THE COUNCIL OF THE CITY OF NEW YORK

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Speaker of the Council

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Chair, Committee on Finance

Report on the Mayor's 2017 Preliminary Budget

Financial Plan Overview, Economy, Revenue, Pensions, Capital and Debt Service

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I. Budget Overview

Fiscal 2017 Preliminary Financial Plan Summary
Dollars in Millions

	FY16	FY17	FY18	FY19	FY20	Avg. Annual Change
REVENUES						
Taxes	$53,355	$55,052	$57,256	$59,677	$62,103	3.9%
Misc. Revenues	6,921	6,621	6,677	6,790	6,892	(0.1%)
Less: Intra-City and Disallowances	(2,016)	(1,793)	(1,802)	(1,796)	(1,802)	(2.8%)
Subtotal, City Funds	**$58,260**	**$59,880**	**$62,131**	**$64,671**	**$67,193**	**3.6%**
State Aid	13,416	13,566	13,979	14,341	14,624	2.2%
Federal Aid	8,664	7,211	6,770	6,566	6,558	(6.7%)
Other Categorical Grants	763	823	828	825	821	1.8%
Capital Funds (IFA)	606	632	573	573	572	(1.4%)
TOTAL REVENUES	**$81,709**	**$82,112**	**$84,281**	**$86,976**	**$89,768**	**2.4%**
EXPENDITURES						
Personal Services	44,262	45,083	47,111	49,684	51,388	3.8%
OTPS	34,370	32,884	33,063	33,332	33,685	(0.5%)
Debt Service	6,110	6,718	7,173	7,678	8,223	7.7%
General Reserve	300	1,000	1,000	1,000	1,000	35.1%
Capital Stabilization Reserve	-	500	-	-	-	
Less: Intra-City	(2,001)	(1,778)	(1,787)	(1,781)	(1,787)	(2.8%)
Spending Before Adjustments	83,041	84,407	86,560	89,913	92,509	2.7%
Debt Defeasances	(103)					
Surplus Roll Adjustment (Net)	(1,229)	(2,295)				
TOTAL EXPENDITURES	**$81,709**	**$82,112**	**$86,560**	**$89,913**	**$92,509**	**3.2%**
Gap to be Closed	**$-**	**$-**	**($2,279)**	**($2,937)**	**($2,741)**	

Source: *OMB Fiscal 2017 Preliminary Financial Plan*

Citing the lack of new flashy items in the budget, the Mayor has described his proposed $82.1 billion Fiscal 2017 Preliminary Budget as "boring"[1]. Indeed, the Mayor spent part of the time during his January 21st 2016 presentation on his proposed budget for Fiscal 2017 focused on more technical aspects of how well the City is poised to weather an economic downturn. Though not specifically forecasting a recession, the budget includes reserves to help weather any future downturn, as well as a citywide savings program designed to ensure efficient city operations.

Though the Mayor may believe the budget may be humdrum, the budget includes a number of new and enhanced needs, many of which are tied to announcements made prior to the budget release. They include:

- **$15 Minimum Wage.** The Preliminary Plan includes funding to provide every City employee, as well as contracted workers providing human services a $15 an hour

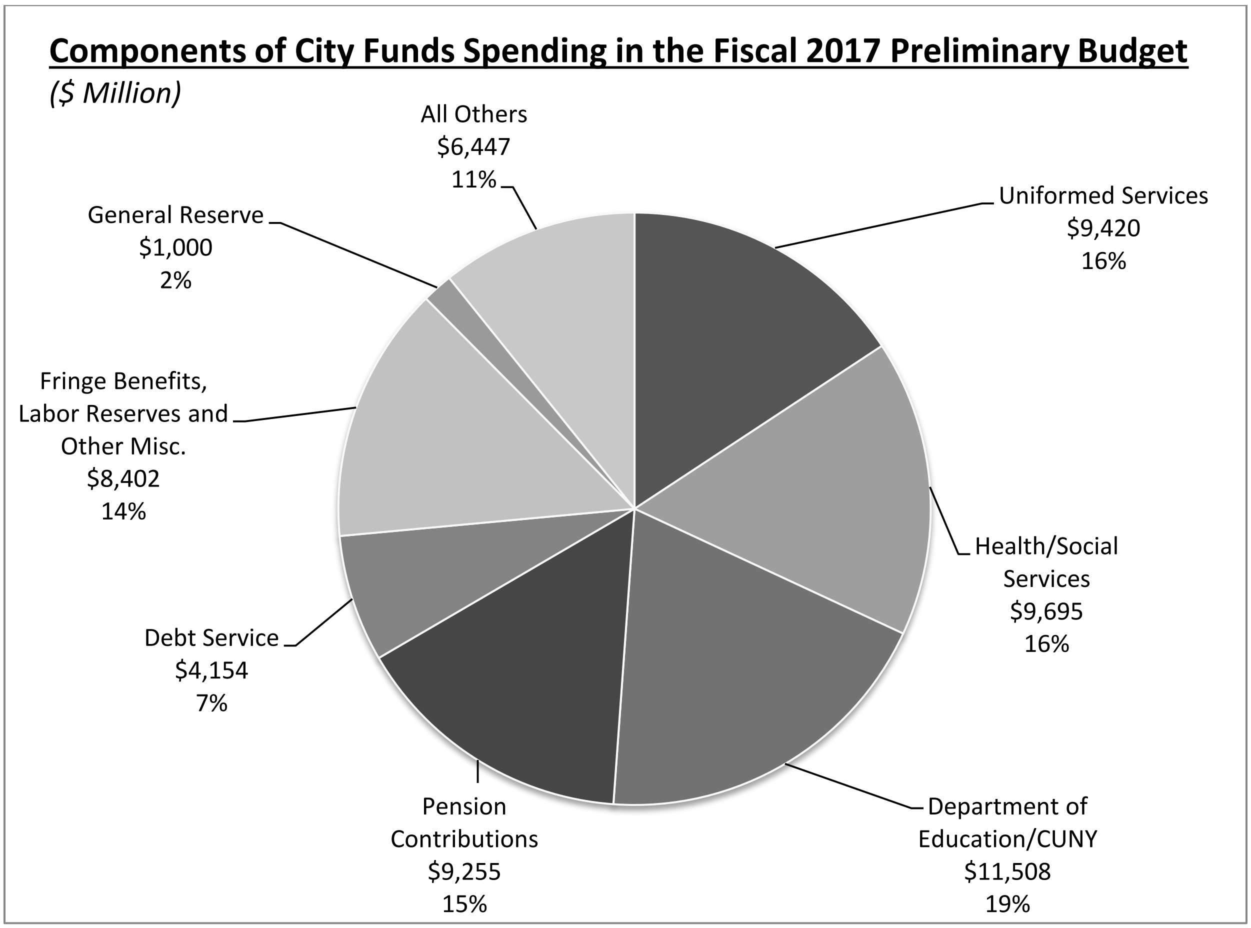
[1] https://www.dnainfo.com/new-york/20160122/civic-center/de-blasio-calls-821-billion-bud get-boring-but-says-it-protects-city (retrieved February 21, 2016)

minimum wage. The raises will not be immediate, but will phase in to be fully implemented in Fiscal 2020. At full phase in it will cost $115 million and is expected to impact 20,000 city workers and 30,000 contracted workers.

- **Homeless Services.** To address the rising concern about homelessness in the City, the budget includes $53.7 million to various homeless prevention and support initiatives, as well as $13.2 million in Fiscal 2017, and growing to $108 million by Fiscal 2020, for the operation of 15,000 new units of supportive housing to be developed over the next 15 years.
- **Public Safety.** The budget includes a number of small, but targeted additions of funds to enhance public safety. These include increased FDNY ambulance tours in Upper Manhattan, Queens and The Bronx ($5.4 million), hiring of 67 new parks enforcement officers ($5.3 million), and a doubling of the area covered by the NYPD's SpotShotter gun detection program ($3 million) Further, the budget includes $1.1 million for 80 additional School Crossing Guards and $12 million for additional Traffic Enforcement Agents in Fiscal 2017 to provide full, weeklong coverage at priority posts.
- **Education.** In addition to $16.4 million to address second grade literacy, and $45 million in Fiscal 2017 for college and career readiness, the City is proposing to add $868 million in capital funding to build 11,800 more school seats. The budget also includes $5.4 million in Fiscal 2017 to fund restorative justice programs at 20 schools with the highest number of arrests, summonses, and suspensions.
- **Thrive NYC.** The City's initiative to build a more effective and supportive mental health system sees $62 million added in Fiscal 2017.
- **Libraries Baselined.** In the Fiscal 2016 Adopted Budget, the City's three library systems saw an addition of $43 million in funding that restored all systems to six day service. The Administration has baselined $22 million of that funding in the Fiscal 2017 Preliminary Budget.
- **Taxi Medallion Sales.** The planned sale of taxi medallions is delayed by one year. The valuation of the medallions remains the same. No medallion sales are scheduled to take place until Fiscal 2018. Between November 2013 and March 2014, the City sold 400 taxi medallions, generating $360 million. The City projects revenue of $730 million from the remaining 1,600 medallions eligible for sale in Fiscal 2018 through 2020. The popularity of ride hail companies, Uber and Lyft, will likely impact the value of the planned sale.
- **NYC Health and Hospitals Payment Forgiveness.** In Fiscal 2016, the City will cover Health and Hospitals costs that include $172 million for debt service and $140 million for medical malpractice settlements. Health and Hosptials has experienced a multitude of challenges related to its long-term financial sustainability, principally due to changes at the State and federal levels in health care financing. Health and Hospitals projects an operating deficit of $2 billion by Fiscal 2019 and has called for reforms that would give it more access to State and federal funding.

- **Settlement Revenue.** The Financial Plan recognizes the City's portion of payments from various legal settlements made by the State's Attorney General. In Fiscal 2016, the City will receive $95 million from a 1998 agreement with the tobacco industry, which had been wrongfully withheld, an additional $75 million from a settlement with Credit Agricole Bank.

With these changes, the Fiscal 2017 Preliminary Budget totals $82.1 billion, an increase of $1.2 billion when compared to the Fiscal 2016 Budget as of the November 2015 Financial Plan. The Preliminary budget is $3.2 billion more than it stood as of adoption of the Fiscal 2016 Budget. About 73 percent of the funding for the proposed budget comes from City tax-levy (CTL)[2] with the remaining largely made up of federal and state aid.



Of the CTL funded budget, slightly over one-third is allocated to non-agency budget items, including pensions, debt service, fringe, reserves, and other miscellaneous items.

Of the total increase in revenues, about half comes from CTL. City funds are up 2.7 percent from Fiscal 2016 to Fiscal 2017. A sizable share of federal aid for Fiscal 2017 has not yet been recognized in the Plan and likely will be in the November 2016 Financial Plan after the federal government begins its fiscal year. So the apparent decline of $1.4 billion from

[2] This nearly $60 billion is made up City tax revenues, fees, fines, and other revenues directly collected by the City.

Fiscal 2016 levels will most likely disappear as the funds are recognized. About two thirds of total state funding in Fiscal 2017 goes to the Department of Education.

Balancing the Budget

As required by law, the budget is balanced for Fiscal 2016 and Fiscal 2017. The budget gap for Fiscal 2018 grew to $2.28 billion from $1.92 billion in the November Plan. However, outyear gaps are modest and of the size that have been manageable in a healthy economy.

Closing the Gap
Dollars in Millions

	FY16	FY17
Gap as of November Financial Plan	**$0**	**($1,239)**
GAP OPENING ACTIONS		
Pension Contribution Increase	*(569)*	*(582)*
Health and Social Services New Needs (ACS,HRA,DHS,DHMH)	*(120)*	*(217)*
Public Safety New Needs (NYPD,FDNY,DOC)	*(104)*	*(147)*
Education New Needs (DOE,CUNY)	*(68)*	*(137)*
H+H Payment Forgiveness	*(337)*	*0*
FY 17 Capital Stabilization Reserve	*0*	*(500)*
Other Expenses Changes	*(200)*	*(247)*
Taxi Medallion Sales Delay	*0*	*(107)*
SUBTOTAL	**($1,398)**	**($1,938)**
GAP CLOSING RESOURCES		
Tax Revenue Forecast	*873*	*723*
** Net Changes to Misc. Revenue*	*281*	*24*
Citywide Cost Savings Program- Agencies	*405*	*206*
Citywide Cost Savings Program- Debt Service	*399*	*8*
Citywide Cost Savings Program - Procurement Inflation Reserve		*56*
GeneralReserve Takedown	*700*	
FY 16 Capital Stabilization Takedown	*500*	
Re estimate of Prior Years' Expenses and Receivables	*400*	
SUBTOTAL	**$3,558**	**$1,017**
TOTAL: Gap Opening & Closing Actions	**$2,160**	**($2,160)**
Offset by increase of FY16 Prepayments to FY17	*(2,160)*	*2,160*
NEW GAP in Preliminary Financial Plan	**$0**	**$0**

Source: *OMB Fiscal 2017 Preliminary Budget*

* Excludes adjustments to NYC Health + Hospitals debt service reimbursement and Taxi Medallion Sales

The November 2015 Financial Plan anticipated a $1.2 billion gap for Fiscal 2017. In the Preliminary Plan, new agency spending and a re-estimate of pension contributions widened the gap by another $1.9 billion. New agency spending is comprised mostly of additional investments in education, homeless services, public safety and mental health services. Pension costs rose by about $600 million per year based on the assumption that people are living longer.

The gap is partly closed by an increase of $723 million in the tax revenue forecast and the citywide savings program that lowers expenses by $270 million. Of the total increase in projected tax revenue, $339 million comes from property taxes, and $286 million comes from personal income tax.

The remaining gap is closed using the Fiscal 2016 funding in the Budget Stabilization Account to prepay Fiscal 2017 debt service. This action which uses current year resources to pre-pay future expenses is known as the surplus roll. The net result of budget actions in the Preliminary Plan generates a $2.2 billion surplus for the current fiscal year. An increase in tax revenues, a takedown of reserve accounts and the citywide savings program of $800 million contribute to the surplus. The takedown would leave $300 million in the general reserve for the rest of the year. Almost half of the citywide savings program for Fiscal 2016 comes from debt service savings.

II. Preparing for an Economic Downturn

The national economy has been expanding since June 2009: a period of almost seven years. By comparison, the average expansion in modern times[3] has been around 5 years, with the longest stretching for 10 years. While there is no inherent reason this expansion could not go on for many more years, the recent slowing of the world economy and the weakness in the stock market have called attention to the possibility of a recession. Much like seasons, the economy ebbs and flows between expansion and recession. Indeed, the question of recessions for most economists is not whether there will be one, but when it will occur. [4]

To be clear, the Finance Division is not forecasting a recession; our forecast is for modest growth (see section III). However, the question of how well the City's budget is prepared for a recession is pertinent. In short, a recession creates, or if already existing, exacerbates a gap between revenues and expenses. Since the City Charter requires that these be balanced at the time a budget is adopted, the City basically has two ways to close this gap:

- Raise revenues (largely through tax or fee increases)
- Reduce expenses (often through a reduction in services)

Clearly, both options are painful ones to undertake. In the last recession, the City raised taxes and used the Program to Eliminate the Gap (PEG) program to reduce agency spending of City tax-levy dollars.

To help minimize the pain of those two actions, the City was able to draw on savings it had built up in prior, more flush years to minimize the need for painful actions. While the accounting practices required under State law prevent the City from having an explicit savings account, the City has developed a number of tools that effectively achieve the same goal, albeit without the same level of transparency.

Warning Signs of a Possible Recession:

- *Sharp declines in consumer and business confidence.*
- *A surge in corporate caution, manifesting itself as much weaker jobs growth and an across-the-board slump in capital spending.*
- *An increase in measures of financial stress, and a resulting tightening of credit conditions.*
- *Much weaker growth in the emerging world, especially China.*
- *A super strong dollar.*
- *Policy mistakes, including too much tightening by the Fed.*

Referred to as "Reserves", the City had accumulated over $11 billion in reserves prior to the Great Recession. While the City still had to resort to tax increases and service cuts, the City was able to draw down over $7 billion of those reserves, sparing the City $7 billion in further tax increases or service cuts. To the degree the City can rely on reserves to carry it

[3] Since World War Two National Bureau for Economic Analysis

[4] Source for Box: IHS, *How big of an impact will Turmoil in the Global Financial Markets have on the US Economy?* US Macroeconomic Outlook Webcast February 10, 2016

through a recession, it can minimize the pain that would be caused by spending cuts or tax increases.

Reserves

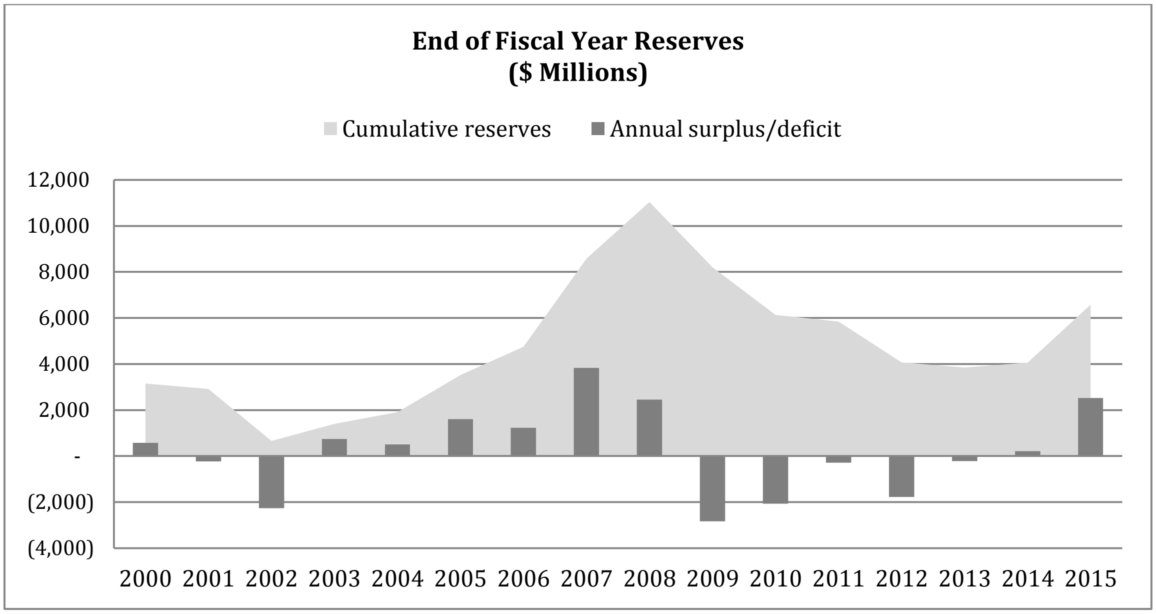
The exact amount that the City has saved is not clear to the public due to the generally accepted accounting principles (GAAP) budgeting requirement mandated by State Law. Under GAAP, the City is limited in the ways it can use prior year surpluses in future years. Rather than being able to deposit any excess funds into a discrete and transparent savings account or "rainy day fund", the City has developed a tool to "roll" forward prior year resources by prepaying certain expenses. Essentially, what the City is doing is cyclical budget management: putting away funds in good times, and depleting it in bad times.

The reserves do not reflect one account, rather there are several resources and reserves that provide the City fiscal padding in economic downturns. The Comptroller's Office describes the City's fiscal cushion through a measure called Prior-Year Accumulated Resources and Reserves (PARR). [5] PARR includes the following assets which are recoginzed as the main and largest reserve items in the budget.

- **The Budget Stabilization Account (BSA/Surplus Roll).** Current year surplus resources get rolled into the BSA and are then used to prepay debt service and subsidies.
- **General Reserve.** A temporary contingency reserve at the beginning of the fiscal year, which on its own is not a long-term reserve tool. If the funds remain unused at the end of a fiscal year, they are generally transferred into the BSA which in turn acts as the long-term reserve. In Fiscal 2015, the amount generally held in this reserve ($300-450 million) was raised to $750 million. In Fiscal 2016, it was raised to $1 billion.
- **The Retirement Health Benefit Trust.** At the end of Fiscal 2006, the City developed an additional tool to add to it future resources - the Retiree Health Benefits Trust (RHBT). The RHBT was established to offset the large and unfunded "Other Post-Employment Benefits" (OPEB) liability, which consists of health benefits for retirees. It should be noted that the RHBT's use as a reserve is secondary to its purpose - health insurance costs for future retirees.
- **Bond Defeasance.** A financing tool which uses current resources to pay off outyear outstanding bonds.
- **The Capital Stabilization Reserve.** An account created in 2015 with savings meant for long term capital projects. The amount not used in the current fiscal year can be redirected to pay off outyear debt service or towards bond defeasance. Fiscal 2016 is the first year where this reserve appears in the budget.

[5] "Measuring New York City's Budgetary Cushion: How Much is Needed to Weather the Next Fiscal Storm?" NYC Budget Brief, Office of the New York City Comptroller, August 2015.

The use of these various funds allows the City to accumulate what can be eventually substantial and highly useful reserves.[6]



As of the the end of Fiscal 2016, the Preliminary Budget expects the City to have accured $6.6 billion in identifiable reserves. By comparison, the prior peak was $11 billion in Fiscal 2008. At the end of Fiscal 2008, reserves represented 18.5 percent of adjusted operating expenditures[7]. At the end of Fiscal 2015, reserves were only 8.6 percent of the adjusted operating expenditures.

This has led to some concern that not enough has been saved. The City's Comptroller recently studied "How Much is Needed to Weather the Next Fiscal Storm". [8] According to the report, Moody's suggests that a 15 to 30 percent fund balance is needed for a high credit like Aa, while fellow credit rating agency, S&P500, is more flexible: they suggest an 8 to 15 percent fund balance is ideal. Given previous experience with the City's recessions, the Office of the New York City Comptroller claims that the City should maintain a healthy ratio of PARR to adjusted operating expenditures of around 15 percent.

That said, it is also important to note how long it took to bring the Fiscal 2008 reserves to a cumulative $11 billion, after the downturn in 2001. The City has only just begun to

[6] The Fiscal 2015 budget provides a clear example of how these reserves work. In June 2014, the City adopted a Fiscal 2015 budget of $74.5 billion. By the end of Fiscal 2015, the City recognized revenues above those projected in the Fiscal 2015 Adopted Budget. Specifically, there were $3.3 billion more in tax revenues and $217 million more in non-tax revenues. Higher than projected revenues along with a $750 million drawdown of the General Reserve, and debt service savings of $633 million, meant additional resources over Adopted Budget projections. These additional resources were deposited as $955 million into the RHBT, and to bring the BSA to a total of $3.6 billion.

[7] The reported operating expenditures were adjusted by accounting for prepayments and defeasances.

[8] "Measuring New York City's Budgetary Cushion: How Much is Needed to Weather the Next Fiscal Storm?" NYC Budget Brief, Office of the New York City Comptroller, August 2015.

replenish its reserves. Even as tax revenues began to recover from the Great Recession, the City did not start replenishing its reserves until Fiscal 2014, and minimally even then. The City's economy has since gained a lot of steam, and Fiscal 2015 revenue exceeded spending significantly, adding $2.5 billion to the City's reserves, bringing them to a total of $6.6 billion. So while not at its peak, the amount in reserves is still substantial. Experience suggests that the City will end Fiscal 2016 with reserves above $6.6 billion in the Preliminary Budget because of OMB's tradition of conservative revenue and expense forecasts.

Managing a Recession

In its December 2015 Fiscal Outlook, the Independent Budget Office (IBO) did an estimate of what the City's budget might look like if a recession somewhat similar to the one in January 2001[9] began in the first quarter of 2016. The most recent financial plan would see a revenue reduction of about $12.3 billion (see chart below).[10]

IBO Recession Scenario Impact on Tax Revenues by Fiscal Year

Dollars in millions

	2016	2017	2018	2019
Change in Tax Forecast	**($511)**	**($3,063)**	**($4,437)**	**($4,324)**

Source: IBO Fiscal Outlook, December 2015

**Note: Change in Revenues are to IBO's tax forecast, but are used as a proxy.*

Note that this most likely underestimates the revenue shortfall the City might see in a recession. The funds adjusted are just tax revenues. During the last recession, New York State, faced with its own budget shortfalls, reduced categorical grants to the City in Fiscal 2010 to 2012 and eliminated unrestricted aid starting in Fiscal 2010. While the federal government can use its aid to offset revenue reduction for State and local governments, as it did in the last recession[11], such assistance is not automatic and depends upon Congressional action.

Expenses in the City budget do respond to recessions, but not that strongly or quickly. Pensions are to some extent an exception. Actuarial calculations assume a return on assets of 7 percent, which is not generally met during recession years. However, the City's method of pension funding is designed to smooth out payments gradually phasing in both good and bad years.

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[9] New York City Independent Budget Office, "Despite Diminishing Job Growth, Modest Gains in Tax Revenues, City Budget Remains Positive", Fiscal Outlook December 2015, p. 14. The association of IBO's simulation with the 2001 is by the Finance Division. The simulation showed a loss of 150,000 jobs – a similar amount to losses in the 2001 recession. However, the simulation is based on Moody Econometrics recession scenario and was not constructed to resemble the post 2001 recession.

[10] Note that $12 billion tax revenue shortfall is compared to IBO's baseline forecast, not the financial plan. However, for purposes of this exercise Finance Division has treated as against the plan.

[11] In the two most recent recessions it has used changes to the Federal Medical Aid Percentage (FMAP) for Medicaid to help governments like New York City.

By Finance Division calculations, current reserves including the Fiscal 2016 through Fiscal 2019 general reserve and the capital reserve are insufficient to handle a recession of the size of IBO's simulation. It would be possible to balance Fiscal 2017, but Fiscal 2018, after exhausting both the net roll and the RHBT, would have a deficit of $4 billion, and Fiscal 2019 a deficit of $6.2 billion. Roughly speaking, our reserves are capable of handling a recession about half the size of IBO's estimate. Anything beyond that will require savings and/or tax increases. To manage a recession similar to IBO's simulation, the City would need to raise taxes by an amount similar to the property tax increase done by Mayor Bloomberg and the Council in Fiscal 2009 or about $1.7 billion starting in Fiscal 2017[12], plus $1.65 billion in recurring savings. The tax increase and the savings would have to continue through Fiscal 2019.[13]

On one side, the above analysis is too conservative; a number of OMB's estimates of debt service and prior year payables are generally much too high. Accrued savings from these would help close the gap. On the other side, it is too optimistic; the exercise includes no reductions in State aid that would need to be replaced with City funds, and no increases in pension costs or other expenses.

Building Reserves through Savings

One way to minimize the future need for tax increases or service cuts is to further build up the City's reserves. And one way to do that is to enact ongoing savings that allow the reserves to accumulate faster.

Starting in 1982 and up until 2013, every New York City budget presented by the Mayor included cost saving actions presented under the rubric of the Program to Eliminate the Gap or more commonly known as PEG. These actions were not just utilized in the years of financial stress, but were a constant measure used to improve the efficiency of the City's budget. A core aspect of a PEG was that it required agencies to propose cuts of a specific size[14].

While PEGs had been a useful tool in deriving efficiencies, they also had become wrapped up in something called the "budget dance". This was an annual process, where the Mayor's preliminary budget would include a number of sizeable PEG cuts that would become the focus of hearings and negotiations, only to disappear when the subsequent financial plans were released. Many of the cuts, after being restored, would reappear. This "budget dance" weakened Council oversight and made planning difficult for City agencies and not-for-profit organizations that provide critical services to New Yorkers.

[12] It should be noted that in addition to the property tax increase, the sales tax was also increased by 0.5 percent which generated an additional $1.6 billion from Fiscal 2009 to Fiscal 2012.

[13] In Fiscal 2009 the 7 percent property tax reduction done by the Mayor and Council was rescinded. This raised the property tax to its current 12.283 percent rate, a similar increase would raise the rate to 13.201 percent. In doing the above exercise the Finance Division has not considered limits to annual budget support that the RHBT can provide or the impact of the operating limit on the property tax.

[14] http://www.capitalnewyork.com/article/city-hall/2016/01/8588827/de-blasio-laying-out-821b-budget-warns-trouble-ahead

In 2014 as part of an effort to end the budget dance, Mayor de Blasio replaced the PEG with a similarly intentioned efficiency effort entitled the Citywide Savings Program. Unlike previous PEGs, the savings in this program were voluntary in that agencies were not required to meet a specific target, but rather identify and offer savings as they saw fit.

In spite of the voluntary nature of the program, the initial savings plan released as part of the February 2015 Financial Plan included savings of about $3.0 billion, a similar level as the $3.1 billion in savings in the final PEG released under Mayor Bloomberg in 2013[15]. However, the most recent savings plan only identifies $1.8 billion in savings, the third lowest amount when compared to all PEGs from 1982[16].

Moreover, the most recent Citywide Savings Plan appears to have a large portion of its savings stem from accruals, delays in spending, and other non-recurring savings. This raises the question of whether these savings find real efficiencies, or whether they are just a more accurate reflection of true costs.

Finding true efficiencies in the budget would presumably have recurring savings that would be spread relatively evenly through all five years of the financial plan. However, 43 percent of the total savings in the current Citywide Savings Program are in the current fiscal year alone, whereas the average PEG since 1996 had only about 10 percent of savings in the current year that it was presented, with 22 percent in 2005 being the year with the highest percent of current year savings. This indicates that there may be less recurring efficiencies in this Citywide Savings Plan as compared to the prior PEGs.

So while the end of the PEG program helped end the budget dance and bring more thoughtful discussion to the City's budget process, there are indications that the Citywide Savings Plan may not be living up to the ability of PEGs to root out true efficiencies in the budget.

[15] PEGs values are presented at amount at initial proposal, not the values of PEGs that were eventually adopted.

[16] Only the PEGs in 1987 ($1.3 billion) and 2006 ($1.4 billion) were less.

III. Revenues & the Economy

The City Council's Finance Division expects both the U.S. economy and the City's economy to continue to grow. The national economy faces strong headwinds, as it has for most of the past 7 years. This time the headwinds come from a slowing global economy, especially emerging economies like China and Brazil. However, these will not be enough to stop the growth of either GDP or employment. Crucially, the labor market is tightening enough that there should be sustained increases in real wages. The City's economy should slow down somewhat from its blistering pace of job growth. Wage growth should pick up outside of the finance sector. Securities wage growth will be lackluster through the forecast period, as will the earning of NYSE member firms. Overall, this produces a positive view of City tax revenue growth, with some concerns about parts of the personal income tax and business taxes dependent on Wall Street earnings.

National Economy

The Bottom Line. Although growth is expected to slow in the coming years, a recession is not in the cards.[17] The national economy is still expanding at a rate comparable to the previous few years. Real GDP increased 2.4 percent in 2015, the same as in 2014. The recovery continues, albeit moderately.

Driving recent growth was consumer spending, thanks in part to the combination of rising incomes and low inflation. Wages (average hourly earnings of all employees) have been climbing at a faster pace than the cost of living. This means households have more purchasing power, so consumer spending has increased, and should continue to increase in the coming year. More specifically, median weekly earnings for the nation's 109.9 million full-time wage and salary workers were $825 in the fourth quarter of 2015 (not seasonally adjusted). This represents a 3.3 percent increase year over year.[18] The Consumer

Will there be a recession?

For the next 12 months most forecasts say no.

But the risk is rising.

- Models at Federal Reserve Banks of New York and St Louis have the risk at around 5%
- Some forecasters at Bank of America and IHS have the risk at around 20 percent.

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[17] Piger, Jeremy Max and Chauvet, Marcelle, *Smoothed U.S. Recession Probabilities*[RECPROUSM156N], retrieved from FRED, Federal Reserve Bank of St. Louis https://research.stlouisfed.org/fred2/series/RECPROUSM156N, February 5, 2016. And Federal Reserve Bank of New York *Probability of US Recession Predicted by Treasury Spread, https://www.newyorkfed.org/medialibrary/media/research/capital_markets/Prob_Rec.pdf accessed Feb 5, 2016.* And InfoWars, *Probability of US Recession in 2016 Rises to 20 Percent, Big Banks Say, http://www.infowars.com/probability-of-us-recession-in-2016-rises-to-20-percent-big-banks-say/* Accessed Feb. 8 2016. And IHS Economics, "US Executive Summary" February 2016.

[18] BLS Economic News Release. (2016, January 22). *Usual Weekly Earnings Summary*. http://www.bls.gov/news.release/wkyeng.nr0.htm

Price Index for All Urban Consumers (CPI-U) on the other hand, only increased 0.5 percent over the same period. Real (inflation adjusted) wages grew 1.9 percent in the year ending in December 2015. However, the low rates of price inflation cannot continue. They have been driven by declines in commodity prices. When these commodity prices stabilize (or rise), inflation will rise.

Consumer confidence improved in the last two months of 2015, as the optimists outweighed the pessimists. According to Lynn Franco, Director of Economic Indicators at The Conference Board, "Consumers' assessment of current conditions held steady, while their expectations for the next six months improved moderately. For now, consumers do not foresee the volatility in financial markets as having a negative impact on the economy."[19] The Federal Reserve Bank of New York's Survey of Consumer Expectations (February 2016) showed similar results.[20] Inflation expectations reached their lowest levels since the survey began, while median expected earning and spending growth both increased slightly.

In early February the U.S. Bureau of Labor Statistics reported positively on the U.S. "employment situation." In January 2016, the number of unemployed persons sat at 7.8 million, while the unemployment rate remained at 4.9 percent. Year over year, the number of unemployed persons and the unemployment rate were down 1.1 million and 0.8 percent, respectively.[21] Nevertheless, disparities continue to exist when one examines by race and sex. Interestingly, the average duration of unemployment now sits at 28.9 weeks, down 9.7 percent from January 2015. "Hidden unemployment" also appears to be improving - the number of Americans working part-time but who want to work full-time decreased 11.7 percent from January 2015, to 6.0 million. If unemployment can continue its downward movement, wage growth is likely to pick up steam.

The question often asked is: How many more jobs would be required to match the low unemployment rates seen in the past? To reach the unemployment rate in 2007 of 4.4 percent would require 800,000 additional job holders, while we would need an additional 1.7 million to match the low of 3.8 percent unemployment last seen in 2000.[22]

One area of concern, however, is Wall Street. The market had been in bullish mode through the first half of 2015, with the S&P 500 gaining 4.0 percent through July 13, 2015. This was entirely wiped away in the second half of the year, as the market began its volatile slide, continuing to date. As of February 15, 2016, the S&P had lost 9.8 percent of its value since its July peak. Additionally, the S&P 500 Bank Index dropped 24 percent since November 15, 2015, and 16 percent since the same time last year. Underlying the investors' jitters is the abrupt economic slowdown in China, as well as sharp, ongoing declines in energy prices.

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[19] The Conference Board. (2016, January 26). *The Conference Board Consumer Confidence Index Increased in January*. https://www.conference-board.org/data/consumerconfidence.cfm

[20] Federal Reserve Bank of New York. (2016, February). Survey of Consumer Expectations. https://www.newyorkfed.org/microeconomics/sceindex

[21] See http://www.bls.gov/news.release/empsit.nr0.htm

[22] Milsinski, Jill. (2016, February 10). Advisor Perspectives. *What Would It Take for the Prime U.S. Workforce to Fully Recover?* http://www.advisorperspectives.com/dshort/updates/Stuctural-Changes-in-Employment

Holders of bank shares are additionally worried about bank exposure to energy stocks, particularly junk bonds, and the Federal Reserve's toying with the idea of negative interest rates, which would further reduce interest revenue. According to Alan Blinder of Princeton, "the market is probably overreacting to news from China by a wide margin,"[23] citing the insignificant U.S. exports to China. He considered the market's response to sliding oil prices in the same light, noting that capital spending from the energy-producing sector is only about 5 percent of spending on equipment and structures.

The New York Stock Exchange (NYSE) members' trading and broker operations – often referred to as 'Wall Street' – has been a casualty of the market. During the first two quarters of 2015, it was doing splendidly, posting profits of 29 percent over the same time the previous year. By the end of 2015, annual net income had fallen by a steep 10.5 percent. Total revenues had declined by 1.7 percent. While Professor Blinder believed the market would eventually calm down, he admitted that "the market can stay irrational longer than you can stay solvent."

Turning our attention to monetary policy, the Federal Open Market Committee (FOMC) raised the federal funds rate from one quarter to half a percent last December. The quarter of a percentage point increase is the first since June 2006, and ends the seven year era of a near-zero interest rate. The decision to increase the rate was finally implemented after more than a year of deliberation. The Fed had to exercise caution in the face of domestic and global challenges, such as lower energy prices, a strong dollar, falling net exports, low inflation rate, and weakness in emerging markets, particularly in China.

The FOMC's decision to increase the federal funds rate resulted from the considerable improvements in the labor market last year and its evaluation that the labor market would strengthen and that the inflation rate would rise to the two percent medium term target, even with modest reduction in policy accommodation. The FOMC expected that economic conditions after December would only require a gradual increase in the federal funds rate, as monetary policy remains accommodative.

Perhaps Bernard Baumohl of the Economic Outlook Group put it best, noting that "there is simply no meaningful evidence to suggest the domestic economy is in peril."[24]

City Economic Forecast

The City finished 2015 with its economy still in full gear. Payroll employment expanded by 100,500 over 2014, second only to 2014 which added 120,700 jobs.[25] This was the fifth consecutive year of over 2 percent employment growth. To put it in context, during the 1992-2000 expansion, there were four years of 2 percent-plus job growth. During the 2003-2007 expansion, only 2007 surpassed 2 percent. The City's unemployment rate fell to

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[23] Blinder, Alan. (2016, January 20). *Markets are scaring themselves.* The Wall Street Journal. Accessed Feb 18, 2016. http://www.wsj.com/articles/markets-are-scaring-themselves-1453336114

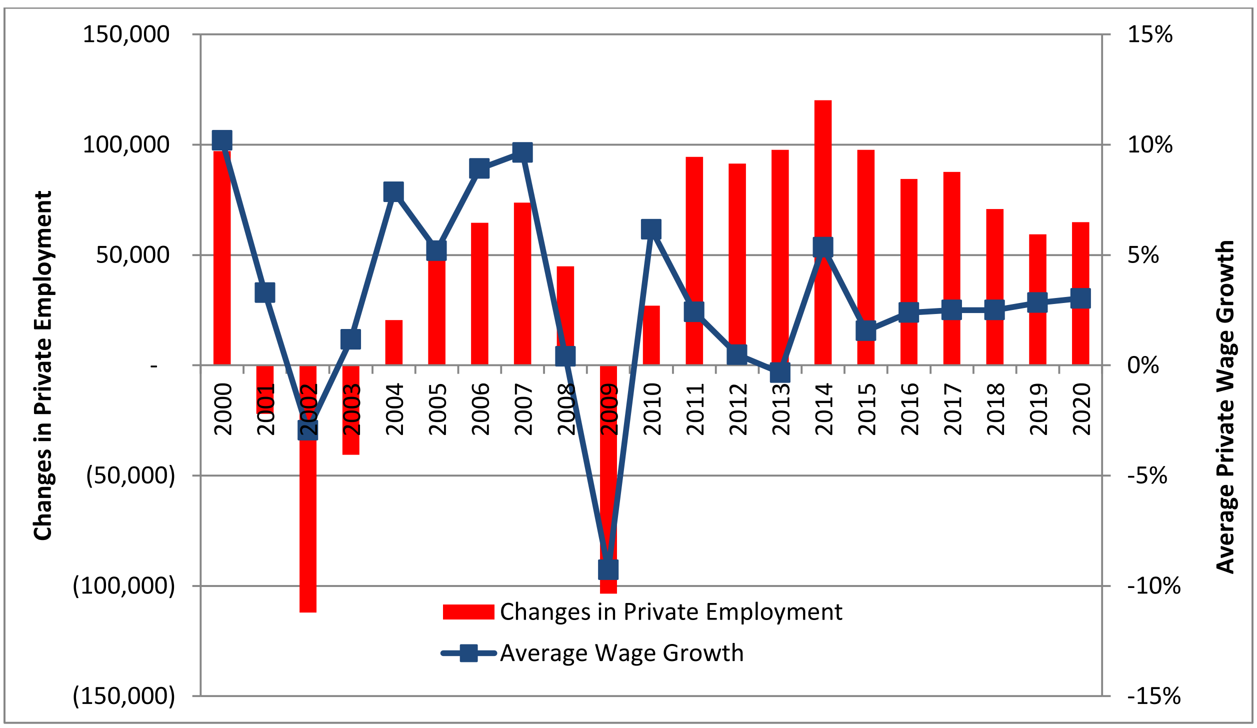
[24] Baumohl, B. (2016, February 5). Economic Talking Points. *Economic Outlook Group*. http://www.economicoutlookgroup.com/research-reports/2016/ETP2516.pdf

[25] New York State Department of Labor, Current Employment Statistics, December 2015.

5.0 percent last December, down from 6.5 percent 12 months earlier. One major concern, however, is the City's persistently low labor force participation rate of 61.2 percent as of December 2015, which is a tad worse than the national rate of 62.7 percent.

One industry that merits specific mention is health care and social assistance. Health care doubled its employment growth in 2013, and further ramped up its pace in 2015, generating over one quarter of total job growth. Increased demand for health services has been facilitated by the Affordable Care Act.

Average wage growth in the City has been less spectacular than job growth, and is estimated to have grown by only 1.6 percent in 2015. The average wage was pushed down by the securities industry, whose average wage fell by an estimated 1.1 percent from reduced bonuses, as Wall Street revenues fell 1.7 percent in 2015. Excluding the securities industry, average wage growth hovered around 2 percent last year. If commercial banking and insurance are also excluded, wage growth was even higher. The average wage is expected to reach 2.4 percent in 2016, and gradually climb to over 3 percent by 2020. Excluding the finance sector, wage growth will be even stronger, as growing demand for labor bids up compensation. The securities wage will, however, maintain lackluster growth of 2-3 percent during the forecast period, as market growth is expected to remains tepid.



***Source**: IHS Global Insight, Real gross city product, February 2016*

Real estate is a big beneficiary of rising employment and upward wage pressures. The increase in office-using employment has increased the demand for commercial development and leasing. In 2015, Manhattan office vacancy dropped to 8.5 percent from 9.3 percent in 2014. Asking rents have risen to $71.58 per square foot from $67.70 a year before.[26] Residential real estate has also benefited. As of January 2016, the median cost of a house in Brooklyn rose 3.5 percent from a year ago to $740,000.[27]

Looking ahead, the City's dynamic growth is expected to slow down going forward. There are warning signs in individual sectors. Professional and business services, which led the City out of the last recession and covers a broad range of decent-paying jobs, has reduced its employment growth by 25 percent in the second half of 2015. City businesses, like consumers, have become more cautious as they see a volatile stock market with sharp dips. The City's broad array of professions and businesses serve customers throughout the U.S. who are directly impacted by the strong dollar, reduced exports and a battered energy sector. The weak 0.7 percent growth in real GDP in the fourth quarter reflects retrenchment in business activity, reducing demand for City services. Leisure and hospitality, which generally pays lower wages, has also reduced its job growth by one-third in 2015. Food services slowed its job growth by one-third last year, and the hotel sector shed about 300 jobs. While the total number of visitors to the City continue to rise, higher-spending foreign tourists are being replaced by lower-spending domestic travelers. Last year, the information sector shed its payroll at an accelerated pace, driven by the decline in publishing. The securities industry, on the other hand, more than doubled its job growth in 2015 compared to a year ago, as the first half of the year heralded stellar profits. Unfortunately, as mentioned earlier, the market turned in August amidst uncertainties about China's slowdown and the imminent raising of short-term rates, and total net earnings for the year actually plummeted 10.5 percent.[28] Additionally, the S&P 500 Bank Index dropped 24 percent since November 15, and 16 percent since the same time last year. Consequently, the securities industry will almost certainly reverse course in its hiring trend. The New York State Comptroller's Office has long maintained that one job in securities create two in other City sectors.[29] Of course, the reverse applies.

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[26] Cushman & Wakefield, 'Marketbeat Office Snapshot, Manhattan, NY,' 4th Quarter 2015.

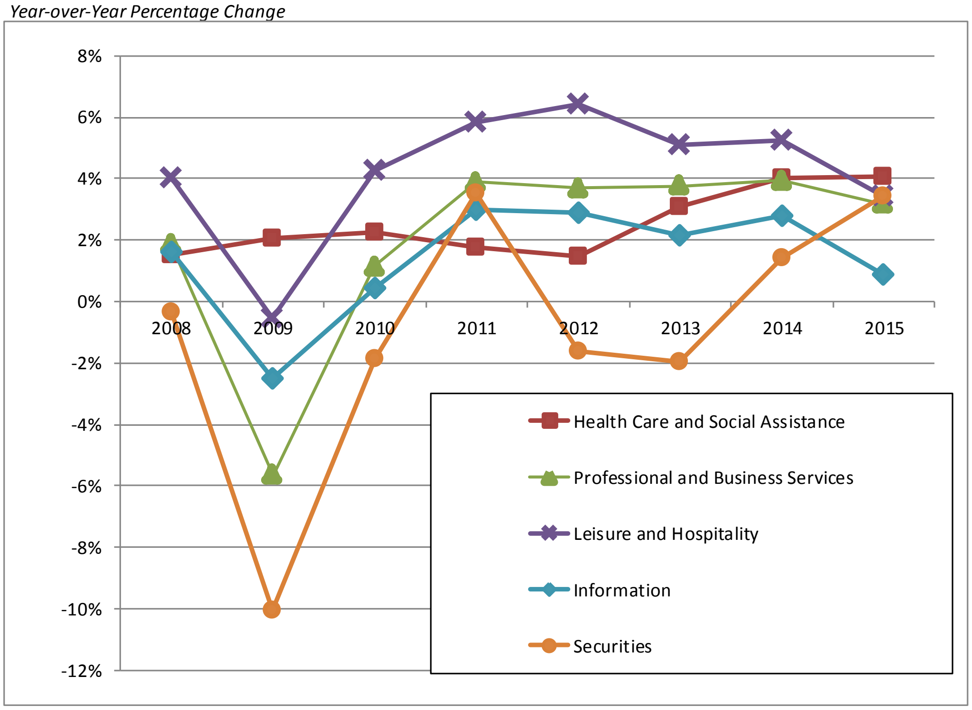
[27] http://www.millersamuel.com/aggy-data

[28] http://ir.theice.com/~/media/Files/I/Ice-IR/nyse-regulation/2015/Income%20loss%20and%20expense%20Q415.pdf

[29] http://osc.state.ny.us/osdc/rpt9-2015.pdf#search=securities%20industry%20

Industry Employment Growth, Actuals for 2008-2015

Year-over-Year Percentage Change



Source *: NYS Department of Labor, Current Employment Statistics, December 2015; Forecast by NYC Council Finance*

Compared to OMB, the Council's Finance Division projects substantially stronger employment growth through the forecast period, but weaker wage growth. It should be noted that the Council forecasts the private sector, whereas OMB forecasts total payroll. The Finance Division expects private employment to expand by 2.3 percent in 2016 and gradually slow to 1.6 percent by 2020. OMB forecasts total employment to grow by 1.6 percent in 2016, slowing to 1.0 percent in 2020.[30] Council Finance expects the average private wage to grow by only 2.4 percent in 2016, rising to only 3 percent by 2020. As mentioned before, Wall Street wages will be a drag on overall wage growth. OMB projects the average wage to rise by 2.1 percent in 2016, and gradually reach 3.3 percent by 2020.

The forecast contains downward risks. Current signs of challenges faced by individual sectors may become more pronounced. Increasing global weakness, especially from China and other emerging markets, may further rattle the finance sector. A severe decline in U.S. corporate earnings may drastically reduce demand for the City's business services. The strong dollar and weakness abroad may discourage many more foreign tourists.

As in other expansions, the City's growth trajectory will eventually face constraints. In the past this has come in the form of higher commercial real estate costs. Currently there are millions of additional square feet of office space in the pipeline which are expected to become available in 2017, including the World Trade Center and Hudson Yards. This may soften the rise in office rents. Another constraint may be the climbing cost of living in New

[30] Office of Management and Budget, 'January 2016 Financial Plan Detail Fiscal Years 2016-2020,' p. 14.

York City from rising rents and home prices. Residents and prospective New Yorkers may reconsider what other cities offer in terms of matching income and cost of living.

Forecast of Selected Economic Indicators: National and New York City, CY2015-2020						
	CY15	**CY16**	**CY17**	**CY18**	**CY19**	**CY20**
NATIONAL ECONOMY						
Real GDP %	**2.4**	**2.4**	**2.8**	**2.6**	**2.4**	**2.4**
Private Employment						
Level Change, '000	2,768	2,434	1,480	1,269	1,239	1,316
Percent Change, %	2.4	2.0	1.2	1.0	1.0	1.0
Unemployment Rate, %	**5.3**	**4.8**	**4.9**	**4.9**	**5.0**	**4.9**
Total Wages %	**2.2**	**2.1**	**2.4**	**2.8**	**2.9**	**2.9**
Interest rates %						
3-Month Treasury Bill	0.05	0.54	1.35	2.34	2.81	2.81
30-Year Conventional Mortgage Fixed	3.85	4.03	4.41	5.03	5.69	5.69
NEW YORK CITY ECONOMY						
Real GCP %	**2.4**	**2.9**	**2.7**	**2.3**	**2.0**	**1.7**
Private Employment						
Level Change, '000	97.7	84.4	87.7	70.8	59.4	64.9
Percent Change, %	2.7	2.3	2.3	1.8	1.5	1.6
Average Private Wages %	**1.6**	**2.4**	**2.5**	**2.5**	**2.8**	**3.0**
Total Private Wages %	**4.4**	**4.8**	**4.9**	**4.4**	**4.4**	**4.7**
NYSE Member Firms %						
Total Revenue	-1.7	-1.1	0.0	0.3	1.6	2.4
Total Compensation	1.2	1.3	3.7	3.7	4.5	5.0

Source: *IHS Global Insight, February 2016 (Nat'l); New York City Council - Finance Division (City)*

Tax Forecast

The Council's Finance Division expects the City will have by the end of the Fiscal 2016, collected $53.5 billion in total tax revenue – a 3.1 percent increase from last year. It further anticipates Fiscal 2017 will see a 3.6 percent increase. It reflects the Division's economic forecast, a more or less healthy economy, but one where employment is slowing down from its blistering pace and one where wage growth is less than one would hope. It also reflects some of the challenges faced by the City's financial markets.

Between Fiscal 2011 and 2015, the City has seen its income from local taxes increase significantly by an average of 6.9 percent. This is attributed to the concurrent economic recovery. Collections from Fiscal 2016, however, are expected to slow to 3.1 percent in Fiscal 2016, as the City's economy, like the U.S., is facing headwinds. Tax revenue is expected to rebound slightly, averaging 4.1 percent from Fiscal 2017 through Fiscal 2020. With collections growing at a faster rate than expected inflation of roughly 2 percent, this would still represent real growth.

The two biggest taxes – the real property tax and the personal income tax – are set to increase in Fiscal 2016 by 5.8 percent and 3.3 percent, respectively. In Fiscal 2017, property tax collections are expected to grow by 6 percent, and personal income tax by 2.2 percent. Sales tax collections are expected to be strong, supported by increased employment in first half of Fiscal 2016. Other property taxes, namely the mortgage recording and real property transfer taxes, are expected to decline for the current fiscal year and grow slowly in the outyears.

Real Property Tax (RPT). For Fiscal 2017, both OMB and Council Finance expect to generate approximately $23.9 billion in revenues. This represents a fairly sizable $400 million increase over the November Plan, largely due to changes in the reserve. [31] The largest component of the change reflects a better understanding of the total amount of refunds and cancellations.

On January 15, 2016, the Department of Finance (DOF) released the preliminary assessment roll for Fiscal 2017, which continues to show strong assessment growth, with Billable Assessed Value (BAV) up a substantial $15.8 billion over the prior year, or 8.1 percent. While all four classes of property saw substantial growth in the BAV, most of the growth comes from Class 2 and Class 4, adding $7.3 billion and $7.7 billion to the total BAV, respectively. The value of properties is going up a) because there is a lot of new construction, particularly in Brooklyn; and b) because sales prices and rents keep going up.

Market values and Billable Assessed Values

Dollars in Billions

	Market Values				Billable Assessed Values		
	FY 2016	FY 2017 T*	% Change	% Change due to Market Forces	FY 2016	FY 2017 T*	% Change
Class 1	$442.36	$496.59	12.26%	12.14%	$17.73	$18.40	3.79%
Class 2	$234.47	$259.65	10.74%	7.83%	$67.94	$75.29	10.81%
Class 3	$30.72	$30.97	0.82%	-	$13.48	$13.54	0.50%
Class 4	$261.89	$284.76	8.73%	7.05%	$96.04	$103.77	8.05%
Total	**$969.43**	**$1,071.97**	**10.58%**	**9.34%**	**$195.19**	**$211.00**	**8.10%**

Market values rise because of market forces or because of physical changes, like construction and renovation. Most of the Class 2 growth in Market Value comes from Brooklyn. As the above table shows, much of the growth is driven by Class 2 Rentals growth, both due to market forces as well as to new construction.

[31] The levy is the raw amount of revenues that would be raised by the property tax and is generally determined at the outset of a fiscal year as the overall tax rate and billable assessed values are for the most part set at that point. The reserve reflects the various tax abatement programs, collections adjustments, and lien sale which when taken into account with the levy, result in the actual revenue impact in the budget.

Brooklyn Market Forces

Dollars in billions

Brookyln	FY 2017T* Change from Prior Year	% Change	FY 2017T* Change from Prior Year due to Market Forces	% Change
Class 1	$26.06	16.56%	$26.05	16.55%
Class 2	$7.42	18.20%	$5.50	13.54%
Class 2 Rentals	$3.05	24.92%	$1.64	13.38%
Cooperatives	$0.52	13.16%	$0.50	12.64%
Condominiums	$0.47	13.81%	$0.41	12.00%
Class 4	$3.05	12.72%	$2.14	8.95%
Total	**$36.54**	**15.99%**	**$33.70**	**14.75%**

**Tentative*

Source: Department of Finance, 2016/17 Tentative Assessment Roll

The final numbers will almost certainly be lower on final tax bills (after DOF makes corrections and the Tax Commission does its adjustments based on appeals). Since Coops and Condos tend to appeal more than single family homes, Council Finance expects the decrease for Coops and Condos to be greater than those for single family homes.

Personal Income Tax. After a sensational 11 percent growth in Fiscal 2015, personal income tax collections are expected to slow abruptly to 3 - 4 percent in 2016, and remain at that pace throughout the financial plan. A thriving stock market in calendar 2014 resulted in securities industry wages (including bonuses) rising by 14 percent on average, pumping-up withholdings, and double-digit profits on capital gains, fueling estimated payments for Fiscal 2015. Growing payroll employment in the City further added to withholdings. In Fiscal 2016 however, a weakened stock market is expected to sharply reduce bonuses, reducing withholdings. Meager returns from capital gains will be reflected in smaller estimated payments and larger refunds. Continued growth in payroll employment will salvage moderate growth in collections. There is an additional concern. For non-wage income, quarterly estimated payments are required to be at least 110 percent of last year's tax liability under the 'safe harbor' rule. With weaker Wall Street profits, there is a concern that April's refunds might significantly drain overall collections. In Fiscal 2017 collections from PIT are expected to increase by 2.2 percent.

Business Income Taxes. After 3 percent growth in Fiscal 2015, Council Finance expects the business income tax (General Corporation and Unincorporated taxes) to grow anemically by 0.1 percent, reaching $6.06 billion in Fiscal 2016. The Office of Management and Budget expects a decline of 1.2 percent in business tax collections for Fiscal 2016. The sharp decline in growth may possibly be attributed to the City's business tax reforms last year. The reforms were designed to be revenue-neutral, but some components phase-in before others, and there may be an initial revenue cost. Most of the decline, however, has to be attributed to increasing challenges faced by U.S. corporations, including the strong dollar, weak exports, and a battered energy sector. This is reflected in the recent poor performance of the stock market. In Fiscal 2017, we expect total collections to rebound slightly by 3.9 percent to $6.3 billion, reflecting moderate growth on Wall Street. In Fiscal

2018 and in the outyears, business income taxes are expected to grow at an average rate of 4.1 percent.

Collections from the general corporation tax in Fiscal 2016 are expected to decline by 1.4 percent to $4.03 billion, after a 2.3 percent growth in Fiscal 2015. Unincorporated tax revenues are expected to increase 3.1 percent to $2.02 billion in Fiscal 2016, after 4.2 percent growth the previous year. Generally, firms paying the corporation tax are more national in scope than those paying the unincorporated tax, and are more exposed to the headwinds facing the U.S. economy. Firms servicing just the City are less directly impacted. The reformed corporation tax also includes the banking sector, which is sustaining losses.

Other Property Taxes. The real property transfer tax (RPTT) and the mortgage recording tax (MRT) - the transaction taxes - continued to be strong in 2015, bringing in nearly $2.9 billion together. Fiscal 2015 collections from RPTT increased by 15.6 percent to $1.77 billion. The increase in RPTT largely indicates a growth in the value of commercial sales, which get taxed at a higher rate than residential property. In spite of a great 2015, Council Finance expects RPTT collections for Fiscal 2016 to decline by 9 percent, followed by an increase of 5.2 percent in Fiscal 2017, and average growth of 3.3 percent afterwards. The decline in Fiscal 2016 can be attributed to a drop in the value of commercial properties sold in the first half of the year. The largest transaction so far has been the $805 million sale of the New York Palace Hotel. There is also expected to be a slowdown in real estate sales (especially commercial properties) in the latter half of Fiscal 2016, in part as a response to the impending interest rate increase.

Council Finance expects collections from the MRT to decline by 3.6 percent in Fiscal 2016, following a 20.2 percent increase in Fiscal 2015. The expected decline in Fiscal 2016 collections can be attributed to expectations of an imminent increase in interest rates. Historically, high revenues from the MRT correspond to low interest rates. Fiscal 2017 collections are expected to bounce back, growing at 1.4 percent.

Sales. Council Finance and OMB both expect sales tax revenue to increase by around 5 percent in Fiscal 2016, and maintain average growth of around 4.3 percent through Fiscal 2020. This will bring in an expected $7 billion in sales tax revenue this year, a number that grows to nearly $8.4 billion by the end of the financial plan. The strong and steady growth is attributed to the expectation of rising employment and wages throughout the plan period.

Council Forecast: Difference from OMB Forecast

Dollars in Millions

	FY16	FY17	FY18	FY19	FY20
Real Property	$0	$32	$70	$106	$116
Personal Income	(54)	144	184	144	65
General Corp. & Banking Corp.	62	14	64	220	364
Unincorporated Business	16	44	12	(28)	(62)
Sales	16	(36)	52	82	79
Commercial Rent	2	5	10	25	30
Real Property Transfer	37	83	123	122	126
Mortgage Recording	85	93	114	122	131
Utility	1	8	20	35	38
Hotel	20	31	33	44	53
All Other	0	0	0	0	0
Audits	0	0	0	0	0
Total Taxes	**$185**	**$418**	**$681**	**$871**	**$941**

Source: *Council Finance Division, OMB Fiscal 2017 Preliminary Fnancial Plan*

Council Forecast: Growth Rates

	FY15*	FY16	FY17	FY18	FY19	FY20
Real Property	6.7%	5.8%	6.0%	5.5%	5.4%	4.7%
Personal Income	11.4%	3.3%	2.2%	3.3%	3.6%	3.7%
General Corporation	2.3%	(1.3%)	3.5%	3.7%	5.4%	5.3%
Unincorporated Business	4.2%	3.1%	4.6%	2.8%	2.4%	3.0%
Sales	3.8%	5.1%	3.2%	5.4%	4.6%	4.0%
Commercial Rent	3.4%	5.1%	4.9%	4.9%	5.9%	4.4%
Real Property Transfer	15.6%	(9.0%)	5.2%	3.5%	3.3%	3.0%
Mortgage Recording	20.2%	(3.6%)	3.2%	2.7%	3.2%	3.0%
Utility	(5.2%)	1.8%	2.7%	6.5%	5.4%	2.8%
Hotel	3.8%	2.1%	2.3%	2.5%	2.9%	3.3%
All Other	3.6%	(4.0%)	(1.3%)	0.1%	0.3%	0.2%
Audits	31.6%	(12.1%)	(28.3%)	0.0%	0.0%	0.0%
Total Taxes	**7.5%**	**3.1%**	**3.6%**	**4.4%**	**4.5%**	**4.1%**

Source: *Council Finance Division*

IV. State and Labor

Albany Risks

The Fiscal 2016-2017 New York State Executive Budget poses significant risks to the City's financial plan. The budget contains proposals to re-establish funding parity for CUNY, decrease total state/federal aid to Health and Hospitals under Medicaid's Disproportionate Share Hospital (DHS), and over the course of 3 years, take $600 million in savings created by the City through the refinancing of Sales Tax Asset Receivable (STAR) Corporation debt. Unfortunatly, the recently released 30 day amendments do not change this significantly and the risks remain.

Additionally, the Senate has voted to extend the 2 percent property tax levy cap to New York City.

All of these measures would cause the City significant fiscal harm.

The Senate's 2 percent Property Tax Levy Cap. While the cap is implemented in other local governments in the State, New York City has a different tax system. Outside of the City, local governments rely on two taxes, the property tax and the sales tax.[32] According to data from Zillow the county with the highest median property tax bill in the country was Westchester, $13,842, followed by Rockland at $10,550 and at fifth place, Nassau County with $9,091.[33] Because NYC has other taxes, including business taxes and a personal income tax, it is able to treat home owners better. An owner of a $620,000 home in NYC would pay about $5,290 in taxes, while a home owner in the counties surrounding NYC would pay $19,500. [34] Other owner-occupied residential properties such as coops and condos are also favored by NYC's property tax system. With a 2 percent levy cap, almost 50 percent of the savings would go to non-residential buildings, many of which bring in record rents for their owners. For example, Tiffany & Company could save about $166,000 in taxes on their flagship 5th Avenue Store in Fiscal 2017. The Waldorf-Astoria would see savings of over $665,000. The NYC property tax system needs reform, but that reform must be thoughtful and careful, and address a whole host of issues. A levy cap is just another blunt band-aid that will do nothing to address the inequities within the system or demystify the arcane assessment process. A levy cap would only constrain the City's main source of revenue and necessitate cuts in vital City services. Capping the property tax levy would essentially eliminate the City's control on taxes, and leave it to budget with no control over revenue. While counties outside of the City do budget with such limited control, their tax revenues are less volatile than the City's PIT and business income taxes. The Council asks the Governor to not extend the 2 percent cap to the City.

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[32] Some governments have excise taxes on horse racing and utilities some have taxes on the sales of property and Yonkers has a personal income tax.

[33] The rest of the top 10 were New Jersey counties in the New York metropolitan area. http://www.foxbusiness.com/features/2015/04/24/highest-and-lowest-property-taxes-by-county.html

[34] City Council Finance Division calculations based on effective tax rates cited in http://observer.com/2016/01/de-blasio-and-state-legislature-tangle-over-property-tax-cap/

The State Budget's decline in State and Federal aid to Health and Hospitals under Medicaid's Disproportional Share Hospital Program (DSH). Legislative action is needed to fix the inequity in the funding formula and distribution schedule that Health and Hospitals receives as part of DSH. Generally, DSH funding has declined over the past fiscal year due to the Affordable Care Act, inadvertently decreasing the share of the insured at City hospitals. As a result, the portion which Health and Hospitals receives from this source has declined. DSH payments are made to qualifying hospitals that serve a large number of Medicaid and uninsured individuals. DSH funding is first distributed to voluntary hospitals. This funding has increased for voluntary hospitals due to their own funding gaps. However, as a result of their increased funding and the declining total State and federal aid provided through DSH, Health and Hospitals' portion has seen a significant decline. Unfortunately, this has raised flags on Health and Hospitals' ability to fully finance its operations. Health and Hospitals is the largest provider for the uninsured in New York State (NYS). NYS annually distributes $3.5 billion to all hospitals (50 percent of which are federal funds). Of the State's contributions, the funding that Health and Hospitals receives is $96 million, while the funding pool available to voluntary hospitals is $1 billion.

The State Budget's Proposal to Re-establish Funding Parity for CUNY. The Executive Budget argues that, because the City of New York controls 30 percent of the CUNY Board of Trustees while contributing only 2 percent of public funding for the system's senior colleges, and because the City is no longer in "financial crisis" (in comparison with the 1970's), the City should assume a 30 percent share of CUNY senior colleges' net operating costs, or $485 million for Fiscal 2017. The State, however, has demonstrated long-standing support for CUNY through assuming funding responsibilities, just as it has with the local college system in the rest of the state, and it should continue to do so.

The State Budget's Proposal to Retrieve STAR Corporation Debt Savings. In the State Executive Budget, New York State is taking $600 million from the City, over the next three State fiscal years. The money originally came from savings created by the City's refinancing of STAR Corporation debt in October 2014. In the refunding, the STAR Corporation issued $2 billion in new bonds, which, because they were sold at a premium, raised about $2.5 billion. This was used to pay off older bonds outstanding and to provide a grant of $637 million to the Transitional Finance Authority (TFA). TFA used this money to defease TFA bonds, resulting in a net city savings which were to be realized over a few years. The Executive Budget would permit the State to realize refunding savings on debt funded with State resources. According to the State, the refinancing savings belong to the State because they were realized with State money, but the savings were accrued to the City due to structuring provisions. Given the unique structure of the bonds, the State will realize the savings it is due over the next three State fiscal years through the adjustment of sales tax receipts otherwise payable to New York City. So, instead of this sales tax revenue coming to the City, the State is seizing it.

Increased Local Funding Contribution under the Medical Assistance Program. The Executive Budget makes New York City responsible for a larger share of Medicaid expenses. The shift would cost the City $180 million in Fiscal 2017, $476 million in Fiscal 2018 and $129 million annually thereafter. The State has argued that after years of taking on increasing expenses for the City's Medicaid recipients, the City should take on more responsibility, particularly since more than 50 percent of Medicaid expenditures are coming from New York City. The Cuomo Administration claims the City can handle the 3.6 percent increase in Fiscal 2017 and 5.8 percent hike in Fiscal 2018, because it has been exempt from the State's 2 percent property tax cap.

Labor Agreements

The City's trend with labor contract settlements continued over the past year. As of February 2016, the de Blasio Administration has reached agreements with most of the City's workforce.[35] In December, the Administration reached a tentative contract agreement with the Correction Officers' Benevolent Association (COBA), which covers over 7,000 uniformed correction officers. A tentative contract agreement spanning nine years was also reached with Local 891 International Union of Operating Engineers, which represents public school custodians. Local 891's 880 employees have worked without a contract since 2008. Additionally, Local 891 reached a tentative contract with Local 94 International Union of Operating Engineers, whose 1,147 members also work in public schools but are employed by their parent union. The City is responsible for paying the salaries of both unions.

Most recently, the City reached tentative contract agreements with the Communication Workers of America – Local 1182 Traffic Enforcement Agents (TEA), which covers 2,100 agents who write summonses (Level 1 Traffic Enforcement Agents) and direct traffic (Level 2 Traffic Enforcement Agents), and the union representing environmental police officers, the NYC DEP Police of the Law Enforcement Employees Benevolent Association (LEEBA), which covers roughly 200 officers.

All of these contracts match the pattern of wage increases set by the agreement with the United Federation of Teachers in May of 2014 and have resulted in a reduction to the City's Labor Reserve of over $100 million, from over $1.1 billion in the November Plan, to about $996 million in the Fiscal 2016 January Plan.

Still without a contract are the City's 24,000 rank-and-file cops. Members of the Patrolmen's Benevolent Association (PBA) have gone more than five years without a contract. They were disappointed after an arbitrator's decision granting a 1 percent raise for two years (2010-2011), a similar bargaining pattern established by other uniformed unions, including the Sergeants Benevolent Association and the rank-and-file firefighters of the Uniformed Firefighters Association.

Involving health care, which cost the City over $6 billion in 2015, the Administration and the Municipal Labor Committee (MLC) reached an agreement in May 2014 to reduce City health care costs by $3.4 billion over four years. This agreement targeted $400 million in savings for Fiscal 2015, $700 million in savings for Fiscal 2016, $1 billion in savings for Fiscal 2017, and $1.3 billion in savings for Fiscal 2018. In order to achieve such savings, a number of targeted strategies were introduced and were detailed by the Office of Labor

[35] According to the Office of Labor Relations, the City has reached agreements with 95% of the workforce. This figure includes the PBA, however, who do not consider themselves "settled" whatsoever.

Relations (OLR) in quarterly reports throughout the year.[36] The OLR stated in its fourth quarter Fiscal 2015 report that the City had achieved its first-year goal of saving $400 million in health care costs in Fiscal 2015. In its first quarter Fiscal 2016 report, the OLR indicated that approximately $656 million out of the targeted $700 million savings was already accounted for. This same report states that initial analysis of data collected from multiple health plans has given the City a better understanding of the trends and expenses that need to be addressed. They found that inpatient medical admission rates are very high compared to benchmarks, emergency room and urgent care visit utilization is very high, and that outpatient preventive services utilization is very low.

The legislation introducing a $15 an hour minimum wage for all City government employees and employees who provide contracted work for the City at social service organizations will cost the City $5 million in Fiscal 2017, rising to $115 million by Fiscal 2020. The cost rises through the financial plan because the wage increases are phased in, only reaching $15 an hour on December 31, 2018. According to the Administration, the increase will eventually cover 50,000 New Yorkers. Approximately 20,000 will be direct city employees, most of whom are represented by DC 37, while approximately 30,000 are employees of social service organizations. [37]

Wages and Collective Bargaining

Dollars in Millions

Fiscal Year	**FY16**	**FY17**	**FY18**	**FY19**	**FY20**	**Total**
Salaries & Wages	$24,605	$25,310	$25,839	$26,368	$26,540	$128,662
Pensions	9,343	9,399	9,554	9,734	10,107	48,137
Other Fringe Benefits	9,318	9,837	10,398	11,194	11,983	52,730
Reserve for Collective Bargaining	996	537	1,320	2,388	2,758	7,999
Total	**$44,262**	**$45,083**	**$47,111**	**$49,684**	**$51,388**	**$237,528**

Source *: Council Finance. OMB data*

[36] Report of Status of Healthcare Savings Q1/Q2 Fiscal 2015 (released December 19, 2015); Report of Status of Healthcare Savings Q3 Fiscal 2015 (released April 1, 2015); Report of the Status of Healthcare Savings Q4 Fiscal Year 2015 (released August 3, 2015). Report on the Status of Healthcare Savings, Q1 Fiscal Year 2016 (released November 25, 2015). See http://www1.nyc.gov/site/olr/labor/labor-health-savings.page

[37] http://www1.nyc.gov/office-of-the-mayor/news/019-16/mayor-de-blasio-guaranteed-15-minimum-wage-all-city-government-employees--#/0

V. Captial Budget & Financing

Financing and Debt Service

New York City sells bonds to fund its ambitious capital program, and the Fiscal 2017 Preliminary Budget estimates $40.4 billion in long-term borrowing between Fiscal 2016 and 2020. The City's overall borrowing strategy is based on many factors, such as market conditions, project contracts and cash flow concerns.

Summary of Capital Financing Plan - 2016 Preliminary Plan
Dollars in Millions

	FY16	FY17	FY18	FY19	FY20
Financing Plan					
General Obligation Bonds	$1,100	$2,850	$3,390	$3,640	$3,680
Transitional Finance Authority Bonds [1]	3,950	2,850	3,390	3,640	3,680
Water Authority Bonds	1,404	1,790	1,727	1,725	1,630
Total	**$6,454**	**$7,490**	**$8,507**	**$9,005**	**$8,990**
Debt Outstanding					
GO Bonds	$39,230	$39,770	$40,947	$42,301	$43,540
TFA Bonds [1]	29,614	31,635	34,061	36,410	38,736
Other Debt[2]	2,654	2,561	2,458	2,357	2,351
Total	**$71,498**	**$73,966**	**$77,466**	**$81,068**	**$84,627**
Water Authority Bonds	30,744	32,266	33,702	35,109	36,355
Debt Financing Burden (excludes Water Debt)					
Debt Outstanding/NYC Personal Income	13.1%	13.0%	13.0%	12.9%	12.9%

Source: *Financial Plan Summary 2016 Preliminary Financial Plan*

1) TFA Bonds do not include Builiding Aid Revenue Bonds issued for education capital purposes which are secured by Building Aid revenues from the State

2) Includes Conduit Debt and the Tobacco Settlement Asset Securitization Corporation (TSASC).

The City's debt issuance remains below the City's constitutional debt limit of $84.8 billion, and by the City Comptroller's projections, the debt limit should grow sufficiently to allow the Capital Financing Plan.[38] The City's bonds are well received by the markets. The bonds are highly rated, with triple A rating from Standard and Poor's for TFA PIT bonds and New York Water Authority bonds. Both the City's general obligation (GO) debt and TFA building aid revenue bonds (BARBS) are double A rated.

The City's debt service is manageable, which is what you would expect from an issuer with highly rated bonds. Debt service is rising as a percentage of City funds and while it is not currently a problem, it is something to keep an eye on.

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[38] New York City Comptroller, Fiscal Year 2015 Annual Report on Debt and Obligations, December 2014.

Summary of Debt Service Payments - 2016 Preliminary Plan *Dollars in Millions; Before Prepayments*					
	FY16	**FY17**	**FY18**	**FY19**	**FY20**
Debt Service					
GO Bonds	$4,052	$4,286	$4,434	$4,501	$4,796
TFA Bonds (1)	1,887	2,214	2,469	2,882	3,131
Other Debt(2)	246	292	351	377	379
Total	**$6,185**	**$6,792**	**$7,254**	**$7,760**	**$8,306**
Debt Service Burden					
Debt Service/Total Revenue	7.5%	8.2%	8.5%	8.8%	9.2%

Source: *January 2016 Financial PlanDetail*

1) TFA Bonds do not include BARBs

2) Includes Conduit Debt, HYIC and TSASC.

Debt Service Savings. The City continues to benefit from the low interest rate environment. Since Adoption, funding for the City's Debt Service has been reduced by $430 million in Fiscal 2016 and $93 million in Fiscal 2017. The majority of savings ($226 million) in Fiscal 2016 comes by lowering the unrealistic assumption of the cost of the City's variable rate debt. Spending for variable rate debt was not adjusted beyond Fiscal 2016 which, in large part, explains the variance in savings between the two years. During the current fiscal year, the City has issued refunding bonds which are expected to generate additional debt service savings of over $100 million over the financial plan. Because debt service is budgeted cautiously to protect against economic downturn, the City will almost certainly realize significant debt service savings in Fiscal 2017 and beyond.

Revenue Anticipated Notes. The financing program provides annual funds of $75 million to service short term borrowing in the event of a cash flow shortage. The funding was not needed in Fiscal 2016 and has not been used since Fiscal 2004. It is not anticipated to be needed in the upcoming fiscal year.

Budget Stabilization Account. The Fiscal 2016 BSA stands at $2.3 billion to prepay Fiscal 2017 debt service. In Fiscal 2015, the BSA totaled $3.5 billion.

Preliminary Capital Commitment Plan

On January 21, 2016, the Mayor released the Preliminary Capital Commitment Plan for Fiscal Years 2016 through 2019. The aggregate Preliminary Capital Plan for the four years is $57.2 billion (including City and non-City funds) which is an increase of $2.9 billion, or 5.4 percent, from the Fiscal 2016 Adopted Capital Commitment Plan of $54.3 billion.

The majority of this increase, approximately $1.73 billion, is in the Department of Environmental Protection's (DEP) Preliminary Commitment Plan. The DEP capital projects with the largest increase from the Adopted Capital Commitment Plan are the construction of the Gowanus CSO retention FAC Superfund site, with an addition of $510 million; and the replacement of digesters at the Hunts Point Waste Water Treatment Plant, with an increase of $155 million.

The remaining $1.2 billion increase in the Preliminary Capital Commitment Plan is spread out over many City agencies for improvements to the City's infrastructure, with some notable additions to the plan represented by increases in the following projects: $213 million for keeping Citywide Streets in a state of good repair; $123 million for the Woodhaven SBS project; $103 million for the construction of new ferry boats; $103 million for sewer buildout in Southeast Queens; $80 million for capital improvements and new equipment for Health and Hospitals facilites; and $183 million in additions for continued improvements to the sewer and water mains system city-wide.

The current Preliminary Plan is the largest capital commitment plan in the City's history and is $12.6 billion larger than the Fiscal Year 2015 Capital Commitment Plan. The Council supports the investment in the City's infrastructure and housing stock that these increases represent. However, the City Council has concerns about the City's ability to execute this plan as the City's average yearly capital commitments are only $7.9 billion over the Fiscal 2012-2015 time period. The Preliminary Capital Commitment Plan for Fiscal 2016 is $19.7 billion which would leave $11.8 billion in uncommitted capital dollars to roll forward into Fiscal 2017 should the City commit its four year average amount of $7.9 billion.

Should the City find itself unable to increase its yearly commitment of capital dollars, the continued rolling of capital funding into future years, and the resulting backlog of projects, will only become worse.

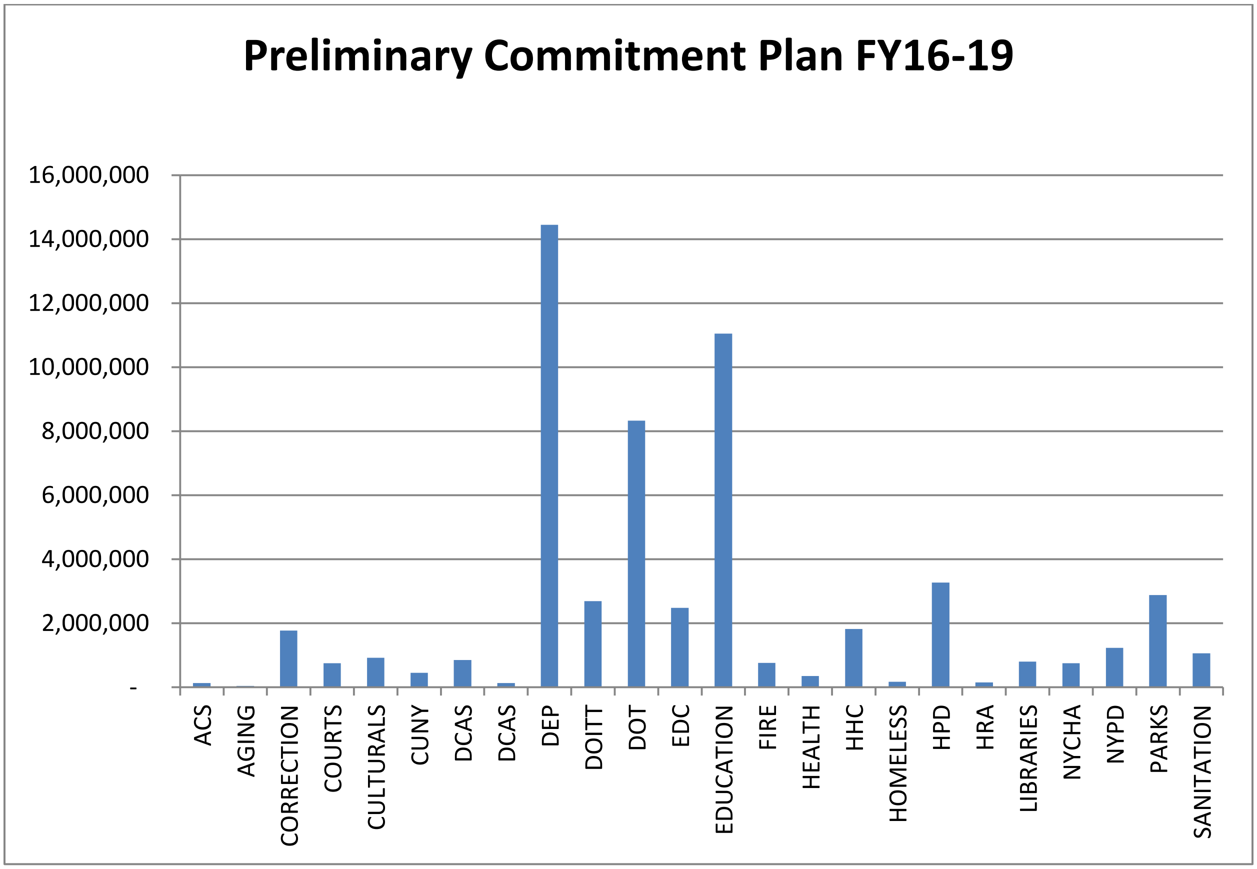
Preliminary Capital Commitment Plan vs. Adopted Capital Commitment Plan

Dollars in Millions

Commitment Plan	Fiscal 2016	Fiscal 2017	Fiscal 2018	Fiscal 2019	Fiscal 2016-19
Preliminary	$19,707	$15,113	$10,354	$10,354	$57,242
Adopted	19,291	13,352	9,859	9,859	54,298
Difference	**$415**	**$1,760**	**$273**	**$495**	**$2,944**

The below chart depicts the breakdown in City and Non-City funding in the Preliminary Capital Commitment Plan by City agency:

Preliminary Commitment Plan FY16-19
Dollars in Thousands



VI. Appendix

Fiscal 2017 Preliminary Budget Revenue Plan
Dollars in Millions

	FY16	FY17	FY18	FY19	FY 20
Taxes					
Real Estate	$22,556	$23,873	$25,145	$26,474	$27,722
Sales	7,070	7,351	7,661	7,982	8,308
Mortgage Recording	1,028	1,055	1,065	1,095	1,122
Personal Income	11,033	11,073	11,404	11,864	12,383
General Corporation	3,654	4,160	4,266	4,345	4,441
Banking Corporation	317	0	0	0	0
Unincorported Business	2,007	2,072	2,164	2,256	2,357
Utility	390	394	407	416	425
Hotel	548	550	563	569	580
Commercial Rent	770	805	840	875	910
Real Propery Transfer	1,569	1,606	1,625	1,683	1,734
Cigarette	48	47	46	45	44
All Other	558	555	556	555	555
Audit	995	714	714	714	714
Tax Program					0
STAR	812	797	800	804	808
Total Taxes	**$53,355**	**$55,052**	**$57,256**	**$59,677**	**$62,103**
Federal Categorical Grants	**$8,664**	**7,211**	**6,770**	**$6,566**	**$6,558**
State Categorical Grants	**$13,416**	**13,566**	**13,979**	**$14,341**	**$14,624**
Non-Governmental Grants (Other Cat.)	**$1,369**	**$1,454**	**1401**	**$1,398**	**$1,393**
Unrest. / Anticipated State & Federal Aid	**$4**	**$0**	**$0**	**$0**	**$0**
Miscellaneous Revenue					
Charges for Services	975	951	951	951	951
Water and Sewer Charges	1,531	1,472	1,439	1,399	1,359
Licenses, Permits, Franchises	642	626	622	619	622
Rental Income	271	271	271	271	271
Fines and Forfeitures	832	833	845	839	834
Other Miscellaneous	619	629	657	792	926
Interest Income	46	61	105	138	142
Intra City	2,001	1,778	1,787	1,781	1,787
Total Miscellaneous	**6,917**	**6,621**	**6,677**	**6,790**	**6,892**
Net Disallowances & Transfers	(2,016)	(1,793)	(1,802)	(1,796)	(1,802)
Total Revenue	**$81,709**	**$82,111**	**$84,281**	**$86,976**	**$89,768**
City Funds	**$58,260**	**$59,880**	**$62,131**	**$64,671**	**$67,193**
Federal & State Revenue	**$22,084**	**$20,777**	**$20,749**	**$20,907**	**$21,182**
Federal & State as a Percent of Total	**27.0%**	**25.3%**	**24.6%**	**24.0%**	**23.6%**
City Funds as a Percent of Total Revenue	**71.3%**	**72.9%**	**73.7%**	**74.4%**	**74.9%**

***Source** : OMB Fiscal 2017 Preliminary Budget*

Fiscal Year 2017 Preliminary Budget: Revenue Changes from Fiscal 2016 November Plan
Dollars in Millions

	FY16	FY17	FY18	FY19
Taxes				
Real Property	$120	$339	$613	$891
Personal Income	282	286	290	397
General Corporation	0	0	0	0
Unincorported Business	0	0	0	0
Sales	76	78	105	162
Real Propery Transfer	100	(5)	(40)	(77)
Mortgage Recording	35	(2)	(21)	(41)
Commercial Rent	0	0	0	0
Utility	0	0	0	0
Hotel	9	(2)	(2)	(2)
Cigarette	0	0	0	0
Audit	255	3	3	3
STAR	0	0	0	0
Tax Program	0	0	0	0
All Other	(4)	26	26	25
Total Taxes	**$873**	**$723**	**$974**	**$1,358**
Federal Categorical Grants	$617	$301	$269	$163
State Categorical Grants	$274	$199	$210	$244
Non-Governmental Grants (Other Cat.)	($95)	$82	$21	$20
Unrest. / Anticipated State & Federal Aid**	$4	$0	$0	$0
Miscellaneous Revenue				
Charges for Services	3	$2	$3	$3
Water and Sewer Charges	13	15	25	21
Licenses, Permits, Franchises	1	1	3	3
Rental Income	0	0	0	0
Fines and Forfeitures	19	28	44	40
Other Miscellaneous	53	(105)	(149)	(108)
Interest Income	17	(24)	(51)	(25)
Intra City	73	6	5	5
Total Miscellaneous	**$179**	**($77)**	**($120)**	**($61)**
Net Disallowances & Transfers	($73)	($6)	($5)	($5)
Total Revenue	**$1,779**	**$1,222**	**$1,349**	**$1,719**
City Funds	**$979**	**$640**	**$849**	**$1,292**
Federal & State Revenue	**$895**	**$500**	**$479**	**$407**

***Source**: OMB Fiscal 2017 Preliminary Budget and Fiscal 2016 November Plan.*

Council Forecast: Levels

Dollars in Millions

	FY15*	FY16	FY17	FY18	FY19	FY20
Real Property	$21,317	$22,556	$23,905	$25,216	$26,580	$27,837
Personal Income	10,629	10,980	11,217	11,589	12,008	12,448
General Corporation	4,087	4,033	4,174	4,330	4,565	4,805
Unincorporated Business	1,962	2,023	2,116	2,176	2,228	2,295
Sales	6,742	7,086	7,315	7,713	8,064	8,387
Commercial Rent	735	772	810	850	900	940
Real Property Transfer	1,765	1,606	1,689	1,748	1,805	1,860
Mortgage Recording	1,155	1,113	1,148	1,179	1,217	1,253
Utility	384	391	402	427	451	463
Hotel	556	568	581	596	613	633
All Other	1,477	1,417	1,399	1,400	1,404	1,407
Audits	1,132	995	714	714	714	714
Total Taxes	**$51,941**	**$53,541**	**$55,470**	**$57,937**	**$60,548**	**$63,044**
OMB	$51,941	$53,356	$55,052	$57,256	$59,677	$62,103

**Actuals*

Source: *Council Finance Division*

Fiscal Year 2017 Preliminary Budget: Agency New Needs and Other Adjustments

City-Funds Only (Dollars in Thousands)

	FY 2016	FY 2017	FY 2018	FY 2019	FY 2020
NEW NEEDS					
Department of Education	$68,213	$132,381	$189,311	$221,064	$229,623
Department of Correction	65,077	107,477	98,433	93,756	93,756
Department of Social Services	40,882	95,590	143,683	191,149	240,549
Department of Health And Mental Hygiene	14,596	79,865	94,387	105,409	105,409
Dept of Info Tech & Telecomm	35,060	37,705	34,980	27,399	26,586
Dept of Homeless Services	64,091	37,096	37,096	37,096	37,096
Police Department	28,593	29,103	29,492	30,600	30,627
Dept of Citywide Admin Servs	15,130	28,848	9,113	9,101	9,288
Dept of Small Business Services	36,573	27,190	6,897	6,969	7,021
Dept Environmental Protection	38,739	24,464	28,280	26,656	20,073
NYC Health + Hospitals	18,687	23,531	23,671	23,778	24,062
Housing Preservation And Devel	53,901	19,982	5,846	5,846	5,740
Fire Department	10,743	10,677	7,309	7,411	7,748
Department of Transportation	8,010	9,274	12,343	13,706	14,397
Department of Sanitation	10,792	8,306	3,243	2,850	2,941
Dept of Parks and Recreation	3,246	6,821	5,833	5,833	5,833
Libraries	0	21,860	21,860	21,860	21,860
Department for The Aging	0	5,300	5,300	5,300	5,300
Dept of Youth & Community Dev	0	4,935	9,870	14,805	14,805
City University	169	4,920	6,110	8,106	8,409
Admin for Children'S Services	0	4,599	3,698	3,698	3,698
Department of Buildings	481	1,980	3,388	3,388	3,388
Commission on Human Rights	487	1,958	1,958	1,958	1,958
All Other New Needs	48,391	95,094	102,809	110,187	115,089
TOTAL NEW NEEDS	**$561,861**	**$818,956**	**$884,910**	**$977,925**	**$1,035,256**
OTHER ADJUSTMENTS					
Citywide Pension Contributions	$569,446	$581,873	$601,166	$603,093	$614,888
Debt Service	(398,681)	(8,029)	(22,918)	(27,290)	(24,379)
FY 2016 Budget Stabilization Account	2,159,736	(2,159,736)			
General Reserve Takedown	(700,000)				
Capital Stabilization Roll	(500,000)	500,000			
Prior year Payables reduction	(400,000)				
All Other	(310,288)	(331,301)	(258,644)	(232,947)	(217,017)
TOTAL OTHER ADJUSTMENTS	**$420,213**	**($1,417,193)**	**$319,604**	**$342,856**	**$373,492**
NET CHANGES IN THE PRELIMINARY PLAN	**$982,074**	**($598,237)**	**$1,204,514**	**$1,320,781**	**$1,408,748**