Office of the
New York City Comptroller
Scott M. Stringer
Bureau of Budget
www.comptroller.nyc.gov
(212) 669-2507

The State of the City's Economy and Finances

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SCOTT M. STRINGER
Comptroller

Deputy Comptroller for Budget
Tim Mulligan

Assistant Director for Budget
Suri Grussgott

Bureau Chief
Eng-Kai Tan

Chief Economist
Frank Braconi

Project Coordinator
Manny Kwan

Principal Economist
Farid Heydarpour

Staff
Kettly Bastien
Rosa Charles
Stephen Corson
Peter E. Flynn
Michele Griffin
Michael Hecht
Dahong Huang
Irina Livshits
Andrew McWilliam
Marcia Murphy
Andrew Rosenthal
Orlando Vasquez

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I. Executive Summary

The City is on solid fiscal ground ending FY 2015 with an operating surplus which provided substantial budget relief in FY 2016. The November 2015 Financial Plan for FYs 2016 – 2019 has manageable outyear budget gaps. After accounting for the Comptroller Office's risks and offsets over the duration of the Plan period, the resulting outyear budget gaps remain very close to those of the November Plan.

Last Year's Actual Expenditures as Shown in the Comprehensive Annual Financial Report (CAFR)

As the City benefited from a solid economic performance and realized more tax revenue than was budgeted in FY 2015, it was able to end the fiscal year with an operating surplus. The calculation of how the City ended the fiscal year is finalized with the publication of the CAFR in October. An operating surplus or deficit is calculated by backing out prior-year resources from the current year's budget and accounting for current year resources rolled into the future. FY 2015 achieved an operating surplus of $1.83 billion, meaning the City generated more revenue than it spent in FY 2015. This is the first time since FY 2008 that the City closed the year with an operating surplus.

By reversing the pattern of the previous six years, the City was able to add to its fiscal cushion in FY 2015 which will provide budget relief in FY 2016 and future years. This is a positive development. However, the City's FY 2016 budgetary cushion is $8.7 billion, which is still $1.2 to $6.1 billion below the Comptroller Office's recommended cushion – a range of 12 percent to 18 percent of the adjusted operating budget. Hopefully, the City will continue to add to its cushion in order to be prepared for the next financial downturn.

Economy

The City's economy, as measured by the change in the Gross City Product (GCP), is expected to end 2015 with a 3.4 percent increase over the prior year. This is the sixth consecutive year of steady growth during which the City's economy has averaged annual growth of 2.8 percent, comfortably outpacing the 2.1 percent average national growth rate over this period.

The City's labor market also continued to strengthen in 2015, with the private sector adding 76,000 jobs through the first 10 months of the year. The private sector labor market is within range of topping 100,000 jobs for the third year in a row, a feat that has not been achieved since reliable government statistics became available. While the strong jobs gain is encouraging news, the composition of the jobs is a cause of concern. In the first 10 months of 2015, more than 41 percent of the jobs created were in retail trade, home health care and food services, where workers earn on average about half the average wage of all private sector workers.

Despite the strength of the labor market, wage growth has been weak. According to the Bureau of Labor Statistics (BLS), the average weekly earnings of all private-sector workers grew at an annual rate of 1.0 percent between 3Q08 and 3Q15. The anemic growth reflects both the large proportion of new jobs in low-wage occupations and relatively flat wage growth for existing workers.

Assessment of the November Financial Plan

The City's budget continues to benefit from the improving local economy. Tax collections through October were $657 million above the City's June Plan forecast for the first four months of the fiscal year. The November Plan adds $263 million to the June forecast for FY 2016, bringing the current FY 2016 tax revenue forecast to $52.48 billion.

The additional FY 2016 tax revenues, along with a net increase of $41 million in non-tax revenues and net debt service savings of $32 million, enabled the City to fund additional agency expenses of $183 million, an increase of $18 million to pension contributions and a Budget Stabilization Account to prepay $135 million of FY 2016 Transitional Finance Authority debt service. Overall the City's fiscal outlook in the November Plan remains little changed from the June Plan. The cumulative outyear gaps are $155 million less than projected in June.

However, the Comptroller's Office estimates that cumulative gaps could be slightly smaller than projected in the November Plan. The Comptroller's Office projects a net risk of $125 million to the FY 2016 Budget and net resources of $45 million in FY 2017, $39 million in FY 2018, and $155 million in FY 2019, which if realized would reduce the cumulative gap to $5.96 billion, $114 million less than Plan's projection of $6.07 billion.

The FY 2016 net risk is driven primarily by the Comptroller's Office's estimate of additional pension contributions needed to adopt new mortality rate assumptions as recommended by the City's independent auditor. The Comptroller's Office estimates that the change would result in additional pension contributions of $610 million in FY 2016, $614 million in FY 2017, $619 million in FY 2018, and $627 million in FY 2019. The Office of the Actuary (OA) has recommended its own improvements to mortality assumptions to the Boards of Trustees of the pension systems. The financial impact of the OA's recommendations will not be known until the end of the year.

In the outyears of the Plan, additional revenues and debt service savings identified by the Comptroller's Office exceed the additional pension cost and other expenditure risks from underestimation of public assistance expenditures and overtime and the overestimation of the Department of Education's (DOE) Medicaid reimbursement. As a result, the Comptroller's Office projects additional net resources of $45 million in FY 2017, $39 million in FY 2018, and $155 million in FY 2019.

Headcount

The FY 2016 November Plan projects full-time total-funded headcount in FY 2016 to grow by 12,267 or 4.4 percent to 289,440 employees compared to the end of FY 2015. Between June 30, 2015 and October 31, 2015, the City increased its headcount by 4,984 employees, or 1.8 percent. In order to meet the FY 2016 target, headcount would need to grow by another 2.6 percent or 7,283 employees by June 30, 2016. Meeting the FY 2016 target could be challenging for many agencies. While over 40 percent of the planned FY 2016 Citywide headcount additions have been achieved in the first four months, the overall increase is skewed by strong hiring in just a few agencies including the DOE, the Department of Homeless Services and the Department of Sanitation (DOS).

All other agencies however, have on average achieved only 4.6 percent of the planned increase. Included in this group are agencies that have not only been unable to keep pace with headcount targets in the first four months of FY 2016, but have actually seen drops in headcount since the close of FY 2015. For example, headcount at the Administration for Children Services, Department of Health and Mental Hygiene (DOHMH), and Department of Parks and Recreation (DPR), have experienced declines in staffing levels from June 30, 2015, moving them further away from their FY 2016 targets.

Capital Budget

The City committed $9.26 billion in capital dollars in FY 2015, 65 percent of its authorized level as updated in the May Commitment Plan. This is an improvement over FY 2014 when the City's capital achievement rate was 52 percent. The agencies that improved the most were the DOHMH, Department of Correction, DPR, Human Resources Administration, and Department of Transportation (DOT). The gains in achievement rates in these agencies ranged from 22.9 percentage points to 31.8 percentage points.

With the exception of the DOS, the high achieving agencies from FY 2014 all showed improvements in FY 2015 with DOE improving from 82 percent to 93 percent Department of Environmental Protection from 70 percent to 80 percent, DOT from 62 percent to 85 percent, and Housing Preservation and Development and Housing Authority improving from 59 percent to 63 percent. While DOS's achievement rate dropped by 6.0 percentage points from FY 2014, it remains one of the top five achievers among agencies with commitments of $100 million or more, with an achievement rate of 83 percent.

Table 1. FYs 2016 – 2019 November 2015 Financial Plan

($ in millions)

	FY 2016	FY 2017	FY 2018	FY 2019	Changes FYs 2016 – 2019 Dollar	Changes FYs 2016 – 2019 Percent
Revenues						
Taxes:						
General Property Tax	$22,641	$23,744	$24,747	$25,803	$3,162	14.0%
Other Taxes	$29,101	$29,874	$30,824	$31,805	$2,704	9.3%
Tax Audit Revenues	$740	$711	$711	$711	($29)	(3.9%)
Subtotal: Taxes	$52,482	$54,329	$56,282	$58,319	$5,837	11.1%
Miscellaneous Revenues	$6,738	$6,698	$6,797	$6,851	$113	1.7%
Unrestricted Intergovernmental Aid	$1	$0	$0	$0	($1)	(100.0%)
Less: Intra-City Revenues	($1,928)	($1,772)	($1,782)	($1,776)	$152	(7.9%)
Disallowances Against Categorical Grants	($15)	($15)	($15)	($15)	$0	0.0%
Subtotal: City Funds	$57,278	$59,240	$61,282	$63,379	$6,101	10.7%
Other Categorical Grants	$887	$824	$829	$827	($60)	(6.8%)
Inter-Fund Revenues	$577	$548	$551	$551	($26)	(4.5%)
Federal Categorical Grants	$8,047	$6,910	$6,501	$6,403	($1,644)	(20.4%)
State Categorical Grants	$13,142	$13,367	$13,769	$14,097	$955	7.3%
Total Revenues	$79,931	$80,889	$82,932	$85,257	$5,326	6.7%
Expenditures						
Personal Service						
Salaries and Wages	$25,448	$25,394	$26,693	$28,191	$2,743	10.8%
Pensions	$8,774	$8,818	$8,945	$9,120	$346	3.9%
Fringe Benefits	$9,318	$9,758	$10,328	$11,121	$1,803	19.3%
Subtotal-PS	$43,540	$43,970	$45,966	$48,432	$4,892	11.2%
Other Than Personal Service						
Medical Assistance	$6,282	$6,424	$6,424	$6,424	$142	2.3%
Public Assistance	$1,481	$1,464	$1,464	$1,464	($17)	(1.1%)
All Other	$26,039	$24,451	$24,587	$24,916	($1,123)	(4.3%)
Subtotal-OTPS	$33,802	$32,339	$32,475	$32,804	($998)	(3.0%)
Debt Service						
Principal	$2,002	$2,267	$2,307	$2,282	$280	14.0%
Interest & Offsets	$2,526	$2,240	$2,407	$2,527	$1	0.0%
Subtotal Debt Service	$4,528	$4,507	$4,714	$4,809	$281	6.2%
FY 2015 BSA	($3,524)	$0	$0	$0	$3,524	(100.0%)
FY 2016 BSA	$135	($135)	$0	$0	($135)	(100.0%)
TFA Debt Redemption	($103)	$0	$0	$0	$103	(100.0%)
TFA						
Principal	$766	$728	$887	$926	$160	20.9%
Interest & Offsets	$1,215	$1,491	$1,595	$1,970	$755	62.1%
Subtotal TFA	$1,981	$2,219	$2,482	$2,896	$915	46.2%
Capital Stabilization Reserve	$500	$0	$0	$0		
General Reserve	$1,000	$1,000	$1,000	$1,000	$0	0.0%
	$81,859	$83,900	$86,637	$89,941	$8,082	9.9%
Less: Intra-City Expenses	($1,928)	($1,772)	($1,782)	($1,776)	$152	(7.9%)
Total Expenditures	$79,931	$82,128	$84,855	$88,165	$8,234	10.3%
Gap To Be Closed	**$0**	**($1,239)**	**($1,923)**	**($2,908)**	**($2,908)**	**N/A**

Table 2. Plan-to-Plan Changes
November 2015 Plan vs. June 2015 Plan

($ in millions)

	FY 2016	FY 2017	FY 2018	FY 2019
Revenues				
Taxes:				
General Property Tax	$52	$47	$42	$34
Other Taxes	$182	$78	$166	$185
Tax Audit Revenues	$29	$0	$0	$0
Subtotal: Taxes	$263	$125	$208	$219
Miscellaneous Revenues	$199	$14	$12	$7
Unrestricted Intergovernmental Aid	$1	$0	$0	$0
Less: Intra-City Revenues	($159)	($9)	($8)	($7)
Disallowances Against Categorical Grants	$0	$0	$0	$0
Subtotal: City Funds	$304	$130	$212	$219
Other Categorical Grants	$31	($22)	($22)	($21)
Inter-Fund Revenues	$2	$2	$3	$2
Federal Categorical Grants	$901	$32	$26	$28
State Categorical Grants	$165	$18	$14	$14
Total Revenues	$1,403	$160	$233	$242
Expenditures				
Personal Service				
Salaries and Wages	$57	($49)	($98)	($116)
Pensions	$19	$99	$175	$252
Fringe Benefits	$40	$0	$1	($1)
Subtotal-PS	$116	$50	$78	$135
Other Than Personal Service				
Medical Assistance	($44)	$0	$0	$0
Public Assistance	$0	$0	$0	$0
All Other	$1,407	$135	$174	$189
Subtotal-OTPS	$1,363	$135	$174	$189
Debt Service				
Principal	($229)	($43)	$24	$55
Interest & Offsets	$215	($68)	($58)	($102)
Subtotal Debt Service	($14)	($111)	($34)	($47)
FY 2015 BSA	$30	$0	$0	$0
FY 2016 BSA	$135	($135)	$0	$0
TFA Debt Defeasance	$0	$0	$0	$0
TFA Debt Service				
Principal	$70	($143)	($2)	($245)
Interest & Offsets	($138)	$147	$41	$272
Subtotal TFA	($68)	$4	$39	$27
Capital Stabilization Reserve	$0	$0	$0	$0
General Reserve	$0	$0	$0	$0
	$1,562	($57)	$257	$304
Less: Intra-City Expenses	($159)	($9)	($8)	($7)
Total Expenditures	$1,403	($66)	$249	$297
Gap To Be Closed	**$0**	**$226**	**($16)**	**($55)**

Table 3. Risks and Offsets to the November 2015 Financial Plan

($ in millions)

	FY 2016	FY 2017	FY 2018	FY 2019
City Stated Gap	**$0**	**($1,239)**	**($1,923)**	**($2,908)**
Tax Revenues				
Property Tax	($13)	$195	$376	$750
Personal Income Tax	$210	$483	$508	$544
Business Taxes	$54	($13)	($44)	($77)
Sales Tax	$72	$87	$98	$93
Real-Estate-Related Taxes	$216	$94	($73)	($301)
Subtotal	**$539**	**$846**	**$865**	**$1,009**
Bus Lane Camera Fines	**$0**	**$21**	**$19**	**$17**
Speed Camera Revenues	**$10**	**$0**	**$0**	**$0**
Expenditures				
Pension Contributions[a]	($610)	($614)	($619)	($627)
Overtime	($153)	($175)	($175)	($175)
Universal Pre-Kindergarten Funding	$0	($21)	($21)	($21)
DOE Medicaid Reimbursement	($80)	($80)	($80)	($80)
Public Assistance	$0	($20)	($20)	($20)
Variable Rate Demand Bond Savings	$169	$88	$70	$52
Subtotal	**($674)**	**($822)**	**($845)**	**($871)**
Total Net (Risks)/Offsets	**($125)**	**$45**	**$39**	**$155**
Restated (Gap)/Surplus	**($125)**	**($1,194)**	**($1,884)**	**($2,753)**

[a] The Comptroller's Office's estimate of pension contribution risk applies the mortality assumptions proposed by the independent auditor. However, the changes recommended by the Office of the Actuary (OA) differ from those recommended by the independent auditor. The financial impact of applying the OA's new mortality assumptions will not be known until the end of the year.

II. State of the City's Economy

New York City has enjoyed six consecutive years of steady economic growth, enabling it to repair its fiscal condition after a disastrous recession in 2008-2009 and diversify its economy away from an over-reliance on financial services. During these years, it has far out-paced the nation in its rate of job creation and its unemployment rate has nearly returned to pre-recession levels. Residential and commercial construction activity has also returned to pre-recession levels and, in some areas of the city, real estate values now surpass their previous cyclical peaks.

Nevertheless, economic growth has not been robust enough to repair all of the damage caused by the financial crisis and recession, much less to rectify the historical inequalities and disadvantages that existed prior to those events. The wages of the average New Yorker have continued to stagnate and the city's poverty rate remains nearly three percentage points above its 2008 level. The number of New Yorkers receiving food stamps is up by over one-third since 2008 and the number residing in homeless shelters is near an all-time high.

New York City's economy is expected to continue to grow at a moderate rate in 2016. Job creation should roughly match labor force growth, resulting in a stable unemployment rate. Although wage growth may improve somewhat due to the lagged effects of a tighter labor market, the increase in average household income is unlikely to provide many New York families relief from the cost-of-living pressures they have experienced in recent years. However, continued real estate value growth and transaction activity and generally stable conditions in financial markets should provide the City reasonable revenue growth in 2016 and beyond.

A. NYC'S ECONOMIC PERFORMANCE IN 2015

The City's economy, as measured by the change in the city's gross product, is estimated to have grown by 3.4 percent in 2015, compared to its 2.1 percent rate of expansion in 2014. Over the six full years of recovery since the 2008-2009 recession, the City's economy has grown at an annual rate of 2.8 percent, convincingly outpacing the 2.1 percent national rate of growth.

The city's labor market has continued to strengthen in 2015. After adding 104,600 private jobs from December 2013 to December 2014, the city's private employers added another 76,000 jobs in the first 10 months of 2015. If typical seasonal patterns hold, 2015 may be the third consecutive year in which the city's private sector adds over 100,000 jobs—the first time that will have happened since reliable employment statistics became available. In October 2015, the city maintained 3.68 million private-sector jobs, nearly 435,000 more than the previous peak total reached in August 2008.

The city's leading job generator in 2015 was health care, which by October, increased employment by 32,900, on a year-over-year basis. The increase in health care employment this year is far larger than the annual increase the industry had been posting for the past decade, indicating that the surge of hiring was related to the implementation of the Patient Protection and Affordable Care Act. About half of the increase in health care employment occurred in home health care services, which has added 16,600 employees this year and more than 50,000 over the past five years. However, hospitals also added 5,500 employees on a year-over-year basis and physician offices added 3,800.

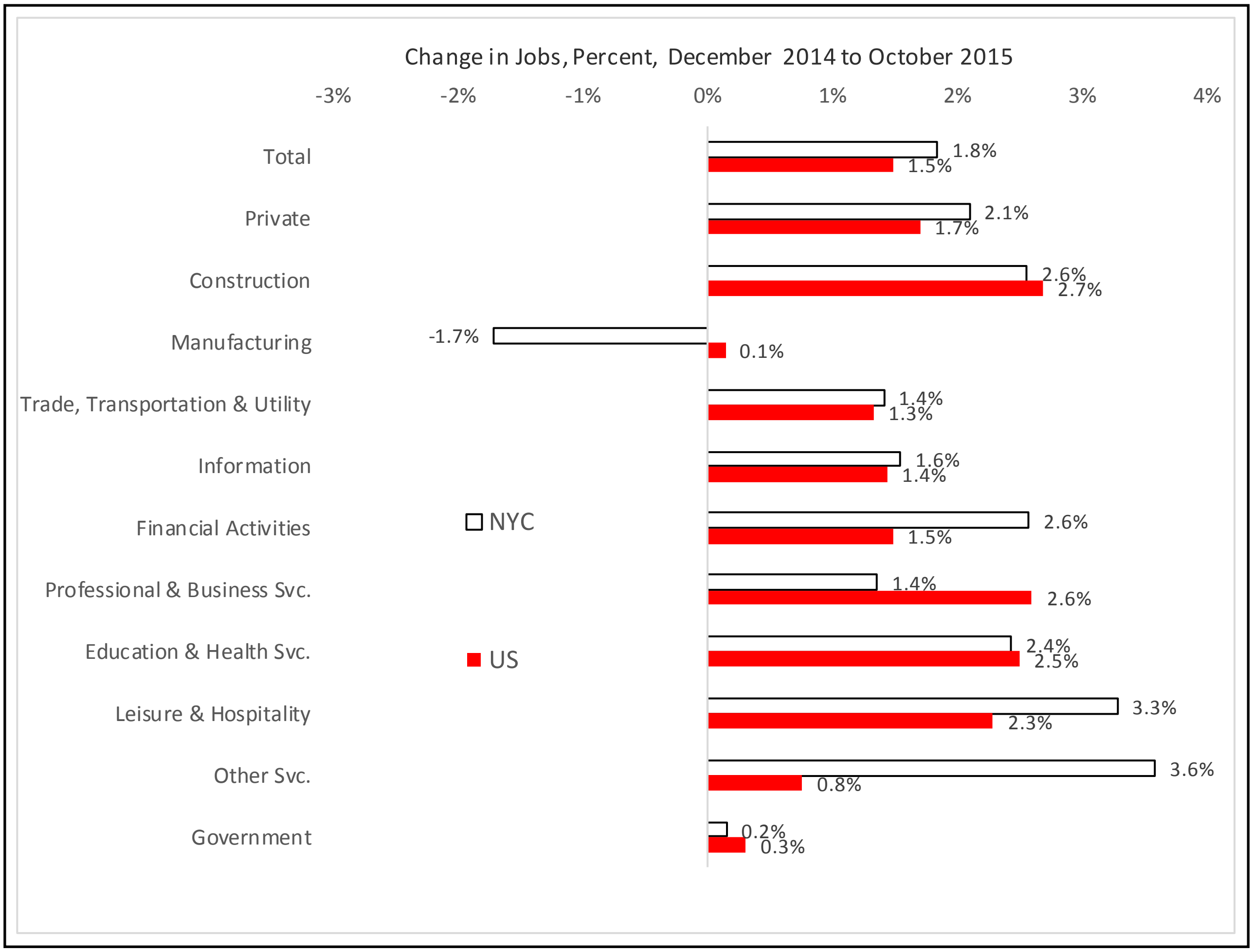
Retail trade and food services also continued to be important generators of new jobs. In October 2015, retail trade and food service employment was up by over 20,000 compared to the previous October. However, the increase was not as large as in previous years and it has decreased for three consecutive years. Although increases in tourism and changing lifestyles can contribute to expansions in the retail and food sectors independent of changes in the incomes of resident New Yorkers, generally the growth of those sectors is linked to job creation and income growth in other sectors of the local economy. It is probable that the recent rapid growth in those industries will taper off and converge to the growth rate of overall city employment in the coming years.

Conventional regional economic analysis suggests that growth in local service sectors such as health care, retail trade and food service is linked to growth in the industries that serve a national or global clientele and are therefore not dependent on demand provided by local population and income growth. Since the end of the recession New York's "export industries" have done very well and they continued to enjoy competitive success in 2015. The city's accounting, architectural, engineering and computer systems firms continued to expand employment, while its advertising industry continues to benefit from the emergence of new media technologies. Over the past ten years New York City's advertising and related services employment has grown from 11 percent to 15 percent of the nation-wide industry total.

The financial industry is the city's second-largest employer and by far the largest source of wage and salary income. Although the industry's share of all wages and salaries paid in the city has declined from its peak level prior to the recession, it still accounted for close to 28 percent of all wages in 2014. With New York Stock Exchange (NYSE) member firm profits up by 23 percent through the first three quarters of 2015, the securities industry's share of total private wages paid should again approach one-fifth. During the first ten months of the year, the financial industry's employment levels in the city were running about 8,000 jobs above the levels of the previous year, indicating that 2015 will be the second consecutive year in which finance industry employment grows.

Chart 1 shows job growth by major industry sector for the city and for the United States, from December 2014 through October 2015.

***Chart 1.* Change in NYC and U.S. Payroll Jobs, First 10 Months of 2015**



SOURCE: Monthly Data from U.S. Department of Labor and NYC Comptroller's Office.

Overall, the composition of the city's job growth remains a concern. In 2014, 30.2 percent of all new payroll jobs created were in retail trade, home health care or food services. Through the first ten months of the year, 41.1 percent of the new jobs created in 2015 have been in those three industries. Workers in those industries earn, on average, about 50 percent of the average for all private-sector workers in the city.

The City's robust job creation has produced a significant improvement in the unemployment rate. The city's unemployment rate has averaged 6.0 percent in the first ten months of 2015, 1.3 percentage points lower than during the corresponding months of 2014. In October the unemployment rate dipped to a seasonally-adjusted 4.8 percent, the lowest rate since February 2007 and the first time it dipped below the national rate since.

During much of the recovery, the city's unemployment rate remained higher than the national rate despite strong local job creation. That is attributable to the very rapid increase in the size of the city's labor force, which grew by about 278,000 between June 2010 and June 2015. About two-thirds of that increase was attributable to the city's growing population of working-age people, and about one-third to a rising labor force participation rate. For reasons that are not yet apparent, the city's labor force participation rate has dropped by about one percentage point since June, causing the size of the labor force to contract and the measured unemployment to fall.

While the City's economy has generated a large number of new jobs, it has not provided rapid wage increases to existing workers. According to the Bureau of Labor Statistics (BLS), the average weekly earnings of all private-sector workers in the city increased at only a 1 percent annual rate between 3Q2008 and 3Q2015, which represents a decline in real average incomes when inflation is factored in. The slow growth in average weekly earnings reflects, to some extent, the large proportion of new jobs that have been created in low-wage occupations, but it also implies relatively flat wage growth for existing workers.

There is some evidence in the BLS data and in New York City personal income tax collections that the rate of wage growth has picked up in recent months, which would be expected at this stage of the business cycle with the unemployment rate dipping below 5 percent. However, eight years of wage stagnation has left the average New York City worker's income far below the historical trend line of real income growth.

B. ECONOMIC OUTLOOK

Economic growth is expected to continue in both the nation and the city during the rest of 2015 and through 2016. Full-year national economic growth may even be slightly faster in 2016 if another first-quarter growth pause can be avoided. The city's economic growth rate is projected to slow somewhat in 2016, but it should still match or exceed the 2.6 percent average annual growth it has experienced since 1980.

Between 1990 and 2010, Federal consumption expenditures and gross investment added about 0.11 percentage points, on average, to annual GDP growth. Since 2010, when Republicans gained control of the House of Representatives, Federal fiscal policy has turned sharply contractionary; the slowdown in Federal spending has subtracted, on average, about 0.26 percentage points from annual GDP growth. Moreover, the two-week Federal government shutdown in 2013 and repeated face-offs between the President and Congress over the Federal debt ceiling have impinged business and consumer confidence, with unmeasurable impacts on the economy.

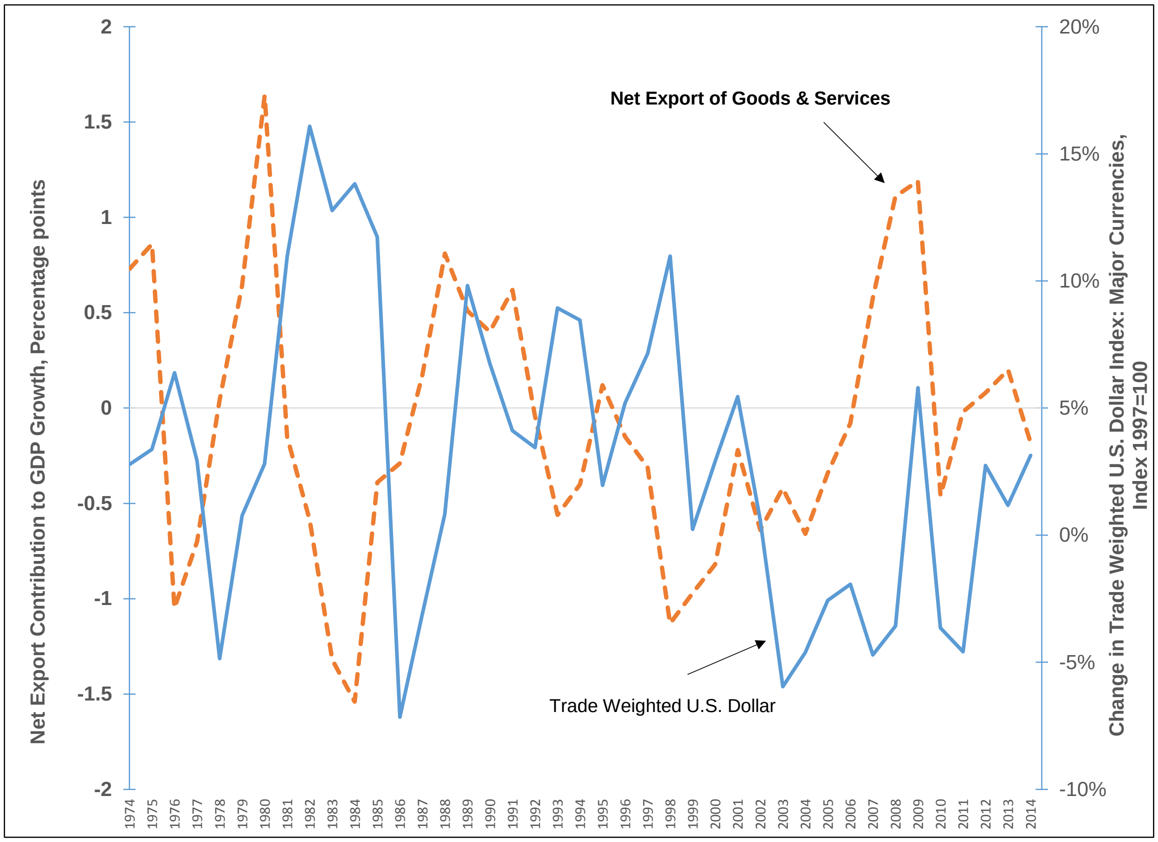
Fortunately, such risks have been largely removed from the short-term economic outlook. The Bipartisan Budget Act of 2015 was signed by the President on November 2, 2015. Among other things, the Act suspends the debt limit until March 2017. It also provides spending authority for the Federal government through September 30, 2017 and raises the annual discretionary spending caps for 2016 and 2017 by approximately $80 billion, equally split between defense and non-defense spending. Afterward, in Federal fiscal year 2018, which begins on October 1, 2017, the annual spending caps known as "sequester" will resume unless the law is again modified.

The Comptroller's Office calculates that the spending limits authorized by the Bipartisan Budget Act imply that Federal fiscal policy will be roughly neutral in 2016 and 2017, neither helping to slow nor accelerate the national economy.

While Federal fiscal policy will be shifting from contractionary to neutral, the Federal Reserve's monetary policy will become more constraining. The Comptroller expects that the Federal Open Market Committee will vote to begin to "normalize" interest rates at its December meeting. The first increase in the Federal funds target rate has been widely anticipated and is unlikely to roil financial markets, but the Fed's future pace of normalization remains unknown. The Comptroller's Office believes that the Fed is comfortable with a rate of GDP growth of 2.0 to 3.0 percent and that it will raise short-term interest rates steadily as long as that rate of growth is sustained, bringing overnight bank lending rates to 2.0 percent by the end of 2017.

Higher interest rates should help keep the exchange value of the dollar strong. Since the beginning of 2014, the dollar has appreciated by 17 percent against major currencies, and that has already had a tempering effect on national economic growth. Net exports of goods and services, which contributed positively to U.S. economic growth in 2012 and 2013, subtracted about 0.2 percentage points from GDP growth in 2014 and approximately 0.6 percentage points in 2015. With a slowdown in the economic growth in emerging markets now apparently occurring, the headwinds created by a strong dollar will continue to constrain U.S. growth. Chart 2 shows the relationship between the change in the U.S. dollar and the contribution of the net export to GDP growth from 1974 to 2014.

***Chart 2*. Annual Change in the Trade Weighted U.S. Dollar and the Net Export Contribution to GDP Growth, 1974 to 2014**



SOURCE: U.S. Department of Labor and Federal Reserve Bank of St. Louis.

The Comptroller's Office also believes that domestic household demand will prove sensitive to interest rate increases. Personal consumption spending has gained strength since 2014 and has resumed its historic role as the primary driver of GDP, but much of the strength has been in durable goods purchases, especially autos, sales of which are interest sensitive. Auto sales in 2015 ran about 70 percent above their 2009 rate, and from 3Q14 through 3Q15, motor vehicle loans accounted for about 37 percent of the growth in overall consumer credit. However, much of the pent-up demand for new vehicles has now been satisfied and increases in loan rates may serve to curtail discretionary vehicle purchases, especially among shoppers who are only marginally qualified for loans.

The recovery of the national housing market has also been more fragile than was expected several years ago, making it vulnerable to interest rate increases. Although homes prices nationally have recovered over 87 percent of their peak value, new housing construction has remained historically weak. New housing starts will total about 1.1 million in 2015, still about 20 percent below their 35-year historical average. Throughout the recovery, new and existing home sales have been responsive to fluctuations in mortgage rates, suggesting that increases in mortgage rates of 100 basis points or more will have a chilling effect on residential construction and new and existing home sales activity.

Despite the cautionary factors regarding key drivers of economic growth, there have been no tangible signs that this economic expansion has exhausted itself or that those factors will push the economy below "stall speed." The Comptroller's Office expects that during 2016 the economy will expand much as it has in the previous several years, and that beyond 2016 it will gradually converge to its long-term rate of growth. Whether its long-term growth rate has been impaired by the hysteresis effects of the recent recession, or whether technological developments have turned less favorable toward rapid growth, are currently hotly debated issues among economists and forecasters. Nevertheless, U.S. economic growth has exceeded 3.0 percent in only two of the past fifteen years, and it appears increasingly unlikely that this growth threshold will be attained during the present expansion.

Table 4 provides summary projections for five NYC and U.S. indicators from 2015 to 2019.

Table 4. Selected NYC and the U.S. Economic Indicators, Annual Averages, Comptroller and Mayor's Forecasts, 2015 – 2019

		2015	2016	2017	2018	2019
NYC						
Real GCP, (2009 $),	Comptroller	3.4	2.7	2.6	2.4	2.2
Percent Change	Mayor	1.4	1.8	1.9	2.0	2.0
Payroll Jobs,	Comptroller	100	64	64	58	58
Change in Thousands	Mayor	92	61	55	59	54
Inflation Rate	Comptroller	0.1	1.3	2.2	2.4	2.5
Percent	Mayor	0.4	1.9	2.4	2.7	2.6
Wage-Rate Growth,	Comptroller	0.5	1.9	2.2	2.3	2.4
Percent	Mayor	0.7	2.3	2.8	2.9	3.1
Unemployment Rate,	Comptroller	5.9	5.5	5.6	5.7	5.6
Percent	Mayor	NA	NA	NA	NA	NA
U.S.		**2015**	**2016**	**2017**	**2018**	**2019**
Real GDP, (2009 $),	Comptroller	2.5	2.6	2.7	2.3	2.1
Percent Change	Mayor	2.5	2.6	2.8	2.8	2.8
Payroll Jobs,	Comptroller	2.9	2.4	2.1	2.0	2.0
Change in Millions	Mayor	2.9	2.2	2.0	1.8	1.4
Inflation Rate	Comptroller	0.0	1.0	1.9	2.2	2.3
Percent	Mayor	0.2	1.7	2.2	2.6	2.5
Fed Funds Rate,	Comptroller	0.1	0.7	1.4	2.8	3.6
Percent	Mayor	0.2	0.9	1.9	2.9	3.3
10-Year Treasury Notes,	Comptroller	2.1	2.5	3.2	3.9	4.5
Percent	Mayor	2.2	2.8	3.0	3.4	3.6

SOURCE: Comptroller = forecast by the NYC Office of the Comptroller. Mayor = forecast by the NYC Office of Management and Budget in the November 2015 Financial Plan. GCP = Gross City Product. NA = not available.

III. The City's Fiscal Outlook

The November 2015 Financial Plan added $1.4 billion to the FY 2016 Budget since the Adopted Budget in June, bringing the total FY 2016 budget to $79.93 billion. In the outyears of the Plan, since June, revenue forecasts are increased by $160 million in FY 2017, $233 million in FY 2018 and $242 million in FY 2019, while expenditure projections are reduced by $66 million in FY 2017, increased by $249 million in FY 2018 and $297 million in FY 2019. The bulk of the increase in FY 2016 is due to $901 million in additional Federal categorical aid reflecting the rollover of unused Federal grants from FY 2015, primarily Federal Homeland Security and Sandy-related grants and State asset forfeitures as discussed in "Federal and State Aid", beginning on page 24.

The fiscal outlook in the November Plan remains little changed from the June 2015 Plan. The FY 2017 gap is $226 million smaller than projected in June, but the gaps in FYs 2018 and 2019 are $16 million and $55 million larger, respectively, resulting in a decrease of $155 million to the cumulative outyear gap.

Approximately 60 percent of the reduction to the FY 2017 gap is due to a planned prepayment of $135 million of Transitional Finance Authority (TFA) debt service from the FY 2016 Budget Stabilization Account (BSA). As Table 5 shows, the FY 2016 BSA was made possible due to a $304 million increase to the FY 2016 City-funds revenue estimate. Upward revisions of $52 million to property tax, $204 million to personal income tax (PIT), and $129 million to real-estate-related tax revenues account for most of the increase in City-funds revenues. The higher estimates for these tax revenues reflect higher collections through September than projected in the June 2015 forecast. All other tax revenue shows a net decrease of $151 million.

FY 2016 City-funds expenditure estimates are $169 million higher than in the Adopted Budget due to an increase of $183 million and $18 million in agency expenses and pension contributions, respectively, and a decrease of $30 million in the FY 2015 prepayment of FY 2016 expenses, offset by $62 million in debt service savings.[1] The increase to pension contributions in FY 2016 reflects the additional costs of proposed improvements to accidental disability benefits for uniformed employees, discussed in greater detail in "Pensions" beginning on page 28.

The reduction to the FY 2015 prepayments results from the shifting of $77 million earmarked in the June Plan to prepay PIT-supported TFA debt service to prepay building aid revenue bond (BARB)-supported TFA debt service. BARB-supported TFA debt service is not included in the General Fund and, as such the prepayment of TFA BARB debt service does not provide budget relief in the General Fund. The loss of the TFA PIT debt service prepayment is partially offset by $47 million of net equity contribution in bond refunding in FY 2015, which reduces FY 2016 debt service by an equal amount.

[1] Agency expenditure changes exclude changes in agency spending due to transfers from the labor reserve to the agencies to fund wage increases.

Table 5. Changes to the June Plan City-Fund Estimates

($ in millions, negative numbers increase the gap)

	FY 2016	FY 2017	FY 2018	FY 2019
June 2015 Financial Plan Gap	**$0**	**($1,465)**	**($1,907)**	**($2,853)**
Revenues				
Property Tax	$52	$47	$42	$34
Personal Income Tax	204	171	260	271
Real-Estate-Related Tax	129	91	98	172
Audit	29	0	0	0
All-Other	(151)	(184)	(192)	(258)
Total Tax	$263	$125	$208	$219
Other non-Tax Revenues	41	5	4	0
Total Revenues	**$304**	**$130**	**$212**	**$219**
Expenditures				
Debt Service	$62	$86	($26)	($1)
FY 2015 BSA and Transfer	(30)	0	0	0
Pensions	(18)	(99)	(175)	(252)
Agency Expenses	(183)	(26)	(27)	(21)
Total Expenditures	**($169)**	**($39)**	**($228)**	**($274)**
Additional Resources/Obligations	$135	$91	($16)	($55)
FY 2016 BSA	($135)	$135	$0	$0
November 2015 Financial Plan Gap	**$0**	**($1,239)**	**($1,923)**	**($2,908)**

More than half of the additional agency expenditures stem from increases to the Department of Homeless Services (DHS) whose budget increased by $88 million and from the Department of Correction (DOC) whose budget increased by $24 million. Changes to the DHS expenditure estimate reflects increases of $59 million to Adult Shelter and $29 million to Family Shelter contractual services. Changes to DOC expenditures were due primarily to a net increase of $15 million to personal services (PS) expenditures and a $7 million increase in consulting services spending.

While the November Plan projects additional resources of $135 million to roll from FY 2016 into FY 2017, the Comptroller's Office expects the City to end the fiscal year with a significantly larger budget surplus. This is because the FY 2016 Budget includes a General Reserve of $1 billion and a $500 million Capital Stabilization Reserve, which if not utilized within the fiscal year will add $1.5 billion to the budget surplus. In addition, at the end of the fiscal year the City typically writes down prior-year accruals which have historically yielded additional resources.

In the November 2015 Plan, the projected FY 2015 budget surplus was $105 million. However, FY 2015 closed with excess resources of $3.606 billion of which $3.601 billion was used to prepay FY 2015 debt service and $5 million left as the reported surplus. The additional resources exceeded the reduction in FY 2015 expenses from prior-year actions, resulting in an operating surplus. The prior-year actions include a $2.006 billion prepayment of FY 2015 debt service in FY 2014, a TFA bond defeasance in FY 2013 which reduces FY 2015 TFA debt service by $99 million and adjustments to prior-years' accruals which resulted in a net budget relief of $623 billion for FY 2015.

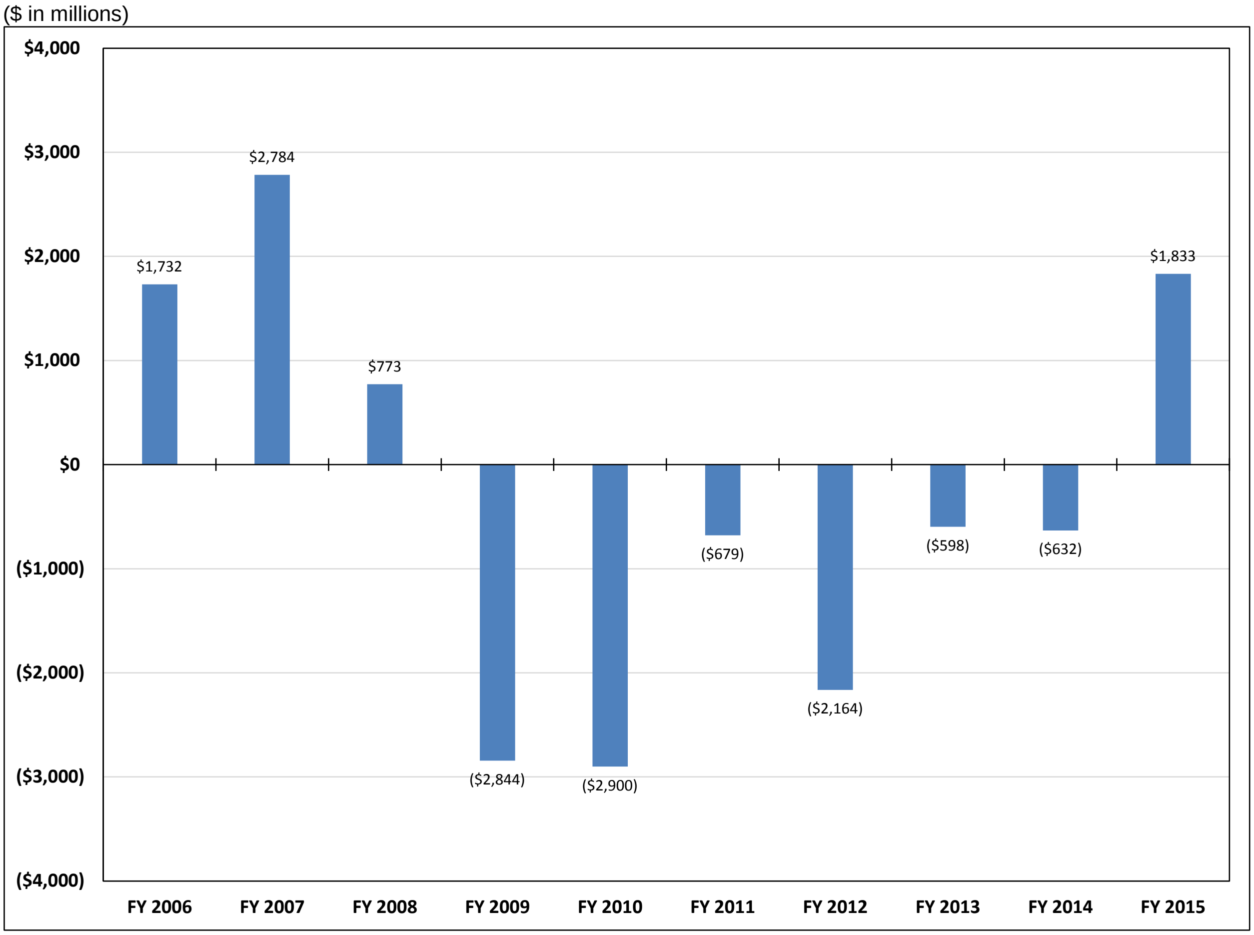
In addition to prepaying $3.601 billion of debt service, the City deposited $955 million above the cost of FY 2015 health insurance into the Retiree Health Benefits Trust (RHBT). As shown in Table 6, after adjusting for prepayments and prior-year actions, FY 2015 shows an operating surplus of $1.83 billion. As Chart 3 shows, this is the first operating surplus after six consecutive years of operating deficits.

Table 6. FY 2015 – FY 2018 November 2015 Financial Plan

($ in millions)

FY 2015 Budget Surplus	**$3,606**
RHBT Deposit	955
FY 2014 Prepayment	($2,006)
FY 2013 TFA Defeasance	($99)
Prior-Year Estimates	($623)
FY 2015 Operating Surplus	**$1,833**

Chart 3. ***Operating Surplus/(Deficit)***



In the outyears, projected City-funds expenditures are above the June 2015 Financial Plan by $39 million, $228 million, and $274 million in FYs 2017, 2018, and 2019, respectively. The increases in the outyears are mainly a result of higher pension contributions due to the additional cost resulting from the pension investment return shortfall in FY 2015 and the continuing cost of improved accidental disability benefits for uniformed employees hired on or after July 1, 2009. Pension contributions in the June 2015 Plan were estimated based on the assumption that pension investments will earn the statutorily assumed Actuarial Interest Rate Assumption (AIRA) of 7.0 percent. FY 2015 pension investments earned 3.4 percent and the November Plan includes additional pension contributions of $73 million in FY 2017, $146 million in FY 2018, and $219 million in FY 2019 to fund the investment shortfall. In addition, the additional cost from the proposed improvements to accidental disability benefits for affected uniformed employees increases to $26 million in FY 2017, $29 million in FY 2018, and $33 million in FY 2019.

RISKS AND OFFSETS

The Comptroller's Office estimates that over the Plan period the City could have additional resources above those projected in the November Plan. These resources stem from the Comptroller's Office's tax revenue forecasts which are above the City's projections. The Comptroller's Office projects that tax revenues will be above the City's projections by $539 million in FY 2016, $846 million in FY 2017, $865 million in FY 2018, and $1.01 billion in FY 2019, as shown in Table 7. In addition the Comptroller's Office estimates that bus lane and speed camera fine revenues combined, will be above Plan projections by $10 million in FY 2016, $21 million in FY 2017, $19 million in FY 2018 and $17 million in FY 2019.

Table 7. Risks and Offsets to the November 2015 Financial Plan

($ in millions)

	FY 2016	FY 2017	FY 2018	FY 2019
City Stated Gap	**$0**	**($1,239)**	**($1,923)**	**($2,908)**
Tax Revenues				
Property Tax	($13)	$195	$376	$750
Personal Income Tax	$210	$483	$508	$544
Business Taxes	$54	($13)	($44)	($77)
Sales Tax	$72	$87	$98	$93
Real-Estate-Related Taxes	$216	$94	($73)	($301)
Subtotal	**$539**	**$846**	**$865**	**$1,009**
Bus Lane Camera Fines	**$0**	**$21**	**$19**	**$17**
Speed Camera Revenues	**$10**	**$0**	**$0**	**$0**
Expenditures				
Pension Contributions[a]	($610)	($614)	($619)	($627)
Overtime	($153)	($175)	($175)	($175)
Universal Pre-Kindergarten Funding	$0	($21)	($21)	($21)
DOE Medicaid Reimbursement	($80)	($80)	($80)	($80)
Public Assistance	$0	($20)	($20)	($20)
Variable Rate Demand Bond Savings	$169	$88	$70	$52
Subtotal	**($674)**	**($822)**	**($845)**	**($871)**
Total Net (Risks)/Offsets	**($125)**	**$45**	**$39**	**$155**
Restated (Gap)/Surplus	**($125)**	**($1,194)**	**($1,884)**	**($2,753)**

[a] The Comptroller's Office's estimate of pension contribution risk applies the mortality assumptions proposed by the independent auditor. However, the changes recommended by the Office of the Actuary (OA) differ from those recommended by the independent auditor. The financial impact of applying the OA's new mortality assumptions will not be known until the end of the year.

However, risks to the City's expenditure estimates in the November Plan offset a significant part of the Comptroller's Office's additional revenue estimates. The largest risk stems from additional pension contributions that would be required to fund a change in the actuarial assumption of post-retirement mortality. As discussed in "Pensions" beginning on page 28, a Charter-mandated independent auditor recently completed a second actuarial audit of the City's actuarial pension systems, and among its recommendations was the adoption of new mortality tables to reflect observed and anticipated improvements in mortality. The Chief Actuary (the Actuary) of the Office of the Actuary (OA) has proposed new sets of tables of post-retirement mortality to the Boards of Trustees of each retirement system for use in determining employer contributions beginning in FY 2016. The new sets of tables replace the mortality improvement scale currently in use with the mortality improvement scale published by the Society of Actuaries' Retirement Plans Experience Committee in October 2015. The financial impact of adopting the new mortality assumptions will not be known until the OA releases its Updated Preliminary FY 2016 appropriation letters to the boards at the end of the year. The Comptroller's Office did a preliminary estimate of the potential impact on contributions based on the independent auditor's mortality recommendations. The Comptroller's Office's preliminary estimates indicate that the auditor's recommended mortality improvements would result in additional pension contributions of $610 million in FY 2016, $614 million in FY 2017, $619 million in FY 2018, and $627 million in FY 2019. However, it is likely that the financial impact resulting from the OA's recommendations will differ

Other risks identified by the Comptroller's Office to the City's expenditure estimates are projections for overtime spending, Medicaid reimbursement to the Department of Education (DOE) and Public Assistance (PA). The Comptroller's Office estimates that overtime spending will exceed the City's estimate by $153 million in FY 2016 and $175 million in each of the outyears of the Plan, while DOE's Medicaid reimbursement will fall short of the City's projections by $80 million annually over the Plan period. Also, based on caseload trends, the Comptroller's Office estimates that PA spending could be above the City's projections by $20 million annually beginning FY 2017.

Overall, the Comptroller's Office estimates that City-funds expenditures could be above the Plan's projections by $674 million in FY 2016, $822 million in FY 2017, $845 million in FY 2018, and $871 million in FY 2019. These expenditure risks combined with the additional resources projected by the Comptroller's Office result in a net risk of $125 million in FY 2016, and net resources of $45 million in FY 2017, $39 million in FY 2018, and $155 million in FY 2019. However, the FY 2016 Budget includes a BSA balance of $135 million which offsets the FY 2016 risk. In addition, FY 2015 has a General Reserve of $1 billion which safeguards against any unexpected expenditures that are incurred later in the fiscal year.

IV. Revenue Assumptions

The November Financial Plan projects that total revenues will grow by $5.33 billion, from $79.93 billion in FY 2016 to $85.26 billion in FY 2019. City-fund revenues are expected to decline by 1.3 percent in FY 2016 after growing by 7.5 percent in FY 2015. The reduction is mostly due to a loss of non-recurring revenues and to a conservative tax revenue forecast in FY 2016. The City assumes tax revenues will grow by just 1.0 percent in FY 2016, after reaching a record $51.94 billion in FY 2015 when tax collections grew by 7.4 percent on a year-over-year basis. The City projects growth in tax collections to accelerate in FYs 2017 – 2019 as growth in non-property tax revenue resumes. Property tax revenues are projected to grow 14 percent over the Plan period from $22.64 billion in FY 2016 to $25.80 billion in FY 2019, while non-property tax revenues are expected to grow 9.0 percent from $29.84 billion in FY 2016 to $32.52 billion in FY 2019.[2]

Miscellaneous revenues, excluding intra-City revenue, are expected to decline 24 percent to $4.81 billion in FY 2016 as projected non-recurring revenues decline. Total miscellaneous revenues are estimated to grow 5.5 percent over the Plan period to $5.08 billion in FY 2019.

The November 2015 Financial Plan projects total Federal and State aid at $21.19 billion in FY 2016. The current forecast reflects an increase of $1.07 billion in FY 2016 since the Adopted Budget. The increase is primarily in Federal Community Development Block Grant (CDBG) disaster relief funds and other federal funds that were originally forecast for FY 2015 and are now expected in FY 2016. The November Modification also recognized $153 million in Federal and State asset forfeitures from a settlement with BNP Paribas. In the outyears, Federal and State aid are expected to reach a combined $20.28 billion in FY 2017, $20.27 billion in FY 2018 and $20.5 billion in FY 2019. This trend mainly reflects the City's expectation of education aid increases from the State.

Tax Revenues

The November 2015 Plan raised the FY 2016 tax revenue forecast by a net $263 million to $52.48 billion. Projections for all major tax revenues were revised to reflect year-to-date collections and an improved outlook for tax revenues in the outyears, led primarily by higher projections for the PIT. Tax revenues are expected to grow from $52.48 billion in FY 2016 to $58.32 billion in FY 2019.

Changes to the City's Tax Revenue Forecasts

As Table 8 shows, total tax revenue projections for FY 2016 increased by a net $263 million since the June Plan. The largest tax revenue forecast increases are the PIT ($204 million) and the combined real-estate-related taxes i.e., the Real Property Transfer

[2] If not indicated specifically, throughout this section, PIT and Property tax revenues include School Tax Relief (STAR) reimbursement.

Tax (RPTT), and the Mortgage Recording Tax (MRT), which increased by a net $129 million. The FY 2016 projection for business taxes i.e., the General Corporation (GCT), the Banking Corporation Tax (BCT) and the Unincorporated Business Tax (UBT), was revised downward by a net $156 million. The City's revision to the FY 2016 tax revenue projections carry over throughout the Plan period netting increases of $125 million in FY 2017, $208 million in FY 2018 and $219 million in FY 2019.[3]

Table 8. Revisions to the City's Tax Revenue Assumptions November 2015 vs. June 2015

($ in millions)

	FY 2016	FY 2017	FY 2018	FY 2019
June 2015 Financial Plan - Total	**$52,219**	**$54,204**	**$56,074**	**$58,100**
Revisions:				
Property	52	47	42	34
Personal Income (PIT)	204	171	260	271
Business	(156)	(137)	(130)	(190)
Sales	(32)	(47)	(61)	(66)
Real-Estate Related	129	91	98	172
All Other	37	0	(1)	(2)
Audit	29	0	0	0
Revisions -Total	$263	$125	$208	$219
November 2015 Financial Plan - Total	**$52,482**	**$54,329**	**$56,282**	**$58,319**

SOURCE: NYC Office of Management and Budget.

Projected Tax Revenue Growth, FYs 2016 – 2019

The City projects total tax revenues will grow from $51.94 billion in FY 2015 to $58.32 billion in FY 2019, representing an average annual growth rate of 2.9 percent. As shown in Table 9, the current Plan assumes growth in tax revenues will slow to 1.0 percent in FY 2016, down from 7.4 percent growth in FY 2015 before rebounding in FY 2017 as collections from non-property tax revenues are expected to improve. The restrained growth forecast for FY 2016, which serves as a base for tax revenue growth in the outyears, results in conservative estimates of tax revenue throughout the Plan period. The City's economy, as measured by the change in the GCP, grew at an annual average rate of 3.1 percent per quarter during the first three quarters of 2015 and was characterized by a strong labor market and continued growth in the real estate market. The FY 2016 forecast is based on the City's assumption of a 1.4 percent growth in the GCP in calendar year 2015, slower growth in employment and wages in calendar years 2015 – 2016, and rising interest rates.

Overall, the Comptroller's Office projects tax revenues will grow at a faster rate than the City's forecast, driven primarily by higher projections for PIT and property tax revenues. The Plan assumes tax revenues will grow by 1.0 percent in FY 2016 while the Comptroller's Office estimates tax revenues will grow by 2.1 percent in FY 2016. The Comptroller's Office estimates that tax revenue will grow by an average of 3.4 percent annually in FYs 2016 through 2019, 0.5 percentage points above the City's projection.

[3] On April 13, 2015, the Governor signed into law the new corporate income tax reform for New York City, which unifies the taxation of general corporations and banking corporations effective January 1, 2015. The City expects the tax reform to be revenue neutral.

Table 9. Tax Revenue Forecast, Growth Rates, FY 2016 through FY 2019

	FY 2016	FY 2017	FY 2018	FY 2019	Average Annual Growth
Property					
Mayor	5.2%	4.9%	4.2%	4.3%	4.6%
Comptroller	5.2%	5.8%	4.9%	5.7%	5.4%
PIT					
Mayor	0.8%	0.1%	2.9%	3.0%	1.7%
Comptroller	2.7%	2.5%	3.0%	3.2%	2.8%
Business					
Mayor	(1.2%)	4.2%	3.2%	2.7%	2.2%
Comptroller	(0.3%)	3.1%	2.7%	2.2%	1.9%
Sales					
Mayor	3.7%	4.0%	3.9%	3.5%	3.8%
Comptroller	4.8%	4.2%	4.0%	3.4%	4.1%
Real-Estate-Related					
Mayor	(15.7%)	8.4%	3.1%	5.3%	(0.2%)
Comptroller	(8.2%)	3.1%	(3.0%)	(3.1%)	(2.9%)
All Other					
Mayor	(0.3%)	0.8%	2.6%	2.1%	1.3%
Comptroller	(0.3%)	0.8%	2.6%	2.1%	1.3%
Total Tax with Audit					
Mayor	**1.0%**	**3.5%**	**3.6%**	**3.6%**	**2.9%**
Comptroller	**2.1%**	**4.1%**	**3.6%**	**3.8%**	**3.4%**

SOURCE*:* NYC Office of Management and Budget and NYC Comptroller's Office.

The City projects property tax revenue to grow by 5.2 percent in FY 2016 to $22.64 billion. Projected growth in property tax revenue is supported by strong billable value growth in the FY 2016 final assessment roll. Although the City anticipates that a rise in long-term interest rates will put downward pressure on market value growth in the outyears, property tax revenue growth is expected to surpass non-property tax revenue growth over the forecast period, averaging 4.6 percent annually. This reflects steady and moderate growth in billable assessed value, fueled in part by the phase-in of assessed value growth from prior years.

After growing by 11 percent in FY 2015, the City anticipates PIT collections to be nearly flat in FY 2016 at $11.36 billion. PIT collections in FY 2016 are expected to be dampened by an anticipated decline in Wall Street bonuses and slower growth in employment and wages. While total PIT withholding is forecast to increase 4.8 percent over FY 2015, estimated tax payments are expected to decrease 3.3 percent. Over the forecast period, PIT revenue growth is expected to average just 1.7 percent annually.

Total business income tax revenues are forecast at $5.98 billion in FY 2016, a 1.2 percent decline over the prior year record of $6.05 billion. The City expects tax payments from finance sector firms to be constrained by an anticipated decline in Wall Street profits while non-finance sector payments are expected to show moderate growth. Growth in business tax revenues are forecast to average 2.2 percent annually in FYs 2016 through 2019.

The City expects collections from the sales tax to grow 3.7 percent in FY 2016 to $6.99 billion. Revenue from the sales tax is expected to continue to show steady growth over the Financial Plan period supported by moderate growth in taxable consumption and wages. Tourism is expected to continue to support taxable consumption. Over the forecast period, revenues from the sales tax are projected to grow at an average rate of 3.8 percent annually.

Revenues from real-estate-related taxes are expected to decline 15.7 percent in FY 2016, to $2.46 billion, following 17.3 percent growth in FY 2015. This projection is driven by an expected fall in commercial transactions as rising interest rates weakens international demand. In FY 2016, revenues from residential transactions are expected to show strong growth over FY 2015 as a result of the large number of new condo units reaching the market. However, revenues from commercial transactions are forecast to decline at a faster rate. Aggregate real-estate-related tax revenue is expected to average a negative 0.2 percent growth annually over the forecast period.

Risks and Offsets to the City's Tax Revenue Assumptions

The Comptroller's Office projects both risks and offsets to the budget. Risks are either increased expenditures or lower revenues. Offsets are additional resources either from increased revenues or lower expenses. The Comptroller's Office's projections of risks and offsets to the City's tax revenue assumptions in the November Plan are based on current collections and the Office's latest economic projections. As illustrated in Table 10, the Comptroller's Office projects tax revenue offsets growing from $539 million in FY 2015 to $1.01 billion in FY 2019.

The Comptroller's Office forecasts moderate property tax offsets in FYs 2016 and 2017 and more substantial offsets in FYs 2018 and 2019, driven by rising market values and assessments. The Comptroller's Office's economic forecasts anticipate that long-term interest rates will remain historically low at least through 2017, in turn keeping mortgage rates and capitalization rates relatively low and prices, especially of commercial properties, high. Even as market value growth slows in the outyears, the pipeline of transitional values for Class 2 and Class 4 properties will continue to boost billable assessments, as will the recovery of new residential construction activity.

The Comptroller's Office anticipates significant PIT offsets throughout the Plan period. However, the offsets are smaller than those projected in the Comptroller's Adopted Budget report, due to the City's upward revision of its PIT forecasts and a slight downward revision of the Comptroller's estimates due to decreases in stock market values that took place since the July forecasts. The Comptroller's Office does not forecast stock market values; rather, the forecasts assume constant real values of stock market indices. The flattening of stock market prices in 2015 should slow the growth of estimated tax payments but the large stock market gains of 2012 – 2014 will provide some residual momentum in long-term capital gains realizations and tax payments. Continued employment growth and improving wage growth should keep collections from payroll withholding growing at a steady pace.

The Comptroller's Office projects offsets from real-estate-related taxes through FY 2017, but forecast risks of $73 million in FY 2018 and $301 million in FY 2019. The

Comptroller believes that commercial and high-end residential real estate in Manhattan have benefitted from extraordinarily low long-term interest rates and from foreign money seeking safe-haven investments. The Comptroller's Office anticipates that higher interest rates and a stronger dollar will help to cool the commercial real estate market and some segments of the residential market. Strengthening residential real estate markets in the other boroughs, however, will help to cushion transaction tax revenues as the Manhattan commercial real estate cycle tops out.

Table 10. Risks and Offsets to the City's Tax Revenue Projections

($ in millions)

	FY 2016	FY 2017	FY 2018	FY 2019
Property	($13)	$195	$376	$750
PIT	210	483	508	544
Business	54	(13)	(44)	(77)
Sales	72	87	98	93
Real-Estate Related	216	94	(73)	(301)
Total Net	**$539**	**$846**	**$865**	**$1,009**

Miscellaneous Revenues

The FY 2016 miscellaneous revenue forecast increased by a net $40 million, to $4.81 billion in the November Plan. The revised forecast nevertheless represents an expected decline in miscellaneous revenues of $1.5 billion compared to the previous fiscal year. The year-over-year change reflects mostly a decline in projected non-recurring revenues in FY 2016. In FY 2015, miscellaneous revenues included approximately $1.32 billion in non-recurring revenues, including a $1.0 billion transfer from the Health Stabilization Fund (HSF) which helped fund the cost of labor settlements, and over $300 million in non-recurring revenues from asset sales, restitution and taxi medallions sale proceeds.[4]

As Table 11 shows, in the November Plan the City raised the FY 2016 miscellaneous revenue projection by $40 million. Estimated revenues from charges for services increased by $24 million. Most of this increase is due to an upward revision in projected revenues from City University of New York's (CUNY) tuition and fees of $16.8 million. However, the additional revenue is offset by a corresponding increase in CUNY's operating expenses. Anticipated revenues from 421-a tax exemption fees increased by $5 million. Projected revenues from fines and forfeitures increased by $3 million, reflecting an increase in projected revenues from Environmental Control Board (ECB) fines. The category "other miscellaneous" increased by $12 million, including an increase of $9 million in anticipated revenues from asset sales and $2.5 million in Health and Hospitals Corporation (HHC) debt service reimbursement.

[4] Miscellaneous revenue analysis excludes private grants and intra-City revenues.

The current outyear forecasts for miscellaneous revenue are virtually unchanged from the June 2015 Plan.[5]

Table 11. Changes in FY 2016 Estimates
November 2015 vs. June 2015

($ in millions)

	November	June	Change
Licenses, Franchises, Etc.	$641	$641	$0
Interest Income	29	29	0
Charges for Services	972	948	24
Water and Sewer Charges	1,518	1,517	1
Rental Income	271	271	0
Fines and Forfeitures	813	810	3
Other Miscellaneous	566	554	12
Total	**$4,810**	**$4,770**	**$40**

SOURCE: NYC Office of Management and Budget.

After declining to $4.81 billion in FY 2016, miscellaneous revenues are budgeted to remain stable and average $5.0 billion in FYs 2017 – 2019.

The Comptroller's Office expects revenues from bus lane camera fines to be above the City's forecast in each of FYs 2017-2019 by $21 million, $19 million and $17 million, respectively. The offset stems from the recent State-enacted extension and expansion of the City's bus lane camera program in September. The program was extended for five years and expanded to allow the City to select an additional 10 bus routes for camera enforcement. Currently, the City has cameras installed at five routes. We estimate that the additional cameras will yield $57 million more in fine revenues net of operating costs over the Financial Plan period. In addition, the Comptroller's Office expects violation revenues from speed cameras to be $10 million above the City's forecast in FY 2016.

Federal and State Aid

The November Plan projects Federal and State aid of $21.19 billion for FY 2016, an increase of $1.07 billion over the Adopted Budget. The majority of the new funding is reflected under Federal aid, which rose by $901 million in the November Plan. A portion of the Federal aid increase is attributable to a change in the timing of Hurricane Sandy-related reimbursement. The City shifted over $300 million in CDBG-Disaster Recovery funding it had previously anticipated in FY 2015 into the current fiscal year. In social services, the November Modification assumes an additional $88 million of Federal support in FY 2016, with the bulk of the funding allocated to foster care programs at the Administration for Children's Services (ACS) and emergency and family shelters at the DHS. In addition, the City has reflected $44 million in revenue from asset forfeitures under its Federal grant assumptions. The remainder of the Federal aid increase results mainly from the rollover of unspent grants from prior years, a technical procedure that

[5] Water and sewer revenues of the City consist of two parts: reimbursement for operation and maintenance (O&M) of the water delivery and sewer systems and rental payments from the Water Board for the use of the City's water supply, distribution and treatment plant. The bulk of these revenues represents reimbursement for O&M and therefore is not available for general operating purposes.

typically occurs in the first quarter budget modification of each fiscal year. A major component within this category is the cumulative $311 million from prior series of homeland security grants.

The November Modification shows an increase of $165 million in State aid. A key piece of the additional State aid is $108 million assumed from asset forfeitures. Between Federal and State grants, a total of $153 million in asset forfeiture revenues has been recognized in the current year. The revenue stemmed from a settlement with BNP Paribas and the majority of the total is reflected in the agency budgets of Police ($98 million) and Miscellaneous ($39 million). The November Modification also included additional State support of $17 million for social services and $9 million for health and mental health services.

It is worth noting that the State budget outlook continues to improve. In its Mid-Year Financial Plan Update, the State anticipates ending the current year with a General Fund balance of $4.6 billion, even after transfers of $5.4 billion for the NYS Dedicated Infrastructure Investment Fund ($4.55 billion) and a State payment of prior year Federal Medicaid disallowances ($850 million). The State's expected closing balance also marks an improvement of $1.1 billion since the Enacted Budget. The State generated the additional resources almost exclusively from settlements with major financial institutions for banking law violations. However, the State maintains that it will still adhere to a self-imposed benchmark of 2.0 percent growth in annual spending in State Operating funds going forward.

Over the outyears of the Plan, the City has reflected only marginal increases of between $40 million and $50 million annually in Federal and State aid assumptions. The November Plan projects Federal and State grants to fall to $20.28 billion in FY 2017. The decline is mainly due to a significant drop in assumed Hurricane Sandy-related reimbursement and the aforementioned roll of unspent Federal funds in FY 2016. Federal and State support of the expense budget correspondingly falls from 26.5 percent in FY 2016 to 24.7 percent in FY 2017. Federal and State grants are expected to remain flat at $20.27 billion in 2018 before rising to $20.5 billion in FY 2019, supporting about 23.5 percent of the expense budget as the growth of Federal and State aid will lag the rise of overall spending. However, given that the City historically underestimates its Federal aid receipts in the outyears, these measures are almost certainly understated.

V. Expenditure Analysis

All-funds expenditures in the FY 2016 November Modification total $79.93 billion, an increase of $1.35 billion from FY 2015.[6] Both FY 2014 and FY 2015 expenditures reflect the impact of prepayments and prior-year actions. After adjusting for these actions, FY 2016 expenditures total $83.42 billion. However, FY 2016 expenditures include a General Reserve of $1 billion, which is typically not needed for budget balance, and a Capital Stabilization Reserve of $500 million. Netting out the General Reserve and Capital Stabilization Reserve reduces the adjusted FY 2016 expenditures to $81.92 billion, an increase of $5.21 billion, or 6.8 percent from the adjusted FY 2015 expenditures of $76.72 billion.

From FY 2016 to FY 2019, expenditures adjusted for prepayments and prior-year actions less the Capital Stabilization Reserve, are projected to grow by 6.3 percent, or 2.1 percent annually. The average annual inflation rate over the same period is expected to be 2.4 percent. Spending on wages and salaries, debt service, health insurance, other fringe benefits excluding pensions, and judgments and claims, which together make up a little over half of the adjusted FY 2015 expenditures, accounts for most of the growth, averaging 4.5 percent growth annually, as shown in Table 12. All other expenditures, net of Capital Stabilization Reserve are projected to remain relatively flat over the same period.

Table 12. FY 2016 – FY 2019 Expenditure Growth Adjusted for Prepayments

($ in millions)

	FY 2016	FY 2017	FY 2018	FY 2019	Growth FY 16-19	Annual Growth
Wages and Salaries	$25,101	$25,053	$26,347	$27,844	10.9%	3.5%
Debt Service	6,509	6,725	7,196	7,705	18.4%	5.8%
Health Insurance	5,668	5,986	6,355	6,907	21.9%	6.8%
Other Fringe Benefits	3,560	3,677	3,871	4,108	15.4%	4.9%
Judgments & Claims	695	746	782	817	17.5%	5.5%
Subtotal	**$41,533**	**$42,188**	**$44,551**	**$47,381**	**14.1%**	**4.5%**
Pensions	$8,661	$8,705	$8,833	$9,008	4.0%	1.3%
Medicaid	6,282	6,424	6,424	6,424	2.3%	0.7%
Public Assistance	1,481	1,464	1,464	1,464	(1.1%)	(0.4%)
Other OTPS	24,965	23,481	23,583	23,888	(4.3%)	(1.5%
Subtotal	**$41,389**	**$40,075**	**$40,304**	**$40,784**	**(1.5%)**	**(0.5%)**
Total before Capital Stabilization Reserve	**$82,923**	**$82,263**	**$84,855**	**$88,165**	**6.3%**	**2.1%**
Capital Stabilization Reserve	**$500**	**$0**	**$0**	**$0**	**(100.0%)**	**(100.0%)**
Total	**$83,423**	**$82,263**	**$84,855**	**$88,165**	**5.7%**	**1.9%**

[6] The City's financial plans include inter-fund-agreement revenues and expenditures while the Comprehensive Annual Financial Report reports revenues and expenditures net of inter-fund agreement revenues and expenditures. To provide a common basis for comparison, the FY 2015 expenditures in this section include inter-fund agreement expenditures.

Pensions

Pension contributions in the November Plan are projected to grow from $8.66 billion in FY 2016 to $9.01 billion in FY 2019, an increase of 4.0 percent or 1.3 percent annually. The November Plan includes additional pension contributions due to proposed improvements to accidental disability provisions for recently hired uniformed employees and the impact of a pension investment shortfall in FY 2015, as shown in Table 13.

Table 13. Projections of the City's Contributions to the Five Actuarial Pension Systems

($ in millions)

	FY 2016	FY 2017	FY 2018	FY 2019
FY 2016 Adopted Budget	$8,643	$8,607	$8,658	$8,756
FY 2015 Investment Return Adjustment	0	73	146	219
Uniformed Accidental Disability	18	26	29	33
FY 2016 November Plan	$8,661	$8,706	$8,833	$9,008

SOURCE: NYC Office of Management and Budget.

As part of the tentative labor agreement with the Uniformed Firefighters Association (UFA), the City agreed to support State legislation that would improve accidental disability benefits to firefighters and other uniformed personnel hired beginning July 1, 2009 and thereafter.[7] This benefit would enable uniformed employees to qualify for a non-taxable disability allowance equal to three-quarters of final average salary (FAS). The agreement with the UFA includes provisions for affected firefighters to pay an additional 3.0 percent of their salary to fund 50 percent of the additional cost. The November Plan assumes that this improvement will extend to all uniformed employees. The City projects its share of the cost is approximately $18 million in FY 2016, $26 million in FY 2017, $29 million in FY 2018 and $33 million in FY 2019.

In addition, pension contributions in the June 2015 Financial Plan were projected based on the assumption that pension investments would earn 7.0 percent on actuarial asset values. However, the five actuarial pension funds earned a market return of 3.4 percent in FY 2015. Accordingly, the November Plan has increased pension contribution projections by $73 million in FY 2017, $146 million in FY 2018 and $219 million in FY 2019.

Independent Actuarial Audit

Pursuant to Chapter 96 of the New York City Charter, the Comptroller engaged an independent auditor, in this case Gabriel Roeder Smith & Company (GRS), to conduct two consecutive biennial independent actuarial audits. GRS recently completed its second

[7] Following Governor Patterson's veto of Tier II legislation extending Tier II accidental disability benefits to uniformed employees hired during the upcoming fiscal year, accidental disability benefits for uniformed employees hired on or after July 1, 2009 were reduced from 75 percent of final average salary to 50 percent of final average salary offset by 50 percent of Social Security disability benefits.

audit and issued final reports detailing their findings and recommendations.[8] Among the recommendations are adjustments and improvements to certain assumptions used in the actuarial calculations including:

- **Mortality Improvements.** The independent auditor has recommended the adoption of new mortality tables to reflect observed as well as anticipated improvements in mortality. If the auditor's recommendations were to be implemented, the Comptroller's Office estimates that the City's annual pension contributions would increase by $610 million in FY 2016, $614 million in FY 2017, $619 million in FY 2018, and $627 million in FY 2019.

- **Overtime.** The independent auditor observed that overtime earned was higher than current assumptions, particularly for uniformed employees, and has recommended that the assumptions be increased. The auditor estimated that this change would result in increased annual pension contributions of $247 million.

- **Other Pay-Related and Demographic Assumptions**. The independent auditor recommends adjustments to the various rates used in the actuarial calculations for annual salary increases, ordinary and accidental disability, and withdrawals from active service. The auditor estimated that these adjustments would result in a net increase of $60 million in annual pension contributions.

The OA is currently reviewing GRS' findings and recommendations. For each retirement system, the Actuary has proposed, for adoption by each systems' Board of Trustees, new sets of probabilities of post-retirement mortality for use in determining employer contributions beginning in fiscal year 2016.

The proposed assumptions are based primarily on the experience of each system's retirees and the application of Mortality Improvement Scale MP-2015. Scale MP-2015 was published by the Society of Actuaries in October of 2015 and would replace the mortality improvement scale currently in use, Scale AA.

The financial impact of applying the new mortality assumptions will not be known until the OA releases its updated preliminary FY 2016 appropriation letters to the Boards at the end of the year.

The Comptroller's Office estimates that applying the mortality assumptions proposed by GRS will increase pension contributions by $610 million in FY 2016, $614 million in FY 2017, $619 million in FY 2018, and $627 million in FY 2019.

[8] GRS' reports, including Appendices I through X of the Experience Study, are available on the Comptroller's website: http://comptroller.nyc.gov/reports/policy-n-other-reports/

Headcount

Compared to the end of FY 2015, the FY 2016 November Plan projects full-time total-funded headcount to grow by 12,267 or 4.4 percent to 289,440 employees by the end of FY 2016. Actual full-time headcount at the end of FY 2015 was 277,173, which was 5,612 employees or 2.0 percent short of the June 2015 Plan level, as shown in Table 14. While, the DOE exceeded its planned FY 2015 headcount for both pedagogical and civilian employees, most agencies did not meet their targets. The DOC, an agency which has experienced operational problems in reducing the level of violence on Rikers Island, experienced the largest shortfall in meeting its FY 2015 hiring plan at 8.2 percent below target for uniformed employees and 18.8 percent below target for civilian employees.

Table 14. Total-Funded Full-Time Headcount June 2015 Plan Target for June 30, 2015 vs. June 30, 2015 Actuals

	June 30, 2015 Actuals	June 30, 2015 Plan	Difference	Percent of Target
Pedagogical				
Dept. of Education	112,272	111,581	691	0.6%
City University	4,023	4,162	(139)	(3.3%)
Subtotal	**116,295**	**115,743**	**552**	**0.5%**
Uniformed				
Police	34,618	34,483	135	0.4%
Fire	10,777	10,789	(12)	(0.1%)
Correction	8,756	9,537	(781)	(8.2%)
Sanitation	7,381	7,414	(33)	(0.4%)
Subtotal	**61,532**	**62,223**	**(691)**	**(1.1%)**
Civilian				
Dept. of Education	11,693	10,521	1,172	11.1%
City University	1,916	1,905	11	0.6%
Police	14,535	15,177	(642)	(4.2%)
Fire	5,438	5,393	45	0.8%
Correction	1,418	1,747	(329)	(18.8%)
Sanitation	2,005	2,178	(173)	(7.9%)
Admin. for Children's Services	5,921	6,648	(727)	(10.9%)
Social Services	13,487	14,535	(1,048)	(7.2%)
Homeless Services	1,976	2,267	(291)	(12.8%)
Health and Mental Hygiene	4,349	5,191	(842)	(16.2%)
Finance	1,856	2,037	(181)	(8.9%)
Transportation	4,452	4,918	(466)	(9.5%)
Parks and Recreation	3,862	3,993	(131)	(3.3%)
All Other Civilians	26,438	28,309	(1,871)	(6.6%)
Subtotal	**99,346**	**104,819**	**(5,473)**	**(5.2%)**
Total	**277,173**	**282,785**	**(5,612)**	**(2.0%)**

Between the end of FY 2015 and October 31, 2015, the City increased its headcount by 4,984 employees, or 1.8 percent. In order to meet the FY 2016 target, headcount would need to grow by another 2.6 percent or 7,283 employees by

June 30, 2016. As Table 15 shows, meeting the FY 2016 target could be challenging for many agencies. While 40.6 percent of the planned FY 2016 Citywide headcount additions have been achieved in the first four months, the overall increase is skewed by strong hiring in just a few agencies. Both pedagogical and non-pedagogical headcounts at the DOE, non-pedagogical headcount at CUNY and uniformed headcount at the Department of Sanitation (DOS) are already above planned FY 2016 headcounts. Additions to headcount for uniformed police, civilians at the Fire Department and the DHS are significantly above the one-third mark of the planned increase.

All other agencies, however, have on average achieved only 4.6 percent of the planned increase. Within this more sluggish group are agencies that have not only been unable to keep pace with headcount targets but have actually seen drops in headcount. Uniformed headcount at the Fire Department, civilian headcounts at the Police Department, and headcount at the ACS, Department of Social Services (DOSS), Department of Health and Mental Hygiene (DOHMH), and Department of Parks and Recreation (DPR), which were all projected to increase from the June 30, 2015 level, have all experienced a drop in staffing levels from June 30, 2015, moving them further away from their FY 2016 targets.

Table 15. YTD October 31, 2015 Headcount Increase vs. Planned Headcount Increase

	6/30/2015 Actuals	10/31/2015 Actuals	6/30/2016 Plan	Change 6/30/2015 to 10/31/2015	Planned Change 6/30/2015 to 6/30/2016	Percent of Planned Changed Achieved
Pedagogical						
Dept. of Education	112,272	114,897	114,211	2,625	1,939	135.4%
City University	4,023	4,119	4,357	96	334	28.7%
Subtotal	**116,295**	**119,016**	**118,568**	**2,721**	**2,273**	**119.7%**
Uniformed						
Police	34,618	35,630	35,780	1,012	1,162	87.1%
Fire	10,777	10,621	10,790	(156)	13	(1200.0%)
Correction	8,756	9,057	9,653	301	897	33.6%
Sanitation	7,381	7,712	7,427	331	46	719.6%
Subtotal	**61,532**	**63,020**	**63,650**	**1,488**	**2,118**	**70.3%**
Civilian						
Dept. of Education	11,693	11,935	10,792	242	(901)	(26.9%)
City University	1,916	1,932	1,855	16	(61)	(26.2%)
Police	14,535	14,430	15,345	(105)	810	(13.0%)
Fire	5,438	5,601	5,616	163	178	91.6%
Correction	1,418	1,442	1,890	24	472	5.1%
Sanitation	2,005	2,043	2,247	38	242	15.7%
Admin. for Children's Services	5,921	5,841	7,227	(80)	1,306	(6.1%)
Social Services	13,487	13,340	14,454	(147)	967	(15.2%)
Homeless Services	1,976	2,130	2,360	154	384	40.1%
Health and Mental Hygiene	4,349	4,181	5,166	(168)	817	(20.6%)
Finance	1,856	1,880	2,044	24	188	12.8%
Transportation	4,452	4,463	4,997	11	545	2.0%
Parks and Recreation	3,862	3,853	4,117	(9)	255	(3.5%)
All Other Civilians	26,438	27,050	29,112	612	2,674	22.9%
Subtotal	**99,346**	**100,121**	**107,222**	**775**	**7,876**	**9.8%**
Total	**277,173**	**282,157**	**289,440**	**4,984**	**12,267**	**40.6%**

So far in FY 2016, DOC has increased its civilian headcount by only 24 employees, 5.1 percent of the planned increase of 472 employees. At this pace, it appears that DOC will once again fall short of its year-end target. In contrast, uniformed headcount at DOC, which fell short of its planned level on June 30, 2015, is now on pace to meet its FY 2016 target having so far achieved 33.6 percent of the Department's planned increase.

Planned full-time total funded headcount decreases to 288,365 in FY 2017 and then remains fairly steady in the latter outyears of the Financial Plan period, as shown in Table 16. The decrease in FY 2017 is all in civilian non-pedagogical headcount, which is projected to drop by 1,446 employees, or 1.3 percent. This would be the first headcount reduction since FY 2012 when headcount dropped by 885 or 0.3 percent, following reductions of 5,753 (2.1 percent) in FY 2011, and 6,553 (2.34 percent) in FY 2010. The reductions to FYs 2010 and 2011 headcount were the result of initiatives in the City's Program to Eliminate the Gap (PEG) implemented in the wake of the 2008 financial crisis.

Table 16. Total Funded Full-Time Year-End Headcount Projections

	FY 2016	FY 2017	FY 2018	FY 2019
Pedagogical				
Dept. of Education	114,211	114,388	114,704	114,704
City University	4,357	4,391	4,391	4,391
Subtotal	**118,568**	**118,779**	**119,095**	**119,095**
Uniformed				
Police	35,780	35,780	35,780	35,780
Fire	10,790	10,790	10,790	10,790
Correction	9,653	9,678	9,678	9,678
Sanitation	7,427	7,562	7,562	7,562
Subtotal	**63,650**	**63,810**	**63,810**	**63,810**
Civilian				
Dept. of Education	10,792	10,746	10,742	10,743
City University	1,855	1,853	1,853	1,853
Police	15,345	15,319	15,319	15,319
Fire	5,616	5,614	5,614	5,614
Correction	1,890	1,889	1,874	1,874
Sanitation	2,247	2,290	2,290	2,290
Admin. for Children's Services	7,227	7,231	7,231	7,231
Social Services	14,454	13,974	13,952	13,952
Homeless Services	2,360	2,256	2,255	2,255
Health and Mental Hygiene	5,166	4,871	4,862	4,855
Finance	2,044	2,039	2,034	2,034
Transportation	4,997	4,869	4,861	4,870
Parks and Recreation	4,117	3,944	3,944	3,944
All Other Civilians	29,112	28,881	28,732	28,639
Subtotal	**107,222**	**105,776**	**105,563**	**105,473**
Total	**289,440**	**288,365**	**288,468**	**288,378**

The 2016 headcount in the November Plan is 830 positions higher than the projection in the Adopted Budget. Details of changes in the November Plan compared to the June Plan are shown in Table 17. There are no changes in pedagogical or uniformed headcount and only relatively minor changes in civilian headcount. At the Board of Elections, 120 temporary employees are to be converted to permanent employees, a step which may increase its operational efficiency.

Table 17. Changes to FYs 2016 – 2019 Total Funded Full-Time Headcount November 2015 Financial Plan vs. June 2015 Financial Plan

	FY 2016	FY 2017	FY 2018	FY 2019
Dept. of Education	22	32	39	40
City University	0	0	0	0
Police	26	0	0	0
Fire	0	0	0	0
Correction	1	0	0	0
Sanitation	0	0	0	0
Admin. for Children's Services	1	1	1	1
Social Services	0	0	0	0
Homeless Services	44	(15)	(15)	(15)
Health and Mental Hygiene	62	10	1	(5)
Finance	0	0	0	0
Transportation	143	25	25	25
Parks and Recreation	112	0	0	0
All Other Civilians	419	191	186	183
Total	**830**	**244**	**237**	**229**

Health Insurance

The November Plan projects that the City's health insurance spending for employees and retirees will increase at an average annual rate of approximately 7.0 percent from $5.668 billion in FY 2016 to $6.907 billion by FY 2019, as shown in Table 18. These projections include the City's share of the expected savings of $700 million in FY 2016, $1 billion in FY 2017, and $1.3 billion in FY 2018 and thereafter.[9] The City was able to achieve its healthcare savings goal of $400 million for FY 2015 and has identified more than 90 percent of the $700 million in savings targeted for FY 2016.

[9] The City and the Municipal Labor Committee (MLC) reached a healthcare reform agreement in May 2014 that will provide savings of $400 million in FY 2015, $700 million in FY 2016, $1 billion in FY 2017, and $1.3 billion annually in FY 2018 and beyond. The savings are earmarked to offset some of the cost of the current round of collective bargaining.

Table 18. Pay-As-You-Go Health Expenditures

($ in millions)

	FY 2016	FY 2017	FY 2018	FY 2019
Department of Education	$2,123	$2,221	$2,324	$2,549
City University	102	109	113	120
All Other	3,444	3,656	3,918	4,238
Total Pay-As-You-Go Health Insurance Costs	$5,668	$5,986	$6,355	$6,907

Underlying the health insurance projections are premium rate increases of 2.89 percent for FY 2016 and 5.98 percent for FY 2017, and assumed rate increases of 9.0 percent for FY 2018 and 7.0 percent for FY 2019 for active employees and retirees that are not eligible for Medicare. The senior care rate, which declined by .07 percent in FY 2016, is expected to increase by 8.0 percent in each of FYs 2017 and 2018, and 5.0 percent in FY 2019.

Overtime

The City's projection of FY 2016 overtime cost increased by $102 million in the November Plan to $1.308 billion as shown in Table 19. The upward revision resulted mainly from an increase in overtime estimates of $44 million for uniformed firefighters and $45 million for correction officers. Both departments' projections were revised to reflect actual spending year to date. Through November, the Fire Department's monthly uniformed overtime spending has averaged $24 million and the DOC has averaged $18 million.

Overtime expenditures for DOC uniformed employees has increased annually at an average rate of 15 percent, growing from $90 million in FY 2010 to $181 million in FY 2015. From FY 2014 to FY 2015, overtime grew by 41 percent. The Department is on track to spend at least $200 million for the fiscal year. Uniformed headcount level decreased from 8,991 at the end of FY 2013 to 8,756 at the end of FY 2015. Headcount has since increased to 9,057 as of October 31, 2015. However, most of the additional officers will be used to support new initiatives aimed at reducing violence in City jails and will not provide overtime relief.

Table 19. Projected Overtime Spending, FY 2016

($ in millions)

	City Planned Overtime FY 2016	Comptroller's Projected Overtime FY 2016	FY 2016 Risk
Uniformed			
Police	$522	$600	($78)
Fire	246	246	0
Correction	125	200	(75)
Sanitation	95	95	0
Total Uniformed	$988	$1,141	($153)
Others			
Police-Civilian	$85	$85	$0
Admin for Child Svcs.	17	17	0
Environmental Protection	23	23	0
Transportation	40	40	0
All Other Agencies	155	155	0
Total Civilians	$320	$320	$0
Total City	**$1,308**	**$1,461**	**($153)**

The Police Department has spent $265 million through November on uniformed overtime, approximately $20 million more than what was spent over the same period in FY 2015. The spike is due in large part to an increase in overtime related to the Pope's visit to New York City. It is likely that police uniformed overtime spending will be at least $600 million for FY 2016, $78 million more than the budgeted amount in the November Modification.

Labor

The New York State Public Employment Relations Board (PERB) has rendered a final decision in the arbitration proceedings between the Patrolmen's Benevolent Association (PBA) and the City. The legally binding decision awards rank and file police offices, who are represented by the PBA, annual wage increases of 1.0 percent over a two-year period. The two-year contract is retroactive to August 1, 2010 with the first increase on the first day of the contract and the second increase on the first day of the 13th month of the contract. While the wage increases conform to the pattern of the first two years of the Uniformed Superior Officers Coalition (USOC) agreement, the schedule of the PBA increases are more favorable. The USOC agreement provides for the first two 1.0 percent increases on the first day of the 12th month and the 1st day of the 18th month of the contract.[10]

The November Plan includes funding for the PBA labor settlement based on the USOC agreement. The PERB decision, with its more favorable wage increase schedule, will result in an additional cost of $17 million in FY 2011, $9 million in FY 2012, and

[10] The USOC unions represent uniformed personnel such as detectives, sergeants, lieutenants, fire officer and sanitation officers, and correction captains.

$4 million in FY 2013. The additional cost would be partially offset by not having to pay the $1,000 ratification bonus to PBA members that is budgeted in the labor reserve.

In August 2015, the Uniformed Firefighters Association (UFA) and the City reached a tentative agreement consistent with the uniformed pattern granting wage increases of 11 percent over a seven-year period. However, the UFA was able to negotiate changes to the agreement to fund additional benefits including a more favorable wage increase schedule. Uniformed firefighters will receive the first increase on the first day of the contract and the next four increases at thirteen month interval. The final two increases will be at 12 month interval. The UFA contract has yet to be ratified by its members.

Excluding the PBA's agreement, the City has settled with the unions representing about 85 percent of employees for the current round of collective bargaining. The Labor Reserve includes funding for labor settlements for unions that have not yet reached agreements with the City based on the established patterns for both civilians and uniformed employees. The balance in the Labor Reserve now stands at $1.1 billion in FY 2016, $665 million in FY 2017, $1.4 billion in FY 2018, and $2.5 billion in FY 2019. Included in the Reserve are $13 million in FY 2018 and $254 million in FY 2019 to fund annual wage increases of 1.0 percent for the entire workforce beyond the current round of collective bargaining.

Public Assistance

Through November, the City's FY 2016 public assistance caseload has averaged 367,237 recipients per month. The average monthly caseload has increased by 6.3 percent, or 21,663 recipients compared to an average monthly caseload of 345,575 over the same period in FY 2015. While the City's public assistance caseload still remains about 68 percent below the historical peak, it has increased steadily since falling to an interim low of 336,403 in May 2014. The November 2015 public assistance caseload of 367,773 represents an increase of 9.0 percent since May 2014. Thus far in FY 2016, public assistance grants spending has averaged more than $117 million per month, representing a 6.2 percent increase from monthly average of approximately $111 million for the same period in FY 2015.

The City's FY 2016 public assistance budget maintains caseload projections at monthly averages of 368,869 for FY 2016 and 370,666 over the remainder of the Plan period, unchanged since the May 2015 Plan. Total baseline grants expenditures are projected at approximately $1.43 billion in FY 2016 and $1.41 billion in each of FYs 2017 – 2019. Both caseload and grants levels are currently running very close to the City's projections. If the rising trend continues into the foreseeable future, it could pose risks of $20 million annually in FYs 2017 – 2019 to the public assistance budget.

Department of Education

The November Modification projects an expense budget of $21.9 billion for the DOE net of intra-City, a slight uptick of about $2 million compared with the Adopted

Budget. The FY 2016 budget represents an increase of 4.5 percent or $942 million compared to the FY 2015 DOE spending of $20.95 billion, before adjustments for changes in prior year expenditures. The funding increase stems mostly from recognition of collective bargaining spending for various labor settlements.

Projected DOE spending in the current plan does not include new education initiatives announced by the Mayor in September, which will likely be reflected in the FY 2017 Preliminary Budget in January. Among the major proposals are computer science instruction for all students, universal 2nd grade literacy, algebra instruction by the 9th grade and expanded access to Advanced Placement courses. The entire package of reforms is expected to cost a total of $186 million annually, though at this point it is unclear how the funding structure will take shape when the City incorporates these initiatives into the DOE budget.

The DOE's FY 2017 budget is projected to rise to $22.71 billion, increasing by $809 million or 3.7 percent from the FY 2016 projection. Over the remainder of the Plan, the City projects the DOE budget to rise to $23.54 billion in FY 2018 and $24.42 billion in FY 2019, reflecting annual increases of $838 million and $876 million, respectively. State aid would comprise about $638 million or 37 percent of the cumulative growth of $1.71 billion in FYs 2017 – 2019, with City funds primarily making up the remainder of the increase.

The Department will likely continue to face risks from its assumptions of Federal Medicaid reimbursement in the November Plan. The DOE estimates it will realize $97 million in Medicaid revenue annually for reimbursement of special education services costs. While the Department has made progress to improve Medicaid collections, the revenue targets in the November Plan remain ambitious compared to actual collections. The Department only managed to collect Medicaid revenues of $10 million thus far for FY 2015, which is an improvement from $6 million in FY 2013 and $2 million in FY 2014. Therefore, the Comptroller's Office projects DOE Medicaid revenue risks of $80 million in each of FYs 2016 – 2019. Also, a majority of the additional funding for the UPK program reflected in the FY 2016 Adopted Budget does not extend beyond the current year, therefore similar needs could surface in the outyears at $21 million annually in FYs 2017 – 2019.

Debt Service

As shown in Table 20, the November Financial Plan totals for debt service, after netting out for the impact of prepayments, are $6.58 billion in FY 2016, $6.8 billion in FY 2017, $7.28 billion in FY 2018 and $7.79 billion in FY 2019.[11] These amounts represent decreases from the June 2015 Financial Plan of $82 million in FY 2016, $107 million in FY 2017, followed by a $5 million increase in FY 2018, and a decrease of $20 million in FY 2019. Between FY 2016 and FY 2019, total debt service is projected to increase by $1.2 billion, or 28.8 percent. These figures do not include debt of the New York City Municipal Water Finance Authority (NYW), which is backed by water and

[11] Includes GO, TFA PIT bonds, TSASC, as well as interest on short-term notes.

sewer user charges, nor that of the TFA BARB debt, which is repaid from State building aid.

Table 20. November 2015 Financial Plan Debt Service Estimates

($ in millions)

Category	FY 2016	FY 2017	FY 2018	FY 2019	Change from FYs 2016 to 2019
General Obligation[a]	$4,298	$4,296	$4,444	$4,514	$216
TFA [b]	1,982	2,220	2,482	2,896	914
Lease-Purchase Debt	229	210	269	295	66
TSASC, Inc.	74	74	82	82	8
Total	**$6,583**	**$6,800**	**$7,278**	**$7,787**	**$1,204**

SOURCE: November 2015 Financial Plan.
NOTE: Debt Service is adjusted for prepayments and TFA defeasance.
[a] Includes long-term GO debt service and interest on short-term notes.
[b] Amounts *do not* include TFA building aid revenue bonds.

The decrease of $82 million from the Adopted Budget in the FY 2016 debt service budget is comprised of net reductions of $15 million in general obligation (GO) and short-term debt service and $67 million in estimated TFA savings. The $15 million decline in GO debt service is due primarily to the elimination of short-term borrowing, offset by other baseline increases. While short-term borrowing and related interest costs are still planned for FYs 2017 through 2019, it is important to note the last time the City used short-term borrowing was in FY 2004, serving as evidence of the City's robust cash position for more than ten years.

The $107 million decrease in the budget for debt service in FY 2017 is comprised of GO debt service savings of $112 million, and a TFA debt service increase of $5 million. GO savings are driven by $93 million of savings from the Series 2016 A & B refunding transaction in August of 2015. The $5 million TFA debt service increase is the result of miscellaneous baseline adjustments. FYs 2018 and 2019 debt service are relatively unchanged with a $5 million increase in FY 2018 and an estimated decrease of $20 million in FY 2019.

Approximately $298 million is budgeted for GO variable rate interest in FY 2016. If variable rate interest continue at their historically low levels, there would be savings of at least $169 million in FY 2016, $88 million in FY 2017, $70 million in FY 2018, and $53 million in FY 2019.[12]

In addition, the Comptroller's Office, together with the Office of Management and Budget, closely monitors the City's outstanding bonds and market conditions to evaluate and pursue refinancing opportunities for GO, TFA, and NYW debt when

[12] VRDB rates used to compute savings are 1.8 percent in FY 2016, 3.0 percent in FY 2017, 3.25 percent in FY 2018, and 3.5 percent in FY 2019.

feasible and cost-effective. Since January 1, 2010, refundings have saved City taxpayers and water and sewer rate payers over $4.1 billion.[13]

Comparison with FY 2015 CAFR Actuals

Debt service in the FY 2015 Comprehensive Annual Financial Report (CAFR) totals $7.421 billion.[14] The FY 2015 debt service reflects the impact of FY 2014 and FY 2015 prepayments and net equity contributions in debt refunding of $2.006 billion and $3.601 billion, respectively. After netting out the impact of these prepayments and net equity contributions for debt refunding, the FY 2015 debt service totaled $5.924 billion.[15] FY 2016 debt service in the November Plan, adjusted for prior-year actions, is projected to be $585 million higher than FY 2015. The increase is due primarily to approximately $195 million of higher principal on existing and projected GO debt service, $320 million in higher estimated GO and TFA Variable Rate Demand Bonds (VRDB) costs, and $47 million of higher estimated interest exchange costs, index bond interest costs, and letter of credit and remarking fees.

Debt Affordability

Debt service as a percent of local tax revenues and as a percent of total-funds expenditures are commonly used measures of debt affordability.[16] In FY 2015, the City's debt service was 11.5 percent of local tax revenues. The November Plan projects debt service will consume 12.5 percent of local tax revenues in FY 2016 and FY 2017, 12.9 percent in FY 2018 and 13.3 percent in FY 2019, as shown in Chart 4. The increase in the debt service to tax revenue ratio reflects the disparity between debt service and tax revenue growth over the Plan period. Debt service is projected to grow at an average annual rate of 5.8 percent from FYs 2016 to 2019 while tax revenue during this period is projected to grow 3.6 percent annually.

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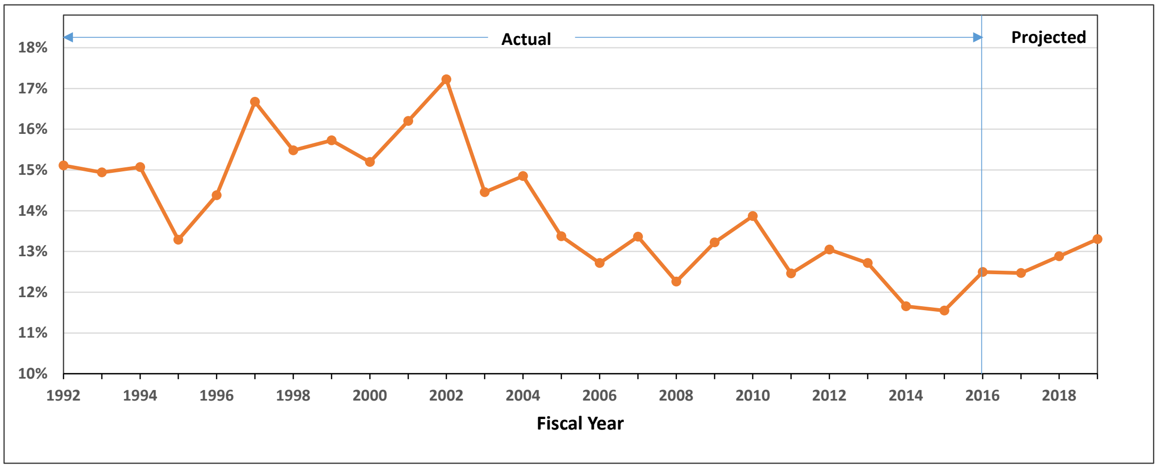
[13] Refunding savings include STAR savings of $649.4 million.

[14] This total excludes TSASC debt service.

[15] $98 million added-back to FY 2015 from FY 2013 TFA Defeasance action benefitting FYs 2014, 2015, and 2016.

[16] Debt service in this discussion is adjusted for prepayments.

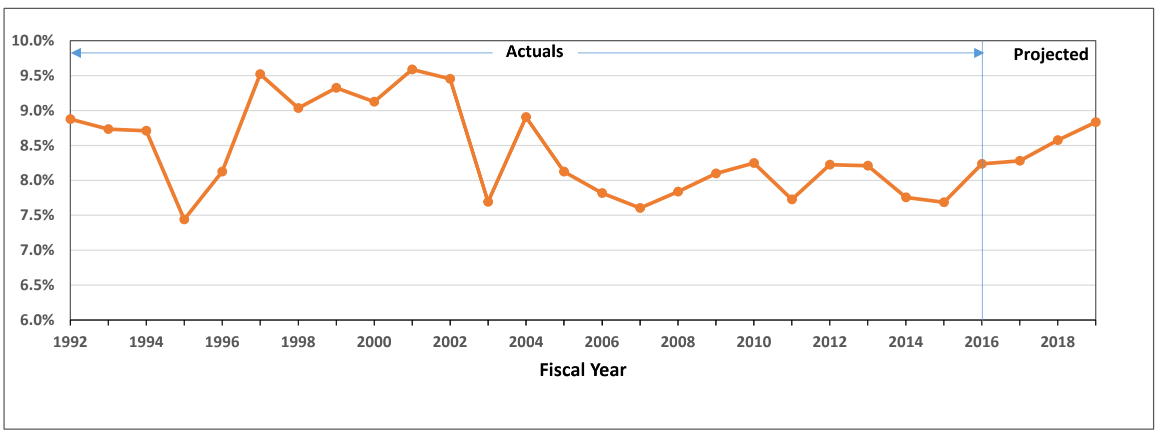
***Chart 4*. Debt Service as a Percent of Tax Revenues, FYs 1992 – 2019**



SOURCE: Office of Management and Budget, City of New York, November 2015 Financial Plan.

As shown in Chart 5, the City's debt service as a percent of all-funds expenditures is estimated to be 8.2 percent in FY 2016, 8.3 percent in FY 2017, 8.6 percent in FY 2018, and 8.8 percent in FY 2019.

***Chart 5*. Debt Service as Percent of Total Expenditures, FYs 1992-2019**



SOURCE: Office of Management and Budget, City of New York, November 2015 Financial Plan.

Financing Program

The November 2015 Financial Plan for FYs 2016–2019 contains $32.21 billion of planned City and State-supported borrowing in FYs 2016 –2019 as shown below in Table 21. The borrowing is comprised of $11.14 billion of GO bonds, $13.99 billion of TFA borrowing, $5.5 billion of NYW borrowing and $1.58 billion of borrowing from TFA BARBs that are supported by State building aid revenues.

Table 21. FY 2015 November Plan, FYs 2016-2019

($ in millions)

Description:	Estimated Borrowing and Funding Sources FYs 2016-2019	Percent of Total
General Obligation Bonds	$11,140	34.6%
TFA – General Purposes	13,990	43.4%
NYW	5,503	17.1%
TFA – BARBs	1,580	4.9%
Total	**$32,213**	**100.0%**

SOURCE: November 2015 Financial Plan, Office of Management and Budget.

Total projected borrowing in the November Plan for FYs 2016 through 2019 is $1.02 billion more than the June 2015 Financial Plan estimate for the same period. This is a result of increases of $678 million in FY 2016, followed by a decrease of $109 million in FY 2017, along with increases of $135 million and $318 million in FYs 2018 and 2019, respectively. By issuer, the increase is comprised of a $480 million increase in TFA borrowing, a $236 million increase in TFA BARBs borrowing, an increase of $30 million in GO borrowing, and an increase of $276 million in NYW borrowing over the four-year period.

Capital Plan

The FYs 2016 – 2019 Adopted Capital Plan, which was released in September 2015, totals $49.55 billion in all-funds authorized commitments and $43.18 billion in City-funds authorized commitments. After adjusting for the reserve for unattained commitments, these figures drop to $44.8 billion in all-funds, as shown in Table 22, which includes $38.42 billion in City-funds. The Plan is front-loaded with 32.6 percent or $16.15 billion of the all-funds commitments planned for FY 2016. Estimated commitments decrease in the outyears of the Plan, to $12.66 billion in FY 2017, $11.32 billion in FY 2018, and $9.42 billion in FY 2019. With past history as a guide, significant planned commitments are oftentimes rolled over to subsequent fiscal years. Therefore, the Capital Plan will likely increase in the outyears.

Table 22. FYs 2016 Adopted Capital Commitment Plan
All-Funds FYs 2016 – 2019

($ in millions)

Project Category	FY 2016 Adopted Plan	Percent of Total
Education & CUNY	$11,485	23.2%
Environmental Protection	8,271	16.7%
Dept. of Transportation & Mass Transit	7,825	15.8%
Housing and Economic Development	6,325	12.8%
Administration of Justice	3,534	7.1%
Technology and Citywide Equipment	2,684	5.4%
Parks Department	2,560	5.2%
Hospitals	1,788	3.6%
Other City Operations and Facilities	5,079	10.2%
Total	**$49,553**	**100.0%**
Reserve for Unattained Commitments	($4,755)	
Adjusted Total	**$44,798**	

SOURCE: Office of Management and Budget, FY 2016 Capital Commitment Plan, September 2015.

These changes represent an increase of $6.34 billion in all-funds authorized commitments from the May 2015 Capital Plan over FYs 2016 – 2019 and an increase of $3.02 billion after the reserve for unattained commitments. The report on FY 2015 actual commitments shows all-funds commitments totaling $9.26 billion. This is $4.91 billion below the FY 2015 authorized commitment level in the May 2015 Plan, or an achievement rate of 65 percent. It appears that most of the combined $4.39 billion increase to FYs 2016 and 2017 ($2.83 billion in FY 2016 and $1.55 billion in FY 2017) in the FY 2016 Adopted Commitment Plan is the result of shifting commitments that were not met in FY 2015, to FY 2016 and FY 2017.

Estimated commitments for capital projects in the DOE and the City University of New York (CUNY), account for $11.49 billion or 23.2 percent of planned all-funds commitments ($11.05 billion of which was DOE). Other major components of the Plan are capital projects in the Department of Environmental Protection (DEP) which comprises 16.7 percent of the planned all-funds commitments, Department of Transportation (DOT) and Mass Transit which account for 15.8 percent, and Housing and Economic Development which accounts for 12.8 percent of the Plan.[17] Consistent with prior plans, these four major program areas constitute a majority of the Commitment Plan, with $33.91 billion, or 68.4 percent of the Plan.

FY 2015 Capital Commitments

FY 2015 all-funds actual commitments totaled $9.26 billion. These commitments are $4.91 billion below the authorized commitment level for the fiscal year as updated in the May Executive 2015 Plan – and represent an achievement rate of 65 percent. This is an improvement from FY 2014, when the achievement rate was 52 percent.

[17] DEP capital commitments are primarily funded through the issuance of NYW Debt.

Similarly, actual commitments against the FY 2015 Adopted Commitment Plan showed an improvement over FY 2014. In FY 2015, the achievement rate of actual commitments against the FY 2015 Adopted Commitment Plan was 52 percent compared to 35 percent for FY 2014. This improved achievement rate compared to the Adopted Plan in FY 2015 brings the overall commitment level back to the historical norm of 50 percent (FYs 2005 through 2014) while the achievement rate against the Executive Plan shows an improvement over the historical norm of 59 percent.

The greatest improvement in achievement rates against the Executive Plan are the Department of Health and Mental Hygiene (DOHMH), Department of Correction (DOC), Department of Parks and Recreation (DPR), Human Resources Administration (HRA), and Department of Transportation (DOT). As Table 23 shows, the gains in achievement rates in these agencies ranged from 22.9 percentage points to 31.8 percentage points.

Table 23. Agencies Showing Largest Percentage Point Gain in Achievement Rate

	FY 2015 Achievement Rate	FY 2014 Achievement Rate	Change
Dept. of Health & Mental Hygiene	63.6%	31.8%	31.8%
Dept. of Correction	73.0%	44.2%	28.8%
Dept. of Parks and Recreation	51.0%	24.1%	26.9%
Human Resources Administration	77.1%	51.3%	25.8%
Dept. of Transportation	84.9%	62.0%	22.9%

While FY 2015 actual commitments measured against the Executive Plan improved on a citywide level, several agencies saw their achievement rates drop from the previous fiscal year. The five agencies with the largest percentage points drops in achievement rates are the Department of Citywide Services (DCAS), Department of Information Technology and Telecommunications (DOITT), New York Public Library (NYPL), the Police Department, and the Department of Cultural Affairs (DCLA), as shown in the table below.

Table 24. Agencies Showing Largest Percentage Point Drop in Achievement Rate

	FY 2015 Achievement Rate	FY 2014 Achievement Rate	Change
Dept. of Citywide Administrative Services	27.7%	54.3%	(26.6%)
Dept. of Information Technology & Telecommunications	27.9%	48.0%	(20.1%)
New York Public Library	0.4%	10.9%	(10.5%)
Police Dept.	48.2%	55.6%	(7.4%)
Dept. of Cultural Affairs	23.8%	30.1%	(6.3%)

With the exception of the Department of Sanitation (DOS), FY 2014's high achievers all showed improvements with DOE improving from 82 percent to 93 percent DEP from 70 percent to 80 percent, DOT from 62 percent to 85 percent, and HPD and Housing Authority improving from 59 percent to 63 percent. While DOS's achievement rate dropped by 6.0 percentage points from FY 2014, it remains one of the top five achievers among agencies with commitments of $100 million or more, with an achievement rate of 83.0 percent. The table below show the top five achieving agencies with more than $100 million in FY 2015 commitments.

Table 25. Five Top Achieving Agencies with more than $100 million in Commitments

($ in millions)

	FY 2015 Commitments	FY 2015 Achievement Rate
Dept. of Education	$2,884	93.0%
Dept. of Transportation	$1,361	84.9%
Dept. of Sanitation	$274	83.0%
Dept. of Environmental Protection	$2,103	80.2%
Dept. of Correction	$154	73.0%

VI. Appendix

Table A1. *November 2015 Financial Plan Revenue Detail*

($ in millions)

	FY 2016	FY 2017	FY 2018	FY 2019	Change FYs 2016 – 2019 Dollars	Change FYs 2016 – 2019 Percent	Annual Percent Change
Taxes:							
Real Property	$22,641	$23,744	$24,747	$25,803	$3,162	14.0%	4.5%
Personal Income Tax	$11,358	$11,374	$11,699	$12,051	$693	6.1%	2.0%
General Corporation Tax	$3,894	$4,154	$4,266	$4,345	$451	11.6%	3.7%
Banking Corporation Tax	$77	$6	$0	$0	($77)	(100.0%)	(100.0%)
Unincorporated Business Tax	$2,007	$2,072	$2,164	$2,256	$249	12.4%	4.0%
Sale and Use Tax	$6,994	$7,273	$7,556	$7,820	$826	11.8%	3.8%
Real Property Transfer	$1,469	$1,611	$1,665	$1,760	$291	19.8%	6.2%
Mortgage Recording Tax	$993	$1,057	$1,086	$1,136	$143	14.4%	4.6%
Commercial Rent	$770	$805	$840	$875	$105	13.6%	4.4%
Utility	$390	$394	$407	$416	$26	6.7%	2.2%
Hotel	$539	$552	$565	$571	$32	5.9%	1.9%
Cigarette	$48	$47	$46	$45	($3)	(6.3%)	(2.1%)
All Other	$562	$529	$530	$530	($32)	(5.7%)	(1.9%)
Tax Audit Revenue	$740	$711	$711	$711	($29)	(3.9%)	(1.3%)
Total Taxes	**$52,482**	**$54,329**	**$56,281**	**$58,319**	**$5,837**	**11.1%**	**3.6%**
Miscellaneous Revenue:							
Licenses, Franchises, Etc.	$641	$625	$619	$616	($25)	(3.9%)	(1.3%)
Interest Income	$29	$85	$156	$163	$134	462.1%	77.8%
Charges for Services	$972	$949	$948	$948	($24)	(2.5%)	(0.8%)
Water and Sewer Charges	$1,518	$1,457	$1,414	$1,378	($140)	(9.2%)	(3.2%)
Rental Income	$271	$271	$271	$271	$0	0.0%	0.0%
Fines and Forfeitures	$813	$805	$801	$799	($14)	(1.7%)	(0.6%)
Miscellaneous	$566	$734	$806	$900	$334	59.0%	16.7%
Intra-City Revenue	$1,928	$1,772	$1,782	$1,776	($152)	(7.9%)	(2.7%)
Total Miscellaneous	**$6,738**	**$6,698**	**$6,797**	**$6,851**	**$113**	**1.7%**	**0.6%**
Unrestricted Intergovernmental Aid:							
Other Federal and State Aid	$1	$0	$0	$0	($1)	(100.0%)	(100.0%)
Total Unrestricted Intergovernmental Aid	**$1**	**$0**	**$0**	**$0**	**($1)**	**(100.0%)**	**(100.0%)**
Reserve for Disallowance of Categorical Grants	**($15)**	**($15)**	**($15)**	**($15)**	**$0**	**0.0%**	**0.0%**
Less: Intra-City Revenue	**($1,928)**	**($1,772)**	**($1,782)**	**($1,776)**	**$152**	**(7.9%)**	**(2.7%)**
TOTAL CITY-FUNDS	**$57,277**	**$59,240**	**$61,281**	**$63,379**	**$6,102**	**10.7%**	**3.4%**
Other Categorical Grants	**$887**	**$824**	**$829**	**$827**	**($60)**	**(6.8%)**	**(2.3%)**
Inter-Fund Agreements	**$577**	**$548**	**$551**	**$551**	**($26)**	**(4.5%)**	**(1.5%)**

Table A1 (Con't). *November 2015 Financial Plan Revenue Detail*

($ in millions)

	FY 2016	FY 2017	FY 2018	FY 2019	Change FYs 2016 – 2019 Dollars	Change FYs 2016 – 2019 Percent	Annual Percent Change
Federal Categorical Grants:							
Community Development	$1,331	$764	$336	$243	($1,088)	(81.7%)	(43.3%)
Welfare	$3,325	$3,250	$3,246	$3,243	($82)	(2.5%)	(0.8%)
Education	$1,730	$1,747	$1,776	$1,776	$46	2.7%	0.9%
Other	$1,661	$1,149	$1,143	$1,141	($520)	(31.3%)	(11.8%)
Total Federal Grants	**$8,047**	**$6,910**	**$6,501**	**$6,403**	**($1,644)**	**(20.4%)**	**(7.3%)**
State Categorical Grants							
Social Services	$1,539	$1,525	$1,529	$1,530	($9)	(0.6%)	(0.2%)
Education	$9,724	$10,053	$10,409	$10,691	$967	9.9%	3.2%
Higher Education	$271	$271	$271	$271	$0	0.0%	0.0%
Department of Health and Mental Hygiene	$491	$483	$484	$484	($7)	(1.4%)	(0.5%)
Other	$1,117	$1,035	$1,076	$1,121	$4	0.4%	0.1%
` **Total State Grants**	**$13,142**	**$13,367**	**$13,769**	**$14,097**	**$955**	**7.3%**	**2.4%**
TOTAL REVENUES	**$79,931**	**$80,889**	**$82,931**	**$85,257**	**$5,326**	**6.7%**	**2.2%**

Table A2. *November 2015 Financial Plan Expenditure Detail*

($ in thousands)

	FY 2016	FY 2017	FY 2018	FY 2019	Change FYs 2016-2019 Dollars	Change FYs 2016-2019 Percent	Annual Percent Change
Mayoralty	$124,594	$117,756	$115,886	$120,941	($3,653)	(2.9%)	(1.0%)
Board of Elections	$142,397	$87,650	$88,006	$88,006	($54,391)	(38.2%)	(14.8%)
Campaign Finance Board	$15,002	$13,924	$14,014	$14,015	($987)	(6.6%)	(2.2%)
Office of the Actuary	$7,316	$7,414	$7,441	$7,441	$125	1.7%	0.6%
President, Borough of Manhattan	$4,713	$4,529	$4,566	$4,566	($147)	(3.1%)	(1.1%)
President, Borough of Bronx	$5,669	$5,406	$5,441	$5,441	($228)	(4.0%)	(1.4%)
President, Borough of Brooklyn	$6,437	$5,345	$5,380	$5,380	($1,057)	(16.4%)	(5.8%)
President, Borough of Queens	$5,312	$4,705	$4,736	$4,736	($576)	(10.8%)	(3.8%)
President, Borough of Staten Island	$4,337	$4,206	$4,229	$4,229	($108)	(2.5%)	(0.8%)
Office of the Comptroller	$93,901	$95,550	$96,168	$96,175	$2,274	2.4%	0.8%
Dept. of Emergency Management	$48,583	$21,103	$20,217	$20,417	($28,166)	(58.0%)	(25.1%)
Office of Administrative Tax Appeals	$4,613	$4,725	$4,760	$4,760	$147	3.2%	1.1%
Law Dept.	$183,637	$174,916	$176,331	$174,685	($8,952)	(4.9%)	(1.7%)
Dept. of City Planning	$40,263	$39,801	$38,285	$36,168	($4,095)	(10.2%)	(3.5%)
Dept. of Investigation	$42,500	$36,776	$31,832	$31,742	($10,758)	(25.3%)	(9.3%)
NY Public Library - Research	$26,875	$24,335	$24,461	$24,461	($2,414)	(9.0%)	(3.1%)
New York Public Library	$132,411	$118,195	$118,631	$118,631	($13,780)	(10.4%)	(3.6%)
Brooklyn Public Library	$98,897	$88,147	$88,539	$88,539	($10,358)	(10.5%)	(3.6%)
Queens Borough Public Library	$100,139	$89,466	$89,786	$89,786	($10,353)	(10.3%)	(3.6%)
Dept. of Education	$21,896,348	$22,705,041	$23,543,036	$24,418,792	$2,522,444	11.5%	3.7%
City University	$995,497	$969,493	$990,125	$1,013,119	$17,622	1.8%	0.6%
Civilian Complaint Review Board	$15,077	$15,358	$15,427	$15,427	$350	2.3%	0.8%
Police Dept.	$5,070,637	$4,772,776	$4,828,101	$4,880,731	($189,906)	(3.7%)	(1.3%)
Fire Dept.	$1,964,284	$1,804,796	$1,780,899	$1,783,739	($180,545)	(9.2%)	(3.2%)
Admin. for Children Services	$2,897,082	$2,879,856	$2,885,750	$2,893,966	($3,116)	(0.1%)	0.0%
Dept. of Social Services	$9,791,478	$9,869,538	$9,900,789	$9,896,131	$104,653	1.1%	0.4%
Dept. of Homeless Services	$1,239,045	$1,092,978	$1,096,027	$1,095,781	($143,264)	(11.6%)	(4.0%)
Dept. of Correction	$1,248,771	$1,199,797	$1,199,626	$1,203,075	($45,696)	(3.7%)	(1.2%)
Board of Correction	$2,563	$2,503	$2,511	$2,511	($52)	(2.0%)	(0.7%)
Citywide Pension Contribution	$8,661,308	$8,705,347	$8,832,785	$9,007,869	$346,561	4.0%	1.3%
Miscellaneous	$9,964,494	$9,441,891	$10,738,855	$12,366,217	$2,401,723	24.1%	7.5%
Debt Service	$4,527,185	$4,506,086	$4,713,736	$4,808,749	$281,564	6.2%	2.0%
TFA Debt Service	$1,981,590	$2,219,511	$2,481,950	$2,896,230	$914,640	46.2%	13.5%
Redemption of TFA Debt Service	($102,670)	$0	$0	$0	$102,670	(100.0%)	(100.0%)
FY 2015 BSA	($3,524,068)	$0	$0	$0	$3,524,068	(100.0%)	(100.0%)
FY 2016 BSA	$135,181	($135,181)	$0	$0	($135,181)	(100.0%)	(100.0%)
Public Advocate	$3,398	$3,333	$3,353	$3,353	($45)	(1.3%)	(0.4%)
City Council	$61,024	$52,492	$52,820	$52,820	($8,204)	(13.4%)	(4.7%)
City Clerk	$5,743	$5,503	$5,536	$5,536	($207)	(3.6%)	(1.2%)
Dept. for the Aging	$314,970	$274,054	$272,907	$273,613	($41,357)	(13.1%)	(4.6%)
Dept. of Cultural Affairs	$166,867	$145,389	$144,310	$144,310	($22,557)	(13.5%)	(4.7%)
Financial Info. Serv. Agency	$101,410	$104,885	$107,329	$108,160	$6,750	6.7%	2.2%
Office of Payroll Admin.	$18,077	$18,136	$18,293	$18,294	$217	1.2%	0.4%
Independent Budget Office	$5,857	$5,538	$5,582	$6,214	$357	6.1%	2.0%
Equal Employment Practices Comm.	$1,071	$1,106	$1,101	$1,101	$30	2.8%	0.9%

Table A2 (Con't). *November 2015 Financial Plan Expenditure Detail*

($ in thousands)

	FY 2016	FY 2017	FY 2018	FY 2019	Change FYs 2016-19 Dollars	Change FYs 2016-19 Change	Annual Percent Change
Civil Service Commission	$1,082	$1,101	$1,105	$1,103	$21	1.9%	0.6%
Landmarks Preservation Comm.	$5,817	$6,120	$5,956	$5,966	$149	2.6%	0.8%
Taxi & Limousine Commission	$68,950	$71,826	$50,366	$50,367	($18,583)	(27.0%)	(9.9%)
Commission on Human Rights	$10,330	$8,865	$8,896	$8,897	($1,433)	(13.9%)	(4.9%)
Youth & Community Development	$506,989	$356,554	$355,897	$355,600	($151,389)	(29.9%)	(11.2%)
Conflicts of Interest Board	$2,250	$2,299	$2,322	$2,323	$73	3.2%	1.1%
Office of Collective Bargaining	$2,520	$2,311	$2,325	$2,325	($195)	(7.7%)	(2.6%)
Community Boards (All)	$17,412	$16,573	$16,663	$16,663	($749)	(4.3%)	(1.5%)
Dept. of Probation	$89,859	$88,075	$88,010	$87,922	($1,937)	(2.2%)	(0.7%)
Dept. Small Business Services	$321,425	$129,381	$189,451	$107,629	($213,796)	(66.5%)	(30.6%)
Housing Preservation & Development	$801,766	$603,781	$575,257	$574,409	($227,357)	(28.4%)	(10.5%)
Dept. of Buildings	$154,640	$153,440	$145,932	$141,990	($12,650)	(8.2%)	(2.8%)
Dept. of Health & Mental Hygiene	$1,395,257	$1,314,192	$1,317,729	$1,320,417	($74,840)	(5.4%)	(1.8%)
Health and Hospitals Corp.	$375,522	$448,196	$513,598	$531,895	$156,373	41.6%	12.3%
Office of Administrative Trials & Hearings	$39,344	$40,245	$40,864	$41,364	$2,020	5.1%	1.7%
Dept. of Environmental Protection	$1,450,896	$1,204,328	$1,155,901	$1,123,157	($327,739)	(22.6%)	(8.2%)
Dept. of Sanitation	$1,571,243	$1,632,212	$1,653,605	$1,661,632	$90,389	5.8%	1.9%
Business Integrity Commission	$8,547	$7,594	$7,636	$7,636	($911)	(10.7%)	(3.7%)
Dept. of Finance	$267,320	$263,541	$267,963	$266,350	($970)	(0.4%)	(0.1%)
Dept. of Transportation	$929,394	$861,273	$863,325	$863,815	($65,579)	(7.1%)	(2.4%)
Dept. of Parks and Recreation	$431,516	$395,896	$397,542	$397,556	($33,960)	(7.9%)	(2.7%)
Dept. of Design & Construction	$592,054	$547,172	$130,205	$130,219	($461,835)	(78.0%)	(39.6%)
Dept. of Citywide Admin. Services	$441,659	$408,205	$396,546	$393,423	($48,236)	(10.9%)	(3.8%)
D.O.I.T.T.	$504,821	$432,801	$438,110	$436,937	($67,884)	(13.4%)	(4.7%)
Dept. of Record & Info. Services	$7,455	$5,957	$5,989	$5,989	($1,466)	(19.7%)	(7.0%)
Dept. of Consumer Affairs	$39,680	$38,803	$39,057	$38,973	($707)	(1.8%)	(0.6%)
District Attorney - N.Y.	$112,667	$100,180	$100,998	$100,999	($11,668)	(10.4%)	(3.6%)
District Attorney - Bronx	$59,872	$58,646	$59,148	$59,149	($723)	(1.2%)	(0.4%)
District Attorney - Kings	$96,494	$94,096	$94,736	$94,737	($1,757)	(1.8%)	(0.6%)
District Attorney - Queens	$57,895	$57,145	$57,568	$57,568	($327)	(0.6%)	(0.2%)
District Attorney - Richmond	$10,390	$9,719	$9,788	$9,788	($602)	(5.8%)	(2.0%)
Office of Prosec. & Spec. Narc.	$21,441	$21,924	$22,069	$22,069	$628	2.9%	1.0%
Public Administrator - N.Y.	$1,762	$1,676	$1,682	$1,682	($80)	(4.5%)	(1.5%)
Public Administrator - Bronx	$668	$656	$661	$661	($7)	(1.0%)	(0.4%)
Public Administrator - Brooklyn	$757	$715	$718	$718	($39)	(5.2%)	(1.7%)
Public Administrator - Queens	$571	$585	$589	$589	$18	3.2%	1.0%
Public Administrator - Richmond	$474	$482	$487	$487	$13	2.7%	0.9%
General Reserve	$1,000,000	$1,000,000	$1,000,000	$1,000,000	$0	0.0%	0.0%
Energy Adjustment	$0	$49,239	$101,855	$143,420	$143,420	N/A	N/A
Lease Adjustment	$0	$32,350	$63,670	$95,931	$95,931	N/A	N/A
OTPS Inflation Adjustment	$0	$55,519	$111,038	$166,557	$166,557	N/A	N/A
TOTAL EXPENDITURES	**$79,930,554**	**$82,127,848**	**$84,854,814**	**$88,164,769**	**$8,234,215**	**10.3%**	**3.3%**

NEW YORK CITY COMPTROLLER

SCOTT M. STRINGER

MUNICIPAL BUILDING • 1 CENTRE STREET, 5TH FLOOR • NEW YORK, NY 10007
PHONE (212) 669-3500 FAX (212) 669-8878
WWW.COMPTROLLER.NYC.GOV