



**THE COUNCIL
THE CITY OF NEW YORK
FINANCE DIVISION
250 BROADWAY, 15TH FLOOR
NEW YORK, N.Y. 10007-2594
(212) 788-6921**

TO: Honorable Corey Johnson
Speaker

Honorable Daniel Dromm
Chair, Finance Committee

FROM: Latonia McKinney, Director, Finance Division
Raymond Majewski, Deputy Director/Chief Economist, Finance Division
Rebecca Chasan, Senior Counsel
Paul Sturm, Supervising Economist

DATE: December 20, 2018

SUBJECT: A Budget Modification (MN-2) for Fiscal 2019 that will appropriate \$505.7 million in new revenues.

INITIATION: By letter dated December 17, 2018, the Director of the Office of Management and Budget submitted to the Council, pursuant to section 107(e) of the New York City Charter, a request to appropriate \$505.7 million in new revenues. These new revenues, combined with additional resources of \$13.8 million from the General Reserve, will be used for prepayments of \$519.5 million to increase the Budget Stabilization Account.

BACKGROUND: This modification (MN-2) seeks to recognize \$505.7 million in new revenues, and combines \$13.8 million from the General Reserve, implementing changes reflected in the Fiscal 2019 November Plan. Of these funds, the total amount of \$519.5 million is added to the Budget Stabilization Account, which will prepay debt service for Fiscal 2020.

FISCAL IMPACT: This modification represents a net increase in the Fiscal 2019 budget of \$505.7 million.

Preconsidered Res. No. 678

RESOLUTION APPROVING A MODIFICATION (MN-2) PURSUANT TO SECTION 107(e) OF THE CHARTER OF THE CITY OF NEW YORK.

By Council Member Dromm

Whereas, At a meeting of the Committee on Finance of the City Council of the City of New York (the "City Council") on December 20, 2018, the Committee on Finance considered a communication, dated December 17, 2018, from the Office of Management and Budget of the Mayor of the City of New York (the "Mayor"), of a proposed request to recognize a net increase in revenue pursuant to Section 107(e) of the Charter of the City of New York (the "Charter"), attached hereto as Exhibit A (the "Request to Appropriate"); and

Whereas, Section 107(e) of the Charter requires the City Council and the Mayor to follow the procedures and required approvals pursuant to Sections 254, 255, and 256 of the Charter, without regard to the dates specified therein, in the case of the proposed appropriation of any new revenues and the creation of new units of appropriation; and

Whereas, Section 107(e) of the Charter requires that any request by the Mayor respecting an amendment of the budget that involves an increase in the budget shall be accompanied by a statement of the source of current revenues or other identifiable and currently available funds required for the payment of such additional amounts, attached hereto as Exhibit B (together with the Request to Appropriate, the "Revenue Modification");

NOW, THEREFORE, The Council of the City of New York hereby resolves as follows:

1. **Approval of Modification.** The City Council hereby approves the Revenue Modification pursuant to Section 107(e) of the Charter.

2. **Further Actions.** The City Council directs the City Clerk to forward a certified copy of this resolution to the Mayor and the Comptroller as soon as practicable so that the Mayor, the Comptroller and the City Clerk may certify the Fiscal 2019 Expense Budget as amended by this resolution as the budget for the remainder of the fiscal year.

3. **Effective Date.** This resolution shall take effect as of the date hereof.

I hereby certify that the foregoing is a true and complete copy of a resolution adopted by the Council of the City of New York on _____ on file in this office.

**Clerk of The Council of The City
of New York**

THE COUNCIL

REPORT OF THE COMMITTEE ON FINANCE

RESOLUTION APPROVING A MODIFICATION (MN-2) PURSUANT TO SECTION 107(E) OF THE CHARTER OF THE CITY OF NEW YORK

The Committee on Finance, to which was referred the above-captioned resolution, respectfully submits to the Council of the City of New York the following:

REPORT

Introduction. At the meeting of the Committee on Finance of the City Council on December 20, 2018, the Council considered a communication from the Office of Management and Budget of the Mayor, dated December 17, 2018, of a proposed request to modify, pursuant to Section 107(e) of the Charter of the City of New York, the Fiscal 2019 Expense Budget Plan, and the revenue estimate related thereto prepared by the Mayor as of December 17, 2018.

Analysis. The Council annually adopts the City's budget covering expenditures pursuant to Section 254 of the Charter. On June 14, 2018, the Council adopted the expense budget for fiscal year 2019 (the "Fiscal 2019 Expense Budget"). On December 17, 2018, the Mayor submitted to the Council MN-1, modifying the Fiscal 2019 Expense Budget. On December 17, 2018, the Mayor submitted to the Council a revenue estimate MN-2, related to the Fiscal 2019 Expense Budget.

Circumstances have changed since the Council adopted the Fiscal 2019 Expense Budget.

Section 107(e) provides one mechanism for the Mayor and the Council to amend the Expense Budget and related revenue estimate to reflect changes in circumstances that occur after adoption of a budget. Section 107(e) permits the modification of the budget in order to create new units of appropriation, to appropriate new revenues from any source other than categorical federal, state and private funding, or to use previously unappropriated funds received from any source.

Discussion of Above-captioned Resolution. The above-captioned resolution would authorize the modifications to the Fiscal 2019 Expense Budget and related revenue estimate requested in the communication.

This modification (MN-2) seeks to increase revenues in the net amount of \$505.7 million compared to the Fiscal 2019 Adopted Budget. This represents an increase in City funds of approximately 0.8 percent.

MN-2 is the first revenue modification of Fiscal 2019 and it reflects changes since the Fiscal 2019 Adopted Budget.

MN-2 recognizes \$505.7 million in increased revenues, including \$377 million in tax revenue, \$68.1 million in miscellaneous revenue, and \$60.6 million in unrestricted intergovernmental aid.

Tax revenues increased by \$377 million since the Adopted Budget. The majority of the increase, \$244 million, came from personal income tax collections, which benefited from a strong City economy. Additional tax revenues included \$44 million from the commercial rent tax, derived from a 99-year lease on 666 Fifth Avenue, \$37 million from the mortgage recording tax, and \$32 million from the general corporation tax. This was offset by a \$46 million decrease in unincorporated business tax revenue.

Miscellaneous revenues increased by \$68.1 million. This included an \$18.2 million increase in revenue from permits from the Department of Transportation.

This budget modification adds \$519.5 million to the Budget Stabilization Account, which will prepay debt service for Fiscal 2020. This addition is funded by the \$505.7 million increase in revenues, and a \$13.8 million reduction of the General Reserve.

The resolution would also direct the City Clerk to forward a certified copy thereof to the Mayor and the Comptroller so that the Mayor, the Comptroller and the City Clerk may certify the Fiscal 2019 Expense Budget as amended thereby as the budget for the remainder of the fiscal year. The above-captioned resolution would take effect as of the date adopted.



The City of New York
Mayor's Office of Management and Budget
255 Greenwich Street - New York, New York 10007 - 2146
Telephone: (212) 788-5900 - Email: HartzogM@omb.nyc.gov

Melanie Hartzog
Director

EXHIBIT A

December 17, 2018

TO THE CITY COUNCIL

Dear Council Members:

In accordance with Section 107(e) of the New York City Charter, I seek your approval to appropriate new City revenues in fiscal year 2019 in the amount of \$505.7 million.

This modification (MN-2) implements revenue budget changes reflected in the City's November Financial Plan. The \$505.7 million of new revenues, and an adjustment to the General Reserve, will be used to increase the Budget Stabilization Account by \$519.5 million to prepay fiscal year 2020 debt service in fiscal year 2019.

Your approval of modification MN-2 is respectfully requested.

Sincerely,

A handwritten signature in black ink, appearing to read "Melanie Hartzog", written over the printed name.

Melanie Hartzog

**FISCAL YEAR 2019 MODIFICATION
MN-2**

099	Debt Service	
	004 Budget Stabilization Account	\$ 519,544,961
	TOTAL	<u>\$ 519,544,961</u>

Exhibit B - MN 2
Changes in Revenue Source

Agency Name	Source Description	Fiscal 2019
	SUMMARY	
	Tax Audit Revenue Changes	
	Real Estate	\$0
	Sales	24,000,000
	Mortgage Recording	37,000,000
	Personal Income	244,000,000
	General Corporation	32,000,000
	Unincorporated Business	(46,000,000)
	Utility	(2,000,000)
	Hotel	11,000,000
	Commercial Rent	44,000,000
	Real Property Transfer	29,000,000
	Cigarette	1,000,000
	Others	3,000,000
	Audit	0
	Tax Program	0
	TAX AND AUDIT REVENUE TOTAL	\$377,000,000
	MISCELLANEOUS	
	Licences, Franchises, Etc.	\$25,857,000
	Charges for Service	4,495,000
	Water Sewage Charges	0
	Fines and Forfeitures	17,106,000
	Rental Income	4,500,000
	Interest Income	(1,925,000)
	Other Miscellaneous	18,030,000
	MISCELLANEOUS TOTAL	\$68,063,000
	UNRESTRICTED	
	Prior Year Reimbursement	\$60,622,305
	UNRESTRICTED TOTAL	\$60,622,305
	GRAND TOTAL	\$505,685,305

Exhibit B - MN 2

Changes in Revenue Source

TAX AND AUDIT REVENUE CHANGES

Mayoral	00002	Real Property Tax 2nd Quarter	(\$20,000,000)
Mayoral	00003	Real Property Tax 3rd Quarter	(130,000,000)
Mayoral	00004	Real Property Tax 4th Quarter	150,000,000
Mayoral	00050	General Sales Tax	24,000,000
Mayoral	00070	Cigarette Tax	1,000,000
Mayoral	00077	Mortgage Tax	37,000,000
Mayoral	00090	Personal Income Tax	244,000,000
Mayoral	00093	General Corporation Tax	5,000,000
Mayoral	00094	Refunds Of General Corp Tax	98,000,000
Mayoral	00095	Financial Corporation Tax	6,000,000
Mayoral	00096	Refunds Of Financial Corp Tax	(77,000,000)
Mayoral	00099	Unincorporated Business Income Tax	(13,000,000)
Mayoral	00100	Refunds Of Unicorporated Business Tax	(33,000,000)
Mayoral	00102	Pers Inc Tax City Employee Non-Resident	3,000,000
Mayoral	00103	Utility Tax	(2,000,000)
Mayoral	00112	Tax On Occupancy Of Hotel Room	11,000,000
Mayoral	00113	Tax On Commercial Rents - Occup	44,000,000
Mayoral	00122	Conveyance Of Real Property Tax	29,000,000
TAX AND AUDIT REVENUE CHANGES TOTAL			\$377,000,000

MISCELLANEOUS

Licenses, Franchises, Etc.

Landmarks Preservation	00250	Permits - General	\$94,000
Environmental Protection	00250	Permits - General	750,000
Sanitation	00325	Privileges - Other	6,163,000
Transportation	00250	Permits - General	18,170,000
Transportation	00325	Privileges - Other	680,000
Licenses, Franchises, Etc. Subtotal			\$25,857,000

Charges for Service

Administrative Tax Appeals	00470	Other Services And Fees	\$80,000
Payroll Administration	00470	Other Services And Fees	(10,000)
Conflicts of Interest Board	00470	Other Services And Fees	25,000
HPD	00470	Other Services And Fees	4,400,000
Charges for Service Subtotal			\$4,495,000

Fines and Forfeitures

Buildings	00600	Fines-General	\$3,071,000
Admin Trials and Hearings	00603	Fines - ECB	2,300,000
Finance	00600	Fines-General	6,683,000
Finance	00602	Fines - Pvb	(4,100,000)
Finance	00603	Fines - ECB	9,152,000
Fines and Forfeitures Subtotal			\$17,106,000

Exhibit B - MN 2
Changes in Revenue Source

Rental Income

HPD	00760	Rentals: Other	\$4,500,000
		Rental Income Subtotal	\$4,500,000

Water and Sewage Charges

Mayorality	00521	Reimbursement From Water Board	(\$1,925,000)
		Water and Sewage Subtotal	(\$1,925,000)

Other Miscellaneous

Law Department	00846	Awards From Litigation	\$7,525,000
Correction	00859	Sundries	(833,000)
HPD	00815	Sales Of In Rem Property	3,488,000
Sanitation	00304	Dumping Privileges	350,000
Parks and Recreation	00859	Sundries	7,500,000
		Other Miscellaneous Subtotal	\$18,030,000

MISCELLANEOUS TOTAL	\$68,063,000
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UNRESTRICTED

Mayorality	55021	Prior Year Reimbursement	\$60,622,305
		UNRESTRICTED TOTAL	\$60,622,305

GRAND TOTAL	\$505,685,305
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