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The City of New York  
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**Dean Fuleihan**  
*Director*

**TESTIMONY OF DEAN FULEIHAN, DIRECTOR, MAYOR'S OFFICE OF  
MANAGEMENT AND BUDGET OF THE CITY OF NEW YORK TO THE CITY  
COUNCIL ON THE NOVEMBER PLAN UPDATE**

**December 14, 2016**

Thank you Finance Chair Julissa Ferreras-Copeland, members of the Finance Committee and members of the City Council for the opportunity to testify here today on the Mayor's November Plan Update. On behalf of the Mayor and the Administration, we are grateful for our partnership and collaboration throughout the entire budget process, including our quarterly updates and modifications. I also want to thank Latonia McKinney and the Council Finance staff for their hard work and the positive relationships we have built over the past three years. I'm joined at the table today by OMB First Deputy Director Larian Angelo. We also have our dedicated and hard-working OMB staff here to assist me in answering questions.

Our City's adherence to Generally Accepted Accounting Principles to balance the budget and assess our financial conditions on a quarterly basis is unique, and provides a strong foundation for fiscal stability.

The November Plan Update and Budget Modification continues our cautious and fiscally responsible approach to managing the City's budget. The Plan makes technical adjustments to the Fiscal Year 2017 Adopted Budget, but we also recognize significant savings as we prepare for the Fiscal Year 2018 Preliminary Budget. This is in recognition of potential risks associated with major policy changes in Washington, and mixed economic signals including weak GDP growth, a decline in Wall Street profits earlier this year, a slowing of the City's revenue growth, and uncertainty caused by international events.

Our revenue projections from the Executive and Adopted Budgets were very cautious. We anticipated only a 1.7 percent increase in revenues at the Executive Budget, and 1.6 percent increase in revenues at the Adopted Budget, compared to the 3.2 percent realized in Fiscal Year 2016 and 7.4 percent in Fiscal Year 2015. While collections are above projections because of the strength in property taxes, in particular pre-payments, a slowing on collection of personal income taxes and real estate transactions resulted in a lowering of our forecast for the current fiscal year by \$127 million. We have not adjusted the out-year forecast as we continue to assess economic and tax activity in preparation for the Preliminary Budget.

Outside of the savings actions, the City expense changes are largely technical. The largest reflects the underperformance in the City's pension investments as reported by the City Comptroller, requiring an additional contribution of \$120 million in Fiscal Year 2018, \$241 million in Fiscal Year 2019 and \$361 million in Fiscal Year 2020. We continue to meet all



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pension obligations, including those required by last year's actuarial changes, to reach a 100 percent fully funded system by 2032. Other expense actions include: supporting the cost of housing the homeless, implementing the 14-Point Plan to combat violence in Riker's Island, and converting student bathrooms for gender-neutral use in 1,070 school buildings.

The Fiscal Year 2017 All Funds Budget increased to \$83.46 billion in recognition of federal Sandy recovery and reliance funds, homeland security grants, maximizing other federal and state reimbursements and the prepayment of Fiscal Year 2018 expenses.

In connection with the November Plan, the Mayor directed OMB and City agencies to reduce City funded costs by: reassessing existing program spending and needs; maximizing reimbursements; restructuring the delivery of programs or services; using technology to promote efficiencies, and; reducing administrative and overhead costs.

The result is a November Citywide Savings Program, the first since 2012, which will save New Yorkers \$1 billion in Fiscal Year 2017 and Fiscal Year 2018.

For example:

- Increased use of electronic payments to employees and vendors across all agencies;
- The Department of Citywide Administrative Services expanded the car sharing program in order to reduce the size of the City's fleet by over 30 percent, and will require inter-agency transfer of vehicles with useful life spans, in order to reduce unnecessary purchases;
- Faced with increased ridership in Fiscal Year 2018, the DOT determined that permitting lower level boarding at the Whitehall Ferry Terminal is a cost-efficient alternative to scheduling more ferry trips. This change will enhance rider convenience, and not affect scheduling;
- The Department of Information Technology and Telecommunications will decommission old equipment, and eliminate redundant software;
- The Department of Environmental Protection changed the procurement method for Voice over Internet Protocol and paging systems to an open competitive bid, resulting in more competition and savings;
- The Department of Education is increasing reimbursements for both special education students receiving services from paraprofessionals, and high-need special education students attending private schools;
- The Human Resources Administration will contract for storage directly with vendors, reducing annual costs by over 40 percent, and;
- We continue to aggressively reduce our costs of borrowing, and realized Debt Service Savings of \$151 million in Fiscal Year 2017, \$33 million in Fiscal Year 2018, \$72 million in Fiscal Year 2019, and \$83 million in Fiscal Year 2020.



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These actions are in addition to our historic agreement with the Municipal Labor Committee to provide improvement in the delivery of health care to our employees that will achieve significant savings of \$1.0 billion this year and \$1.3 billion in Fiscal Year 2018. For example, working with the MLC, and based upon a careful evaluation of data, we are encouraging the use of primary care and preventive services in place of over-utilized emergency room or urgent care. We believe this will reduce costs, and help our employees achieve the best health outcomes.

Building on this year's achievements, we will include a Savings Program in the upcoming Preliminary and Executive Budgets, as we continuously evaluate agency needs, and search for cost-effective ways to deliver quality services to New Yorkers.

As a result of these actions, we have an overall reduction in Fiscal Year 2017 City-funded spending of \$105 million and a \$575 million reduction to the Fiscal Year 2018 Gap.

It is important to highlight that the Administration, working with the Council, has maintained historic reserves. We have a record \$4.0 billion in the Retiree Health Benefit Trust, \$1.0 billion in the General Reserve each fiscal year through Fiscal Year 2020, and \$500 million in New York City's first Capital Stabilization Reserve.

Our fiscal management will be a critical asset as we move into a period of uncertainty at the federal level. At this time, the consequences of federal actions are unknown and potentially widespread -- from tax changes and infrastructure funding, to affordable housing and the needs of 4.0 million New Yorkers who rely upon the Affordable Care Act and Medicaid. We will work together in the coming weeks and months to assess the effects and impact of federal actions, and prepare a coordinated response.

I want to thank you again for the opportunity to testify today.

And now, I look forward to your questions.

**THE COUNCIL  
THE CITY OF NEW YORK**

**Appearance Card**

I intend to appear and speak on Int. No. \_\_\_\_\_ Res. No. \_\_\_\_\_

☐ in favor ☐ in opposition

Date: 12/14/16

(PLEASE PRINT)

Name: Dean Fulcrum

Address: 255 Greenwich St.

I represent: Mayor's Office of Mgmt +

Address: 7 budget

► Please complete this card and return to the Sergeant-at-Arms ◄