contract), attrition savings and other possible surpluses within the funds, the total potential shortfall for both funds would be \$16.3 million (\$6.6 in Headquarters and \$9.7 in District). The potential deficit in the District Fund is especially problematic because as a special taxing district, funds cannot be transferred from the countywide General Fund or Police Headquarters Fund to offset this potential deficit.

As stated above the Department has hired 453 police officers since 2004. The number of uniform retirements for that same time period, including year to date, is 304, a net of 149 new police officers. Not only are these officers working at a lesser pay rate than veteran officers, but they, along with the veterans, also work an additional 48 hours at straight time plus for the first three years after they graduate, they work an extra 90 hours at straight time. As current overtime actuals demonstrate in the chart below, this and other initiatives, have had positive impacts on overtime costs. The 274 officers that were hired in 2005 had little, if any, impact on 2005 overtime due to the required seven months training. Once these officers were deployed into patrol overtime hours and expense started to decline. The Administration plans on hiring an additional 100 recruits when the new police academy is ready for occupancy and depending on attrition in 2007, possibly another 100 in November 2007. The former tenant of what will now be the police academy was delayed in vacating the building, therefore the fall 2006 hiring had to be postponed. The date for the new class has yet to be determined, but likely in early February. Based on the methodology used in OLBR's August 22, 2006 memo to the Legislature and the Administration, by hiring in 2007 the County saves \$3.2 million in 2007 alone. This reflects the difference in salary of an officer receiving \$34,000 for a year if hired in 2007 vs. an officer receiving \$44,360 for six months and \$64,865 for six months if hired in 2006. Although the officer hired on November 1, 2006 starts at \$23,000, without a new agreement in place, the salary would jump to \$44,360 on January 1, 2007. Through 2010 the total savings is \$6.1 million.

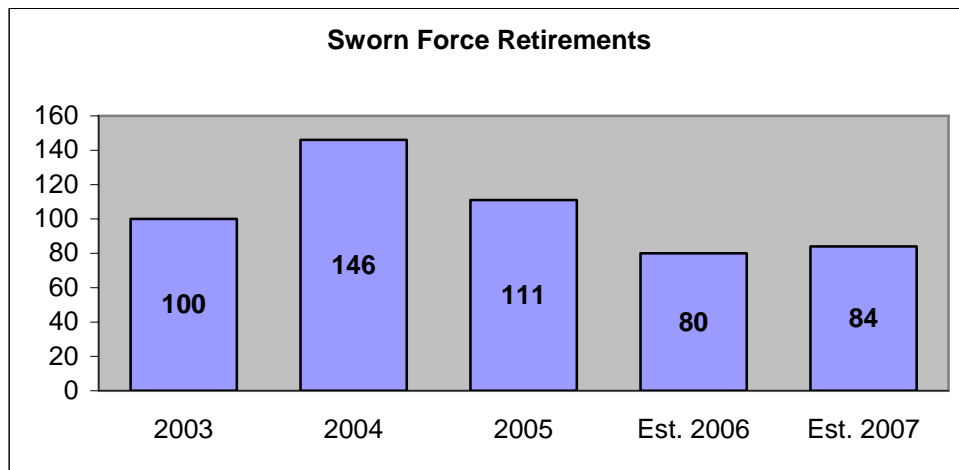


In addition to staffing, another driver of overtime costs is contractual constraints. Minimum manning coupled with a desire to reduce the headcount, has steadily increased the overtime expense. Efficient management, increased personnel and paying for certain types of overtime with grant funds have helped reduce some of these costs. However, contractual issues such as the memorialization of minimum manning in the 2003 PBA Arbitration Award impose constraints on overtime. The Administration intends to successfully negotiate concessions with the Patrolmen’s Benevolent Association (PBA) and Detectives Association Inc (DAI), whose contracts expire December 31, 2006. The Administration has included in the 2007 Proposed Budget savings of \$18.9 million from the PBA and \$6.9 million from the DAI, although it is not clear how these savings will be achieved. Whether these goals are feasible is questionable. Given the strength the unions have shown in the previous years and the contentious relationship between the Administration and the unions it seems unrealistic to assume that the PBA and DAI will willingly give up some of the gains they have realized in a negotiated contract prior to the completion of FY 07. The Administration anticipates concessions on items such as pay raises, health insurance and a requirement for more work hours. It remains to be seen if and when these contracts will be negotiated or eventually arbitrated. Until this actually occurs the assumed baseline savings of \$25.8 million appear to be unreasonable.

The 2007 overtime budget is diminished by 13%, or \$7.15 million, from that of 2006. The District Attorney’s greater emphasis on DWI intolerance will require more police overtime as a result of additional arrests and police officer appearances in court. Since the District Attorney has implemented a new “no plea bargaining” policy, defendants will now have to choose between the misdemeanor charge at the time of arrest or go to trial. Electing to go to trial will require a police officer presence and therefore, more overtime. With 20 additional funded positions, it appears the District Attorney will aggressively pursue these new policies which will impact police overtime. Unless this overtime falls under “special overtime initiatives”, an additional \$1.5 million included in “other expenses”, the 2007 overtime budget may be under-funded.

Termination pay in 2006 was budgeted at \$23.4 million and assumed 100 separations, about 15%, or \$4.0 million less than the prior year. To-date there have been 35 members from Headquarters and 12

members from District who have retired with an average payout of approximately \$231,000. Based on that average payout, the 2006 termination budget should generate a surplus of \$4.9 million for the current projected 80 separations. The 2007 termination budget assumes approximately 84 retirements and is budgeted at \$19.6 million. The Administration based this estimate on the recent decline in retirements. Without a negotiated contract in place, the Administration assumes there will be no provisions that would trigger a large number of separations. While this may be considered an aggressive assumption the County does have \$21.4 million in the Employee Accrued Liability Reserve Fund. This fund should only be accessed if retirements are above "normal" levels. More analysis is required to determine if 84 is within the "normal" and reasonable range.



In 2007 there will be approximately 288 sworn personnel who have 30 years or more, that will be eligible to retire.

<u>Union</u>	<u>2006 Adopted</u>	<u>Sept. Actuals</u>	<u>2007 Executive</u>	<u>2007 vs 2006</u>	<u>2007 vs Actuals</u>
PBA	1,903	1,831	1,903	0	72
DAI	425	394	425	0	31
SOA	422	416	422	0	6
Subtotal	2,750	2,641	2,750	0	109
CSEA	850	819	850	0	31
ORD	4	4	4	0	0
Total	3,604	3,464	3,604	0	140

As shown above, the 2007 Police Department union headcount is remaining flat with 2006 adopted numbers. When compared to September actuals all unions are increasing. Uniform headcount is up 4%, or 109, over September 2006 actuals. In 2006, the Department established a Gang Activity Unit to answer a growing gang problem and staffed it with 13 detectives and four supervisors. September actuals show that the detective division is down by about 8%, or 31 detectives, from both 2006 and 2007

budgeted headcounts. However, the Department has designated 33 detectives on September 25, 2006 and has promoted 10 police officers to sergeant. Of the 33 detectives, 29 came out of the District fund and four from Headquarter. The makeup of the new sergeants is as follows: five patrol officers from District, two patrol officers from Headquarters and three detectives from Headquarters. This will bring uniform headcount more in line with the budget. When the Administration hires the proposed 100 recruits in early 2007 sworn personnel will meet budgeted numbers. However, during the year, attrition will eventually create a shortfall from budgeted headcount.

The Department has the responsibility for the implementation and monitoring of the following Multi-Year Financial Plan initiatives which have been incorporated into the FY 07 budget and out-year baseline.

Police Overtime Reductions - \$2,000,000

The lead department for this initiative is actually the County Executive's office. The Administration estimates that \$2.0 million in savings will be realized due to the lower rate from the 250 plus new officers, hired since late 2005, will be paid for overtime worked. It appears that this target could be achieved in 2007 given the assumption the additional 100 new recruits are slated to be hired in early 2007 and will be ready for deployment by late summer or early fall 2007. If there is a delay with the beginning of this new class, the savings from this initiative are questionable for 2007. If the Administration remains committed to keeping headcount at 2,750, savings in the out-years could be achieved.

Ambulance Bureau Overtime - \$500,000

The \$500,000 savings associated with this initiative is the result of the hiring 14 additional Advanced Medical Technicians (AMTs). Year to date overtime in the ambulance bureau is \$1.2 million. This is comparable to overtime (\$1.1 million) for the same time period in 2005. There were five less AMTs in 2005 than the 138 that are currently on board. The additional 14 will increase AMT headcount to above 2006 budgeted numbers. It is unclear if the remaining funded positions included in the 2007 budget will be filled. Any delays in hiring AMTs will put this initiative at risk.

Police Headquarters

Historical Expenditures						
	FY 03 Actual	FY 04 Actual	FY 05 Actual	FY 06 Projected	FY 07 Exec.	% Change Proj./Exec.
Full-time Sworn	945	959	960	977	1,019	4.3%
Full Time Civilian	619	650	688	726	747	2.9%
Salaries	\$180,746,539	\$171,694,913	\$193,764,685	\$210,719,294	\$201,902,928	-4.2%
Misc OTPS	4,687,981	4,801,781	9,137,704	6,579,843	6,886,807	4.7%
Contractual Services	5,701,297	6,725,774	6,044,830	7,010,987	7,431,042	6.0%
Intdept/Intfnd Chgs	34,971,852	26,018,817	27,067,534	23,741,889	26,467,423	11.5%
Total	\$226,107,669	\$209,241,285	\$236,014,753	\$248,052,013	\$242,688,200	-2.2%

The above historical expenditures chart illustrates the gradual rise in sworn and civilian headcount over the past four years. With the exception of 2004 all salaries and contractual services increased as well. The dip in 2004 is a reflection of the \$9.0 million reduction in interdepartmental charges from 2003 as well as a net \$9.0 million from police officer and detective salaries. The Administration had recently hired approximately 190 police officers during 2004. As a result salaries were paid at a lower rate. The rise in 2005's OTPS is a result of the police vehicle expenditure.

**HEADQUARTERS' EXPENSE BUDGET
BY OBJECT CLASS**

Obj	Name	Adopted FY 06 Budget	OLBR FY 06 Projection	FY 07 Dept. Request	FY 07 Executive	Variance Exec. vs Adopted 06	Variance Exec. vs FY 06 Proj.
AA	Salaries	\$200,140,238	\$203,132,097	\$211,510,613	\$201,902,928	\$1,762,690	(\$1,229,169)
AB	Fringe Benefits	77,680,690	79,832,321	97,141,839	101,000,364	23,319,674	21,168,043
	Total PS	277,820,928	282,964,418	308,652,452	302,903,292	25,082,364	19,938,874
BB	Equipment	535,256	2,527,675	1,739,340	739,340	204,084	(1,788,335)
DD	General Expenses	3,013,500	3,113,500	3,221,667	3,316,667	303,167	203,167
DE	Contractual Services	7,010,987	7,010,987	7,431,042	7,431,042	420,055	420,055
DF	Utilities	2,100,000	2,100,000	2,200,800	2,080,800	(19,200)	(19,200)
OO	Other Expenses	250,000	250	250,000	750,000	500,000	749,750
	Total OTPS	12,909,743	14,752,412	14,842,849	14,317,849	1,408,106	(434,563)
HD	Debt Svc Chargebacks	3,134,003	5,217,906	3,070,581	3,070,581	(63,422)	(2,147,325)
HF	Inter-Dept. Charges	20,607,886	17,190,076	0	23,396,842	2,788,956	6,206,766
	Grand Total	\$314,472,560	\$320,124,812	\$326,565,882	\$343,688,564	\$29,216,004	\$23,563,752

Salaries in the Headquarters budget will increase slightly by about 1.0% in 2007, or approximately \$1.8 million over 2006, but when compared to FY 06 projections, there is a reduction of about 0.6%. It appears that there is adequate funding in the Headquarters budget for salaries in 2007 but on the off chance that a new contract is negotiated and approved, salaries could be insufficient. Overtime is also

decreasing by \$2.7 million, or 13% to \$17.7 million. If unforeseen events occur during 2007, the Administration has budgeted an additional \$500,000 in other expenses for special overtime initiatives. In 2005, similar funds were utilized for “Operation Cleansweep” which addressed a County-wide robbery issue. Fringe benefits are increasing from the FY 06 projected actual by \$21.2 million due to the increase in pension resulting from a full accounting in the FY 07 budget (including pension reserve), health insurance increases, Medicare reimbursement increases and miscellaneous items. In FY 06 the full pension cost was not reflected because part of it was paid from the Retirement Contribution Reserve Fund.

OTPS expense will grow slightly in 2007 compared to the adopted 2006 budget. The 38% increase in equipment is related to the replacement of horses that must be retired due to age, and updating technology and equipment required for the Police Laboratory, Crime Scene Lab and electronic surveillance. Contractual services is rising by 6% due to additional services such as a police entrance exam. OLBR’s \$2.5 million 2006 projection in the equipment line reflects the \$2.2 million purchase of police sedans in 2006, which had originally been intended to be prepaid in 2005. However, the purchase was not finalized in time. Inter-departmental charges have been separated out of the OTPS budget for comparison purposes. These charges had been developed to more accurately identify and allocate the costs incurred by other departments on behalf of Headquarters. Headquarters is responsible for paying for the Department of Assessment charges, information technology, purchasing, records management, workers’ comp, and other services. Current information suggests that the \$23.4 million may be understated by approximately \$1.3 million, but it is still under review by the Comptroller.

POLICE HEADQUARTERS FUND					
		<u>2007 Budget</u>	<u>2008 Plan</u>	<u>2009 Plan</u>	<u>2010 Plan</u>
EXPENSE					
AA	Salaries & Wages	\$201,902,928	\$207,579,704	\$216,702,954	\$226,227,384
AB	Fringe Benefits	101,000,364	101,426,216	108,723,854	116,026,487
	All Other Expense	40,785,272	37,910,299	38,109,003	38,310,856
Expense Total		\$343,688,564	\$346,916,219	\$363,535,811	\$380,564,727
Revenue					
TL	Property Tax	\$285,233,302	\$285,233,302	\$285,233,302	\$285,233,302
	All Other Revenue	58,455,262	58,386,835	59,675,423	61,028,360
Revenue Total		\$343,688,564	\$343,620,137	\$344,908,725	\$346,261,662

The table above demonstrates the Administration’s MYP baseline for the Headquarters Fund. Expenses will rise slightly in 2008 but as a result of a growth in salaries, they increase sharply in 2009 and 2010 while revenues remain relatively flat due to a static property tax. The Administration will try to offset some of the projected out-year gap with labor savings from the Superior Officers Association (SOA). The anticipated savings from the PBA and DAI are already included in the projected salaries and wages.

Police Headquarters Staffing Analysis						
	FY 06 Adopted	Sept-06 Actual	FY 07 Request	FY 07 Executive	Exec. vs. 06 Adopt	Exec. vs. Actual
Uniform	1,005	977	1,026	1,019	14	42
Civilian	<u>736</u>	<u>726</u>	<u>771</u>	<u>747</u>	<u>11</u>	<u>21</u>
Total Full-time	1,741	1,703	1,797	1,766	25	63
Part-time and Seasonal	42	45	74	58	16	13

FY 2007 uniform headcount is increasing by 14 from the 2006 budget and by 42 over September actuals. An additional 11 civilians will be funded in 2007 compared to 2006's budget, or an increase of 21 over September actuals.

The sub-object code civilian vacancies (CIV), established for the 2005 budget, will accommodate 9 civilian positions in the 2007 budget, the titles of which have yet to be identified. These positions which were in the 2006 budget are targeted for civilian titles which have not been agreed upon by the County and the PBA although it is encouraging to see that funding has been provided for the new hires. There is funding for an additional ten AMTs, four Police Service Aides, two IT Specialists and several other civilian positions which are increasing by one, such Public Information Officer, Programmer Analyst III NCC, Police Communications Operator Supervisor and Automotive Servicer among others. The additional four Police Service Aides reflect the Department's continued commitment to civilianization.

Historical Revenue						
	FY 03 Actual	FY 04 Actual	FY 05 Actual	FY 06 Projected	FY 07 Exec.	% Change Proj./Exec.
Permits & Licenses	\$1,004,975	\$265,550	\$389,125	\$1,000,000	\$1,070,000	7.0%
Fines & Forfeitures	463,103	10,650	356	0	0	0.0%
Investment Income	22,428	101,139	133,964	121,053	125,290	3.5%
Rents & Recoveries	1,893,332	1,152,921	899,711	2,527,675	200,000	-92.1%
Departmental Revenue	13,269,909	14,252,569	15,349,919	14,929,000	15,908,874	6.6%
Capital Chargebacks	0	0	0	0	1,029,588	0.0%
Interdept/Interfnd	4,309,980	6,751,921	16,432,422	14,149,601	12,912,837	0.0%
Federal Aid	397,902	416,665	472,755	330,000	427,950	29.7%
State Aid	589,435	1,030,853	611,467	589,000	589,000	0.0%
Property Tax	252,173,389	239,070,905	252,897,540	258,049,976	285,233,302	10.5%
Special Tax	12,176,991	19,420,943	23,327,792	23,453,495	23,453,495	0.0%
Total	\$286,301,444	\$282,474,116	\$310,515,051	\$315,149,800	\$340,950,336	8.2%

In the historical revenue chart above the steady rise in revenue is driven mainly by fluctuations in property tax, departmental revenue and the combined interdepartmental/ interfund revenue. New to the budget this year is the object code capital chargebacks to reflect the reimbursement for expenses related to the Computer Aided Dispatch and the Interoperable Radios System.

HEADQUARTERS' REVENUE BUDGET							
Revenue Class	Adopted FY 06 Budget	OLBR FY 06 Projection	FY 07 Dept. Request	FY 07 Exec. Budget	Variance Exec. vs Adopted 06	Variance Exec. Vs FY 06 Proj.	
BC Permits & Licenses	\$800,000	\$1,000,000	\$1,000,000	\$1,070,000	\$270,000	\$70,000	
BE Investment Income	121,053	121,053	125,290	125,290	4,237	4,237	
BF Rents & Recoveries	200,000	2,482,814	200,000	200,000	0	(2,282,814)	
BG Revenue Offset	2,072,960	0	1,441,888	1,441,888	(631,072)	1,441,888	
BH Department Revenue	14,879,000	14,929,000	15,177,000	15,908,874	1,029,874	979,874	
BI Cap Backcharges	0	0	0	1,029,588	1,029,588	1,029,588	
BJ Interdept. Revenue	13,977,076	14,149,601	0	12,912,837	(1,064,239)	(1,236,764)	
BW Interfnd Charges	0	0	1,296,340	1,296,340	1,296,340	1,296,340	
FA Federal Aid	330,000	330,000	427,950	427,950	97,950	97,950	
SA State Aid	589,000	589,000	589,000	589,000	0	0	
TL Property Tax	258,049,976	258,049,976	285,233,302	285,233,302	27,183,326	27,183,326	
TX Special Tax	23,453,495	23,453,495	23,453,495	23,453,495	0	0	
Grand Total	\$314,472,560	\$315,104,939	\$328,944,265	\$343,688,564	\$29,216,004	\$28,583,625	

The Headquarters Division obtains revenue through several sources. The 2007 revenue budget increases by about \$28.6 million, or 9.1%, over projected revenue in 2006. The main reasons for this increase are the \$27.2 million growth in property taxes, \$1.0 million hike in both departmental revenues and capital chargebacks and \$270,000 for permits and licenses. The \$1.0 million growth in departmental revenues reflects the Department's annual CPI growth to ambulance fee collections. The \$270,000 spike in permits and licenses reflects the cyclical nature for renewals of pistol licenses.

Police District

The District fund derives its funding from those taxpayers that live within the Police District. Those residents who live in areas that have their own policing services do not pay this tax.

Historical Revenue						
	FY 03	FY 04	FY 05	FY 06	FY 07	% Change
	Actual	Actual	Actual	Projected	Exec.	Proj./Exec.
Fund Balance	\$0	\$4,869,568	\$4,869,568	\$4,869,568	\$0	-100.0%
Permits & Licenses	1,761,774	1,939,706	1,508,088	1,680,000	1,792,000	6.7%
Fines & Forfeitures	261,413	200,166	101,856	100,000	109,700	9.7%
Investment Income	20,672	71,393	113,064	112,754	116,700	3.5%
Rents & Recoveries	630,504	870,702	255,664	150,000	150,000	0.0%
Department Revenues	2,869,572	3,109,789	3,101,091	3,530,039	3,187,826	-9.7%
Interdepart. Revenues	332,340	480,837	188,296	935,835	127,484	-86.4%
Nifa Aid	0	7,500,000	7,500,000	0	0	0.0%
State Aid	0	0	122,903	0	0	0.0%
Property Tax	299,978,568	301,296,571	309,306,781	333,627,075	329,699,768	-1.2%
Total	\$305,854,843	\$320,338,732	\$327,067,311	\$345,005,271	\$335,183,478	-2.8%

As the chart above indicates property tax is the single largest contributor to District revenue. Historically, the trend has been for a gradual rise in property taxes except for the 2006's spike of 7.9% over 2005's property tax. All revenue in 2007 will follow the historical trends except for the elimination of the fund balance that was included in 2004, 2005 and 2006 and the elimination of NIFA aid in 2004 and 2005. Interdepartmental revenues are declining by approximately \$800,000 in 2007.

DISTRICT REVENUE BUDGET							
Revenue Class	Adopted FY 06 Budget	OLBR FY 06 Projection	FY 07 Dept. Request	FY 07 Exec. Budget	Variance Exec. vs Adopted 06	Variance Exec. Vs FY 06 Proj.	
AA Fund Balance	\$0	\$4,869,568	\$0	\$0	\$0	(\$4,869,568)	
BC Permits & Licenses	1,680,000	1,680,000	1,680,000	1,792,000	112,000	112,000	
BD Fines & Forfeitures	100,000	100,000	75,000	109,700	9,700	9,700	
BE Investment Income	112,754	112,754	116,700	116,700	3,946	3,946	
BF Rents & Recoveries	150,000	150,000	150,000	150,000	0	0	
BG Revenue Offsets	1,468,160	1,468,160	1,038,084	1,038,084	(430,076)	(430,076)	
BH Department Revenues	3,165,800	3,530,039	3,466,965	3,187,826	22,026	(342,213)	
BJ Interdepart. Revenues	935,835	935,835	0	127,484	(808,351)	(808,351)	
BW Interfund Charges	0	0	9,152,839	9,152,839	9,152,839	9,152,839	
TL Property Tax	333,627,075	333,627,075	329,699,768	329,699,768	(3,927,307)	(3,927,307)	
Grand Total	\$341,239,624	\$346,473,431	\$345,379,356	\$345,374,401	\$4,134,777	(\$1,099,030)	

The District Patrol 2007 revenue budget of \$345.4 million is \$4.1 million, or 1.2%, more than 2006's budget. The primary reason for this increase is \$9.2 million in interfund revenue, new to the budget this

year, is part of the \$26.4 million use of the Retirement Contribution Reserve Fund that is allocated as revenue in 2007. In FY 06 the use of \$7.4 million of the reserve was not reflected in the budget. Offsetting this rise is property tax, declining by \$3.9 million from last year. The Administration's explanation for the reduction is that District expenses will decline in 2007 as a result of successful overtime management initiatives and the assignment of 75% anticipated PBA labor savings. A quick look, though, at District's 2007 expenses shows that expenses are actually rising. The labor savings, as discussed previously, are doubtful since there is no negotiated contract in place.

POLICE DISTRICT FUND					
		<u>2007 Budget</u>	<u>2008 Plan</u>	<u>2009 Plan</u>	<u>2010 Plan</u>
EXPENSE					
AA	Salaries & Wages	205,902,271	205,293,399	214,245,325	223,587,778
AB	Fringe Benefits	108,216,266	111,652,502	119,419,085	124,952,724
	All Other Expense	31,255,864	31,306,693	31,463,122	31,584,639
Expense Total		345,374,401	348,252,594	365,127,532	380,125,141
Revenue					
TL	Property Tax	329,699,768	329,699,768	329,699,768	329,699,768
	All Other Revenue	15,674,633	6,525,295	6,528,300	6,531,380
Revenue Total		345,374,401	336,225,063	336,228,068	336,231,148

The table above demonstrates the Administration's baseline for the MYP. As revenues initially drop in 2008, they level off in the out-years due to a flat property tax. The reduction in revenues in 2008 is due to the loss of non-recurring revenue from 2007 associated with the pension reserve. Expenses gradually grow from 2007 to 2008 but rise dramatically in the out-years as a result of salary increases.

Historical Expenditures						
	FY 03	FY 04	FY 05	FY 06	FY 07	% Change
	Actual	Actual	Actual	Projected	Exec.	Proj./Exec.
Full-time Sworn	1,543	1,626	1,651	1,664	1,731	4.0%
Full Time Civilian	72	81	105	97	107	10.3%
Salaries	\$207,119,102	\$204,294,551	\$205,579,240	\$211,008,067	\$205,902,271	-2.4%
Misc OTPS	27,085,318	32,125,685	28,439,925	31,166,465	30,351,964	-2.6%
Contractual Services	905,036	755,234	620,048	806,563	903,900	12.1%
Total	\$235,109,456	\$237,175,470	\$234,639,213	\$242,981,095	\$237,158,135	-2.4%

Historically, salaries remain fairly constant with the exception of FY 06. The spike in 2006 reflects union raises. The drop in 2007 relates to a combination of factors including: the inclusion of the education stipend becoming part of the base pay for sworn members, \$900,000 less for differential pay than in 2006, \$4.5 million less for the overtime budget, budgeting for 14 less police service aides trainees for a value of about \$500,000 and the transfer of 14 SOA members into the Headquarters Fund. The Department needs these superior officers for the following units: 16 superior officers for Gang

Intelligence, six superior officers for the Administrative Inspection Unit, one superior officer to the Recruitment Drive Unit and one superior officer to the Commissioner's Office.

DISTRICT EXPENSE BUDGET BY OBJECT CLASS							
Obj	Name	Adopted FY 06 Budget	OLBR FY 06 Projection	FY 07 Dept. Request	FY 07 Executive	Variance Exec. vs Adopted 06	Variance Exec. vs FY 06 Proj.
AA	Salaries	\$223,671,506	\$211,008,067	\$228,977,789	\$205,902,271	(\$17,769,235)	(\$5,105,796)
AB	Fringe Benefits	85,784,188	86,138,821	105,765,725	108,216,266	22,432,078	22,077,445
	Total PS	309,455,694	297,146,888	334,743,514	314,118,537	4,662,843	16,971,649
BB	Equipment	1,386,280	1,275,378	2,975,378	1,853,622	467,342	578,244
DD	General Expenses	3,678,802	3,978,802	5,045,343	4,360,343	681,541	381,541
DE	Contractual Services	806,563	896,563	903,900	903,900	97,337	7,337
DF	Utility Costs	1,605,845	1,605,845	1,682,926	1,682,926	77,081	77,081
OO	Other Expenses	450,000	450,000	450,000	1,450,000	1,000,000	1,000,000
	Total OTPS	7,927,490	8,206,588	11,057,547	10,250,791	2,323,301	2,044,203
HD	Debt Svc Chargebacks	745,754	0	196,518	196,518	(549,236)	196,518
HF	Inter-Dept. Charges	23,110,686	23,856,440	0	20,808,555	(2,302,131)	(3,047,885)
	Grand Total	\$341,239,624	\$329,209,916	\$345,997,579	\$345,374,401	\$4,134,777	\$16,164,485

The 2007 Executive budget for salaries declines by \$17.8 million, or 8%, compared to 2006 budget and decreases by \$5.1 million, or 2.4% from the 2006 projections. The \$12.7 million difference between 2006 Adopted and projected is a result of a \$5.5 million surplus in overtime, a \$1.4 million surplus in differential, a \$2.2 million surplus in termination pay, about a \$450,000 surplus for 13 vacant police service aide trainee positions and approximately \$3.0 million in vacant uniform positions. Fringe benefits are increasing from the FY 06 projected actual by \$22.1 million due to the increase in pension resulting from a full accounting in the FY 07 budget (including pension reserve), a \$4.1 million contingency reserve, health insurance increases, Medicare reimbursement increases and miscellaneous items. In FY 06 the full pension cost was not reflected because part of it was paid from the Retirement Contribution Reserve Fund.

The additional \$465,000 in the equipment line is for costs associated with addressing OSHA concerns for the Police Precincts and Police booths. Also, the \$680,000 in general expenses reflects the increase in energy costs for the purchase of gasoline. The \$1.0 million in other expense is for the special overtime initiative mentioned previously. Current information suggests that the \$20.8 million may be understated by approximately \$6.8 million, but it is still under review by the Comptroller.

**Police District
Staffing Analysis**

	<u>FY 06 Adopted</u>	<u>Sept-06 Actual</u>	<u>FY 07 Request</u>	<u>FY 07 Executive</u>	<u>Exec. vs 06 Adopt</u>	<u>Exec. vs Actual</u>
Uniform	1,745	1,664	2,513	1,731	(14)	67
Civilian	<u>118</u>	<u>97</u>	<u>110</u>	<u>107</u>	<u>(11)</u>	<u>10</u>
Full-time Staffing	1,863	1,761	2,623	1,838	(25)	77
Part-time and Seasonal	459	432	463	463	4	31

The District's full time uniform staff is scheduled to increase by 67 over the September actuals but declines by 14 when compared to 2006 actuals. As stated previously, 14 SOA members will be transferring to Headquarters in 2007. The reduced funding for 13 police service aide trainees and two police automotive mechanics is partially offset by the addition of 5 police service aides. The 782 difference in headcount between the 2007 Executive budget and the 2007 request is based on a previous PBA agreement that mandates the Department to always request a minimum number of unfunded Police Officer positions. The Administration always recommends less than the number.