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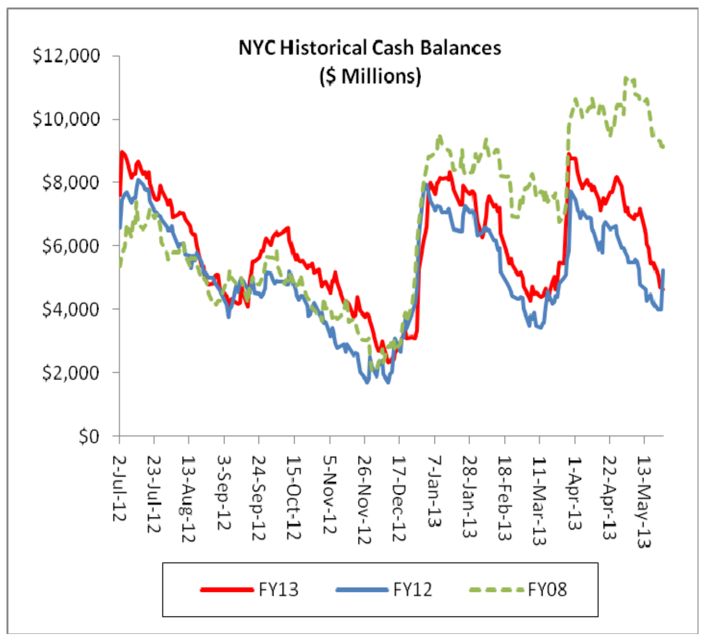
To: Distribution
From: Kirk Parks, Bureau Chief, Financial Analysis
Subject: NYC Cash Balance Projection (June 2013 - November 2013)
Date: May 31, 2013

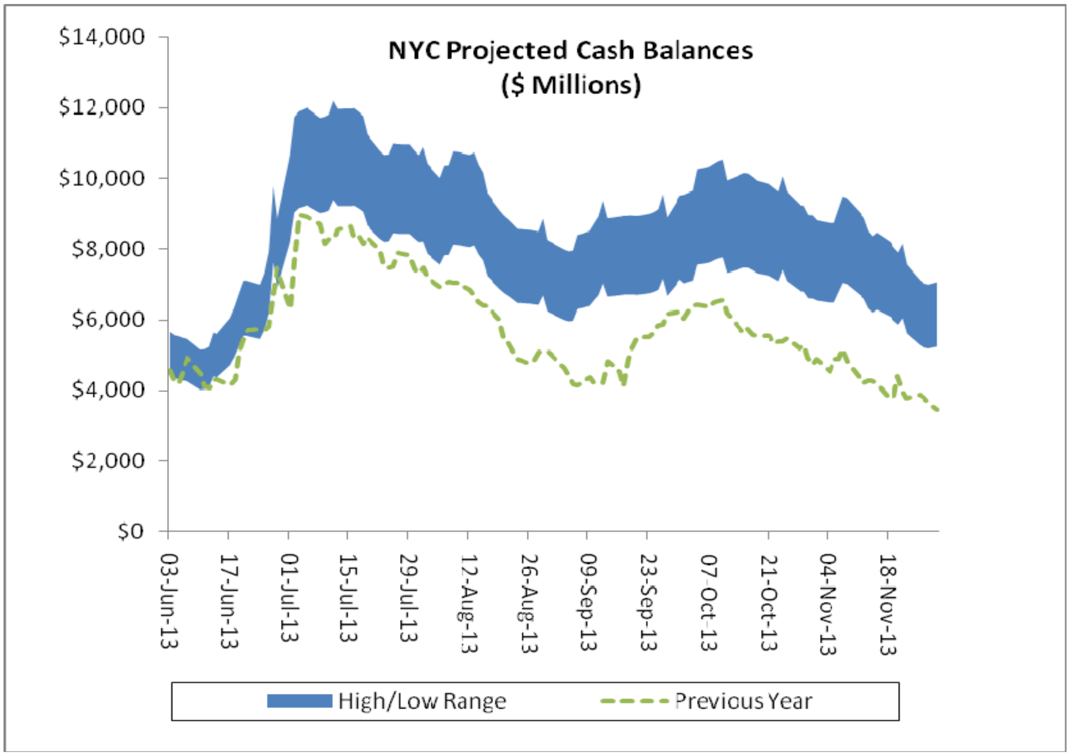


After Superstorm Sandy, the fiscal cliff, and sequestration, it seems anticlimactic to note that the largest event impacting the City's FY13 cash flow has been the FY12 prepayment. The City dedicates any current-year budget surplus to prepayment of the next year's expenses. At the end of FY12, this payment totaled $2.4 billion, down from $3.7 billion in FY11. There are many cross-currents affecting NYC cash flow, especially on the last day of the fiscal year. However, when the City opened for business on the first day of FY13, it enjoyed a $1.3 billion cash balance advantage over year-ago, curiously parallel to the reduction in the year-end prepayment. Throughout FY13, cash balances have retained most of this head start, with the FY13 and FY12 trends remaining otherwise very similar to each other.

As of May 29, 2013, the New York City unrestricted cash balance stands at $4.152 billion. Fiscal year-to-date, cash balances have exceeded year ago by an average of $804 million, or 15.6%. During the most recent quarter (3Q13, January 1 - March 31, 2013) receipts were strong across all major tax categories, with the exception of utility tax. On a cash basis, tax inflows for 3Q13 gained 12.2% versus year-ago, led higher by a 15.4% jump in PIT receipts. Steep gains in general corporation tax, mortgage and real property transfer taxes, unincorporated business tax, and banking corporation tax are consistent with a recovering economy.

Sandy FEMA reimbursements have begun to arrive. As of May 28, the City has recorded $356 million in aid, versus $445 million in expenditures, for a reimbursement rate of 80%. The Mayor's Office expects 100% reimbursement, but with new expenditures and reimbursements arriving daily, it could take years to reach that threshold. Meanwhile, Sandy expenditures pose no difficulty for the City treasury, so long as reimbursements keep reasonable pace with the outlays.

Construction of the following updated cash balance projection has challenged our creativity in finding ways to moderate surging inflows. We assume, as do others involved in the discussion, that the recent strength in PIT receipts traces to profit-taking at the end of calendar 2012, as investors moved to lock-in Bush-era capital gains tax rates. Our model contemplates a return to trend growth in PIT during FY14. We have trimmed our expectations for capital transfers, slashed our outlook for prior-year aid receipts, and bent our error adjustments to near-wishful levels. None of these measures has quite succeeded in dampening what is a decidedly robust message from the projection itself - that cash balances are very likely to head higher in FY14.



The main message conveyed by this update is that balances will probably be higher. Reasonable observers could disagree on the magnitude of the increase, but the general direction seems clear. We favor the lowest edge of the projection range, as the upper boundary suggests balances piercing solidly through the $10 billion mark (which has not occurred since May 15, 2008).

The first major test for this forecast comes at the end of June, at the fiscal year-end. As usual, the outcome hinges on the prepayment. Though it is currently estimated in the Mayor's Executive Budget at $2.2 billion, we are expecting the final prepayment amount to approximate last-year's level of $2.4 billion. This year, however, the City has the added advantages of a smaller payment to the Retiree Health Benefits Trust and also no abnormally large pension cost adjustment with which to contend. The two items, taken together, represent over $700 million that the City will not spend at this year's close and will have a compounding effect on favorable year-on-year cash balance comparisons. We expect to see the fiscal year-end unrestricted book balance in the range of $6.8 - $8.8 billion, versus the FY12 mark of $6.297 billion.

Projection details are contained in the following pages of this document, covering June 1 to November 30. Our next Cash Letter is scheduled for publication in September, unless projection revisions are required sooner. Any large change in the expected prepayment amount could impact the accuracy of this forecast.

NYC Cash Balance Projected Ranges
($ Millions)

	Baseline	High	Low	Range
03-Jun-13	4867	5657	4417	1240
04-Jun-13	4788	5565	4345	1220
05-Jun-13	4761	5535	4322	1213
06-Jun-13	4720	5487	4284	1203
07-Jun-13	4701	5465	4267	1198
10-Jun-13	4436	5157	4027	1130
11-Jun-13	4450	5172	4038	1134
12-Jun-13	4503	5235	4087	1147
13-Jun-13	4850	5637	4402	1236
14-Jun-13	4818	5601	4373	1228
17-Jun-13	5210	6056	4729	1327
18-Jun-13	5474	6363	4968	1395
19-Jun-13	5802	6744	5266	1478
20-Jun-13	6117	7110	5551	1558
21-Jun-13	6116	7109	5551	1558
24-Jun-13	6017	6994	5461	1533
25-Jun-13	6311	7336	5728	1608
26-Jun-13	6832	7942	6201	1741
27-Jun-13	8409	9775	7633	2142
28-Jun-13	7535	8759	6839	1920
01-Jul-13	8985	10657	8212	2445
02-Jul-13	9902	11744	9050	2694
03-Jul-13	10032	11899	9169	2730
05-Jul-13	10119	12002	9248	2753
08-Jul-13	9878	11716	9028	2688
09-Jul-13	9901	11743	9049	2694
10-Jul-13	9958	11810	9101	2709
11-Jul-13	10288	12201	9402	2799
12-Jul-13	10095	11973	9226	2747
15-Jul-13	10097	11975	9228	2747
16-Jul-13	10105	11985	9236	2749
17-Jul-13	10023	11888	9161	2727
18-Jul-13	9922	11768	9069	2700
19-Jul-13	9490	11256	8673	2582
22-Jul-13	9083	10773	8302	2471
23-Jul-13	8991	10663	8217	2446
24-Jul-13	9009	10685	8234	2451
25-Jul-13	9261	10984	8464	2520
26-Jul-13	9244	10964	8449	2515
29-Jul-13	9236	10954	8441	2513
30-Jul-13	9100	10793	8317	2476
31-Jul-13	8985	10656	8212	2445

	Baseline	High	Low	Range
01-Aug-13	8931	10886	8227	2659
02-Aug-13	8553	10425	7879	2546
05-Aug-13	8211	10008	7564	2444
06-Aug-13	8504	10365	7834	2531
07-Aug-13	8515	10378	7844	2535
08-Aug-13	8830	10762	8134	2628
09-Aug-13	8822	10753	8126	2626
12-Aug-13	8756	10672	8065	2606
13-Aug-13	8811	10739	8117	2623
14-Aug-13	8529	10396	7857	2539
15-Aug-13	8346	10172	7688	2484
16-Aug-13	7874	9597	7253	2344
19-Aug-13	7462	9094	6873	2221
20-Aug-13	7337	8943	6759	2184
21-Aug-13	7250	8836	6678	2158
22-Aug-13	7142	8705	6579	2126
23-Aug-13	7035	8575	6481	2094
26-Aug-13	7012	8546	6459	2087
27-Aug-13	6994	8524	6443	2082
28-Aug-13	6977	8504	6427	2077
29-Aug-13	7272	8863	6698	2165
30-Aug-13	6780	8264	6246	2018
03-Sep-13	6363	7994	6004	1990
04-Sep-13	6321	7941	5964	1976
05-Sep-13	6337	7961	5980	1981
06-Sep-13	6690	8405	6313	2092
09-Sep-13	6777	8514	6395	2119
10-Sep-13	6944	8724	6553	2171
11-Sep-13	7104	8925	6704	2221
12-Sep-13	7462	9374	7041	2333
13-Sep-13	7064	8874	6666	2209
16-Sep-13	7099	8919	6699	2220
17-Sep-13	7120	8945	6718	2226
18-Sep-13	7122	8948	6721	2227
19-Sep-13	7123	8949	6722	2227
20-Sep-13	7115	8939	6714	2225
23-Sep-13	7163	8999	6759	2240
24-Sep-13	7204	9051	6798	2253
25-Sep-13	7269	9133	6860	2273
26-Sep-13	7605	9555	7177	2378
27-Sep-13	7081	8896	6682	2214
30-Sep-13	7578	9521	7151	2370

	Baseline	High	Low	Range
01-Oct-13	7535	9541	7037	2504
02-Oct-13	7583	9601	7081	2520
03-Oct-13	7622	9650	7117	2533
04-Oct-13	8102	10259	7566	2693
07-Oct-13	8165	10338	7625	2714
08-Oct-13	8233	10424	7688	2736
09-Oct-13	8293	10501	7744	2756
10-Oct-13	8323	10538	7772	2766
11-Oct-13	7851	9941	7332	2609
15-Oct-13	8017	10151	7487	2665
16-Oct-13	8006	10137	7476	2661
17-Oct-13	7930	10040	7405	2635
18-Oct-13	7844	9932	7325	2607
21-Oct-13	7762	9828	7249	2580
22-Oct-13	7683	9728	7174	2553
23-Oct-13	7602	9625	7099	2527
24-Oct-13	7948	10063	7422	2641
25-Oct-13	7606	9631	7103	2528
28-Oct-13	7302	9246	6819	2427
29-Oct-13	7287	9226	6804	2422
30-Oct-13	7082	8967	6613	2354
31-Oct-13	7073	8956	6605	2351
01-Nov-13	6985	8818	6548	2270
04-Nov-13	6923	8741	6490	2250
05-Nov-13	6923	8741	6490	2250
06-Nov-13	7227	9125	6776	2349
07-Nov-13	7520	9494	7050	2444
08-Nov-13	7485	9450	7017	2433
12-Nov-13	7039	8886	6598	2288
13-Nov-13	6750	8522	6328	2194
14-Nov-13	6629	8369	6214	2155
15-Nov-13	6711	8473	6292	2182
18-Nov-13	6508	8216	6101	2115
19-Nov-13	6371	8044	5973	2071
20-Nov-13	6261	7905	5870	2035
21-Nov-13	6463	8159	6058	2101
22-Nov-13	5991	7564	5617	1948
25-Nov-13	5637	7116	5284	1832
26-Nov-13	5570	7032	5222	1811
27-Nov-13	5540	6995	5194	1801
29-Nov-13	5596	7066	5246	1819

NYC Cash Balance Monthly Detail
($ Millions)

	Jun-13	Jul-13	Aug-13	Sep-13	Oct-13	Nov-13	Total
Opening Balance	**5035.54**	**7535.30**	**8984.57**	**6780.29**	**7577.96**	**7073.30**	**5035.54**
Sales Tax	620.00	445.00	463.00	460.00	595.00	483.00	3066.00
Utility Tax	25.00	37.00	37.00	28.00	34.10	32.04	193.14
Commercial Rent Tax	164.00	8.00	10.00	167.00	11.00	6.00	366.00
Personal Income Tax	850.00	508.00	554.00	809.00	709.06	489.06	3919.12
General Corporation Tax	505.00	79.00	65.00	551.00	83.00	194.04	1477.04
Banking Tax	393.00	67.10	2.00	417.00	64.02	8.00	951.12
Unincorporated Business Tax	313.02	26.00	31.02	366.00	54.00	17.00	807.04
Real Property Tax	5125.90	3963.25	220.61	802.33	776.67	93.12	10981.88
Other Taxes	935.00	220.99	195.02	514.99	178.01	171.99	2216.00
Less Refunds All Taxes	44.00	47.08	73.04	80.00	86.02	27.00	357.14
Total Taxes	**8974.92**	**5401.42**	**1650.69**	**4195.32**	**2590.88**	**1521.25**	**24334.48**
Federal Welfare	132.00	23.10	42.02	44.00	72.00	154.08	467.20
Federal Education	200.00	10.12	3.97	12.62	12.16	26.14	265.01
Federal Community Development	13.00	2.00	10.00	8.00	10.00	13.00	56.00
Federal Other	80.00	80.08	109.00	107.00	125.00	133.02	634.10
Total Federal Aid	**425.00**	**115.30**	**164.99**	**171.62**	**219.16**	**326.24**	**1422.31**
NYS Welfare	327.00	41.00	63.00	19.00	89.10	85.00	624.10
NYS Health	2.00	1.10	12.10	34.00	25.08	1.08	75.36
NYS Education	759.20	0.98	0.67	876.00	132.80	389.80	2159.45
NYS Higher Education	0.00	407.44	0.00	0.00	347.60	0.00	755.04
NYS Other	101.00	23.10	43.00	56.00	29.04	43.02	295.16
Total New York State Aid	**1189.20**	**473.62**	**118.77**	**985.00**	**623.62**	**518.90**	**3909.11**
NYS Revenue Sharing	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Other Intergovernmental Aid	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Total Intergovernmental	**0.00**	**0.00**	**0.00**	**0.00**	**0.00**	**0.00**	**0.00**
Water Board	0.00	568.04	191.00	101.00	135.08	152.00	1147.12
Interest Income	4.00	2.00	3.08	2.00	2.00	2.00	15.08
Fines and Forfeitures	97.00	99.00	110.00	90.00	107.00	88.02	591.02
Miscellaneous Revenue	622.00	181.06	232.10	309.00	173.00	240.00	1757.16
Senior College Tuition and Fees	248.80	0.00	0.00	0.00	241.00	0.00	489.80
Capital Interest	0.00	0.04	0.03	0.07	0.00	0.18	0.32
Housing Revenue	3.00	3.96	3.81	3.80	3.74	3.42	21.73
Total Miscellaneous	**974.80**	**854.10**	**540.02**	**505.87**	**661.82**	**485.62**	**4022.23**
Prior Federal Aid	31.00	495.00	495.00	495.00	495.00	188.00	2199.00
Prior NYS Aid	139.00	212.08	347.00	290.00	221.10	77.04	1286.22
Total Federal And NYS Prior Aid	170.00	707.08	842.00	785.00	716.10	265.04	3485.22
Balance Sheet Inflows	15.00	15.00	15.00	15.00	15.00	15.00	90.00
Federal/State Capital	186.00	190.08	129.00	55.00	172.04	236.00	968.12
Transfers from Capital Proceeds	700.00	556.00	650.00	602.00	650.00	650.00	3808.00
Payroll Taxes Inflows	132.20	143.48	167.58	123.57	128.35	132.23	827.41
Seasonal Borrowing	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Other Operating Inflow	281.00	283.00	283.00	283.00	283.00	283.00	1696.00
Total Other Inflows	**1314.20**	**1187.56**	**1244.58**	**1078.57**	**1248.39**	**1316.23**	**7389.53**
Total Inflows	**13048.12**	**8739.08**	**4561.05**	**7721.38**	**6059.97**	**4433.28**	**44562.88**

	Jun-13	Jul-13	Aug-13	Sep-13	Oct-13	Nov-13	Total
Payroll	1339.85	1284.22	1652.08	1243.89	1246.38	1015.81	7782.23
Pensions	662.04	702.96	705.00	704.32	704.97	713.97	4193.26
Social Security	136.14	136.02	133.00	130.18	165.82	128.24	829.40
Health Plan	268.00	295.30	295.30	442.95	295.30	295.30	1892.15
Other PS	94.00	82.06	75.02	68.00	98.00	69.00	486.08
Total PS	**2500.03**	**2500.56**	**2860.40**	**2589.34**	**2510.47**	**2222.32**	**15183.12**
PA	180.00	208.00	194.04	177.00	216.04	195.00	1170.08
MA	703.00	428.00	513.04	757.00	408.10	514.08	3323.22
Other DOSS	172.00	260.04	194.04	181.00	223.08	213.00	1243.16
HHC	49.00	73.04	48.00	57.00	77.00	37.08	341.12
TA	33.80	132.00	109.80	0.00	0.10	0.00	275.70
HA	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Lump Sum	171.00	171.00	171.00	171.00	171.00	171.00	1026.00
Vendor Payments	1325.82	1230.50	1188.03	909.28	1201.42	891.00	6746.05
Other OTPS	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Total OTPS	**2634.62**	**2502.58**	**2417.95**	**2252.28**	**2296.74**	**2021.16**	**14125.33**
City Capital	664.00	579.04	433.00	610.00	476.08	490.00	3252.12
Other Outflow Capital	228.00	233.00	52.00	237.00	74.00	208.08	1032.08
GO Debt Service Funding	0.00	473.00	220.61	83.67	340.98	93.12	1211.38
NYCTFA Debt Service Funding	98.01	0.00	0.00	0.00	0.00	123.56	221.57
Other Debt Service Funding	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Repay Seasonal Borrowing	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Payroll Taxes Outflow	650.70	753.63	533.37	903.42	618.36	503.97	3963.45
Other Outflows	3773.00	248.00	248.00	248.00	248.00	248.04	5013.04
Total Other Outflows	**5413.71**	**2286.67**	**1486.98**	**2082.09**	**1757.42**	**1666.77**	**14693.64**
Total Outflows	**10548.36**	**7289.81**	**6765.33**	**6923.71**	**6564.63**	**5910.25**	**44002.09**
Net Flow	**2499.76**	**1449.27**	**-2204.28**	**797.67**	**-504.66**	**-1476.97**	**560.79**
Ending Balance	**7535.30**	**8984.57**	**6780.29**	**7577.96**	**7073.30**	**5596.33**	**5596.33**