The State of the City's Economy and Finances, 2009

The City of New York
Office of the Comptroller
William C. Thompson, Jr., Comptroller

December 15, 2009

Prepared by the New York City Office of the Comptroller, Bureau of Fiscal and Budget Studies
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I. Executive Summary

The November modification to New York City's FYs 2010-2013 Financial Plan entails only technical adjustments to forecasts for current-year spending and revenues. Although facing a significant FY 2011 budget gap of $4.1 billion, the Mayor has deferred detailing new gap-closing initiatives to the winter and the release of the Preliminary FY 2011 Budget and Financial Plan.

The November Plan makes adjustments to FY 2010 tax revenue, headcount and overtime assumptions. On a total-funds basis, the FY 2010 Budget is $61.1 billion, an increase of $1.5 billion from the budget adopted in June 2009. A substantial portion of that increase stems from the carryover of Federal grants from FY 2009. Projected FY 2010 City-funded expenditures have increased $317 million since budget adoption, while City-fund revenues are projected to be $856 million greater than expected in June. This leaves a projected surplus of $539 million, which would be applied to prepayments of FY 2011 debt service.

The improved outlook for tax revenues stems from a brightening economic picture and more optimistic economic assumptions than the City held at the time of the Adopted Budget. Despite the improvement, the FY 2010 tax revenue estimate is relatively unchanged from FY 2009, but remains approximately $2.8 billion less than FY 2008. Tax revenues are not expected to exceed their FY 2008 level until FY 2012.

Consistent with the Comptroller's expectations at the time of budget adoption, year-to-date income-based, sales and real-estate transaction taxes have all performed better than the City's June projections. The Comptroller expects that the Mayor's upward revisions to the tax forecasts for FY 2010 will continue to be exceeded by actual collections and that the City will end the year with an additional $666 million in tax revenue, after accounting for a risk to property tax collections of $40 million.

The $317 million addition to FY 2010 expenditure stems primarily from a restoration of $120 million in funding to the Police Department (NYPD) to offset a shortfall in planned savings from headcount reductions and attrition savings. The City has also increased funding for overtime in the Fire Department (FDNY) and the Department of Correction (DOC). The Comptroller's Office has identified a net expenditure risk of $42 million, attributable to additional overtime expenses and public assistance grant increases, partly offset by savings from containment of judgment and claims (J&C) cost increases and a recently-announced pension reform agreement. In all, the Comptroller has identified a potential additional surplus of $624 million for FY 2010.

Few significant changes have been made to FYs 2011 through 2013, aside from the reduction in the FY 2011 budget gap from $4.925 billion to $4.143 billion as a result of the FY 2010 surplus roll. Gaps are projected to reach $4.903 billion in FY 2012 and $5.557 billion in FY 2013.

The Comptroller's Office has identified risks and offsets to the outyears of the Plan that would, on net, increase the budget gap in each year. In FY 2011, the risks include: reductions in State aid; overtime expenses, which the Mayor chronically underestimates; initiatives to achieve savings on employee health insurance and a new pension tier for uniformed and civilian employees; higher public assistance costs; and the end of a waiver granted by the New York State Financial Control Board (FCB) allowing the City to issue debt for certain purposes that have been reclassified as expense budget items by the Governmental Accounting Standards Board (GASB) in their Statement 49. These expense risks would be partially offset by higher tax revenues of $738 million. If the risks and offsets materialize, the FY 2011 gap would rise to $4.476 billion.

The risks identified by the Comptroller for FY 2011 carry through the outyears of the Financial Plan, while the revenue offsets dwindle to only $110 million by FY 2013. Consequently, the Comptroller foresees the potential for budget gaps of $5.618 billion in FY 2012 and $6.498 billion in FY 2013.

Diminishing revenue offsets reflect the Comptroller's Office's expectation that the national and local economies will recover from the recession more slowly than assumed by the City. Several characteristics of the recession foretell an anemic recovery. Housing construction and the resumption of consumer spending are typically critical components of economic recovery. They are hampered now by excess housing supply on one hand and record levels of household indebtedness on the other. Retrenchment and deleveraging will impede job creation, which was lackluster even before the onset of the recession.

After the release of the November Modification, City agencies were asked to submit plans for additional gap-closing initiatives. Agency gap-closing targets, which are lower for the uniformed agencies and the Department of Education (DOE), would generate savings of $566 million in FY 2010 and $1.2 billion in FY 2011. The details of these initiatives will be revealed when the Mayor releases the Preliminary Budget for FY 2011 this winter. After several rounds of cuts, it is expected that the agency initiatives will translate into significant reductions in headcount and curtailment of services.

The November Financial Plan shows projected total spending growth for the FYs 2010-2013 period of 3.5 percent, after netting out the impact of prepayments and prior-year actions. In contrast, revenues are projected to grow at a 2.8 percent pace. The upcoming Preliminary Budget and Financial Plan for FYs 2011-2014 will likely reflect more optimistic revenue projections and muted spending growth resulting from agency gap-closing initiatives. However, the underlying impetus to spending growth derives from pension contributions, health insurance and debt service. The Mayor's proposed reforms for pensions and health insurance would lower their levels but not necessarily their growth rates. And, while two rounds of reductions in the Capital Plan have been undertaken since 2008, the City's planned tax-supported debt issuance of $6.65 billion in FY 2010 and $6.05 billion in FY 2011 is an historical record high.

The fiscal outlook always seems bleak in the depths of an economic downturn, particularly one that has affected the financial services industry as much as has this

"Great Recession." Revenues are depressed and expenditures can only be reined in further by painful service cuts. Since the late 1970s, which marks the City's modern era of four-year financial planning and mandated balanced budgets, from the bottom of each cycle a boom in the financial services industry has emerged, providing resources for infrastructure upgrades and service enhancements, with some cushion against inevitable busts. As a consequence, City residents repeatedly suffer the whipsaw effects of promises for generous service improvements followed by agonizing rescissions.

The City's budgeting practices, while commendable in many respects, have never been adapted to the apparently increasing importance of financial cycles in propelling the local economy. One could hope that changes in federal regulation and institutional practices will reduce the role of destabilizing speculation in the business cycle. In the meantime, the City should take more seriously the need to institutionalize practices, such as a formal Rainy Day Fund, that could serve to mitigate the impacts of economic volatility on its children, seniors, and other vulnerable residents whose needs are served only cyclically, instead of reliably.

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Table 1. FY 2010 – FY 2013 Financial Plan

($ in millions)

	FY 2010	FY 2011	FY 2012	FY 2013	Changes FYs 2010 – 2013 Dollar	Percent
Revenues						
Taxes:						
General Property Tax	$16,251	$17,327	$17,917	$18,305	$2,054	12.6%
Other Taxes	$18,996	$20,129	$21,604	$22,904	$3,908	20.6%
Tax Audit Revenues	$746	$596	$595	$594	($152)	(20.4%)
Miscellaneous Revenues	$6,135	$5,760	$5,796	$5,837	($298)	(4.9%)
Unrestricted Intergovernmental Aid	$340	$340	$340	$340	$0	0.0%
Less: Intra-City Revenues	($1,768)	($1,565)	($1,568)	($1,572)	$196	(11.1%)
Disallowances Against Categorical Grants	($15)	($15)	($15)	($15)	$0	0.0%
Subtotal: City Funds	$40,685	$42,572	$44,669	$46,393	$5,708	14.0%
Other Categorical Grants	$1,163	$1,033	$1,037	$1,035	($128)	(11.0%)
Inter-Fund Revenues	$486	$453	$443	$443	($43)	(8.8%)
Total City & Inter-Fund Revenues	$42,334	$44,058	$46,149	$47,871	$5,537	13.1%
Federal Categorical Grants	$7,256	$6,454	$5,382	$5,370	($1,886)	(26.0%)
State Categorical Grants	$11,518	$11,926	$12,386	$13,059	$1,541	13.4%
Total Revenues	**$61,108**	**$62,438**	**$63,917**	**$66,300**	**$5,192**	**8.5%**
Expenditures						
Personal Service						
Salaries and Wages	$22,880	$23,335	$22,895	$23,741	$861	3.8%
Pensions	$6,700	$7,009	$7,311	$7,562	$862	12.9%
Fringe Benefits	$7,054	$6,705	$6,774	$7,708	$654	9.3%
Subtotal-PS	$36,634	$37,049	$36,980	$39,011	$2,377	6.5%
Other Than Personal Service						
Medical Assistance	$4,916	$5,622	$6,091	$6,271	$1,355	27.6%
Public Assistance	$1,399	$1,299	$1,299	$1,299	($100)	(7.1%)
All Other	$19,394	$18,839	$19,493	$20,007	$613	3.2%
Subtotal-OTPS	$25,709	$25,760	$26,883	$27,577	$1,868	7.3%
Debt Service						
Principal	$1,649	$1,892	$2,124	$2,101	$452	27.4%
Interest & Offsets	$2,507	$2,418	$2,511	$2,627	($120)	4.8%
Subtotal Debt Service	$4,156	$4,310	$4,635	$4,728	$572	13.8%
FY 2007 BSA & Discretionary Transfer	($31)	$0	$0	$0	$31	(100.0%)
FY 2009 BSA & Discretionary Transfer	($2,267)	$0	$0	$0	$2,267	(100.0%)
FY 2010 BSA	$539	($539)	$0	$0	($539)	(100.0%)
Prepayments	($2,036)	$0	$0	$0	$2,036	(100.0%)
Debt Retirement						
Call 2009/2010 GO Debt	($277)	$0	$0	$0	$277	(100.0%)
Defease NYCTFA Debt	($382)	$0	$0	$0	$382	(100.0%)
Subtotal Debt Retirement	($659)	$0	$0	$0	$659	(100.0%)
Transfer for NYCTFA Debt Service	($546)	$0	$0	$0	$546	(100.0%)
Addn'l Transfer Assumed in NYCTFA Debt Service	($100)	$0	$0	$0	$100	(100.0%)
FY 2008 Redemption of certain NYCTFA Debt	$0	($35)	$0	$0		
NYCTFA						
Principal	$458	$463	$583	$663	$205	44.8%
Interest & Offsets	$719	$838	$1,007	$1,150	$431	59.9%
Subtotal NYCTFA	$1,177	$1,301	$1,590	$1,813	$636	54.0%
General Reserve	$300	$300	$300	$300	$0	0.0%
	$62,876	$68,146	$70,388	$73,429	$10,553	16.8%
Less: Intra-City Expenses	($1,768)	($1,565)	($1,568)	($1,572)	$196	(11.1%)
Total Expenditures	**$61,108**	**$66,581**	**$68,820**	**$71,857**	**$10,749**	**17.6%**
Gap To Be Closed	**$0**	**($4,143)**	**($4,903)**	**($5,557)**	**($5,557)**	**N/A**

NOTE: Revenues include PIT revenues retained for NYCTFA debt service. Expenditures include NYCTFA debt service.

Table 2. Plan-to-Plan Changes
November 2009 Plan vs. June 2009 Plan

($ in millions)

	FY 2010	FY 2011	FY 2012	FY 2013
Revenues				
Taxes:				
General Property Tax	$0	$0	$1	$1
Other Taxes	$533	$0	($1)	($1)
Tax Audit Revenues	$150	$0	$0	$0
Miscellaneous Revenues	$162	$45	$46	$45
Unrestricted Intergovernmental Aid	$0	$0	$0	$0
Less: Intra-City Revenues	($99)	$18	$18	$18
Disallowances Against Categorical Grants	$0	$0	$0	$0
Subtotal: City Funds	$746	$63	$64	$63
Other Categorical Grants	$110	$4	$4	$4
Inter-Fund Revenues	$0	$0	$0	$0
Total City & Inter-Fund Revenues	$856	$67	$68	$67
Federal Categorical Grants	$656	$65	$27	$26
State Categorical Grants	$6	($49)	$6	$25
Total Revenues	**$1,518**	**$83**	**$101**	**$118**
Expenditures				
Personal Service				
Salaries and Wages	$317	$58	$52	$51
Pensions	$0	($25)	($47)	($69)
Fringe Benefits	$143	$2	($1)	$0
Subtotal-PS	$460	$35	$4	($18)
Other Than Personal Service				
Medical Assistance	$9	$0	$0	$0
Public Assistance	$100	$0	$0	$0
All Other	$535	($14)	$14	$31
Subtotal-OTPS	$644	($14)	$14	$31
Debt Service				
Principal	$0	($132)	$26	$27
Interest & Offsets	($62)	($215)	($485)	($670)
Subtotal Debt Service	($62)	($347)	($459)	($643)
FY 2007 BSA & Discretionary Transfer	$0	$0	$0	$0
FY 2009 BSA & Discretionary Transfer	($3)	$0	$0	$0
FY 2010 BSA	$539	($539)	$0	$0
Prepayments	$0	$0	$0	$0
Debt Retirement				
Call 2009/2010 GO Debt	$0	$0	$0	$0
Defease NYCTFA Debt	$0	$0	$0	$0
Subtotal Debt Retirement	$0	$0	$0	$0
Transfer for NYCTFA Debt Service	$0	$0	$0	$0
Addn'l Transfer Assumed in NYCTFA Debt Service	$0	$0	$0	$0
FY 2008 Redemption of certain NYCTFA Debt	$0	$0	$0	$0
NYCTFA				
Principal	($47)	($30)	($15)	$32
Interest & Offsets	$86	$178	$448	$622
Subtotal NYCTFA	$39	$148	$433	$654
General Reserve	$0	$0	$0	$0
	$1,617	$1,617	($717)	($8)
Less: Intra-City Expenses	($99)	$18	$18	$18
Total Expenditures	**$1,518**	**($699)**	**$10**	**$42**
Gap To Be Closed	**$0**	**$782**	**$91**	**$76**

Table 3. Risks and Offsets to the FYs 2010 – 2013 Financial Plan

($ in millions)

	FY 2010	FY 2011	FY 2012	FY 2013
City Stated Gap	**$0**	**($4,143)**	**($4,903)**	**($5,557)**
Tax Revenues				
Property Tax	($40)	($55)	$30	$70
Personal Income Tax	0	(95)	(160)	(235)
Business Taxes	125	185	(200)	(290)
Sales Tax	200	140	0	(85)
Real-Estate-Related-Taxes	381	563	656	650
Subtotal	**$666**	**$738**	**$326**	**$110**
State Aid	**$0**	**($300)**	**($300)**	**($300)**
Expenditures				
Overtime	($79)	($100)	($100)	($100)
10% Health Insurance Premium Co-pay	0	(357)	(386)	(418)
New Pension Tier Proposal	19	(182)	(183)	(176)
Public Assistance Grant Increase	(15)	(20)	(20)	(70)
Judgments and Claims	33	88	148	213
GASB 49	0	(200)	(200)	(200)
Subtotal	**($42)**	**($771)**	**($741)**	**($751)**
Total Risk/Offsets	**$624**	**($333)**	**($715)**	**($941)**
Restated (Gap)/Surplus	**$624**	**($4,476)**	**($5,618)**	**($6,498)**

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II. State of the City's Economy

With the resumption of growth in the third quarter of 2009, the longest and deepest economic slump of the post-war period appears to have come to an end. After six quarters of a recession that eradicated 7.3 million jobs and saw the U. S. economy shrink by nearly 4.0 percent, the trough was finally reached during the second quarter. Although a relapse into recession remains a material risk, the more likely scenario is for the American economy to continue its struggle toward recovery. The recession, however, left in its wake a number of serious economic problems that will continue to constrain growth for years to come. The prospect of a slow and painful climb, rather than a vigorous rebound, means that the present challenges faced by businesses, governments and households will not be easily or quickly overcome.

Although the financial crisis of 2007-2009 shook Wall Street to its foundations, the city's economy displayed impressive resilience even as its core industry reeled. Job losses were proportionally fewer than in the nation as a whole, real estate prices dropped less than the national average, and the epidemic of housing foreclosures was less severe than in other areas. Nevertheless, with the unemployment rate soaring to 10.3 percent by September, 2009 the human cost has been enormous and the strain on many households and their communities is evident. Moreover, the realization that an historic economic disaster was only narrowly averted through government bail-outs and Federal Reserve improvisations underscored the dangers of a local economy increasingly dependent on speculative finance for jobs, income and tax revenues.

A. NYC'S ECONOMIC PERFORMANCE IN 2009

New York City's economy is naturally and inevitably intertwined with the national economy, and national business trends are typically shadowed by changes in the local economy. Each business cycle has its unique characteristics, however, while the city's economic strengths and vulnerabilities are constantly changing. Although national recessions have frequently struck the city with greater intensity than elsewhere, there were also occasions, such as 1980-1982, when the worst impacts of a downturn bypassed our region. Fortunately, the 2007-2009 recession has been another such occasion, as the worst economic distress has been felt in other parts of the country.

Growth in New York City's gross product (GCP), a measure of the total value of goods and services produced, has closely paralleled that of the nation; other economic indicators have performed relatively better. The city's real GCP began contracting in the first quarter of 2008, roughly coincident with the national trend, and experienced its steepest decline early in 2009, also consistent with the nation pattern. The rate of decline in both the nation and the region eased during the spring, and the national economy, stimulated by the American Recovery and Reinvestment Act (ARRA), resumed positive economic growth in the third quarter. Although the rate of decline of the city's economy slowed further during the third quarter, the Comptroller's Office estimates that it continued to contract at a modest pace. If the American economy continues to grow in coming months, the city's economy should turn the corner as well, with economic growth resuming in late 2009 or early 2010. For the full year 2009, the Comptroller's Office projects that real U. S. gross domestic product (GDP) will have fallen by 2.5 percent from its 2008 level, while the city's real GCP will have fallen 3.1 percent from 2008.

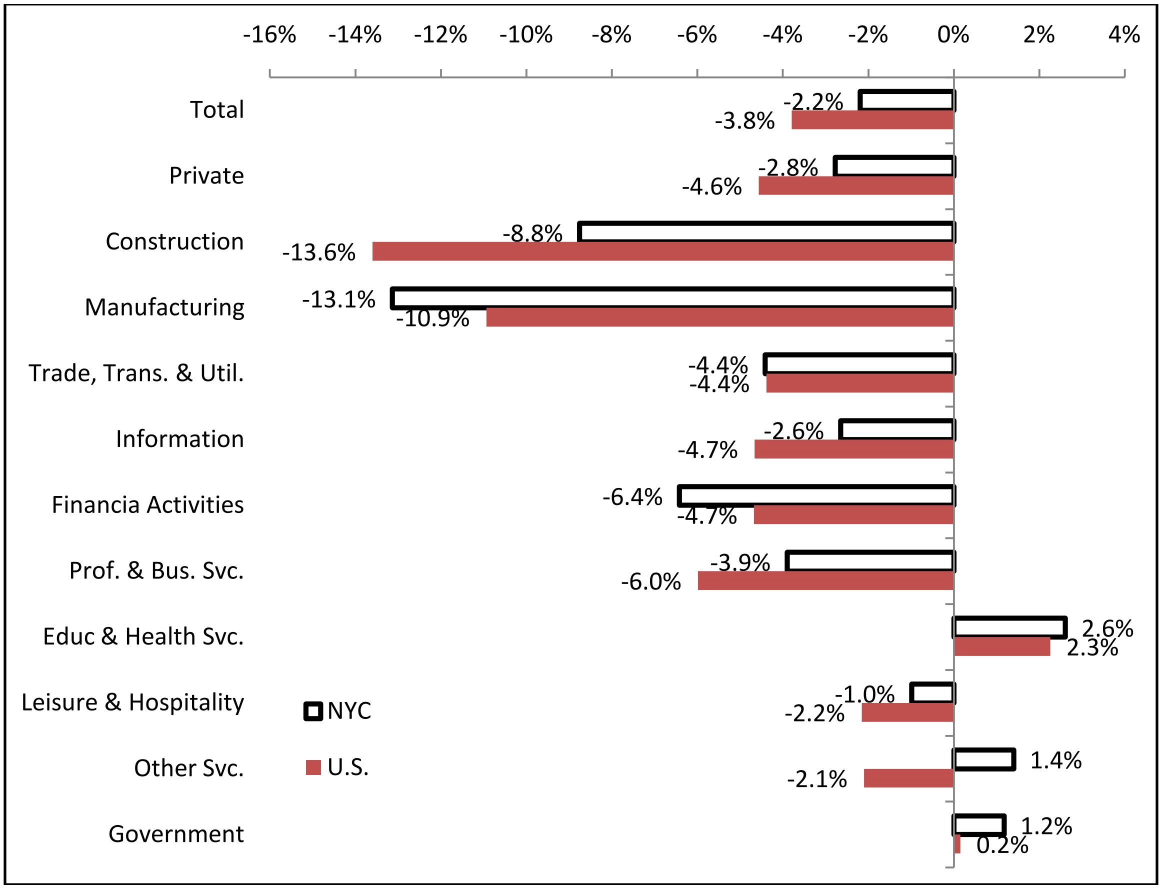
The comparatively steep decline in GCP is primarily attributable to the problems of the financial sector, as finance and insurance accounts for about twice the share of the region's gross product as it does of the nation's. From October 2008 to October 2009, the city lost about 100,000 payroll jobs, and more than half of them were in the Finance and Insurance and Professional and Business Services sectors. Those sectors are characterized by high-value added, high-wage jobs, so each job loss has a disproportionate effect on the city's GCP.

It is a measure of the severity of the recession that, despite a spike in the city's unemployment rate from 4.8 percent at the end of 2007 to 10.3 percent in October, 2009, the city's labor market can be considered to have fared relatively well. Total payroll employment in the city continued to grow through August, 2008, well after national employment had begun to decrease, and the overall decline from the peak level has been less precipitous. By October 2009, total payroll employment in the city had fallen 124,300, or 3.3 percent, while national payroll employment had fallen 7.3 million, or 5.3 percent. Although the city's unemployment rate exceeded the national rate by late 2009, that is attributable in part to a rapid increase in the size of the city's labor force.

New York's comparatively good job performance is attributable primarily to the composition of industries and occupations located here. As Chart 1 shows, the most severe job losses have occurred in construction and manufacturing, which were the industries most directly affected by the housing market turmoil and the associated credit crunch. Transportation activities associated with the shipment of goods have also been seriously impacted. Those industries represent a relatively small portion of the city's employment base. Although the city has lost proportionately more jobs in its financial sector than has the nation since the beginning of the crisis in August, 2007, its Professional and Business Services sector has not cut back employment as deeply, losing only 2.2 percent of employment base, compared to a national decline of 7.2 percent.

Chart 1 shows the change in NYC and U.S. payroll jobs during the first ten months of 2009 over the same period in 2008.

Chart 1. Change in NYC and U.S. Payroll Jobs, First 10 Months of 2009 vs. First 10 Months of 2008



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

Real estate and construction represent about one-sixth of GDP so a healthy real estate sector is critical to prosperity. The role of the housing market, and of subprime mortgages in particular, in triggering the credit crisis is well known; the growing problem in commercial real estate finance represents one of the most serious threats to the sustainability of the recovery. Although New York City's real estate economy has proven more resilient than those of many other cities, it too has been impacted by the credit crisis and recession.

According to Standard and Poor's Case-Shiller Home Price Index, national house prices declined nearly 30 percent (as measured by the 20-city average) between April 2006 and September 2009. In some cities, such as Phoenix and Las Vegas, the declines exceeded 50 percent. In the New York metropolitan area, however, the price declines were a less traumatic 19.5 percent. Evidence from market reports published by Prudential Douglas Elliman indicates that Queens home prices have declined slightly more than the metropolitan area average and that Manhattan apartments prices have declined slightly less, but overall housing prices in the city have roughly tracked the Case-Shiller index for the entire New York metropolitan area. The relatively less severe price decline of residential real estate has helped to reduce the foreclosure problem and the associated economic hardships that are associated with foreclosed mortgages. In fact, a recent analysis by First American Home CoreLogic, Inc., found that New York State had the second-fewest percentage of homeowners with negative equity and the lowest aggregate home loan-to-value ratio in the nation.

With the city's job losses less severe than generally predicted, commercial real estate in the city has also fared better than elsewhere. While the Manhattan office vacancy rate rose to 11.1 percent (8.3 percent direct, plus 2.8 percent available for sublease) in 3Q09, the highest since 3Q04, according to Cushman & Wakefield, the overall vacancy rate was still the lowest of any major U.S. office market. Average asking rents for Manhattan office space declined to $57.08 per square foot in 3Q09, compared to $72.97 in 3Q08, but were still above the $45.84 of the third quarter of 2006. Cushman and Wakefield also reported that office leasing in 3Q09 increased over 70 percent compared to the previous quarter, to 11.3 million square feet. Overall, commercial building cash flows, imputed from commercial rent tax collections, have continued to show a steady 6.0 to 7.0 percent annual growth.

The falling property values and the credit crisis have, however, brought the city's private building boom to an abrupt halt. Building permits for new residential units, which had averaged 32,084 annually from 2005 through 2008, are projected to fall to approximately 5,000 in 2009. The New York Building Congress estimates that non-residential private construction also slowed significantly in 2009, and that overall construction spending dropped 20 percent from 2008. Construction employment fell by about 14,000 from October 2008 to October 2009 and will probably fall further as buildings started prior to the credit crunch are completed.

The recovery of Wall Street has been more rapid than most observers anticipated. According to NYSE Euronext, after-tax profits of member firms dealing with the public rebounded to $32.3 billion in the first three quarters of 2009, compared to a $20.4 billion loss for the same period of 2008. Nevertheless, significant concerns about the future of the city's financial services industry remain, including how it will be affected by federal regulatory reform, how the emergency mergers and acquisitions of 2008 will play out over time, and how it will replace lucrative underwriting activities that were discredited by the crisis.

The dramatic events on Wall Street during the past two years have obscured a quieter crisis in another important New York City sector. Although the city is still the media capital of the nation with over 160,000 information industry workers, critical information industries are struggling to find promising business models in a market that has been upended by rapid technological and structural change. During 2009, employment in the publishing and telecommunications industries continued to dwindle, while local broadcasting employment, which had been stable for much of the decade, dipped as well. Although the city's information sector has actually gained market share (measured by industry employment) over the past two decades, sector employment has shrunk by nearly 25 percent nationally since 2000 and its future is highly uncertain.

B. ECONOMIC OUTLOOK

The national economic outlook is considerably better than it was at this time last year but significant obstacles to prosperity remain. In the short term, the severity of the jobs losses since the recession began is itself a major impediment to recovery, as widespread unemployment depresses real estate prices, escalates banks' loan losses, and constrains consumer spending. Even if the undertow of high unemployment does not pull the economy back into recession, the recovery will have to overcome a damaged real estate sector, a battered and cautious banking system, and an over-leveraged consumer.

Ironically, one of the best reasons to hope that the current recovery will be sustainable is the longevity of the recession. It has been nearly four years since the housing market peaked and almost three since the national economy began to slow. The recession itself lasted a year and a half. Consumer hesitance to purchase new homes, autos and durable goods, or to spend money on non-durable items and recreation, usually intensifies recessions at the outset. However, the passage of time causes the backlog of such spending to mount, and eventually the "pent up" demand provides a natural stimulus to the economy. The duration of the recent slump, we believe, created significant latent demand for housing, automobiles and other goods and activities that will eventually be realized. Combined with the spending boost provided by the ARRA, we are optimistic that a gradual restoration of consumer spending will prevent the economy from relapsing into recession.

The housing market bust had both financial and psychological effects that led the nation into the recent recession. The precipitous descent of home prices, which began in 2006, undermined the precarious mortgages that were originated during the boom and eroded the securities based on them, leading to the implosion of hedge funds, the collapse of banking institutions, and the near melt down of the financial system. Plummeting home prices also undermined the economic security and confidence of consumers, over and above the shock effect created by the financial industry turmoil. For the financial system to stabilize and consumer confidence to be restored, stability in home prices is a prerequisite. Recent data suggests that has finally begun to happen. The 20-city Case-Shiller Index, for example, declined for 33 consecutive months before rising in May, and then increasing again in June, July, August and September. While the steady stream of home foreclosures may exert some intermittent downward pressure on home prices, it appears that housing prices have reached a plateau and the unraveling of both household and bank balance sheets will abate. Stability in home prices will also help to restore consumer and investor confidence in the economic recovery.

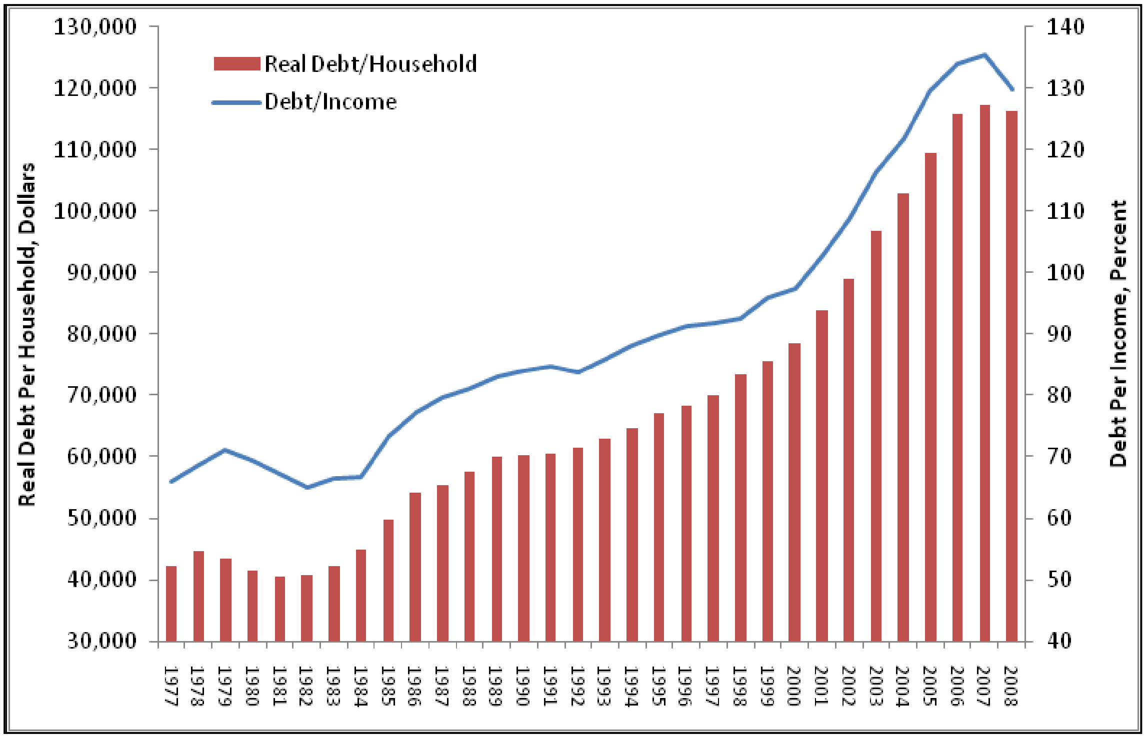
The stabilization of home prices has been attributable to stronger demand for existing homes, which are generally more favorably situated than new homes and, in the current housing environment, often less expensive as well. In contrast, new home sales have remained depressed and new home construction has sunk to the lowest levels in over 50 years. For the long-term health of the housing market that is a favorable pattern, as demand has been focused on absorbing existing inventory, while home builders have not added greatly to the existing oversupply. However, it has also deprived the economy of the expansionary jolt that new housing construction usually provides in the early stages of business cycle recoveries. The non-responsiveness of new home building and sales to the extraordinarily low mortgage rates that currently prevail is one of the primary reasons we expect this recovery to be more gradual and uneven than many of those in the past.

Another reason to expect a less-than-vigorous recovery is the growing crisis in commercial real estate. Approximately $3.4 trillion of commercial real estate debt is outstanding, much of which is held by smaller regional and community banks that are crucial for small business financing. Although commercial real estate loan losses have been modest so far, banks and regulators are bracing for increased loss rates, especially as many real estate loans have balloon features and will need to be refinanced. Moreover, with investors wary of all mortgage securities, virtually no new commercial mortgage-backed securities (CMBS) have been issued in the past year. The Federal Reserve has adapted its Term Asset-Backed Securities Loan Facility (TALF) to accommodate CMBS issues, but the commercial real estate financing crunch will continue to inhibit bank lending and suppress construction activity.

Beyond the immediate problems of the real estate and banking sectors is the longer-term trend toward the deleveraging of the U.S. economy. From 1997 to 2007, total disposable income increased at an annual rate of 5.4 percent, while household debt increased at a 9.6 percent annual rate. The excess debt creation allowed American households to increase their consumption expenditures faster than their incomes grew, but pushed the household debt-to-income ratio to its highest level on record. Since 2007, falling home values and tightening credit conditions have forced households to retrench, and personal consumption expenditures have increased more slowly than has disposable personal income. We anticipate that this retrenchment will continue for several years, causing the economic recovery to gain steam much more slowly than has been typical in most recent business cycles.

The deleveraging process will exacerbate the job-creation difficulties the U.S. economy was experiencing even before the recession began. From 1990 to 2000, private payroll employment in the United States increased at a 2.0 percent annual rate, but that growth rate slipped to only 0.6 percent from 2000 to 2007. It is not clear why the rate of job creation slowed so dramatically during this decade, although technological change and globalization appeared to have played leading roles. The record of steep job declines during the recession provides little hope that the recovery will usher in a new era of job creation in America’s private economy.

Chart 2. U.S. Household Debt-to-Income Ratios and Average Real Household Debt, 1977 to 2008



For the reasons discussed above, the Comptroller's Office anticipates a flatter growth trajectory for the U.S. economy through 2013 than does the Mayor. Although both project a 2.5 percent decline in real GDP in 2009 and a 2.0 percent increase in 2010, the Mayor forecasts GDP building to a 3.8 percent growth rate in 2012, before tailing off. The Comptroller, in contrast, anticipates a more gradual restoration of economic momentum, with GDP growth not reaching 3.0 percent until 2013. However, the Comptroller anticipates a slightly stronger local economy in 2010.

Table 4 provides a comparison of the forecasts for real GDP, unemployment rate, and inflation rate by the Comptroller's Office, Mayor, and the Blue Chip consensus.

Table 4. Percent Change in Real GDP, Inflation Rate, and Unemployment Rate, Projections, 2009 and 2010

	GDP Growth		Unemployment Rate		Change in CPI	
	2009	2010	2009	2010	2009	2010
1. NYC Comptroller's Office	(2.5)	2.0	9.2	9.4	(0.7)	1.4
2. Mayor	(2.5)	2.0	9.2	10.0	(0.4)	1.7
3. Blue Chip Consensus	(2.4)	2.7	9.2	9.9	(0.4)	2.0

SOURCE: OMB, NYC Comptroller's Office and Blue Chip Economic Indicators, November 10, 2009.
CPI=Consumer Price Index.

Table 5 provides summary projections for seven U.S. indicators in 2009 and 2010.

Table 5. Seven U.S. Indicators, Actual 2008, and Comptroller's Projections, 2009-2010

	Actual 2008	Projected 2009	Projected 2010
Real GDP Growth, (2005 $)	0.4	(2.5)	2.0
Payroll Jobs, % Change	(0.4)	(3.7)	(1.2)
Consumer Price Index (1982=100), % Change	3.8	(0.7)	1.4
Wage-Rate Growth	2.5	1.4	1.9
Unemployment Rate	5.8	9.2	9.4
Fed Funds Rate	1.9	0.1	0.4
10-Yr T-Notes	3.7	3.3	3.5

SOURCE: NYC Comptroller's Office and data from BLS, BEA, and the Federal Reserve Board of Governors. Actual data are shown in the 2008 column. The Comptroller's projections (averages for the year) are in the 2009 and 2010 columns.

Table 6 provides a summary projection for five NYC indicators in 2009 and 2010.

Table 6. Selected City Indicators, Actual 2008 and Comptroller's Forecasts, 2009-2010

	2008	2009	2010	2011	2012	2013
Real GCP, (2005 $), % Change	1.2	(3.1)	1.0	2.5	2.9	3.0
Payroll Jobs (Annual Change), '000s	47.0	(82.0)	(77.0)	7.0	44.0	53.0
Wage-Rate Growth, %	0.2	(4.8)	1.2	2.0	2.7	3.3
Consumer Price Index (1982=100), % Change	3.9	0.1	1.6	3.0	3.9	4.1
Unemployment Rate, %	5.5	9.3	9.9	7.5	6.6	5.8

SOURCE: NYC Comptroller's Office based on BLS and BEA. GCP=Gross City Product.

Table 7. Selected City Indicators, Actual 2008 and Mayor's Forecasts, 2009-2010

	2008	2009	2010	2011	2012	2013
Real GCP, (2005 $), % Change	(6.3)	(4.4)	0.0	2.5	3.7	2.2
Payroll Jobs (Annual Change), '000s	47.0	(81.0)	(103.0)	14.0	49.0	42.0
Wage-Rate Growth, %	0.3	(9.0)	2.3	2.8	3.5	3.7
Consumer Price Index (1982=100), % Change	3.9	0.4	1.9	2.2	2.2	2.1
Unemployment Rate, %	na	na	na	na	na	Na

SOURCE: NYC Comptroller's Office based on BLS and BEA. GCP=Gross City Product.

III. The City's Fiscal Outlook

Since the Adopted Budget in June, the national economy has improved, turning positive in the third quarter of the current calendar year. Similarly, Wall Street has rebounded with the S&P 500 posting a gain in excess of 19 percent from June to November. As a result, tax collections to date have been stronger than the City's June projection. Despite the improvement in the economy, the City's fiscal outlook remains challenging. As Table 8 shows, multi-billion dollar gaps continue to confront the City in the outyears.

The City has increased its FY 2010 revenue estimates by $856 million with $683 million of the increase due to an upward revision to tax revenue estimates. Revisions to personal income tax (PIT) and business tax revenues account for $542 million of the increase. While non-tax revenue estimates are higher than the June 2009 forecast, they reflect mainly adjustments to community college tuition and fees and other categorical grants. However, these revenues fund specific expenditures and as such provide no additional budget relief.

Table 8. Changes to the City-Funds Estimates

($ in millions, negative numbers increase the gap)

	FY 2010	FY 2011	FY 2012	FY 2013
Gaps to be Closed - June 2009 Plan	**$0**	**($4,925)**	**($4,994)**	**($5,633)**
Tax Revenues	$683	$0	$0	$0
Non-Tax Revenues	$173	$68	$68	$68
Subtotal Revenue Changes	**$856**	**$68**	**$68**	**$68**
Restoration of Uniformed Police Attrition PEG	($120)	$0	$0	$0
Uniformed Corrections and Fire Overtime	(25)	0	0	0
Adjustment for FY 2009 Pension Asset Losses	$0	$25	$47	$69
Debt Service	$1	$218	$44	$7
Other Categorical Expenditures	($109)	($4)	($4)	($4)
Community College Fees and Tuition Adjustment	($64)	($64)	($64)	($64)
Subtotal Expense Changes	**($317)**	**$175**	**$23**	**$8**
Total Change Since June 2009	**$539**	**$243**	**$91**	**$76**
Gaps to be Closed November 2009 Plan	**$539**	**($4,682)**	**($4,903)**	**($5,557)**
FY 2010 Budget Stabilization Account	**($539)**	**$539**	**$0**	**$0**
Remaining Gaps	**$0**	**($4,143)**	**($4,903)**	**($5,557)**

FY 2010 City-funds expenditures are $317 million higher than estimated in the Adopted Budget. The largest increase stems from restoration of $120 million in funding to the Police Department to offset shortfalls in savings from headcount reduction and other personal service (PS) savings from attrition. The Department had estimated savings based on the historical attrition rate of 8.0 percent. However, actual attrition to date has averaged an annual rate of 6.0 percent. As discussed in "Headcount" beginning on page 25, the shortfall in attrition would likely result in an increase of more than 1,000 police officers above the current headcount Plan. In addition, the City has increased funding for overtime in the Fire Department and Department of Correction by $15 million and $10 million, respectively. The remaining $173 million increase reflects the corresponding changes in other categorical grants and community college tuition and fees. Hence, they have no impact on the budget gap.

With the increase in tax revenue forecast, the City now expects to end FY 2010 with a budget surplus of $539 million. This projected surplus will be used to prepay FY 2011 debt service. This prepayment, together with lower debt service and pension contributions will narrow the $4.9 billion gap projected in June to $4.1 billion.

RISKS AND OFFSETS

The Comptroller's Office has identified additional resources of $624 million in FY 2010 and risks of $333 million, $715 billion, and $941 billion in each of FYs 2011 through 2013, respectively. As Table 3 on page 3 shows, these risks, after taking into account all offsets, would increase the outyear gaps to $4.5 billion in FY 2011, $5.6 billion in FY 2012, and $6.5 billion in FY 2013.

The additional FY 2010 resources identified by the Comptroller's Office stem from higher tax revenue estimates by the Office. As discussed in "Risks and Offsets to Tax Revenues" beginning on page 17, the Comptroller's outlook for the City's economy is less pessimistic than the City's and as a result, the Comptroller's Office expects tax revenues to exceed the City's projections by $666 million. This additional tax revenue is partially offset by the Comptroller's higher overtime estimate. As discussed in "Overtime" beginning on page 27, the Comptroller's Office estimates that overtime spending for FY 2010 will exceed the budgeted amount by $79 million.

Risks in the outyears of the Plan stem from risks to the City's expenditure budget and State Aid. These risks are partially offset by the Comptroller's forecast of higher tax revenues. The higher projections are driven mainly by the Comptroller's expectation of a stronger recovery in real estate transactions, as discussed in "Tax Revenues" beginning on page 17.

Beginning in FY 2011, the City expects savings of $357 million from a proposal requiring employee contributions of 10 percent of health insurance premiums. The savings from this proposal are expected to grow to $418 million by FY 2013. However, this proposal requires agreement by the municipal unions. There is no indication yet on how the municipal unions will respond to this proposal and therefore, the assumed savings from this proposal represent a risk to the City's health insurance estimates.

The Financial Plan also includes annual savings of $200 million beginning in FY 2011 from pension reform. On December 2, 2009, the State Legislature approved legislation to restructure pension benefits for new employees of the State and other localities. However, this legislation does not apply to New York City employees, although it includes the agreement between the City and the United Federation of

Teachers (UFT) to enact reform of pension benefits. As discussed in “Pension” beginning on page 23, this reform will reduce the City’s pension contribution by $19 million in FY 2010, $18 million in FY 2011, $17 million in FY 2012, and $24 million in FY 2013. As a result, there are net risks of $182 million in FY 2011, $183 million in FY 2012, and $176 million in FY 2013 in the City’s assumption of pension contribution savings from pension reform.

The potential cost of funding pollution remediation out of the General Fund continues to pose a risk to the budget. As discussed in previous reports, GASB Statement 49, Accounting and Financial Reporting for Pollution Remediation Obligations, issued in November 2006, requires governments to treat pollution remediation as an operating expense. The New York State Financial Control Board passed a resolution on April 30, 2008 authorizing the City to delay the implementation of GASB Statement 49 until FY 2011. Because State law prohibits New York City from borrowing for operating expenses it will have to fund pollution remediation out of the General Fund. The Comptroller’s Office estimates that the cost of pollution remediation will be approximately $200 million annually.

In addition, the November Plan does not account for the implications of the State’s budget woes and their impact on aid to the City. The Comptroller’s Office estimates that the City could face risks to State aid of $100 million in FY 2010 and $300 million in each of FYs 2011 through FY 2013 as a result of the State’s fiscal trouble.

In November, the Mayor’s Office directed all agencies to develop gap-closing actions that will produce budget relief totaling $566 million in FY 2010, and $1.2 billion in FY 2011. To achieve these targets, the Mayor’s Office is requiring agency reductions of 1.5 percent in FY 2010 and 4.0 percent in FY 2011 in the uniformed agencies, 2.0 percent in FY 2010 and 4.0 percent in FY 2011 in the Department of Education, and 4.0 percent in FY 2010 and 8.0 percent in FY 2011 in all other agencies. If these targets are achieved, and the FY 2010 savings are applied towards FY 2011, these gap-closing initiatives would provide almost $1.8 billion of budget relief in FY 2011. Furthermore, the City typically reduces its General Reserve and recognizes prior-year payable savings in the January Modification. These actions could produce another $500 million of relief in FY 2010 that could be applied toward closing the gap in FY 2011.

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IV. Revenue Assumptions

In the November Plan, the City-fund revenue projection increased by $747 million for FY 2010. The revision is due to an increase of $683 million in anticipated tax revenues, including $150 million in additional tax audit revenues. Personal Income Tax (PIT) and business tax revenue re-estimates account for most of the increase. Projections for property tax revenue remain unchanged. Excluding intra-City revenues, the FY 2010 miscellaneous revenue projection also increased by $64 million. The revision is attributed to an increase in expected tuition revenues. The projection for federal categorical grants increased by $656 million to mainly account for transfer of FY 2009 unspent funds, while the State categorical grants projection increased by $6 million. Total revenues are expected to reach $61.1 billion in FY 2010 and to grow 8.5 percent throughout the Plan period, reaching $66.3 billion in FY 2013.

Tax Revenues

The City has increased its tax revenue projection in the November Modification for FY 2010 by $683 million, or 1.9 percent, from $35.3 billion to $36 billion, as detailed in Table 9.[1] The changes in the tax revenue forecasts are based on better-than-expected collections in the first three months of FY 2010 and more optimistic economic forecasts for the local economy. No major changes have been made in the City's forecasts for total tax revenue in FYs 2011, 2012 and 2013.

Table 9. Revisions to the City's Tax Revenue Assumptions

($ in millions)

	FY 2010	FY 2011	FY 2012	FY 2013
November Modification – Total	**$35,993**	**$38,052**	**$40,116**	**$41,803**
Revisions:				
Property	$0	$0	$0	$0
Personal Income (PIT)	292	0	0	0
Business	250	0	0	0
Sales	0	0	0	0
Real-Estate Related	(74)	0	0	0
All Other	66	0	0	0
Audit	150	0	0	0
Total	**$683**	**$0**	**$0**	**$0**
Percent Change	**1.9%**	**(0.0%)**	**(0.0%)**	**(0.0%)**

SOURCE: NYC Office of Management and Budget.

Changes from Adopted Budget

Real property tax revenue forecasts for FYs 2010 through 2013 are unchanged. FY 2010 revenue is still expected to be $16.25 billion.

[1] The definition of personal income tax (PIT) revenue used in this section includes School Tax Relief (STAR) reimbursement and the portion of PIT retained for New York City Transitional Finance Authority (NYCTFA) debt service. Property tax revenue includes STAR reimbursement. Total tax revenue includes STAR, NYCTFA, and tax audit revenues.

The FY 2010 PIT revenue forecast has been raised $292 million in the November Modification, as a result of increases in withholdings and installments. PIT collection forecasts have not been changed for subsequent years of the Financial Plan. The upward revision for FY 2010 apparently reflects an improved outlook for Wall Street wages and bonus payments and for the city's labor market as a whole. Net PIT collections in the first three months of FY 2010 were $114 million above the level anticipated in the Adopted Budget, but $194 million lower than in the corresponding period in FY 2009.

Business tax revenue forecasts have been increased by $250 million for FY 2010, from $4.12 billion in the Adopted Budget to $4.37 billion in the November Modification, reflecting an increase in actual collections in the first quarter of FY 2010. The forecasts for the banking corporation tax (BCT) and the unincorporated business tax (UBT) are higher compared to the Adopted Budget estimate, while the forecast for the general corporation tax (GCT) remains constant. Estimated net collections for the BCT and the UBT have been increased by $150 million and $100 million, respectively, for FY 2010. The forecasts of business taxes for the outyears have not changed compared with the Adopted Budget.

Sales tax revenue is estimated at $4.79 billion for FY 2010, unchanged from the Adopted Budget forecast. No changes have been made to the collection forecasts during the entire Plan period.

Forecasts for real-estate-related taxes, which are the real property transfer tax (RPTT) and the mortgage recording tax (MRT), have been revised downward since the Adopted Budget, by $74 million for FY 2010. Revenue forecasts for the MRT and the RPTT are reduced by $27 million and $47 million, respectively. These decreases reflect a weak real estate market, especially the impact of a tighter credit market and stricter lending standards on large commercial transactions.

Projected Tax Revenue Growth, FYs 2010-2013

The City has revised its forecasts for FY 2010, leaving the outyear projections unchanged. This affects the growth rates in FYs 2010 and 2011, as well as the overall growth rates during the entire Plan period. Total collections are expected to decline 0.1 percent in FY 2010, and to increase 5.7 percent in FY 2011, 5.4 percent in FY 2012, and 4.2 percent in FY 2013, respectively. Total tax revenue is forecast to grow on average 5.1 percent annually from FY 2010 through FY 2013.

Revenue from the property tax is projected to increase 12.2 percent in FY 2010 over FY 2009. Over the Financial Plan period, the City expects property tax revenues to grow at an average annual rate of 4.0 percent.

Business tax collections are expected to decline by 16.1 percent in FY 2010 compared with FY 2009. GCT revenue is expected to decline 7.1 percent, BCT revenue is expected to decline 38.6 percent, and UBT revenue is forecast to decline 14 percent in FY 2010. During the Plan period, business taxes are expected to grow at an average rate of 8.1 percent annually.

PIT revenue is expected to drop 8.2 percent in FY 2010, but is expected to grow, on average, by 6.8 percent annually from FY 2010 to FY 2013. The City expects sales tax revenues to increase 4.2 percent in FY 2010, then to grow at an annual average rate of 5.3 percent over the Financial Plan period. Real-estate-related tax revenues are projected to decline 19.4 percent in FY 2010, with an average annual growth rate of 13.6 percent from FY 2010 to 2013.

Table 10. Tax Revenue Forecast, Growth Rate, FYs 2010-2013

	FY 2010	FY 2011	FY 2012	FY 2013	FYs 2010-2013
Property	12.2%	6.6%	3.4%	2.2%	4.0%
PIT	(8.2%)	8.8%	6.3%	5.4%	6.8%
Business	(16.1%)	4.9%	12.8%	6.9%	8.1%
Sales	4.2%	3.4%	6.2%	6.4%	5.3%
Real-Estate Related	(19.4%)	18.3%	9.2%	13.6%	13.6%
Total	**(0.1%)**	**5.7%**	**5.4%**	**4.2%**	**5.1%**

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

Risks and Offsets to the City's Tax Revenue Assumptions

Except for technical changes in its estimates of the risks and offsets to tax revenues, the Comptroller's Office maintains its basic economic and tax revenue assumptions made in "*The Comptroller's Comments on the Adopted Budget for Fiscal Year 2010 and the Financial Plan for FYs 2010 – 2013*" report released in July, 2009.

Real property tax revenue projections for the Plan period remain the same. The Comptroller's Office continues to identify risks for the real property tax revenues in FY 2010 and FY 2011 of $40 million and $55 million respectively, as shown in Table 11. Forecasts of real-estate-related tax revenues while still reflecting the Comptroller's Office's more optimistic position regarding an improving real estate market have decreased for both FYs 2010 and 2011 resulting in smaller offsets for these years compared to previous forecasts. Offsets for FYs 2012 and 2013 are identical to previous estimates.

For FY 2010, adjustments have been made to PIT and sales tax projections to reflect the tax collections in the first three months of FY 2010. Over the Plan period, the Comptroller's estimates reflect mostly offsets to the income-sensitive taxes in FYs 2010 and 2011, and risks in the outyears. The numbers reflect the Comptroller's assumption of a slower recovery of the national and local economies than the City anticipates.

Overall, the Comptroller's revised estimates of total tax revenues are above the City's estimates by a cumulative $1.8 billion in FYs 2010-2013.

Table 11. Tax Revenue Risks and Offsets

($ in millions)

	FY 2010	FY 2011	FY 2012	FY 2013
Property	($40)	($55)	$30	$70
PIT	0	(95)	(160)	(235)
Business	125	185	(200)	(290)
Sales	200	140	0	(85)
Real Estate-Related	381	563	656	650
Total	**$666**	**$738**	**$326**	**$110**

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

Miscellaneous Revenues

Excluding intra-City revenues, the City's latest FY 2010 miscellaneous revenue forecast has grown by $64 million, compared with the June FY 2010 Adopted Budget forecast. The revised forecast is due to a re-estimate of tuition revenues stemming from the City's Community colleges' tuition and fee increases, which took effect in the fall of 2009, as well as a surge in student enrollment. The re-estimate is carried out over the Plan period.

The City did not revise any other category of miscellaneous revenue. Exclusive of private grants and intra-City revenues, the November FY 2010 forecast for miscellaneous revenue is $4.4 billion. For FYs 2011-2013, projections remained virtually unchanged from the Adopted Budget forecast. The City anticipates miscellaneous revenue will drop slightly in FY 2011, then remain stable at $4.2 billion throughout the rest of the Plan period.

Federal and State Aid

The November Plan projects Federal and State aid of $18.77 billion for FY 2010, an increase of $662 million from the Adopted Budget estimates. This increase consists mainly of the transfer of unspent Federal grants from FY 2009, a normal process for the first quarter budget modification. In the outyears of the Plan, the City's Federal and State aid assumptions increased only slightly since the June Plan. The November Plan projects Federal and State assistance to decline to $18.38 billion in FY 2011 before falling more significantly to $17.77 billion, mainly stemming from the termination of over $1 billion in Federal ARRA funding for education. The trend is expected to reverse in FY 2013 as these grants are projected to recover to about $18.43 billion. Federal and State aid comprises almost 29 percent of the City's overall revenues in the November Plan.

The City's baseline Federal and State aid assumptions, however, do not reflect the potential impact of State actions to close its budget gaps. The Governor, citing budget gaps of $3.2 billion in the current fiscal year and nearly $7 billion for the next, put forth a gap-closing program in October containing cumulative savings of $5 billion across State fiscal years 2010 and 2011. According to the State, the Governor's proposals would have saved about $3 billion in the current year and reduced net support to the City by about $180 million in FY 2010. The major actions in the Governor's plan included education aid reduction of about $220 million and a revenue sharing aid cut of $26 million, partly offset by $68 million in revenues to be realized through tax amnesty programs for personal income and sales taxes. A subsequent revision in November restored about $100 million of the City's education aid cut by advancing ARRA funds to supplant reductions in school aid.

In early December, the Legislature enacted a deficit reduction plan of $2.7 billion for the current year. The Legislature's plan, while retaining many elements of the Governor's proposal, has restored school aid cuts to an even greater degree than his revised plan in November. Under the Legislature's plan, there would be no reduction in the City's formula-based school aids as the Department of Education would need to absorb a cut of only about $10 million in funding for categorical programs. Overall, based on preliminary estimates, the City would lose about $46 million in aid in the current year including the $26 million cut in revenue sharing aid. The State's estimates assume that tax amnesty revenues would more than offset this loss, possibly resulting in a modest gain for the City's budget in FY 2010. The plan is expected to receive approval from the Governor by the end of the current calendar year.

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V. Expenditure Estimates

All-fund FY 2010 expenditures in the November Modification total $61.1 billion, $804 million or 1.3 percent less than FY 2009 spending.[2] However, both FY 2009 and FY 2010 spending are understated by prior year payments and actions which reduce expenditures in these years. After netting out the effects of prior actions and prepayments, the FY 2010 expenditure estimates increase to $66.2 billion, an increase of $3.5 billion, or 5.6 percent, from the adjusted FY 2009 spending of 62.7 billion.

Pension

The City's November Modification projects pension contributions totaling $6.6 billion in FY 2010, $6.9 billion in FY 2011, $7.2 billion in FY 2012, and $7.4 billion in FY 2013. The current projections are $25 million less than the Adopted Budget estimates in FY 2011, $47 million in FY 2012, and $69 million in FY 2013. The downward revisions reflect the actual FY 2009 pension investment returns. The pension funds experienced an aggregate investment loss of 18.3 percent for FY 2009. Previous pension projections assumed investment losses of 20 percent for FY 2009, 28 percent below the actuarial investment return assumption (AIRA) of 8.0 percent. Consequently, the City budgeted $431 million in FY 2011, $794 million in FY 2012, and $1.173 billion in FY 2013 to phase-in the expected FY 2009 investment losses. Based on actual investment losses, the City has reduced the phase-in to $406 million in FY 2011, $747 million in FY 2012, and $1.104 billion in FY 2013.

Through October FY 2010, the pension funds have experienced an investment gain of about 11 percent, 3.0 percent above the AIRA. Every percentage point loss or gain in pension investment return relative to the AIRA on June 30 will increase or lower pension contributions by approximately $15 million in FY 2012, $28 million in FY 2013, and $42 million in FY 2014.

Beginning in FY 2011, the City expects to save $200 million annually from a proposal to restructure pension benefits for new employees. This would require civilian workers to contribute to the pension plan for all years of service and for uniformed employees to work at least twenty-five years and be at least fifty years old to qualify for full pension benefits. On December 2, 2009, the State Legislature approved legislation to restructure pension benefits for new employees of the State and other localities. This legislation does not apply to New York City employees. However, the legislation includes the agreement between the City and the United Federation of Teachers (UFT) to enact reform of pension benefits.

[2] Expenditures include NYCTFA debt service.

Highlights of the UFT reform include:

- Revising member contribution to pension plan from 4.85 percent of their pay for 10 years and 1.85 percent through 27 years to 4.85 percent for 27 years and 1.85 percent thereafter.
- Increasing the years of service required for members to become vested in the pension system from 5 years to 10 years.

The legislation also increased the years of service required to collect retirement health benefits from 10 years to 15 years, and reduced the Fixed Interest Crediting Rate on Tax Deferred Annuity (TDA) Fixed Fund account balances from 8.25 percent to 7.0 percent. This change affects both current and new participants and is effective beginning the day after enactment of the legislation. The net impact of this legislation is estimated to reduce employer pension contributions by $19 million in FY2010, $18 million in FY 2011, $17 million in FY 2012, and $24 million in FY 2013. The reductions in FYs 2010 through 2012 reflect the change to the Fixed Interest Crediting Rate on TDA Fixed Fund accounts while the FY 2013 reduction includes lower contributions for pedagogical employees hired during FY 2010 and FY 2011.

Health Insurance

Funding for FY 2010 employees and retirees' pay-as-you-go health insurance totals $3.533 billion in the November Modification. This estimate reflects a FY 2009 prepayment of $225 million of FY 2010 pay-as-you-go retiree health expenses. Adjusted for this prepayment, FY 2010 health insurance cost is expected to total $3.758 billion as shown in Table 12.

Table 12. Pay-As-You-Go Health Expenditures

($ in millions)

	FY 2010	FY 2011	FY 2012	FY 2013
Department of Education	$1,537	$1,652	$1,662	$1,745
CUNY	45	43	47	47
All Other	1,951	1,726	1,713	2,622
Total Pay-As-You-Go Health Insurance Costs	$3,533	$3,421	$3,422	$4,414
FY 2009 prepayment	225	0	0	0
Total Adjusted for Prepayments	$3,758	$3,421	$3,422	$4,414

The City's health insurance cost has increased at an annual rate of more than 9.0 percent over the last ten fiscal years. The FY 2010 projections include an increase in the health insurance rate of 12.8 percent from FY 2009, reflecting the impact of continued growth in health care costs and recent New York State increased assessments on health insurance carriers. Annual increases of 8.0 percent are projected for the outyears. These increases, however, are offset by projected savings of $200 million in each of FYs 2010 and 2011 and $150 million annually in FYs 2012 and 2013 from an agreement between the City and the municipal unions to restructure health care benefits. The savings will result mainly from productivity initiatives and establishing co-payments for in-patient facility admissions, ambulatory surgery facility treatments, and hospital emergency room visits if patients are not admitted.

Projected health insurance costs were further reduced by the City's proposal to have active and retired members contribute 10 percent toward the cost of their coverage. This proposal, which must be approved by the municipal unions, would reduce the City's share of health insurance cost by $357 million in FY 2011, $396 million in FY 2012, and $418 million in FY 2013. Additionally, the City will use funds previously accumulated in the Retiree Health Benefits Trust (RHBT) to pay retiree pay-as-you-go health insurance cost of $82 million in FY 2010, $395 million in FY 2011, and $672 million in FY 2012. The corresponding reduction in health insurance expenditure in the General Fund will be used to fund additional pension contributions resulting from pension fund investment losses in FYs 2008 and 2009.

Labor

With the exception of the United Federation of Teachers (UFT) and Council of School Supervisors & Administrators (CSA), the City has reached contract agreements with all the major municipal employee unions for the current round of bargaining period. However, the Labor Reserve contains funding for wage increases for UFT and CSA patterned after the contracts of the other major unions, which provide for a 4.0 percent increase on the first day of the contract, and another 4.0 percent on the first day of the thirteenth month, over a two-year period. Additionally, the City has budgeted annual wage increases of approximately 1.25 percent for all employees for the next round of collective bargaining agreements. The amount budgeted in the Labor Reserve to fund these increases totals $746 million in FY 2010, $1.033 billion in FY 2011, $1.425 billion in FY 2012, and $1.731 billion in FY 2013.

The current contract with the City's largest union, District Council 37 (DC 37), will expire on March 2, 2010. Including pensions, each additional percentage point wage increase for employees represented by DC37, over the 1.25 percent assumed in the Labor Reserve, will cost the City about $35 million annually. Contracts for the Communications Workers of America (CWA), Organization of Staff Analysts (OSA), Uniformed Firefighters' Association (UFA), and Patrolmen's Benevolent Association (PBA) will expire in the first half of FY 2011. Each additional percentage wage increase for these employees over the funded amount will cost the City approximately $60 million.

Headcount

City-funded full-time headcount totaled 241,250 positions as of September 2009. Planned headcount for each of FYs 2010 through 2013 remains virtually unchanged since the Adopted Budget, as shown in Table 13. As discussed in the Comptroller's Comments on the FY 2010 Executive Budget, the expiration of the Federal Stimulus Package directly impacts planned headcount in FY 2012, resulting in a net loss of 13,000 budgeted positions when compared to FY 2011. Nearly 14,000 teachers could be at risk during FY 2012. However the City expects to reinstate approximately 10,000 teachers by the end of FY 2013.

Although the NYPD does not show a significant increase in the anticipated number of police officers for FY 2010 in the November Modification compared to the Adopted Budget, $120 million of PEG restorations for the NYPD are reflected in the current Plan. Half of this funding is to offset unrealized savings resulting from a shortfall in the pace of FY 2010 headcount reductions. This shortfall is due primarily to lower than anticipated attrition and vacancy reduction rates. The Comptroller's Office estimates that, should this trend persist, uniformed headcount at the end of the fiscal year would be more than 1,000 positions above the current Plan.[3]

Table 13. City-Funded Full-Time Year-End Headcount Projections

	FY 2010	FY 2011	FY 2012	FY 2013
Pedagogical				
Dept. of Education	94,690	94,676	80,827	90,601
City University	2,656	2,656	2,656	2,656
Sub-total	**97,346**	**97,332**	**83,483**	**93,257**
Uniformed				
Police	33,217	34,109	35,002	35,284
Fire	11,172	10,772	10,772	10,772
Corrections	8,218	7,896	7,896	7,896
Sanitation	7,234	7,319	7,291	7,291
Sub-total	**59,841**	**60,096**	**60,961**	**61,243**
Civilian				
Dept. of Education	8,363	7,907	7,904	7,904
City University	1,614	1,475	1,475	1,475
Police	14,049	13,978	13,978	13,978
Fire	4,708	4,708	4,708	4,708
Corrections	1,449	1,430	1,430	1,430
Sanitation	1,871	1,917	1,917	1,917
Admin for Children's Services	6,073	5,963	5,963	5,963
Social Services	10,454	10,742	10,742	10,742
Homeless Services	1,884	1,927	1,914	1,915
Health and Mental Hygiene	3,892	3,893	3,892	3,892
Finance	2,074	2,056	2,038	2,038
Transportation	2,117	2,200	2,186	2,206
Parks and Recreation	2,921	2,887	2,887	2,887
All Other Civilians	15,689	15,185	15,104	15,106
Sub-total	**77,158**	**76,268**	**76,138**	**76,161**
Total	**234,345**	**233,696**	**220,582**	**230,661**

As shown in Table 14, City-funded full-time equivalent (FTE) headcount is expected to be approximately 26,000 in each of FYs 2010 through 2013, consistent with the June 2009 Financial Plan.

[3] Since the NYPD typically has spikes in retirements in January and July, the January 2010 retirements may accelerate the attrition rate, although it remains to be seen if the economy will play a role in downsizing the scale of retirement for FY 2010.

Table 14. City-Funded FTE Year-End Headcount Projections

	FY 2010	FY 2011	FY 2012	FY 2013
Pedagogical				
Dept. of Education	1,053	1,053	1,053	1,053
City University	1,393	1,393	1,393	1,393
Sub-total	**2,446**	**2,446**	**2,446**	**2,446**
Civilian				
Dept. of Education	14,917	14,917	14,917	14,917
City University	687	687	687	687
Police	1,727	1,727	1,727	1,727
Health and Mental Hygiene	1,337	1,336	1,325	1,325
Parks and Recreation	3,261	3,203	3,208	3,212
All Other Civilians	1,699	1,686	1,686	1,686
Sub-total	**23,628**	**23,556**	**23,550**	**23,554**
Total	**26,074**	**26,002**	**25,996**	**26,000**

Overtime

Overtime expenditures in the November Modification are expected to total $962 million, an increase of about $147 million from the FY 2010 Adopted Budget.[4] The increase is mainly due to upward revisions in uniformed overtime of $87 million for the Police Department, $39 million for the Fire Department (FDNY) and $6 million for the Department of Correction (DOC).

Since FY 2007, the monthly overtime cost for DOC uniformed employees has average approximately $8 million. This trend continues in FY 2010 with overtime spending at $32 million through October. Should FY 2010 overtime spending continue at the current pace, the DOC could face a risk of $31 million this fiscal year as shown in Table 15.

The Comptroller's Office estimates that police uniformed overtime spending will be approximately $450 million in FY 2010. The City projects police officer overtime spending of $415 million for FY 2010. As a result, there is a potential risk to the Police uniformed overtime estimate of $35 million. Police civilian overtime cost is expected to be closer to the $60 million average of the last five fiscal years. Through October, the City has spent about $20 million on overtime for civilians at the Police Department.

[4] The $147 million increase reflects increase in all-funds overtime spending. Approximately $85 million of this increase is due to increase in City-funds uniformed overtime estimates.

Table 15. Projected Overtime Spending, FY 2010

($ in millions)

	City Planned Overtime FY 2010	Comptroller's Projected Overtime FY 2010	FY 2010 Risk
Uniformed Forces			
Police	$415	$450	($35)
Fire	186	186	0
Correction	65	96	(31)
Sanitation	56	56	0
Total Uniformed Forces	$722	$788	($66)
Others			
Police-Civilian	$47	$60	($13)
Admin for Child Svcs.	13	13	0
Environmental Protection	21	21	0
Transportation	33	33	0
All Other Agencies	126	126	0
Total Civilians	$240	$253	($13)
Total City	**$962**	**$1,041**	**($79)**

NOTE: The Comptroller's overtime projection assumes that the City will be able to achieve some offsets to overtime spending from personal services savings.

Public Assistance

Thus far in FY 2010, the City's public assistance caseload has averaged 349,857 recipients per month through November. Compared with the same period in the previous fiscal year, the average monthly caseload has risen by 3.7 percent, or 12,588 recipients, in FY 2010. Even with this increase, the November caseload of 354,278 remains about 70 percent below the FY 1995 peak of 1,160,593. Meanwhile, monthly grant expenditures have averaged about $105 million, representing an increase of about 6.0 percent from the monthly average of $99 million experienced during FY 2009. The higher grant spending in the current year is partly attributable to the 10 percent increase in basic allowances for cash assistance recipients implemented by the State.

The City's public assistance caseload and grant projections remain the same as in the June Plan. The November Plan maintains average caseload projections of 350,838 for FY 2010 and 351,452 annually over the remainder of the Plan period. Total baseline grants expenditures are projected at about $1.21 billion annually for FYs 2010-2013. To date, actual caseload has already surpassed the City's FY 2010 projection, with public assistance spending also likely to exceed expectation in the November Plan. Barring a significant drop in grant expenditure levels over the near term, the City could face risks in its public assistance spending projections of $15 million in FY 2010 and $20 million annually in FYs 2011-2013. Moreover, once the basic allowance increases are fully phased-in by FY 2013, the City will be required to contribute to the funding of this new cost. Based on State estimates, this action could require additional City funding of at least $50 million more than currently planned, beginning in FY 2013.

Department of Education

The November Plan reflects an increase of $74 million for the Department of Education (DOE), raising its budget to $18.45 billion in FY 2010. The additional funding is mostly attributable to an increase of $27 million in Federal ARRA funding for teacher centers and special education initiatives and a transfer of $41 million from the Health Insurance Stabilization Fund for supplemental welfare benefits costs. In the outyears of the Plan, the DOE budget remains unchanged from the June Plan, increasing to $19.37 billion in FY 2011 before dropping to $18.72 billion due to the discontinuation of ARRA funding. The funding level is expected to revert to $19.43 billion by the end of the current plan in FY 2013.

However, there are concerns over the fiscal outlook of the Department, since the November Plan estimates will likely change significantly once the City and State finalize plans to close their respective budget gaps. In conjunction with the release of the November Plan, the City requested agencies to comply with reduction targets that would produce citywide savings of about $550 million in FY 2010 and $1.2 billion in FY 2011. While the Department has been spared the higher reduction targets that most agencies must absorb, 4.0 percent for the current year and 8.0 percent for next year, it still has to achieve respective targets of 1.5 percent and 4.0 percent. Based on current projections, these targets could translate into budget cuts of about $110 million in FY 2010 and $315 million in FY 2011 for the Department.

On a positive note, it appears that the Department has averted a significant cut in State support for FY 2010. Even as late as November, the Department was facing a potential loss of up to $115 million in school aid under the Governor's proposal. The deficit reduction plan recently enacted by the Legislature, if approved, would fully restore the proposed reductions in formula-based aids and would result in a modest cut of $10 million in categorical grants to the Department.

Debt Service

As shown in Table 16 below, debt service, after adjusting for the impact of prepayments, totals $5.40 billion in FY 2010, $5.65 billion in FY 2011, $6.3 billion in FY 2012 and $6.62 billion in FY 2013.[5] Compared to the June Financial Plan, these amounts represent decreases of $25 million in FY 2010, $200 million in FY 2011, and $26 million in FY 2012 followed by an increase of $11 million in FY 2013. From FY 2010 to FY 2013, total debt service is projected to increase $1.2 billion, or 22.4 percent.

[5] Includes debt service on General Obligation (GO), NYCTFA, and TSASC bonds as well as lease purchase debt and interest on short-term notes.

Table 16. November 2009 Financial Plan Debt Service Estimates

($ in millions)

Category	FY 2010	FY 2011	FY 2012	FY 2013	Change from 2010 to 2013
G.O.[a]	$3,915	$4,051	$4,379	$4,473	$558
NYCTFA [b]	1,177	1,301	1,590	1,813	636
Lease-Purchase Debt	238	259	256	255	17
TSASC, Inc.	74	74	74	74	0
Total	**$5,404**	**$5,685**	**$6,299**	**$6,615**	**$1,211**

SOURCE: November 2009 Financial Plan.
NOTE: Debt Service is adjusted for prepayments.
[a] Includes long-term G.O. debt service and interest on short-term notes.
[b] Amounts *do not* include NYCTFA building aid bonds.

The decrease of $25 million in FY 2010 is due primarily to $27 million of interest savings related to the Dormitory Authority of the State of New York (DASNY) Courts lease purchase debt. Savings from GO and NYCTFA refundings of $141 million and $80 million, respectively, are the main sources of the $200 million of savings in FY 2011.

GO debt is projected to increase by $558 million from $3.92 billion in FY 2010 to $4.47 billion by FY 2013. Since the Adopted Budget, approximately $11 billion of planned GO debt was replaced by PIT supported NYCTFA debt.[6] As a result, GO debt service is reduced by about $35 million in FY 2010, $215 million in FY 2011, $467 million in FY 2012, and $654 million in FY 2013.

NYCTFA PIT bond debt service is projected to increase by $636 million over the Plan period. This projection includes the debt service related to scheduled NYCTFA borrowing that replaced part of previously planned G.O. borrowing. However, this debt service is consistent with the interest rate of G.O. borrowing and does not reflect the lower cost of borrowing for the NYCTFA. The ability to take advantage of the lower cost of NYCTFA borrowing for general capital purposes that were typically financed by G.O. borrowing has been a long sought policy goal of the City.

Unless the Treasury changes its tax credit rate-setting process, the City is likely to incur some interest expense associated with the $1.4 billion of Qualified School Construction Bonds (QSCBs) that have been allocated to it. QSCBs were created as part of the ARRA to provide low-cost financing for school construction. The Federal government will provide tax credits to holders of QSCBs at a rate set at pricing according to an index maintained by the US Treasury. Under the QSCB legislation, the tax credit rate is intended to be set at a level that enables QSCBs to be sold at par without any further interest, and the City had assumed that the Federal tax credits will be adequate to preclude the need for a supplemental coupon payment by the City. However, in practice the Federal tax credit level since August has not been sufficient to attract investors

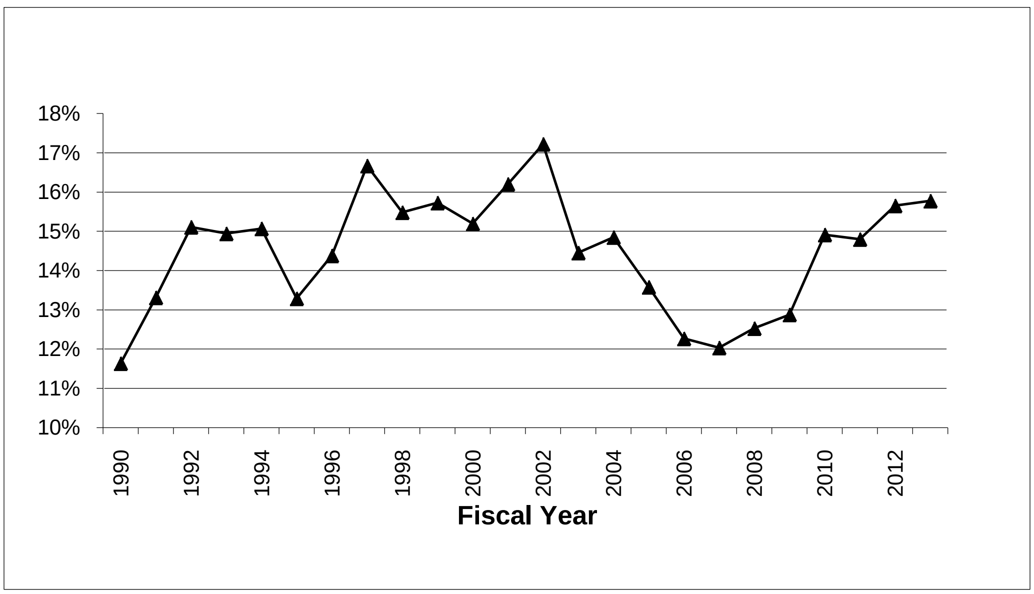
[6] In July 2009, the State Legislature authorized the NYCTFA to issue debt, backed by PIT revenues, under the general debt limit.

without the issuer paying a supplemental coupon, usually in the 1.25 to 1.50 percent range.

Debt Affordability

Debt service as a percent of local tax revenues is an accepted measure of affordability used by rating agencies and government officials alike.[7] In FY 2009, debt service as a percent of local tax revenues was 12.9 percent. The November Plan projects debt service will consume 14.9 percent of local tax revenues in FY 2010, 14.8 percent in FY 2011, 15.7 percent in FY 2012, and 15.8 percent in FY 2013. The increase in the debt service/tax revenue ratio reflects the disparity in debt service and tax revenue growth over the Plan period. Debt service is projected to average annual growth of 7.0 percent per year while tax revenue growth is projected to grow an average of 5.1 percent annually.

Chart 3. Debt Service as a Percent of Tax Revenues, 1990 - 2013



SOURCE: Office of Management and Budget, City of New York, November 2009 Financial Plan.

Financing Program

The November 2009 Financial Plan contains $33.46 billion of planned City and State-supported borrowing in FYs 2010-2013 from combined City and State sources as shown below on Table 17.

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

Table 17. FY 2010 November Plan, FYs 2010-2013

($ millions)

Description:	Estimated Borrowing and Funding Sources FYs 2010-2013	Percent of Total
General Obligation Bonds	$11,541	34.5%
NYCTFA – General Purposes	11,298	33.7%
NYC Water Finance Authority	7,621	22.8%
NYCTFA – BARBs	3,002	9.0%
Total	**$33,462**	**100.0%**

SOURCE: November 2009 Financial Plan, Office of Management and Budget.

Estimated GO borrowing is $11.54 billion, or 34.5 percent of the total. This is followed by an estimated $11.3 billion of NYCTFA PIT borrowing as a result of newly authorized State legislation permitting the use of NYCTFA debt under the general debt limit. NYC Water Finance Authority (NYWFA) borrowing is expected to account for $7.62 billion, or 22.8 percent, of capital resources. The remaining 9.0 percent of capital borrowing will come from NYCTFA Building Aid Revenue Bonds (BARBs). Over the period FYs 2010-2013, total borrowing is estimated to increase by $1.04 billion from the estimates in the June 2009 Financial Plan due primarily to the rollover of capital commitments from FYs 2009 into 2010. Specifically, this represents an increase in planned borrowing from the June Financial Plan of $275 million in FY 2010, along with increases of $197 million in FY 2011, $332 million in FY 2012, and $238 million in FY 2013. Of the $1.04 billion increase over the Financial Plan period from the June Financial Plan, $502 million is from assumed increases in NYCTFA BARB borrowing along with an increase of another $171 million that is due to an increase in NYWFA borrowing.

Total-funds borrowing in FYs 2010 and 2011 are projected to reach $9.18 billion and $8.93 billion, respectively, before declining to an estimated $8.08 billion in FY 2012, and $7.27 billion in FY 2013. Local tax-supported borrowing is estimated to total $6.65 billion in FY 2010, and $6.05 billion in FY 2011, the highest City tax-supported borrowing levels in the City's history. These high levels of local tax-supported debt are due to aggressive levels of capital commitments over FYs 2006-2009 which, excluding DEP commitments, averaged $4.93 billion annually.

Capital Plan

After adjusting for the reserve for unattained commitments of $2.78 billion, the FY 2010-2013 Capital Plan totals $35.58 billion in all-funds commitments, and $27.738 billion in City-funds commitments over the Plan period, as shown in Tables 18 and 19. The plan is front-loaded with all-funds commitments totaling $14.5 billion in FY 2010 or 40.8 percent of the total, decreasing to $8.64 billion in FY 2011, and decreasing further to $5.98 billion in FY 2012, and $6.46 billion in FY 2013.

Table 18. FYs 2010 – 2013 Four-Year Capital Commitments, All-Funds

($ in millions)

Project Category	FY 2010 September 2009 Commitment Plan	Percent of Total
Education & CUNY	$9,029	23.5%
Environmental Protection	7,430	19.4
Dept. of Transportation & Mass Transit	5,428	14.2
Housing and Economic Development	3,857	10.1
Administration of Justice	2,830	7.4
Technology and Citywide Equipment	2,752	7.1
Parks Department	1,853	4.8
Hospitals	503	1.3
Other City Operations and Facilities	4,670	12.2
Total	**$38,352**	**100.0%**
Reserve for Unattained Commitments	($2,777)	
Adjusted Total	**$35,575**	

SOURCE: Office of Management and Budget, FY 2010 Adopted Capital Commitment Plan, September 2009.

The Department of Education and the City University of New York (CUNY), account for $9.03 billion in planned commitments, making up 23.5 percent of the total. The education component is followed by the Department of Environmental Protection (DEP) at 19.4 percent, Department of Transportation (DOT) and Mass Transit at 14.2 percent, and Housing and Economic Development at 10.1 percent.[8] These four major program areas constitute $25.74 billion, or 67 percent, of the Plan.

Table 19. FYs 2010 – 2013 Capital Commitments, City-Funds

($ in millions)

Project Category	FY 2010 September 2009 Commitment Plan	Percent of Total
Environmental Protection	$7,090	23.2%
Education & CUNY	4,725	15.5
Dept. of Transportation & Mass Transit	3,353	11.0
Housing and Economic Development	3,099	10.2
Administration of Justice	2,826	9.3
Technology and Citywide Equipment	2,745	9.0
Parks Department	1,655	5.4
Hospitals	503	1.6
Other City Operations and Facilities	4,519	14.8
Total	**$30,515**	**100.0%**
Reserve for Unattained Commitments	($2,777)	
Adjusted Total	**$27,738**	

SOURCE: Office of Management and Budget, FY 2010 Adopted Capital Commitment Plan, September 2009

[8] DEP capital commitments are primarily funded through the issuance of Water Finance Authority Debt.

The City-funded portion of the Plan totals $27.74 billion over FYs 2010-2013 after the reserve for unattained commitments. DEP's capital projects account for the largest share of the City-funds Plan at 23.2 percent, followed by DOE and CUNY at 15.5 percent, DOT and Mass Transit at 11 percent, and Housing and Economic Development at 10.2 percent. Similar to all funds commitments, these four major program areas constitute 60 percent of the City-funds plan as shown in Table 19 above. The significant difference between the DOE's 15.5 percent share of the City-funded capital plan and its 23.5 percent of all-funds capital plan reflects the State-supported commitments of $4.3 billion over FYs 2010-2013. This State support for the education portion of the commitment plan comprises 55 percent of the total State and Federal support to the entire commitment plan over FYs 2010-2013. The planned continuation of NYCTFA BARB bond borrowing is a key factor supporting this assumption.

VI. Appendix — Revenue and Expenditure Details

Table A1. ***FYs 2010 – 2013 Financial Plan Revenue Detail***

($ in millions)

					Changes FYs 2010-13	
	FY 2010	**FY 2011**	**FY 2012**	**FY 2013**	**Dollar**	**Percent**
Taxes:						
Real Property	$16,251	$17,327	$17,916	$18,304	$2,053	12.6%
Personal Income Tax	$7,002	$7,621	$8,097	$8,531	$1,529	21.8%
General Corporation Tax	$2,156	$2,453	$2,811	$3,035	$879	40.8%
Banking Corporation Tax	$674	$699	$803	$856	$182	27.0%
Unincorporated Business Tax	$1,534	$1,426	$1,548	$1,627	$93	6.1%
Sale and Use	$4,789	$4,950	$5,259	$5,598	$809	16.9%
Real Property Transfer	$566	$649	$708	$794	$228	40.3%
Mortgage Recording Tax	$448	$551	$602	$694	$246	54.9%
Commercial Rent	$563	$531	$528	$537	($26)	(4.6%)
Utility	$376	$422	$436	$441	$65	17.2%
Hotel	$350	$332	$315	$296	($54)	(15.4%)
Cigarette	$96	$94	$92	$90	($6)	(6.3%)
All Other	$443	$402	$406	$406	($36)	(8.2%)
Tax Audit Revenue	$746	$596	$595	$594	($152)	(20.4%)
Total Taxes	**$35,993**	**$38,052**	**$40,116**	**$41,803**	**$5,810**	**16.1%**
Miscellaneous Revenue:						
Licenses, Franchises, Etc.	$479	$484	$488	$488	$9	1.9%
Interest Income	$30	$43	$99	$128	$98	326.7%
Charges for Services	$737	$723	$723	$723	($14)	(1.9%)
Water and Sewer Charges	$1,369	$1,340	$1,356	$1,368	($1)	(0.1%)
Rental Income	$220	$214	$214	$214	($6)	(2.7%)
Fines and Forfeitures	$899	$887	$865	$864	($35)	(3.9%)
Miscellaneous	$633	$504	$483	$480	($153)	(24.2%)
Intra-City Revenue	$1,768	$1,565	$1,568	$1,572	($196)	(11.1%)
Total Miscellaneous	**$6,135**	**$5,760**	**$5,796**	**$5,837**	**($298)**	**(4.9%)**
Unrestricted Intergovernmental Aid:						
N.Y. State Per Capital Aid	$327	$327	$327	$327	$0	0.0%
Other Federal and State Aid	$13	$13	$13	$13	$0	0.0%
Total Unrestricted Intergovernmental Aid	**$340**	**$340**	**$340**	**$340**	**$0**	**0.0%**
Other Categorical Grants	**$1,163**	**$1,033**	**$1,037**	**$1,035**	**($128)**	(11.0%)
Inter Fund Agreements	**$486**	**$453**	**$443**	**$443**	**($43)**	(8.8%)
Reserve for Disallowance of Categorical Grants	**($15)**	**($15)**	**($15)**	**($15)**	**$0**	0.0%
Less: Intra-City Revenue	**($1,768)**	**($1,565)**	**($1,568)**	**($1,572)**	**$196**	(11.1%)
TOTAL CITY FUNDS	**$42,334**	**$44,058**	**$46,149**	**$47,871**	**$5,537**	13.1%

Table A1 (Con't.). *FYs 2010 – 2013 Financial Plan Revenue Detail*

($ in millions)

					Changes FYs 2010-13	
	FY 2010	**FY 2011**	**FY 2012**	**FY 2013**	**Dollar**	**Percent**
Federal Categorical Grants:						
Community Development	$307	$246	$241	$241	($66)	(21.5%)
Welfare	$2,715	$2,547	$2,529	$2,528	($187)	(6.9%)
Education	$2,773	$2,775	$1,759	$1,759	($1,014)	(36.6%)
Other	$1,461	$886	$853	$842	($619)	(42.4%)
Total Federal Grants	**$7,256**	**$6,454**	**$5,382**	**$5,370**	**($1,886)**	**(26.0%)**
State Categorical Grants						
Social Services	$1,978	$1,927	$1,918	$1,916	($30)	(1.5%)
Education	$8,186	$8,614	$8,964	$9,551	$1,365	16.7%
Higher Education	$198	$211	$211	$211	$14	7.1%
Department of Health and Mental Hygiene	$490	$475	$476	$477	($3)	(0.6%)
Other	$666	$699	$817	$904	$176	25.1%
Total State Grants	**$11,518**	**$11,926**	**$12,386**	**$13,059**	**$1,541**	**13.4%**
TOTAL REVENUES	**$61,108**	**$62,438**	**$63,917**	**$66,300**	**$5,192**	**8.5%**

Table A2. *FYs 2010 – 2013 Financial Plan Expenditure Detail*

($ in thousands)

	FY 2010	FY 2011	FY 2012	FY 2013	Changes FYs 2010 -- 13 Dollar	Percent
Mayoralty	$83,599	$81,429	$80,575	$80,585	($3,014)	(3.6%)
Board of Elections	$86,218	$71,542	$71,614	$71,629	($14,589)	(16.9%)
Campaign Finance Board	$67,551	$11,216	$11,220	$11,223	($56,328)	(83.4%)
Office of the Actuary	$5,139	$5,183	$5,188	$5,192	$53	1.0%
President, Borough of Manhattan	$4,625	$3,036	$3,043	$3,048	($1,577)	(34.1%)
President, Borough of Bronx	$5,453	$4,255	$4,265	$4,273	($1,180)	(21.6%)
President, Borough of Brooklyn	$5,485	$3,853	$3,863	$3,870	($1,615)	(29.4%)
President, Borough of Queens	$4,723	$3,597	$3,604	$3,609	($1,114)	(23.6%)
President, Borough of Staten Island	$3,870	$2,958	$2,965	$2,971	($899)	(23.2%)
Office of the Comptroller	$66,033	$66,086	$65,786	$65,786	($247)	(0.4%)
Dept. of Emergency Management	$60,713	$7,690	$7,694	$7,698	($53,015)	(87.3%)
Tax Commission	$3,632	$3,654	$3,658	$3,662	$30	0.8%
Law Dept.	$130,915	$119,753	$120,275	$120,321	($10,594)	(8.1%)
Dept. of City Planning	$28,655	$23,082	$23,017	$23,017	($5,638)	(19.7%)
Dept. of Investigation	$16,204	$15,881	$15,881	$15,881	($323)	(2.0%)
NY Public Library - Research	$28,101	$21,145	$21,145	$21,145	($6,956)	(24.8%)
New York Public Library	$118,489	$102,451	$102,451	$102,451	($16,038)	(13.5%)
Brooklyn Public Library	$88,957	$76,935	$76,935	$76,935	($12,022)	(13.5%)
Queens Borough Public Library	$87,156	$75,065	$75,065	$75,065	($12,091)	(13.9%)
Dept. of Education	$18,441,585	$19,358,456	$18,707,949	$19,424,428	$982,843	5.3%
City University	$749,451	$703,523	$705,267	$705,378	($44,073)	(5.9%)
Civilian Complaint Review Board	$10,271	$10,241	$10,262	$10,267	($4)	(0.0%)
Police Dept.	$4,367,411	$4,231,664	$4,310,322	$4,297,113	($70,298)	(1.6%)
Fire Dept.	$1,718,625	$1,598,512	$1,595,541	$1,592,962	($125,663)	(7.3%)
Admin. for Children Services	$2,670,916	$2,607,295	$2,608,819	$2,608,820	($62,096)	(2.3%)
Dept. of Social Services	$8,012,376	$8,574,758	$9,036,946	$9,216,458	$1,204,082	15.0%
Dept. of Homeless Services	$718,776	$691,955	$687,445	$687,492	($31,284)	(4.4%)
Dept. of Correction	$1,015,956	$1,025,997	$1,038,904	$1,035,693	$19,737	1.9%
Board of Correction	$971	$972	$972	$972	$1	0.1%
Citywide Pension Contribution	$6,575,368	$6,884,699	$7,186,372	$7,437,585	$862,217	13.1%
Miscellaneous	$6,628,230	$6,676,254	$7,359,670	$8,835,004	$2,206,774	33.3%
Debt Service	$4,155,964	$4,309,334	$4,635,433	$4,727,471	$571,507	13.8%
N.Y.C.T.F.A. Debt Service	$1,176,817	$1,301,250	$1,589,820	$1,813,240	$20,481	54.1%
Pre-Payments	($2,036,374)	$0	$0	$0	$2,036,374	(100.0%)
FY 2007 BSA and Discretionary Transfer	($30,865)	$0	$0	$0	$30,865	(100.0%)
FY 2009 BSA and Discretionary Transfer	($2,267,651)	$0	$0	$0	$2,267,651	(100.0%)
FY 2010 BSA	$539,217	($539,217)	$0	$0	($539,217)	(100.0%)
Transfer for N.Y.C.T.F.A. Debt Service.	($545,747)	$0	$0	$0	$545,747	(100.0%)
Prepayment of N.Y.C.T.F.A. Debt Service with Building Aid Revenues	($100,000)	$0	$0	$0	$100,000	(100.0%)
Defeasance of N.Y.C.T.F.A. Debt	($382,000)	($35,000)	$0	$0	$382,000	(100.0%)
Call 2009/2010 G.O. Debt	($276,634)	$0	$0	$0	$276,634	(100.0%)
Public Advocate	$1,771	$1,808	$1,813	$1,817	$46	2.6%
City Council	$50,536	$50,536	$50,536	$50,536	$0	0.0%
City Clerk	$5,197	$5,210	$5,210	$5,210	$13	0.3%
Dept. for the Aging	$289,957	$239,199	$239,199	$239,199	($50,758)	(17.5%)
Dept. of Cultural Affairs	$158,932	$130,851	$130,851	$130,851	($28,081)	(17.7%)
Financial Information Services. Agency	$58,408	$58,747	$56,095	$56,134	($2,274)	(3.9%)
Dept. of Juvenile Justice	$131,494	$132,045	$135,925	$135,934	$4,440	3.4%
Office of Payroll Admin.	$37,135	$41,553	$41,510	$41,496	$4,361	11.7%
Independent Budget Office	$3,117	$3,088	$3,089	$3,089	($28)	(0.9%)
Equal Employment Practices Comm.	$717	$728	$728	$728	$11	1.5%

Table A2 (Con't). *FYs 2010 – 2013 Financial Plan Expenditure Detail*

($ in thousands)

	FY 2010	FY 2011	FY 2012	FY 2013	Changes FYs 2010 - 13 Dollar	Changes FYs 2010 - 13 Percent
Civil Service Commission	$618	$620	$621	$621	$3	0.5%
Landmarks Preservation Comm.	$4,972	$4,872	$4,872	$4,872	($100)	(2.0%)
Taxi & Limousine Commission	$29,844	$29,157	$29,157	$29,157	($687)	(2.3%)
Commission on Human Rights	$7,019	$6,904	$7,001	$7,001	($18)	(0.3%)
Youth & Community Development	$394,834	$262,868	$245,955	$245,972	($148,862)	(37.7%)
Conflicts of Interest Board	$1,894	$1,827	$1,828	$1,828	($66)	(3.5%)
Office of Collective Bargain	$1,945	$1,959	$1,960	$1,961	$16	0.8%
Community Boards (All)	$14,810	$12,737	$12,737	$12,737	($2,073)	(14.0%)
Dept. of Probation	$86,288	$82,635	$80,290	$79,793	($6,495)	(7.5%)
Dept. Small Business Services	$181,038	$95,232	$92,704	$88,275	($92,763)	(51.2%)
Housing Preservat'n & Developm'nt	$624,493	$482,257	$476,806	$475,938	($148,555)	(23.8%)
Dept. of Buildings	$103,461	$91,455	$91,455	$91,455	($12,006)	(11.6%)
Dept. of Health & Mental Hygiene	$1,718,702	$1,622,078	$1,629,092	$1,628,532	($90,170)	(5.2%)
Health and Hospitals Corp.	$95,527	$94,445	$94,542	$94,613	($914)	(1.0%)
Dept. of Environmental Protection	$1,042,000	$964,702	$964,362	$963,999	($78,001)	(7.5%)
Dept. of Sanitation	$1,301,203	$1,405,127	$1,434,506	$1,432,261	$131,058	10.1%
Business Integrity Commission	$7,146	$7,165	$7,075	$7,075	($71)	(1.0%)
Dept. of Finance	$225,309	$222,413	$221,498	$220,603	($4,706)	(2.1%)
Dept. of Transportation	$827,630	$697,198	$695,350	$686,750	($140,880)	(17.0%)
Dept. of Parks and Recreation	$303,046	$283,458	$283,721	$283,946	($19,100)	(6.3%)
Dept. of Design & Construction	$107,085	$107,222	$107,223	$107,224	$139	0.1%
Dept. of Citywide Admin. Services	$383,384	$379,645	$376,274	$382,744	($640)	(0.2%)
D.O.I.T.T.	$259,850	$231,705	$229,973	$230,062	($29,788)	(11.5%)
Dept. of Record & Info. Services	$4,805	$4,555	$4,557	$4,897	$92	1.9%
Dept. of Consumer Affairs	$22,135	$16,647	$16,647	$16,647	($5,488)	(24.8%)
District Attorney – N.Y.	$83,676	$70,785	$70,819	$70,819	($12,857)	(15.4%)
District Attorney – Bronx	$46,579	$41,750	$41,750	$41,750	($4,829)	(10.4%)
District Attorney – Kings	$77,971	$71,690	$70,772	$70,772	($7,199)	(9.2%)
District Attorney - Queens	$47,610	$41,403	$41,219	$41,219	($6,391)	(13.4%)
District Attorney - Richmond	$7,637	$6,853	$6,853	$6,853	($784)	(10.3%)
Office of Prosecut'n. & Spec. Narc.	$17,070	$14,675	$14,675	$14,675	($2,395)	(14.0%)
Public Administrator - N.Y.	$1,268	$1,156	$1,156	$1,156	($112)	(8.8%)
Public Administrator - Bronx	$499	$425	$425	$425	($74)	(14.8%)
Public Administrator - Brooklyn	$605	$526	$526	$526	($79)	(13.1%)
Public Administrator - Queens	$473	$400	$400	$400	($73)	(15.4%)
Public Administrator - Richmond	$366	$297	$297	$297	($69)	(18.9%)
General Reserve	$300,000	$300,000	$300,000	$300,000	$0	0.0%
Energy Adjustment	0	$80,798	$130,296	$179,506	$179,506	N/A
Lease Adjustment	$0	$22,098	$82,209	$106,773	$106,773	N/A
OTPS Inflation Adjustment	$0	$55,519	$111,038	$166,657	$166,557	N/A
City-Wide Total	**$61,108,238**	**$66,580,527**	**$68,819,563**	**$71,856,929**	**$10,748,691**	**17.6%**

Glossary of Acronyms

AIRA	Actuarial Investment Return Assumption
ARRA	American Recovery Reinvestment Act
BARB	Building Aid Revenue Bond
BCT	Banking Corporation Tax
BSA	Budget Stabilization Account
CSA	Council of School Supervisors and Administrators
CUNY	City University of New York
CWA	Communications Workers of America
DASNY	Dormitory Authority of the State of New York
DC37	District Council 37
DEP	Department of Environmental Protection
DOC	Department of Correction
DOE	Department of Education
DOT	Department of Transportation
FTE	Full-Time Equivalent
FY	Fiscal Year

GASB	Governmental Accounting Standards Board Statement
GCP	Gross City Product
GCT	General Corporation Tax
GDP	Gross Domestic Product
GO Debt	General Obligation Debt
MRT	Mortgage Recording Tax
NYC	New York City
NYCTFA	New York City Transitional Finance Authority
NYPD	New York City Police Department
NYWFA	New York City Municipal Water Finance Authority
OMB	Office of Management and Budget
OSA	Organization of Staff Analyst
OTPS	Other than Personal Services
PBA	Patrolmen's Benevolent Association
PEG	Program to Eliminate the Gap
PIT	Personal Income Tax
PS	Personal Services

RHBT	Retiree Health Benefit Trust
RPTT	Real Property Transfer Tax
STAR	School Tax Relief Program
TSASC	Tobacco Settlement Asset Securitization Corporation
UBT	Unincorporated Business Tax
UFA	Uniformed Firefighters’ Association
UFT	United Federation of Teachers
U.S.	United States