

The City of New York
Executive Budget
Fiscal Year 2023

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Financial Plan
Summary

THE FISCAL YEAR 2023 EXECUTIVE BUDGET

NYC WILL BE
SAFER
MORE JUST
MORE PROSPEROUS

The Fiscal Year 2023 Executive Budget Is **\$99.7 Billion**

- FY22 and FY23 **remain balanced**
- Outyear gaps are **manageable**
 - FY24: \$3.9B
 - FY25: \$3.4B
 - FY26: \$3.7B
- **Record levels** of budget reserves - **\$6.3B**
- Added **\$1.7B** to the Labor Reserve over the financial plan
- Savings of **more than \$400M** over Fiscal Years 2022 and 2023
- We are **investing in New Yorkers** - our most important resource

The Executive Budget Builds On The Preliminary Plan

- The Executive Budget builds on the fiscal discipline laid out in the Preliminary Budget which included nearly **\$2.0B in Program to Eliminate the Gap (PEG) savings** and a vacancy reduction program
- In this Executive Budget we achieved **more than \$400M in savings** over Fiscal Years 2022 and 2023, added to the Labor Reserve, and built and maintained record levels of Budget Reserves
- **More importantly**, because of increased revenues and savings we can invest in public health, subway safety, educational opportunity, safer, cleaner and more accessible streets, maintaining and upgrading parks, and providing compassionate care for the homeless and mentally ill

Adding To The Labor Reserve

As part of the strategy to replenish the Labor Reserve we added **\$1.7B** over the financial plan:

- FY22: **\$119M**
- FY23: **\$238M**
- FY24: **\$365M**
- FY25: **\$445M**
- FY26: **\$495M**

Building And Maintaining Record Levels Of Reserves

- **\$200M** added to the Rainy Day Fund
- Reserves are now a **record level \$6.3B**:
 - General Reserve: **\$1.06B**
 - Rainy Day Fund: now **\$1.2B**
 - Retiree Health Benefits Fund: **\$3.8B**
 - Capital Stabilization Fund: **\$250M**

INVESTING IN NEW YORKERS

Public Safety Is A Prerequisite To Prosperity

- **NYC must be a safe place** to raise a family, visit, and do business
- **Safety, homelessness, and mental illness** rank as top issues for New York City's private sector employees

Public Safety Is A Prerequisite To Prosperity

Public safety is **Priority #1**:

- Mayor Adams launched the **Blueprint to End Gun Violence**, a comprehensive plan to address the crisis of guns on city streets
- Neighborhood Safety Teams are **taking guns off the streets** in the 30 precincts that account for 80% of gun violence
- **Quality-of-life enforcement** focused in areas experiencing the most shooting incidents

The Subway Safety Plan

The Executive Budget adds resources to the mayor's multi-agency nine-point Subway Safety Plan:

- Fund **1,400 Low Barrier Safe Haven and Stabilization Beds** and 3 new Drop-In Centers
- Expand Subway **Outreach Services**
- Create a **Neighborhood Response Unit** in the Department of Health
- **Streamline** the Department of Social Services Supportive Housing Placement Process
- **Expand** Street Health Outreach and Wellness programming at Health + Hospitals

Protecting Public Health And Safety

- Expand the **Behavioral Health Emergency Assistance Response Division (B-HEARD)** initiative to high-need neighborhoods in Brooklyn and Queens, and to currently uncovered areas in the South Bronx
 - Instead of the traditional NYPD and EMS response the B-HEARD program sends social workers and EMTs to non-violent 911 mental health calls
 - B-HEARD is part of the Subway Safety Plan
- **Speed up DNA analysis** by creating a dedicated gun crime unit in the Office of the Medical Examiner

Creating Educational Opportunities And Career Pathways

- **10,000 more slots** for Summer Rising so that 210,000 K-12 students will have fun, culturally-relevant summer experiences to strengthen their academic, social, and emotional skills
- Support an **increase in scholarships and job opportunities** for students at Medgar Evers College and other CUNY campuses
- Create **career pathways for CUNY students** in industries such as technology, healthcare, and green energy, and prepare students for career readiness and employment success
- DOE is expanding youth apprenticeships and increasing the number of high school students receiving **early college credits**

Public Spaces Must Be Clean And Livable

- Upgrade and maintain our **world-class parks**
- Improve safety, accessibility, and quality of city streets for all New Yorkers with funding towards the **Streets Plan Program**
- Provide **annual funding for organics programs** and expand collection and drop-off sites at schools
- Restore twice per week **Alternate Side Parking**
- Launch a pilot program to add sealed garbage baskets to help **get trash and food waste off our streets**
- **Enhanced cleaning** of streets and bike lanes

Fighting Food Insecurity And Promoting Healthy Lifestyles

- Adding resources for food pantries by increasing **Emergency Food Assistance**
- **Helping seniors** with more funding for nutritionally balanced home-delivered meals
- Deepening support for fresh food in NYCHA developments by **expanding the NYCHA farms program** in NYCHA developments and **plant-based lifestyle medicine** in our H + H system

Support For Immigrant Communities

- Legal services, case management, language access, and a public information campaign to **support Ukrainian New Yorkers** impacted by the Russian invasion
- Boost language access, monitoring and translation services across city agencies and **help bilingual New Yorkers** become certified translators
- DOE will **enhance and expand services** for limited language proficient families to strengthen communications related to their child's education

New Needs Are Funded With New Revenues And Savings

Revenue forecast (compared with the February 2022 Plan):

- FY 2022 Tax Revenues were revised up by \$1.6B, driven by growth in non-property taxes
- FY 2023 Tax Revenues were revised up by \$392M due to growth in property taxes

Savings:

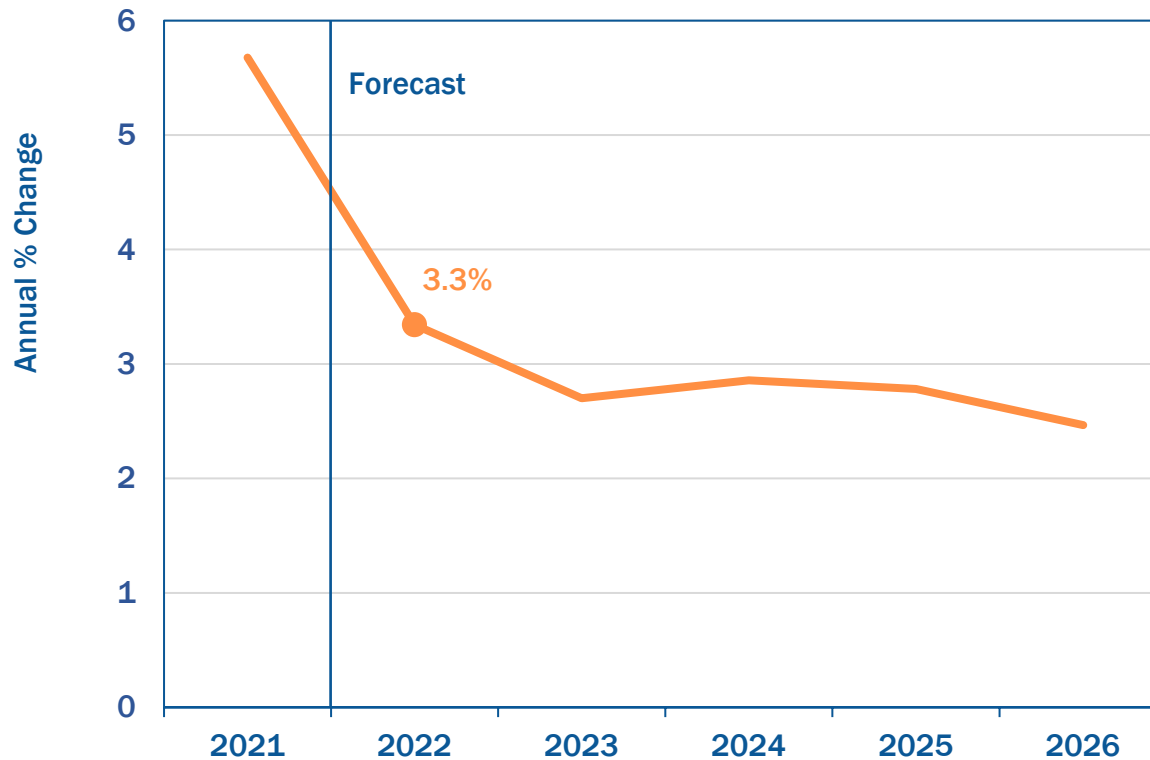
- The Executive Budget adds \$411M in savings over Fiscal Years 2022 and 2023
- This brings total savings over the Preliminary and Executive Budgets in those years to more than \$2.4B
- These plans generated close to \$4B of savings in the outyears

ECONOMIC OUTLOOK

**THE NATIONAL ECONOMY IS STRONG BUT A
SLOWDOWN IS EXPECTED**

The National Economy Is Strong But Faces Headwinds

U.S Real GDP Growth



Source: U.S. Bureau of Economic Analysis, NYC OMB

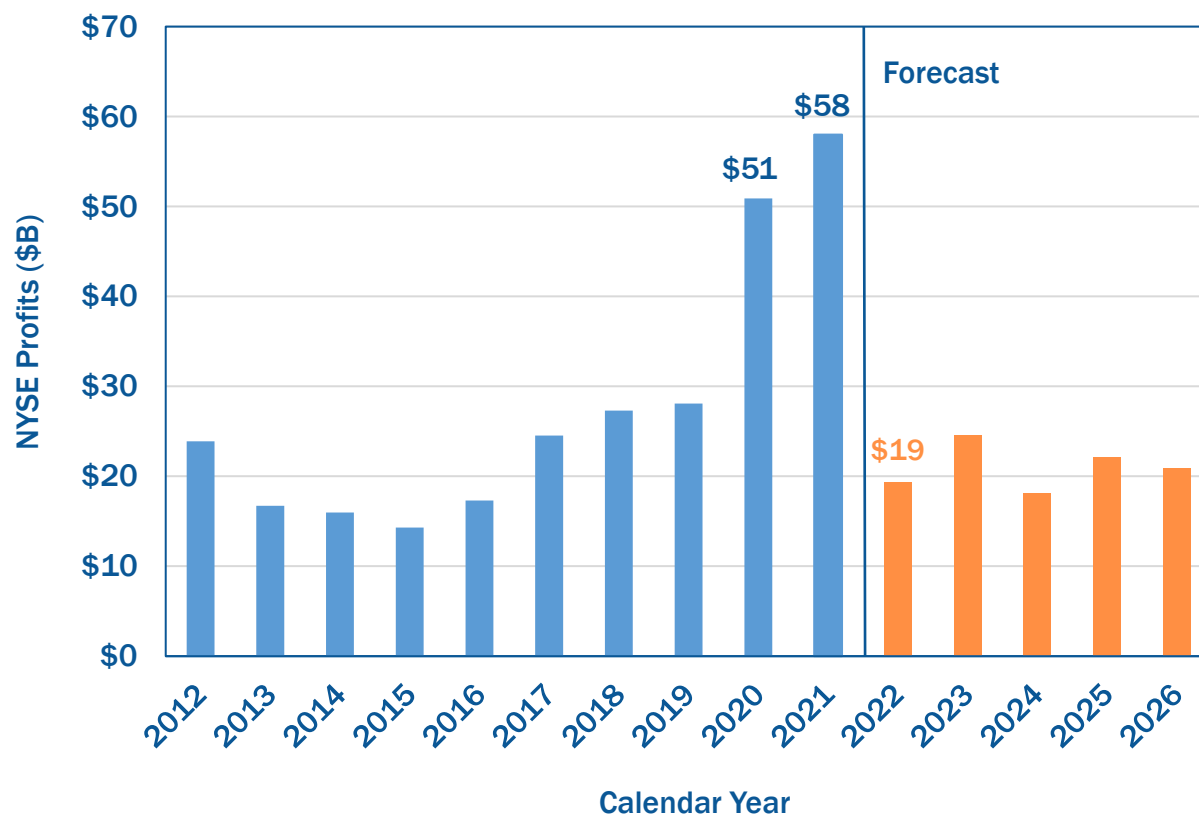
The national economy faces substantial uncertainty:

- Last year's growth rate of 5.7% is expected to decline
- The impact of the Russian invasion of Ukraine on the finance industry, food, gas, and oil prices
- Inflation is now forecast to peak higher and last longer than previously projected
- Higher inflation triggering more aggressive Federal Reserve actions

**NYC'S ECONOMIC OUTLOOK HAS IMPROVED
THOUGH WE STILL FACE CHALLENGES**

Wall Street Profits Soar In 2020 And 2021

NYSE Member Firm Profits

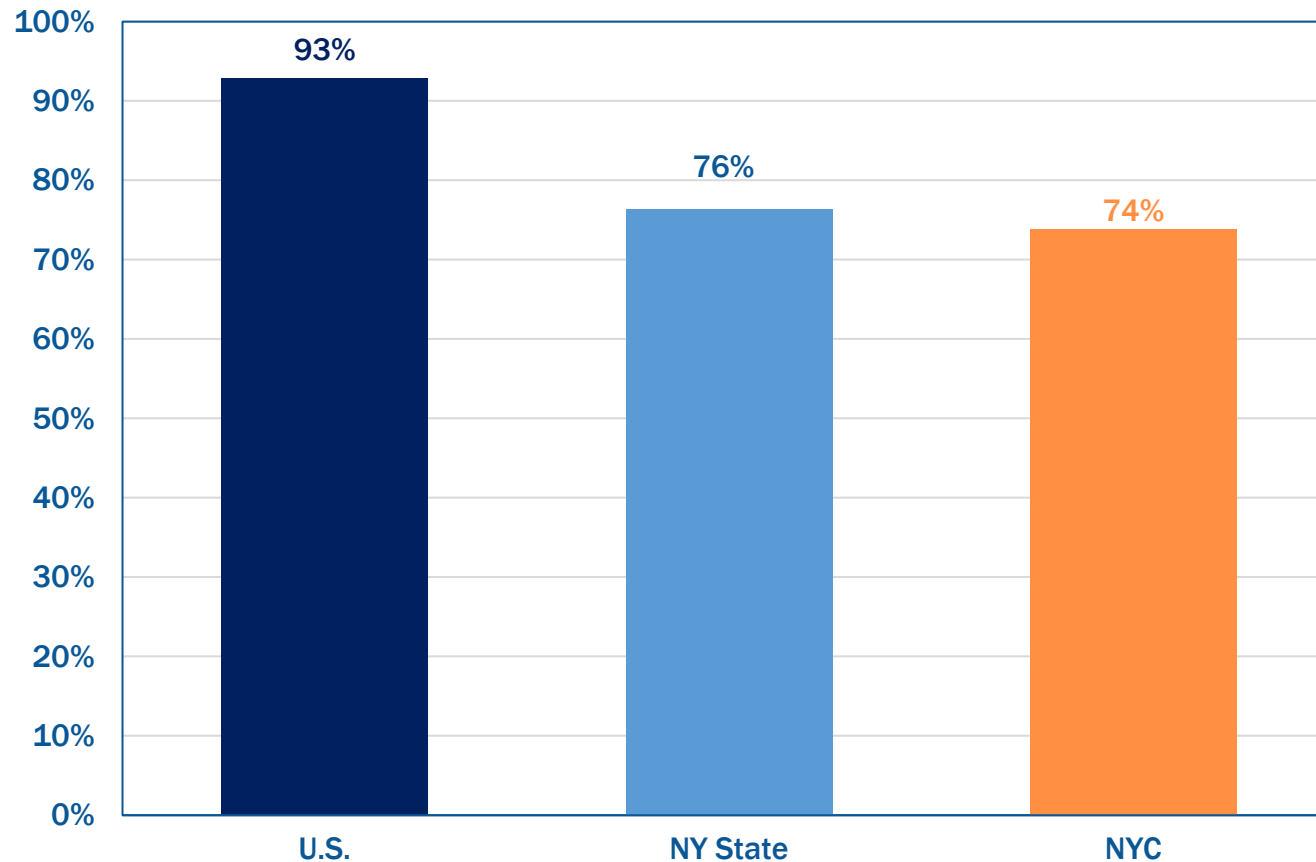


Source: ICE-NYSE

- Record profits in 2020 and 2021 are higher than previously projected
- Bonuses are at a record level
- However, profits are expected to decline in the outyears as the Federal Reserve raises interest rates
- The big five banks collective earnings declined by 36% in the first quarter of 2022 compared with last year

NYC Has Gained Back More Jobs Than Previously Estimated

Jobs Recovered as a Percentage of Pandemic Losses



Source: U.S. Bureau of Labor Statistics, NYS Department of Labor

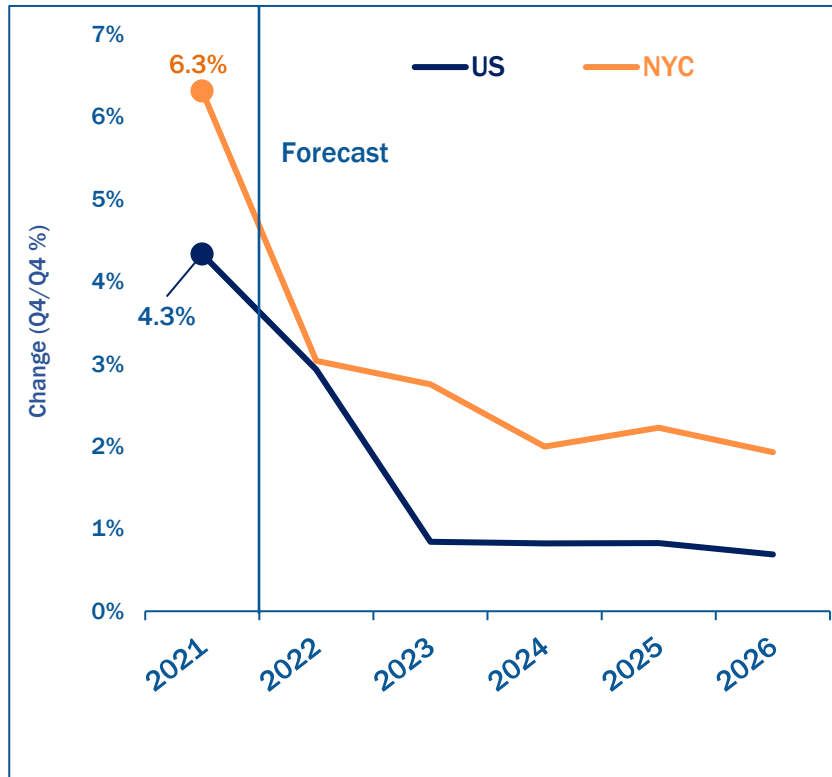
- The U.S. Department of Labor revised NYC job recovery gains upward
- Though NYC continues to lag the nation and state in recovering jobs lost at the height of the pandemic

NYC Job Growth Has Accelerated And Will Recover Earlier Than Expected

Despite a slower start we are now adding jobs at a faster pace than the nation

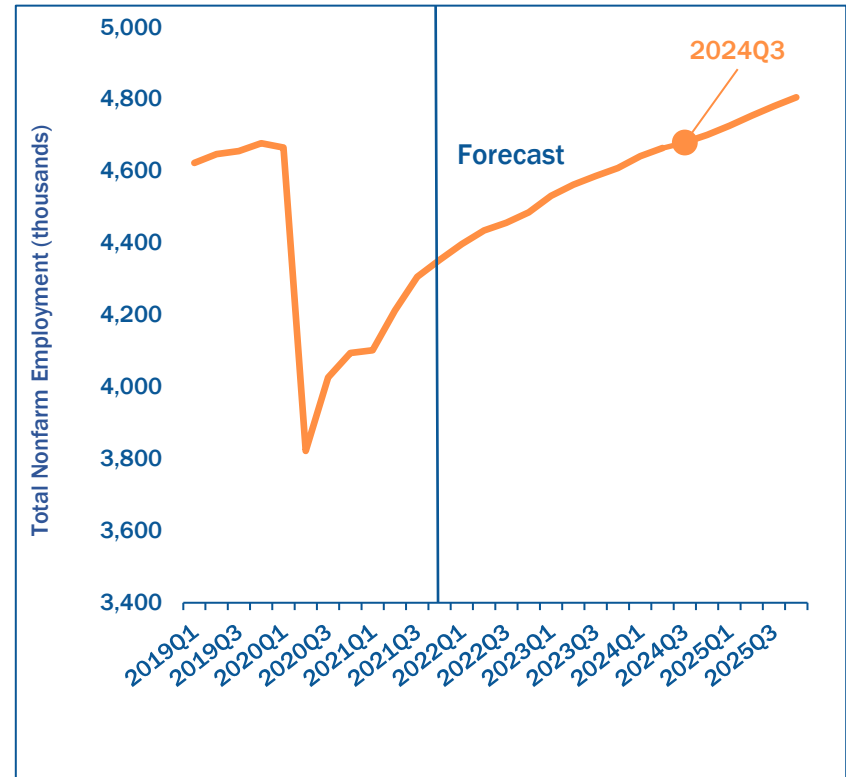
We now expect to make a complete jobs recovery by 2024, two quarters earlier than previously projected

Employment Growth



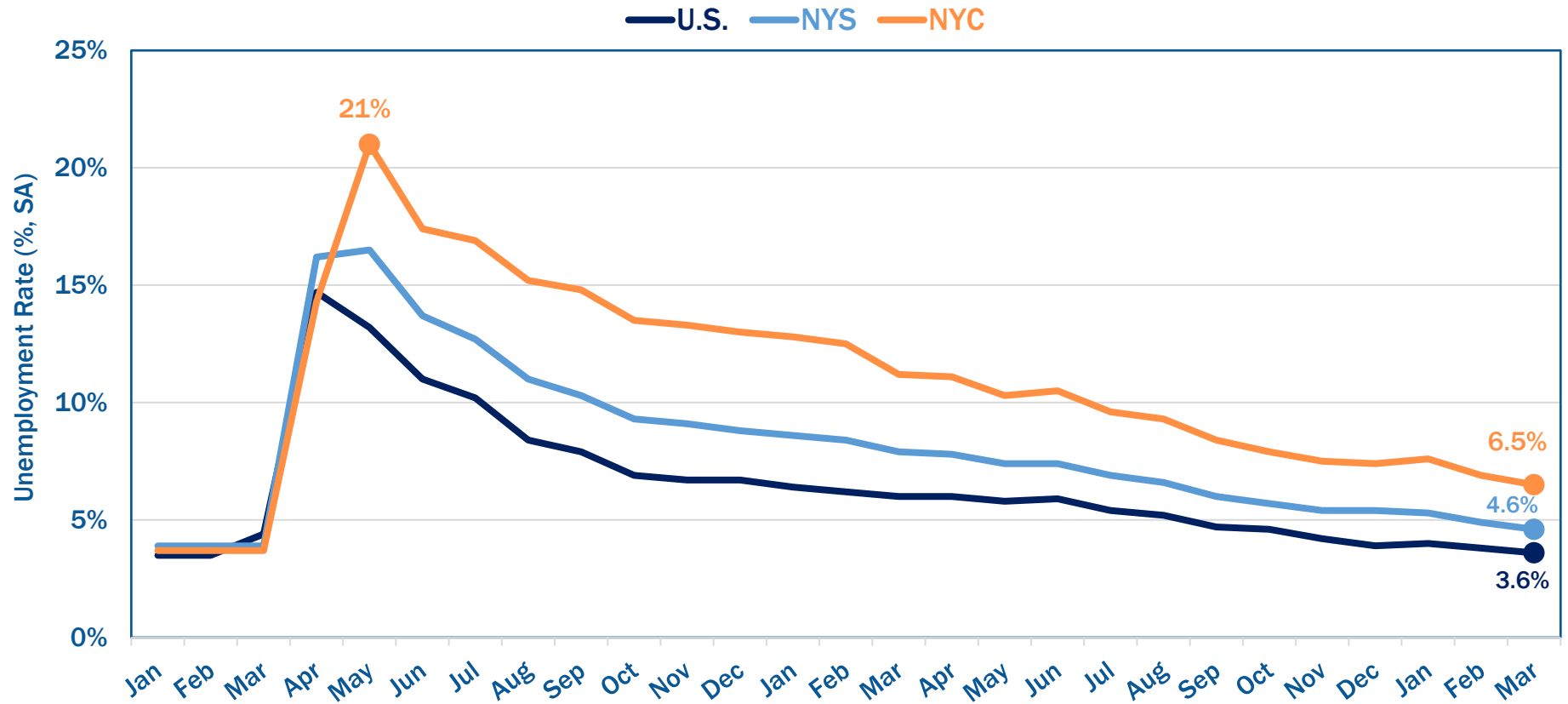
Source: U.S. Bureau of Labor Statistics, NY Department of Labor, NYC OMB

NYC Job Recovery



Source: NY Department of Labor, NYC OMB

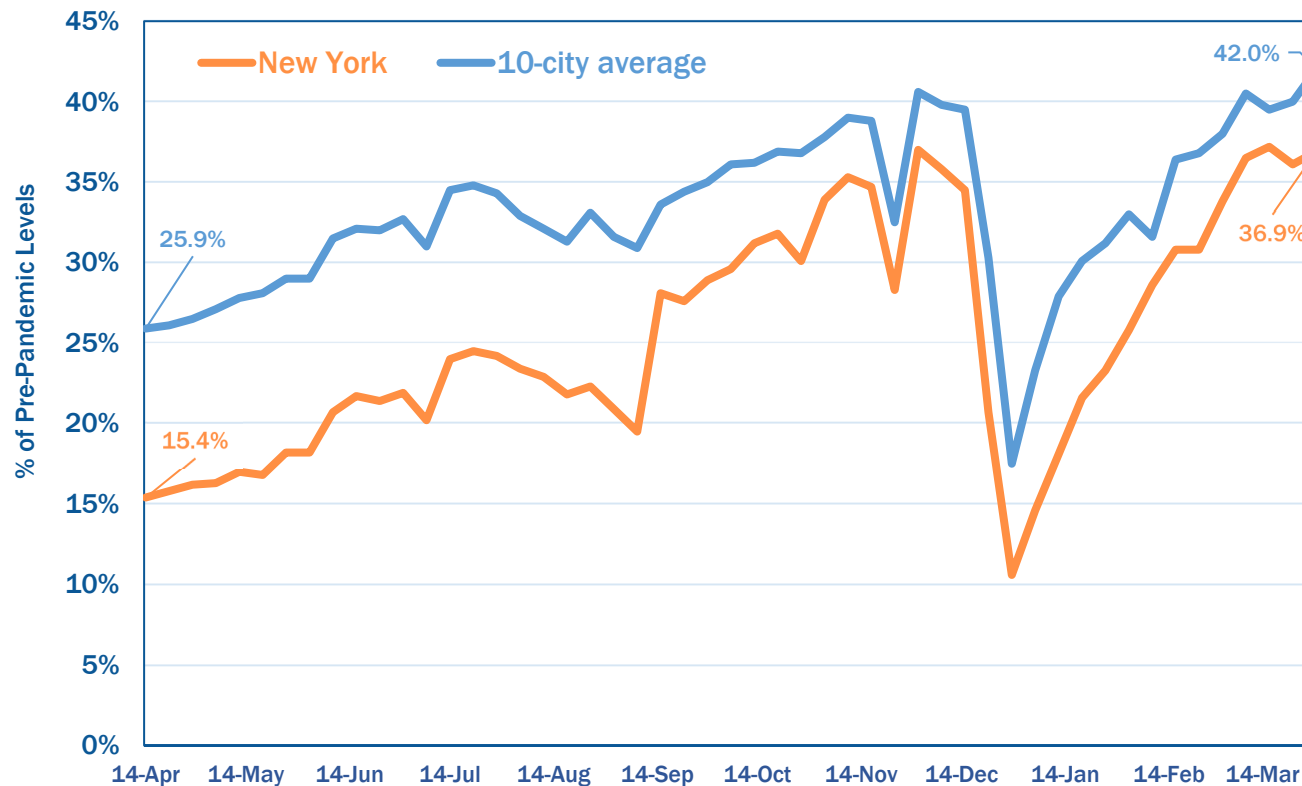
NYC's Unemployment Rate Still Lags The U.S. And NYS



Source: U.S. Bureau of Labor Statistics, NY Department of Labor

Return To Office Improves As Omicron Wanes

Percentage of Employees Returning to Office

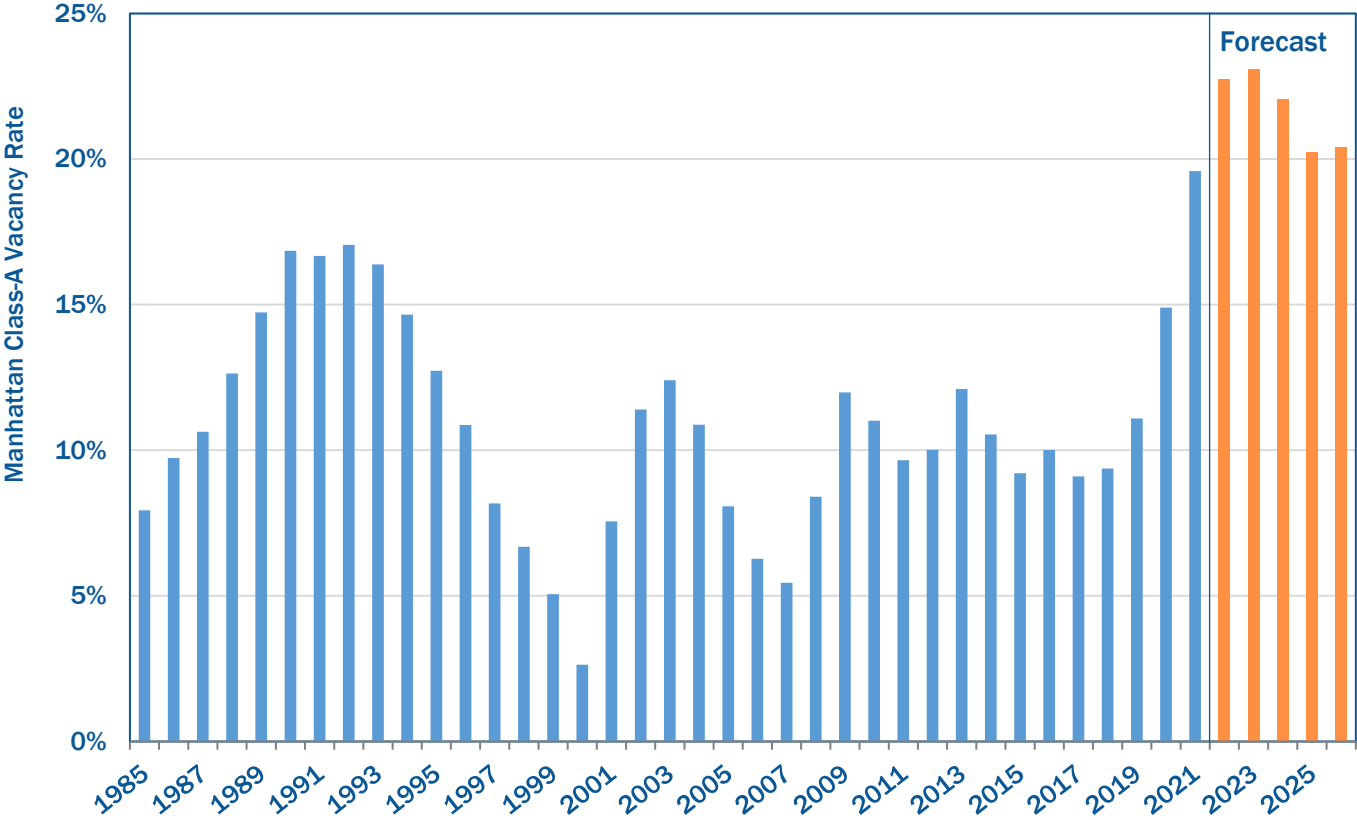


Source: [Kastle](#)

- Over the past 60 days an additional 10% of NYC employees have returned to their offices
- Though NYC lags other large cities

Office Vacancies Hit A New Record High

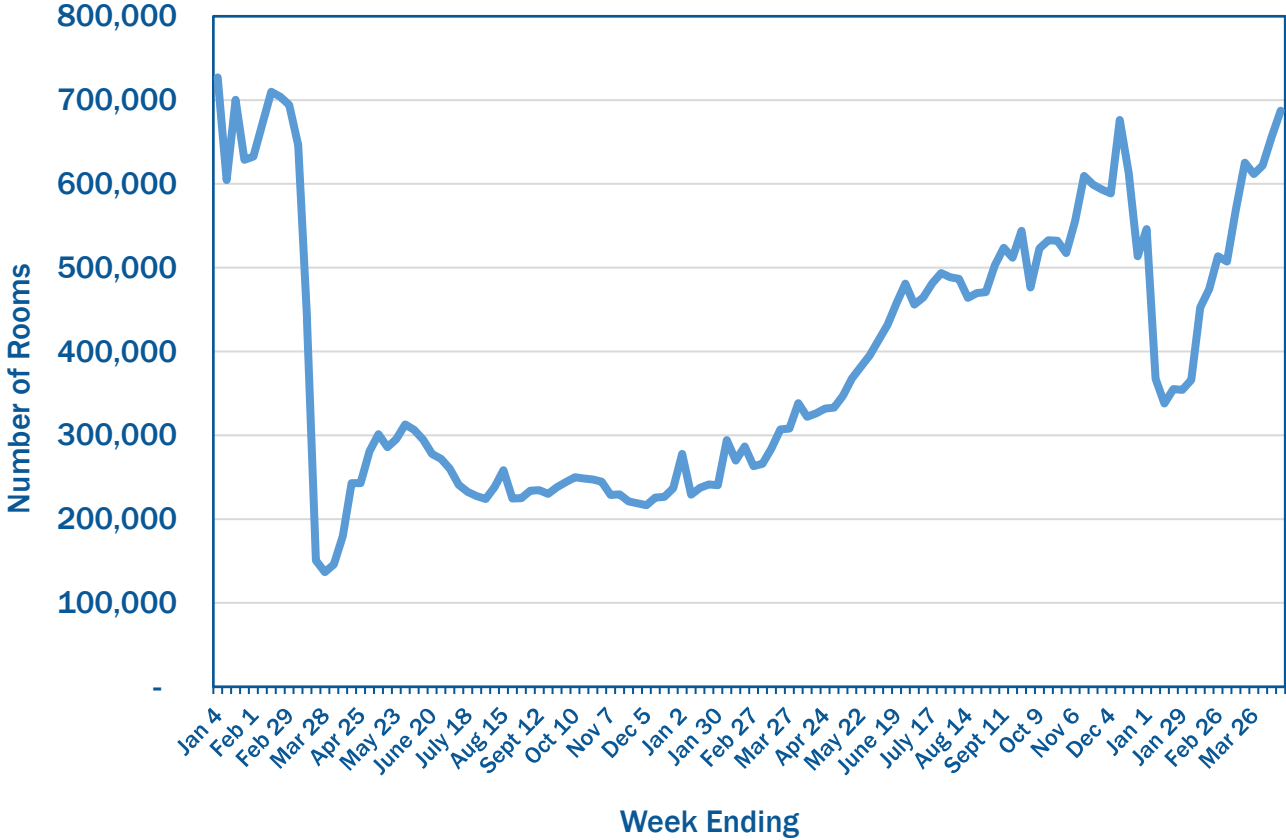
Office Vacancy Rate



Source: Cushman & Wakefield, NYC OMB

- Vacancy rates are expected to peak in 2023
- The slow pace of return to office increases vacancies and weakens the commercial office market

Hotel Demand Is Recovering



Source: NYC & Co

- Hotel demand is 80% of the pre-pandemic levels
- Rebounded quickly from omicron disruption
- Expected to continue to recover to pre-pandemic levels by 2024/2025 as international demand will take time to fully return

The Takeaway: We Remain Cautious

- Though the economy is strong **we face uncertainties** related to rising inflation, repercussions of the Russian invasion of Ukraine, and choppy Wall Street performance
- Therefore, in the Executive Budget we take a **cautious approach** to the economic and revenue outlook

REVENUE AND EXPENSE CHANGES

April 2022 Financial Plan

City Funds - (\$ in Millions)

| | <u>FY 2022</u> | <u>FY 2023</u> | <u>FY 2024</u> | <u>FY 2025</u> | <u>FY 2026</u> |
|--|----------------|------------------|------------------|------------------|------------------|
| Gap to be Closed - February 2022 Financial Plan | \$--- | \$--- | (\$2,721) | (\$2,234) | (\$3,009) |
| <u>Revenue Changes:</u> | | | | | |
| Tax Revenues | 1,612 | 392 | 162 | 19 | 355 |
| Non-Tax Revenues | 3 | 145 | 132 | 110 | 103 |
| Unrestricted Aid | (252) | 252 | --- | --- | --- |
| Total Revenue Changes | \$1,363 | \$789 | \$294 | \$129 | \$458 |
| <u>Expense Changes:</u> | | | | | |
| Agency Expense Changes | 179 | 2,232 | 1,307 | 1,024 | 908 |
| Savings | (208) | (15) | (15) | (15) | (15) |
| Labor Reserves | 119 | 238 | 365 | 445 | 495 |
| Debt Service | (62) | (126) | (147) | (173) | (190) |
| Pensions | (205) | --- | --- | --- | --- |
| General Reserve | (200) | --- | --- | --- | --- |
| Deposit to the Rainy Day Fund | 200 | --- | --- | --- | --- |
| Total Expense Changes | (\$177) | \$2,329 | \$1,510 | \$1,281 | \$1,198 |
| Gap to be Closed Before Prepayments | \$1,540 | (\$1,540) | (\$3,937) | (\$3,386) | (\$3,749) |
| FY 2022 Prepayment | (1,540) | 1,540 | --- | --- | --- |
| Gap to be Closed - April 2022 Financial Plan | \$--- | \$--- | (\$3,937) | (\$3,386) | (\$3,749) |

CAPITAL INVESTMENTS

Capital Planning

- The FY 2022-2026 Executive Capital Plan is **\$94.9B**, down from **\$100B** in the Preliminary Budget
- To make the Capital Plan more realistic we redistributed **\$5.1B** in projects from FY's 2022-2026 to the outyears

Historic Investments In Affordable Housing

Adding **\$5B** in capital dollars across HPD and NYCHA including:

- **\$3.6B** in housing subsidies through HPD
- **\$1.2B** for the NYCHA PACT program
- **\$200M** for **major in-unit repairs** at NYCHA Gowanus and Wyckoff Houses

Maintaining And Improving Parks And Streets

Parks improvements across the city including:

- Planting 20,000 trees per year to reduce citywide heat vulnerability
- Enhancing and adding new greenways in Brooklyn and Queens
- Rehabilitating critical infrastructure including pools
- **\$488M**

Support for the New York City Streets Plan, including:

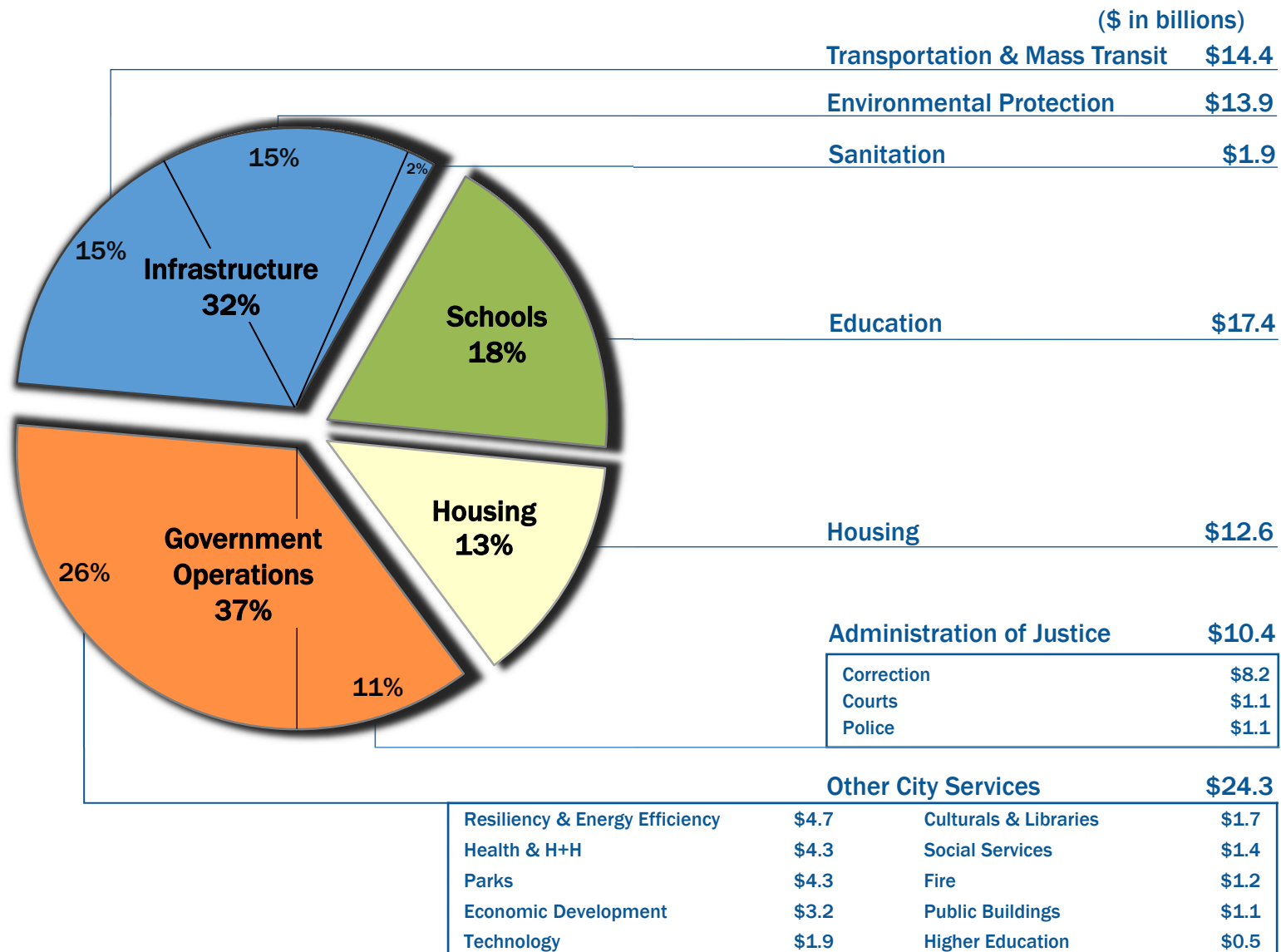
- Street reconstruction and Vision Zero safety improvements
- Making 34th Avenue in Jackson Heights a permanent open street
- Installation of bus lane cameras and Real Time Passenger Information signs
- Raised sidewalks
- **\$577M**

Economic Recovery: Hunts Point

Invest in the redevelopment of the Hunts Point Produce Market, adding to a vital resource in NYC's food supply system that supplies 25% of the city's fresh produce, and to improve the surrounding infrastructure and neighborhood parks

- **\$140M**

The 2023 Executive Capital Commitment Plan For Fiscal Years 2022-2026 Totals \$94.9 Billion In All Funds



Five Year Financial Plan Revenue And Expenditures

All Funds - (\$ in Millions)

| REVENUES | FY 2022 | FY 2023 | FY 2024 | FY 2025 | FY 2026 |
|---|------------------|-----------------|------------------|------------------|------------------|
| Taxes | | | | | |
| General Property Tax | \$29,427 | \$31,200 | \$31,692 | \$31,826 | \$31,836 |
| Other Taxes | 35,344 | 34,343 | 35,523 | 37,114 | 38,533 |
| Tax Audit Revenue | 871 | 722 | 722 | 722 | 721 |
| Subtotal: Taxes | \$65,642 | \$66,265 | \$67,937 | \$69,662 | \$71,090 |
| Miscellaneous Revenues | 7,354 | 7,246 | 7,258 | 7,265 | 7,285 |
| Unrestricted Intergovernmental Aid | 792 | 252 | --- | --- | --- |
| Less: Intra-City Revenue | (2,253) | (1,972) | (1,939) | (1,929) | (1,928) |
| Disallowances Against Categorical Grants | (15) | (15) | (15) | (15) | (15) |
| Subtotal: City Funds | \$71,520 | \$71,776 | \$73,241 | \$74,983 | \$76,432 |
| Other Categorical Grants | 1,173 | 1,029 | 1,016 | 1,015 | 1,012 |
| Inter-Fund Revenues | 686 | 735 | 731 | 730 | 730 |
| Federal Categorical Grants | 19,128 | 9,356 | 8,677 | 7,958 | 6,975 |
| State Categorical Grants | 16,462 | 16,757 | 16,891 | 17,136 | 17,189 |
| Total Revenues | \$108,969 | \$99,653 | \$100,556 | \$101,822 | \$102,338 |
| EXPENDITURES | | | | | |
| Personal Service | | | | | |
| Salaries and Wages | \$31,055 | \$31,276 | \$31,339 | \$31,623 | \$32,033 |
| Pensions | 9,727 | 9,665 | 9,048 | 8,176 | 7,561 |
| Fringe Benefits ^{(1),(2)} | 12,238 | 12,652 | 13,762 | 14,728 | 15,446 |
| Subtotal: Personal Service | \$53,020 | \$53,593 | \$54,149 | \$54,527 | \$55,040 |
| Other Than Personal Service | | | | | |
| Medical Assistance | \$6,473 | \$6,385 | \$6,385 | \$6,385 | \$6,385 |
| Public Assistance | 1,651 | 1,650 | 1,650 | 1,650 | 1,650 |
| All Other | 43,478 | 36,148 | 34,879 | 34,695 | 34,283 |
| Subtotal: Other Than Personal Service | \$51,602 | \$44,183 | \$42,914 | \$42,730 | \$42,318 |
| Debt Service ^{(1),(2)} | 6,685 | 7,816 | 8,119 | 8,630 | 9,407 |
| FY 2021 Budget Stabilization & Discretionary Transfers ⁽¹⁾ | (6,107) | --- | --- | --- | --- |
| FY 2022 Budget Stabilization & Discretionary Transfers ⁽²⁾ | 5,272 | (5,272) | --- | --- | --- |
| Capital Stabilization Reserve | --- | 250 | 250 | 250 | 250 |
| General Reserve | 50 | 1,055 | 1,000 | 1,000 | 1,000 |
| Deposit to the Rainy Day Fund | 700 | --- | --- | --- | --- |
| Less: Intra-City Expenses | (2,253) | (1,972) | (1,939) | (1,929) | (1,928) |
| Total Expenditures | \$108,969 | \$99,653 | \$104,493 | \$105,208 | \$106,087 |
| Gap To Be Closed | \$--- | \$--- | (\$3,937) | (\$3,386) | (\$3,749) |

⁽¹⁾ Fiscal Year 2021 Budget Stabilization and Discretionary Transfers total \$6.107 billion, including GO of \$3.000 billion, TFA-FTS of \$2.682 billion and Retiree Health Benefits of \$425 million.

⁽²⁾ Fiscal Year 2022 Budget Stabilization and Discretionary Transfers total \$5.272 billion, including GO of \$2.768 billion, TFA-FTS of \$1.964 billion, lease debt service of \$40 million and Retiree Health Benefits of \$500 million.