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BUREAU CHIEF

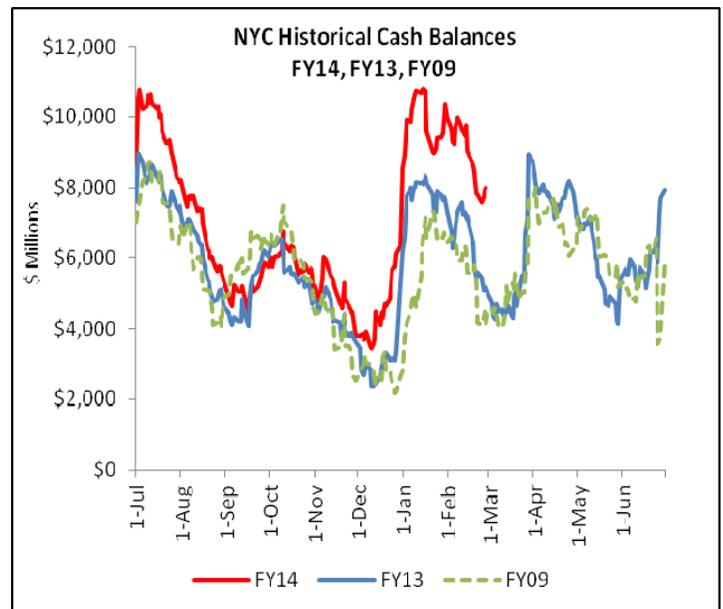
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To: Distribution  
From: Kirk Parks, Bureau Chief, Financial Analysis  
Subject: NYC Cash Balance Projection (March 2013 - May 2013)  
Date: February 28, 2014

Having passed the halfway point of FY14, we are forming a picture of consistently strong cash balances. In the first half of FY14 (1H14), current-year balances have led previous-year marks by an average of \$830 million, or over 15%. Almost every major category of cash receipts has contributed to the growth, with the principal exceptions being Federal and State aid. In the most recent quarter, 2Q14, average balances measured \$5.206 billion, up more than 17% versus the year-ago period. Net cash flow for the quarter was positive by \$2.764 billion, representing the largest 2Q gain of the last ten years. As of the close of business on February 27, the unrestricted cash (book) balance in the NYC treasury stands at \$8.008 billion, exceeding the year-ago figure by over \$2.8 billion.

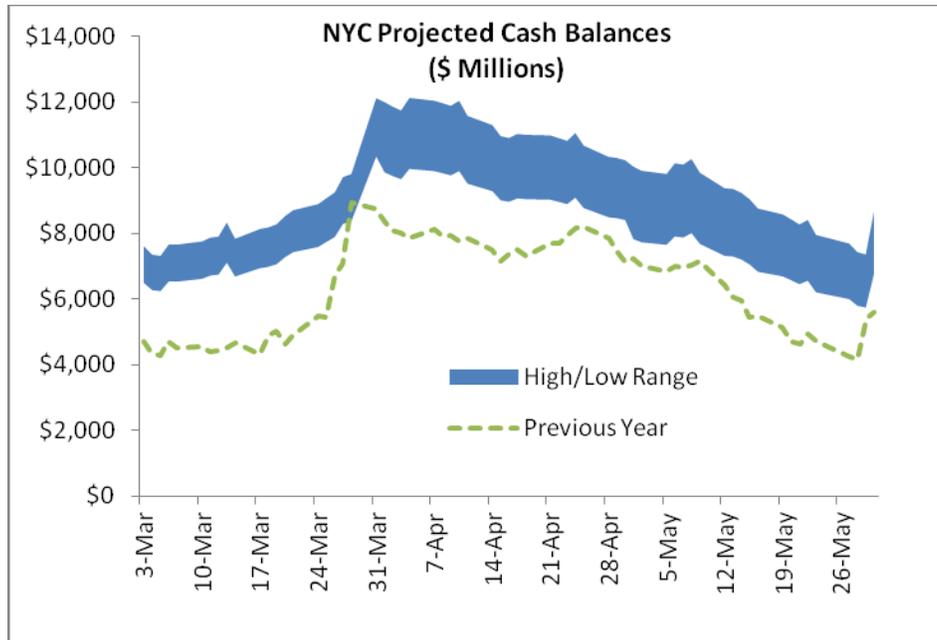


On December 10, 2013, the NYC cash balance reached what we expect will be the low point for FY14. At \$3.451 billion, the 2Q14 low compares favorably to last year's low mark of \$2.352 billion and continues a four-year trend of rising annual troughs, which generally occur in mid-December. This year, as in most years past, balances recovered sharply in the second half of December due to the arrival of real estate tax receipts.

The broad-based advances in cash receipts have extended into less often discussed aspects. For example, sales of City-owned property (including the Emigrant Bank Building) generated \$234 million during 2Q14. Payments for the recent taxi medallion auction are beginning to arrive, albeit slowly. As of February 21, the City has received \$59 million of the approximately \$200 million in expected medallion sale money. Some successful bidders are seeking extensions with the Taxi & Limousine Commission, as there is a backlog of orders for handicapped-accessible cab vehicles. We expect to see the remainder of the bids consummated over the next ninety days.

According to the data in the NYC financial management system, in cash terms Sandy reimbursements are keeping reasonable pace with associated outlays by the City. Through the end of January the City has received \$794 million in aid versus \$1.025 billion in Sandy expenditures, for a reimbursement rate of 77%. The City is out-of-pocket by \$231 million, but this sum poses no concern from a cash flow perspective.

The main message of the new projection is that balances will continue to be very strong. The forecast that follows incorporates guidance from the recently released Preliminary Budget and extends through the end of May. We await further details from the May release of the Executive Budget before extending our forecast through the fiscal year-end and into FY15.



All-around strength in cash balances, a decidedly positive development for the City, brings a new set of difficulties when it comes to our projection. In 1H14, tax-related cash inflows rose 8.8%, compared to an average growth rate of 2.9% for the last five full fiscal years. Such outsized recent growth has an impact on the projection, making it marginally more optimistic. While we strive to be conservative in our assessments, our principal goal is accuracy. In times of strong performance the forecast necessarily encounters the risk that growth in the key drivers stalls. We will be watching economic assessments carefully, so that any drop-off in growth can be modeled effectively.

Increasingly as time goes on, labor contract negotiations and arbitration pose a risk to the cash balance projection. This forecast extends only through the end of May, and the likelihood of any substantial labor-related cash impact within this window is small. However, there are many moving parts in the dialogue between the City and the various unions, and it is not entirely inconceivable that some nominal payment could emerge. We will pay close attention to the progress of negotiations as we gauge the level of cash impact on the fiscal year-end. The year-end period will be covered in the next Cash Letter, expected in May unless developments require an update sooner.

For a complete discussion of NYC cash flows, please visit our Quarterly Cash Report at <http://comptroller.nyc.gov/reports/cash-reports/>.

**NYC Projected Cash Balances**  
**(\$ Millions)**

|           | <u>High</u> | <u>Low</u> | <u>Baseline</u> |
|-----------|-------------|------------|-----------------|
| 03-Mar-14 | 7,612       | 6,492      | 7,157           |
| 04-Mar-14 | 7,355       | 6,272      | 6,916           |
| 05-Mar-14 | 7,318       | 6,241      | 6,881           |
| 06-Mar-14 | 7,664       | 6,536      | 7,206           |
| 07-Mar-14 | 7,662       | 6,534      | 7,204           |
| 10-Mar-14 | 7,758       | 6,616      | 7,294           |
| 11-Mar-14 | 7,874       | 6,715      | 7,403           |
| 12-Mar-14 | 7,907       | 6,743      | 7,435           |
| 13-Mar-14 | 8,336       | 7,109      | 7,839           |
| 14-Mar-14 | 7,840       | 6,686      | 7,372           |
| 17-Mar-14 | 8,139       | 6,941      | 7,653           |
| 18-Mar-14 | 8,187       | 6,982      | 7,698           |
| 19-Mar-14 | 8,282       | 7,063      | 7,787           |
| 20-Mar-14 | 8,530       | 7,275      | 8,021           |
| 21-Mar-14 | 8,711       | 7,429      | 8,191           |
| 24-Mar-14 | 8,897       | 7,587      | 8,366           |
| 25-Mar-14 | 9,078       | 7,741      | 8,535           |
| 26-Mar-14 | 9,254       | 7,892      | 8,701           |
| 27-Mar-14 | 9,723       | 8,292      | 9,142           |
| 28-Mar-14 | 9,812       | 8,368      | 9,226           |
| 31-Mar-14 | 12,127      | 10,342     | 11,403          |
| 01-Apr-14 | 12,008      | 9,866      | 11,145          |
| 02-Apr-14 | 11,868      | 9,751      | 11,015          |
| 03-Apr-14 | 11,752      | 9,656      | 10,907          |
| 04-Apr-14 | 12,133      | 9,969      | 11,261          |
| 07-Apr-14 | 12,051      | 9,901      | 11,185          |
| 08-Apr-14 | 11,973      | 9,837      | 11,112          |
| 09-Apr-14 | 11,895      | 9,773      | 11,040          |
| 10-Apr-14 | 12,050      | 9,900      | 11,184          |
| 11-Apr-14 | 11,588      | 9,520      | 10,754          |
| 14-Apr-14 | 11,308      | 9,291      | 10,495          |
| 15-Apr-14 | 10,969      | 9,012      | 10,180          |
| 16-Apr-14 | 10,914      | 8,967      | 10,130          |
| 17-Apr-14 | 11,036      | 9,067      | 10,243          |
| 18-Apr-14 | 11,012      | 9,047      | 10,220          |
| 21-Apr-14 | 10,991      | 9,030      | 10,201          |
| 22-Apr-14 | 10,909      | 8,963      | 10,125          |
| 23-Apr-14 | 10,827      | 8,895      | 10,048          |
| 24-Apr-14 | 11,064      | 9,090      | 10,268          |
| 25-Apr-14 | 10,683      | 8,777      | 9,914           |
| 28-Apr-14 | 10,339      | 8,494      | 9,596           |
| 29-Apr-14 | 10,305      | 8,466      | 9,564           |
| 30-Apr-14 | 10,236      | 8,410      | 9,500           |

|           | <u>High</u> | <u>Low</u> | <u>Baseline</u> |
|-----------|-------------|------------|-----------------|
| 01-May-14 | 10,039      | 7,827      | 9,302           |
| 02-May-14 | 9,913       | 7,729      | 9,185           |
| 05-May-14 | 9,818       | 7,655      | 9,097           |
| 06-May-14 | 10,143      | 7,908      | 9,398           |
| 07-May-14 | 10,101      | 7,876      | 9,359           |
| 08-May-14 | 10,272      | 8,009      | 9,517           |
| 09-May-14 | 9,853       | 7,683      | 9,130           |
| 12-May-14 | 9,382       | 7,315      | 8,693           |
| 13-May-14 | 9,360       | 7,298      | 8,673           |
| 14-May-14 | 9,241       | 7,205      | 8,562           |
| 15-May-14 | 9,046       | 7,053      | 8,381           |
| 16-May-14 | 8,762       | 6,832      | 8,119           |
| 19-May-14 | 8,583       | 6,692      | 7,952           |
| 20-May-14 | 8,433       | 6,575      | 7,814           |
| 21-May-14 | 8,277       | 6,454      | 7,669           |
| 22-May-14 | 8,414       | 6,560      | 7,796           |
| 23-May-14 | 7,958       | 6,205      | 7,373           |
| 27-May-14 | 7,693       | 5,998      | 7,128           |
| 28-May-14 | 7,431       | 5,794      | 6,885           |
| 29-May-14 | 7,361       | 5,739      | 6,820           |
| 30-May-14 | 8,682       | 6,769      | 8,044           |

**NYC Cash Balance Monthly Detail**  
(\$ Millions)

|                                 | <u>Mar-14</u>   | <u>Apr-14</u>   | <u>May-14</u>  | <u>Total</u>    |
|---------------------------------|-----------------|-----------------|----------------|-----------------|
| <b>Opening Balance</b>          | <b>7498.26</b>  | <b>11402.63</b> | <b>9500.30</b> | <b>7498.26</b>  |
| Sales Tax                       | 485.00          | 625.00          | 515.00         | 1625.00         |
| Utility Tax                     | 36.00           | 33.00           | 31.08          | 100.08          |
| Commercial Rent Tax             | 178.53          | 11.88           | 6.72           | 197.13          |
| Personal Income Tax             | 582.00          | 1186.24         | 460.00         | 2228.24         |
| General Corporation Tax         | 959.80          | 121.00          | 118.02         | 1198.82         |
| Banking Tax                     | 435.42          | 47.08           | 37.00          | 519.50          |
| Unincorporated Business Tax     | 52.08           | 455.04          | 25.00          | 532.12          |
| Real Property Tax               | 1094.39         | 515.56          | 115.92         | 1725.87         |
| Other Taxes                     | 287.63          | 247.66          | 218.54         | 753.83          |
| Less Refunds All Taxes          | -82.95          | -69.00          | -27.93         | -179.88         |
| <b>Total Taxes</b>              | <b>4027.90</b>  | <b>3173.46</b>  | <b>1499.35</b> | <b>8700.71</b>  |
| Federal Welfare                 | 437.01          | 54.00           | 114.03         | 605.04          |
| Federal Education               | 184.17          | 128.26          | 221.00         | 533.43          |
| Federal Community Development   | 13.02           | 18.04           | 22.05          | 53.11           |
| Federal Other                   | 228.13          | 173.00          | 265.02         | 666.15          |
| <b>Total Federal Aid</b>        | <b>862.33</b>   | <b>373.30</b>   | <b>622.10</b>  | <b>1857.73</b>  |
| NYS Welfare                     | 372.96          | 93.06           | 110.04         | 576.06          |
| NYS Health                      | 94.92           | 11.00           | 11.00          | 116.92          |
| NYS Education                   | 2818.00         | 57.30           | 1424.60        | 4299.90         |
| NYS Higher Education            | 353.99          | 0.00            | 0.00           | 353.99          |
| NYS Other                       | 73.08           | 23.10           | 26.04          | 122.22          |
| <b>Total New York State Aid</b> | <b>3712.95</b>  | <b>184.46</b>   | <b>1571.68</b> | <b>5469.09</b>  |
| NYS Revenue Sharing             | 0.00            | 0.00            | 0.00           | 0.00            |
| Other Intergovernmental Aid     | 0.00            | 0.00            | 0.00           | 0.00            |
| <b>Total Intergovernmental</b>  | <b>0.00</b>     | <b>0.00</b>     | <b>0.00</b>    | <b>0.00</b>     |
| Water Board                     | 0.00            | 0.00            | 0.00           | 0.00            |
| Interest Income                 | 1.05            | 2.00            | 3.00           | 6.05            |
| Fines and Forfeitures           | 58.00           | 61.00           | 61.00          | 180.00          |
| Miscellaneous Revenue           | 258.09          | 258.06          | 258.09         | 774.24          |
| Senior College Tuition and Fees | 259.00          | 0.00            | 0.00           | 259.00          |
| Capital Interest                | 0.03            | 0.00            | 0.21           | 0.24            |
| Housing Revenue                 | 2.94            | 2.89            | 2.94           | 8.77            |
| <b>Total Miscellaneous</b>      | <b>579.11</b>   | <b>323.95</b>   | <b>325.24</b>  | <b>1228.30</b>  |
| Prior Federal Aid               | 54.00           | 15.00           | 27.09          | 96.09           |
| Prior NYS Aid                   | 477.00          | 4.00            | 139.02         | 620.02          |
| Total Federal And NYS Prior Aid | 531.00          | 19.00           | 166.11         | 716.11          |
| Balance Sheet Inflows           | 15.00           | 15.00           | 15.00          | 45.00           |
| Federal/State Capital           | 92.00           | 64.02           | 89.04          | 245.06          |
| Transfers from Capital Proceeds | 534.00          | 611.00          | 555.00         | 1700.00         |
| Payroll Taxes Inflows           | 184.98          | 145.70          | 145.23         | 475.91          |
| Seasonal Borrowing              | 0.00            | 0.00            | 0.00           | 0.00            |
| Other Operating Inflow          | 340.00          | 340.00          | 340.00         | 1020.00         |
| <b>Total Other Inflows</b>      | <b>1165.98</b>  | <b>1175.72</b>  | <b>1144.27</b> | <b>3485.97</b>  |
| <b>Total Inflows</b>            | <b>10879.27</b> | <b>5249.89</b>  | <b>5328.75</b> | <b>21457.91</b> |

**NYC Cash Balance Monthly Detail**  
(\$ Millions)

|                             | <u>Mar-14</u>   | <u>Apr-14</u>   | <u>May-14</u>   | <u>Total</u>    |
|-----------------------------|-----------------|-----------------|-----------------|-----------------|
| Payroll                     | 1241.24         | 1243.70         | 1249.78         | 3734.72         |
| Pensions                    | 683.28          | 665.92          | 666.08          | 2015.28         |
| Social Security             | 131.11          | 166.54          | 129.70          | 427.35          |
| Health Plan                 | 425.40          | 283.60          | 283.60          | 992.60          |
| Other PS                    | 77.07           | 122.10          | 93.03           | 292.20          |
| <b>Total PS</b>             | <b>2558.10</b>  | <b>2481.86</b>  | <b>2422.19</b>  | <b>7462.15</b>  |
| PA                          | 182.07          | 224.00          | 215.04          | 621.11          |
| MA                          | 305.00          | 472.00          | 748.02          | 1525.02         |
| Other DOSS                  | 201.00          | 185.02          | 190.05          | 576.07          |
| HHC                         | 100.00          | 115.06          | 57.00           | 272.06          |
| TA                          | 0.00            | 0.10            | 0.00            | 0.10            |
| HA                          | 0.00            | 0.00            | 0.00            | 0.00            |
| Lump Sum                    | 205.00          | 205.04          | 205.00          | 615.04          |
| Vendor Payments             | 1226.00         | 1364.00         | 1233.00         | 3823.00         |
| Other OTPS                  | 0.00            | 0.00            | 0.00            | 0.00            |
| <b>Total OTPS</b>           | <b>2219.07</b>  | <b>2565.22</b>  | <b>2648.11</b>  | <b>7432.40</b>  |
| City Capital                | 644.07          | 751.08          | 592.00          | 1987.15         |
| Other Outflow Capital       | 273.00          | 112.00          | 138.00          | 523.00          |
| GO Debt Service Funding     | 0.00            | 350.76          | 0.00            | 350.76          |
| NYCTFA Debt Service Funding | 210.37          | 0.00            | 94.40           | 304.77          |
| Other Debt Service Funding  | 0.00            | 0.00            | 0.00            | 0.00            |
| Repay Seasonal Borrowing    | 0.00            | 0.00            | 0.00            | 0.00            |
| Payroll Taxes Outflow       | 819.29          | 640.28          | 639.06          | 2098.63         |
| Other Outflows              | 251.00          | 251.02          | 251.00          | 753.02          |
| <b>Total Other Outflows</b> | <b>2197.73</b>  | <b>2105.14</b>  | <b>1714.46</b>  | <b>6017.33</b>  |
| <b>Total Outflows</b>       | <b>6974.90</b>  | <b>7152.22</b>  | <b>6784.76</b>  | <b>20911.88</b> |
| <b>Net Flow</b>             | <b>3904.37</b>  | <b>-1902.33</b> | <b>-1456.01</b> | <b>546.03</b>   |
| <b>Ending Balance</b>       | <b>11402.63</b> | <b>9500.30</b>  | <b>8044.29</b>  | <b>8044.29</b>  |