NYC Finance

Commissioner's Testimony on FY 2016 Preliminary Budget

New York City Council Hearing

March 4, 2015

Good afternoon, Chairwoman Ferreras and members of the City Council Committee on Finance. I am Jacques Jiha, Commissioner of the Department of Finance. I am joined today by Michael Hyman, First Deputy Commissioner and Jeffrey Shear, Deputy Commissioner for Treasury and Payments Services. Thank you for the opportunity to testify before you today on our Fiscal Year 2016 Preliminary Budget.

First, I am glad to report that the City's finances are in good shape. Through February, the City collected $38 billion, which represents a 7.9-percent increase over the same period last year. Our average daily unrestricted cash balance for the first eight months of the fiscal year was $9.1 billion and exceeds the average for the same period last year by $1.6 billion.

When I testified before you last June, I had been at the Department of Finance for less than one month. Since then, I have immersed myself in all aspects of the Agency's business operations, and have gotten to know the many great public servants of our Agency. I have also begun to operationalize the four basic pillars – fairness, transparency, efficiency and exceptional customer service – that have guided our decision-making process in the last nine months.

In my testimony today, I will discuss how these four principles have been applied to existing processes and programs, resulting in significant accomplishments in our first year and setting the foundation to create a more progressive and innovative Agency. I will also explain how they shape my vision for the future.

One of my first priorities upon becoming commissioner was to establish a culture of accountability, reviewing complaints brought to our attention through a lens of fairness. This has significantly impacted how issues are now resolved. We accept responsibility for mistakes we have made and correct them in a timely manner – even refunding money where it is appropriate.

While we have improved how we deal with individual complaints, we also recognize the need to bring a fresh perspective into the review process. Hence, we are creating the Office of the Taxpayer Advocate – what may be the first for a municipality in this country – as an independent office within the Department of Finance to hold us accountable, identify systemic issues, and view concerns through a different angle than our in-house staff that are focused on managing the daily operations.

Another priority of the Agency is to ensure that policies, procedures and interactions are clear, simple and unambiguous. Transparency, predictability and open dialogue are critical to foster trust and are characteristic of what taxpayers and their representatives should expect from their government.

To that end, we have issued new statements of audit procedures to ensure consistency and clarity of our audit process. We are making it easier for small property owners to file their Real Property Income and Expense Statements by creating a RPIE short form – one that is as simple as the IRS E-Z form. We have reduced penalties for property owners who fail to file or are late in filing their income and expense information, realizing that many of those who fail to file own properties with low assessed values and, hence, have the least ability to pay the high penalties.

Additionally, we have changed our policies so that commercial property owners can set aside replacement reserves in computing a property's net income, similar to what other localities in the nation allow. Property owners are also allowed to deduct market-rate expenses for tenant improvements and lease commissions.

At our business centers, we have streamlined our processes and deployed a retrained staff to enhance customer service. I am pleased to report that the wait time at our centers is down to an average of seven minutes from a high of 25 minutes last April – a 72-percent reduction.

We are deeply committed to our work on behalf of seniors and those with disabilities. For the first time, the Agency is focused on identifying eligible households and neighborhoods with the highest percentage of under-enrollment for the Senior Citizen Rent Increase Exemption and the Disability Rent Increase Exemption programs, also known as SCRIE and DRIE. Last December, we issued a report detailing our findings and outlining our efforts: Rebranding SCRIE and DRIE as the "New York City Rent Freeze Program" and launching a major outreach campaign targeting the 10 neighborhoods with the highest percentage of eligible households. The outreach strategies, combined with the increase in the annual household income threshold from $29,000 to $50,000, resulted in 31 percent more SCRIE and DRIE applications this fiscal year over the same period last year.

Our commitment to this program is demonstrated in the scope of our outreach efforts. The number of forums held in 2014 for SCRIE and DRIE rose by 200 percent. We held 77 SCRIE-related events in 48 different Council districts – 30 of them were sponsored by Councilmembers in every borough of the City. In addition, we held two events to train Council staff on the Rent Freeze Programs to help them better assist constituents.

Another area where we have made significant progress is in preventing deed fraud. A home is still the most valuable asset for many people. Unfortunately, there has been a dramatic increase in the number of incidents in which people have lost their properties because of fraudulent deed recording. When this was brought to our attention, we realized that we had to do something. But the law does not give us much wiggle room. By law, the City Register is required to record a deed as long as it is in recordable form, meaning it is certified by a public notary, has a seller's signature, a buyer's signature, and other specific documentation.

We did not, however, let these legal constraints stop us from taking action. We implemented important changes, expanding our quality review, updating our Land Record Management system to flag patterns of fraudulent filings, and inserting the City Sheriff within the review process. We also expanded our Recording Documentation Notification Program to automatically send notices to registered property owners when a deed is recorded against their property. Such tactics have blocked 600 suspected fraudulent transfers and resulted in seven deed fraud-related arrests.

These measures, however, are merely road blocks. We are developing legislation, and will work with the Council and the State Legislature to come up with more robust solutions.

During the past year, the Department of Finance has actively worked to fulfill the mandates of the City Council's 2012 Responsible Banking Act (RBA). In the fall of 2014, we hired Econsult Solutions and two bank analysts to assist the newly established Community Investment Advisory Board (CIAB) with the preparation of the required RBA reports. The eight-member Board held its first meeting on

January 13 and conducted public hearings in each Borough between February 9 and 18. The CIAB plans to release its first biennial banking-needs assessment in April and its first annual report on the 25 NYC Designated Banks in November.

While we are proud of our accomplishments this past year, we have a lot more to do. We are positioning the Agency to adapt to a rapidly changing business environment. As the probing physicist William Pollard once said, "The arrogance of success is to think that what you did yesterday will be sufficient for tomorrow." I am a student of that philosophy. The success of the Agency depends on our ability and willingness to change and adapt, not only in response to, but also in advance of changes in technology, regulation and consumer preferences.

The Department of Finance is too often constrained by 20th century systems, laws and protocols that have left the Agency trailing the technological changes and operational practices that are transforming the world around us. We must become more nimble in providing services through new modes of delivery and interfaces, and modernize our laws for conducting business in today's environment. This transformation is a multi-year effort – beginning with leveraging technology to provide our customers with more options to pay their taxes and parking tickets.

This month, as part of a pilot program, our Brooklyn Business Center will accept mobile-wallet payments such as ApplePay, Google Wallet and Softcard. Last December, we released a Request for Information seeking ideas from the technology community and have already received a large number of promising responses. The goal is to allow customers to pay parking tickets, schedule a hearing if they want to challenge a summons, and upload evidence using their mobile devices. We are also making our existing payment websites "mobile-responsive," and are exploring new technologies that would allow for payments using digital currencies.

We are replacing our over twenty-year-old legacy computer system for business and excise taxes with an integrated tax software solution. The new system is highly configurable, and will enable the Agency to more easily adapt to changes in tax rates or other changes to tax laws. At the same time, we are implementing a new property tax administration system, which is scheduled to go live in 2016.

Technology and process changes are only one part of the equation; we must also change outdated laws to reflect the way business is conducted in the 21st Century. We are on the verge of making dramatic changes to the corporate and banking tax laws. The City's business tax laws date back to the 1940s and reflect an outdated financial regulatory structure. The repeal of the Glass-Steagall Act in 1999 and other changes to the regulatory environment have since led to the cross-ownership of banks and financial services companies.

In 2014, NY State enacted a major business tax reform initiative that merged its tax treatment of banks and other corporations and changed how taxable income is computed for all corporations. Earlier this year, we introduced a proposal to conform City business tax laws to key elements of the new State system in a revenue neutral manner. City-State consistency on the computation of taxes is critical to facilitate joint audits and prevent major administrative burdens for both taxpayers and the City. These tax changes will also incentivize businesses not only to remain in the City, but also to relocate to New York City since allocated income will be determined by where their customers are rather than their employees.

Our corporate business-tax package will also provide relief to about 45,000 small businesses. The proposal will exclude the first $10,000 of the capital tax base, which will eliminate the tax for more than 90 percent of the capital-base taxpayers. It will tax small non-manufacturers with less than $1 million in allocated net income at a rate of 6.5 percent, down from 8.885 percent and tax small manufacturers with less than $10 million of allocated net income at a rate of 4.425 percent, which is a rate reduction of 50 percent.

The current tax package addresses conformity only at the C-corporate tax level. The next phase of reform is to modernize the tax treatment of limited liability companies (LLCs), partnerships and sole proprietorships in a revenue-neutral way. To support our plan, we have created a Task Force on flow-through entity taxation, composed of industry experts and tax practitioners who will advise the Agency on how best to proceed.

As a result of deregulation and advances in technology, the telecommunications industry has changed dramatically. Yet, the City's utility tax is still premised on the taxation of telecommunications services that both originate and terminate in the

City, harking back to when AT&T was a monopoly and almost all phone calls were local. This stands in sharp contrast to the bundled telecommunication packages (such as Internet, cable and telephone services) that are purchased today. We will consider how best to restructure the utility tax regime that affects the telecommunications and energy industries.

Now that I have outlined some of our accomplishments and our plans for the future, I would like to report on some key aspects of current activities. In January, we released the Tentative Assessment Roll, valuing more than 1 million properties with a total market value of $988 billion, a 9.1-percent increase from last fiscal year. Not reflected in the tentative assessment roll is our proposal to provide relief to properties that have been rebuilt or repaired since damaged by Hurricane Sandy. Last year, working with the State Legislature and the Council, we provided some temporary relief to homeowners. This year, we are proposing a more permanent solution, which will adjust the assessed value (AV) of class 1 and class 2 properties with 10 units or fewer after rebuilding so that the rebuilt properties are in the same position they would have been had the storm not occurred. A physical increase in assessed value above and beyond the pre-Sandy AV can only occur if the homeowner rebuilds a larger house than what existed prior to Sandy. The law will apply to rebuilding reflected in the assessed values for FY 2015-16 and in five subsequent years through 2020-21.

In May, we will proceed with our lien sale for delinquent properties. While 98 percent of this past fiscal year's property tax levy was collected, a small portion of owners did not pay their property taxes on time. We recently sent a statutory 90-day warning notice to 27,233 property owners whose parcels may become part of the lien sale. Based on our experience, only 20 percent are expected to have their liens sold. The rest will either pay their tax bill or enter into a payment plan.

Since 1996, the City has collected $1.3 billion in delinquent property taxes through the lien sale process. This year's sale is projected to generate approximately $80 million.

We would prefer property owners to pay their delinquent taxes before enforcement measures are taken. That is why each year we make every effort to reach delinquent property owners before the lien on their property is actually sold. In addition to putting full-page announcements in many newspapers in different languages, we mail five separate notices to delinquent property owners before selling their lien. We also conduct meetings for property owners throughout the City on the lien sale process. The City only sells liens when owners fail to respond to this notification by making payment or entering into a payment agreement.

Again, our priority is to resolve delinquent tax situations with property owners before liens are sold. My advice to taxpayers: If you have financial difficulties and cannot pay your tax bill, please reach out to us. We will set up a payment plan that allows you to meet your tax obligation.

I hope that my testimony today has fully outlined our broad agenda for the Department of Finance. We have worked very hard to change the culture of the Agency to become customer-centric, requiring us to be more engaged, responsive, transparent and accessible to the public. These changes have made many folks very happy. I hope and expect that to continue. We will disappoint some taxpayers at times, too; that comes with the territory. But our objective is for no taxpayer to ever say that they were not treated fairly or decently.

Again, thank you for the opportunity to testify before you today. At this time, I am happy to take your questions.

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Testimony of Dean Fuleihan, Budget Director
Mayor's Office of Management and Budget
Before the New York City Council Committee on Finance

March 4, 2015

Thank you Speaker Melissa Mark-Viverito, Finance Chair Julissa Ferreras, members of the Finance Committee and members of the City Council for the opportunity to testify here today on the Mayor's Preliminary Budget.

On behalf of the Mayor and this administration, we are grateful for our partnership and collaboration both throughout last year's budget process, and as we begin this year's.

I'm joined at the table today by Labor Commissioner Bob Linn, as well as OMB First Deputy Director Larian Angelo. We also have many of our talented staff here to answer questions.

I want to start by discussing last year's budget.

When Mayor de Blasio launched his first budget, he made clear that there were three values that would drive the entire process: fiscally responsible, progressive, and honest.

And those values are exactly what were reflected in all elements of last year's budget.

First - **Fiscally Responsible**:

- It is the foundation of our approach and that was affirmed in the positive responses by all independent raters and monitors.

- They specifically highlighted "highly effective budget management," including reasonable forecasting, strong monitoring, and effective actions to eliminate projected deficits.

- In fact, out-year gaps were brought to manageable levels, and we were able to also boost reserves.

Second – our budget was **Progressive:**

Last year's budget moved forward core progressive initiatives that will improve the long-term health of our city:

- Pre-K For All, 53,000 children in full day high quality universal pre-k & Universal After School for Middle School Students for over 98,000 children
- ID NYC, now with over 290,000 appointments
- NYCHA – providing NYCHA relief from $72.5 million a year in payments to the police, which will be continued moving forward.
- Vision Zero
- Much more

Third – **Honest:**

Last year's budget process included a productive relationship with the Council. While we may not agree on everything, I think we can agree that the adopted budget reflected the results of a process that was respectful and that allowed us to move forward key initiatives that benefit New Yorkers around the city.

In partnership with the Council, this included programs like:

- o NYCHA anti-violence
- o NYPD civilianization (200 officers now on the street)
- o School lunch pilot program
- o Anti-gun violence initiative and the gun violence crisis management system
- o Much more

And we ended the traditional dance of putting things like firehouses on the chopping block, only to have them restored at the end of the day.

The budget was also honest about costs that had been ignored for years. It included a realistic labor reserve based on negotiated agreements for the first time in years, which allowed us to accurately reflect the pattern in the budget. As the monitors and raters all noted, this eliminated a major risk. And we secured unprecedented health care savings - $3.4

billion through FY2018 and $1.3 billion a year every year thereafter.

The same three values drive this year's budget.

Economy and Risks

The Mayor began his presentation of the Preliminary Budget by discussing the economy and outlining the concerns and risks we are facing as a City.

We have seen continued, moderate growth. GDP is projected to grow 3 percent and the national economy is projected to add 2.8 million jobs this year. New York City's economic production remains strong, and our employment growth continues to outpace the nation.

But it's very clear that this growth has not been felt by all.

We know that New Yorkers – and people around this country – continue to struggle as income inequality only grows.

Most job growth – 65 percent - has come from low-wage sectors. Yet these employees account for only 28 percent of the earnings since 2009.

The top one percent account for a growing share of income. The median income of New York City households has declined since 1990 and stagnated in the first years of the current recovery. The share of New York City households making moderate- or middle-income has steadily declined in recent years to only 25 percent.

There are also major uncertainties in terms of federal and state aid.

On the federal side:

- Homeland Security

  While we are glad that Congress finally passed a clean Homeland Security funding bill yesterday, the dysfunctional process unnecessarily put the city at risk and raised major concerns.

  There is nothing more essential to government than ensuring the safety of our residents.

- Sequestration

  In 2013, we faced the potential of over $370 million in cuts in one year.

It seems unlikely that Congress will accept the President's proposed offsets, potentially leading to new cuts next year.

- Highway Trust Fund

  The Highway Trust Fund will become insolvent by the end of this May. That could mean a loss of $2 billion for the New York City metropolitan region.

As the Mayor discussed in his testimony in Albany last week, there are also major State risks:

- Education funding

  The State continues to underfund the CFE obligation to the City – by $2.6 billion.

- Infrastructure and MTA

  The MTA Capital Plan faces a $15.2 billion shortfall.

  And we know that the State has not adequately funded road and bridge maintenance.

- And there are other risks and concerns, such as homelessness funding.

  The Governor's budget proposes reducing the State reimbursement by $22 million for emergency assistance for families, which has provided anti-eviction legal services, prevention, and grants to address housing emergencies.

  We also believe that the NYNY IV supportive housing program, as proposed, is underfunded, and urge the State to increase its commitment from 5,000 units statewide over five years to 12,000 units in New York City over 10 years.

  The Governor's budget also only picks up 50 percent of operating costs of NYNY IV – instead of the previous 100 percent – which we estimate will result in $40 million in annual losses to the City.

The bottom line is that the City needs actions by the State to address these issues of equity and our continued economic health. That is the message the Mayor communicated in Albany last week, and we will continue to push. But it remains a major risk.

We also need to plan for economic uncertainty.

The current expansion – at about 69 months -- has already exceeded the average length of post-war expansions.

In previous downturns, we saw dramatic declines in revenue and funding. For example, after the Great Recession – non-property tax revenue declined by $4.4 billion from 2008 to 2010. And State funding to the City fell by $1.7 billion between 2009 and 2011.

We also know that events can happen that quickly cause unexpected downturns which have had huge negative economic impacts on our city.

The preliminary budget acknowledges these very real risks, and targets spending to investments that we know will create a stronger, safer, and fairer New York City.

Financial Plan Highlights

I'd like to start by discussing a few highlights from this Financial Plan.

The FY 2016 budget is balanced, closing the $1.8 billion deficit that we projected as recently as November.

The FY 2015 budget also remains balanced. It recognizes $2.2 billion in federal funds since June mainly for Sandy recovery and resiliency, and for homeland security.

The FY 2015 budget also recognizes $1.6 billion in prepayments to the next fiscal year, FY 2016, which helped close the projected gap.

We also continued to boost reserves to $750 million a year throughout the Financial Plan.

There are still substantial out-year gaps, but we've reduced them to levels that are generally manageable compared to the past 13 years. Still, they will need to be addressed. And they could obviously increase, based on the economy and the potential for a downturn – or surprise events, as we saw with Sandy.

We're also intentionally prudent in our revenue projections, as always – because we've seen the risks of over-projecting revenue in places like New Jersey, which then faced significant budget holes.

The preliminary budget also includes even more certainty when it comes to labor settlements.

To date, the administration has concluded labor agreements with 76 percent of the city's workforce.

That's compared to 0 percent when we took office.

Again, this was a major risk we identified ahead of last year's budget, and we're proud we now have this critical element of certainty in our plan – something the independent monitors and raters have highlighted.

In addition to including the civilian pattern applied to the workforce, as we did last year --- the preliminary budget also includes the uniformed pattern we've now agreed to with nine uniformed unions.

Just last week, the Mayor and the Sergeants Benevolent Association announced an agreement that follows the uniformed pattern. And three other police unions all ratified their contracts by large margins, as well as five other unions representing fire, correction, and sanitation workers.

Of course, the budget also includes the unprecedented and guaranteed health savings we agreed on with the Municipal Labor Committee last year.

This is a good opportunity to highlight the report we put out this winter, outlining how we are achieving the $400 million in savings for FY2015, and laying out the work we have already begun on future initiatives.

For over 20 years, while health care costs exploded, New York City was unable to modernize its approach.

The unique agreement we reached last year with the Municipal Labor Committee was such a dramatic step forward because it is focused on fundamentally bending the cost curve and guaranteed billions in savings - $3.4 billion through FY2018, and a minimum of $1.3 billion every year thereafter.

We are guaranteed these savings through arbitration but we are focused on achieving savings in a cooperative relationship with our employees that both bends the cost curve and delivers improved health care.

In addition to our work to secure a significantly lower HIP rate – which is only a portion of the savings we've already identified – we dramatically expanded the auditing of dependent eligibility so that taxpayer dollars are not spent on those who are not actually eligible.

We changed the structure of the City's GHI plan to a minimum premium plan, resulting in significantly lower-risk charges and fees, as well as positive tax implications.

We successfully reduced Empire Blue Cross Blue Shield's administrative fees.

And we are launching a new care management program focused on disease management and other key initiatives; a revised specialty drug contract with cost controls; and many other joint initiatives focused on better health care delivery and improving workers' health.

None of this would have been possible without the change in the city's relationship with its workforce – moving from confrontation and deadlock to real collaboration and problem solving.

Targeted Spending

The preliminary budget adds $326 million in new spending for FY 2016.

As I discussed, we are intentionally cautious because of the many risks ahead.

So we're focused on key issues facing the City, ensuring that our investments will create a stronger, safer, and fairer New York City.

Let's start with **Public Safety**:

- We are making significant investments to reduce EMS responsive times in communities that lag behind the City average, such as Staten Island, the South Bronx, and Western Queens.

  This includes $11.3 million in FY2016 and $8.7 million every year thereafter to add 45 new ambulance tours, and $6.7 million a year to add 149 new EMS dispatchers.

- In partnership with the Council, we were very proud to include $7.3 million in FY2015 and $4.2 million in FY2016 to replace all NYPD bullet-resistant vests that are over five years old.

- And we are dramatically expanding the Police Cadet Program to over 650 cadets, providing young New Yorkers with real educational and career opportunities.

- And we are making major investments in the Department of Correction: $35.3 million in the plan to reduce use-of-force incidents and violence, while improving the inmate-officer ratio and enhancing programming in Young Adult Housing. We've also included $3.6 million to improve employee recruitment and vetting.

The preliminary budget also focuses on **education**:

- Pre-K for All, expanding high-quality, full-day pre-K to all four-year olds.

  The Board of Regents recommended $370 million in funding, and we agree that's what is needed from the State.

- We'll be further expanding after school programs to over 110,000 middle school students, with $190 million in requested state aid.

- We're funding 128 Community Schools, including 94 renewal schools. These schools will provide extra instruction, after-school programs, strengthen family engagement, and receive extra professional training for teachers, among other changes that will turn around New York City's most challenged schools.

- There is $0.8 million a year for Literacy Intervention Teams to support students with dyslexia and to provide language services to limited-English proficient parents.

- And of course we continue to invest in CUNY, including with $29 million to expand academic intervention and support for STEM at community colleges, $300,000 to complement a recent federal grant for the NYSolar Smart Initiative, and $1.1 million to expand the Fatherhood Academy, which helps fathers ages 18 through 24 improve their job and education prospects.

We're also making major investments in **social services** that support our most vulnerable populations:

- We have included millions to address the homelessness crisis, including $28.4 million for rental assistance to move New Yorkers out of shelter; $8.6 million for prevention programs and support to keep New Yorkers stably housed; $4.3 million to improve family services like counseling and eviction prevention; and $0.9 million to expand drop-in center access for street homeless.

- As the Mayor discussed in his State of the City and in Albany, we're focused on protecting tenants from landlord harassment.

  Together, we are urging the State to enforce and strengthen the rent laws and protect tenants, and we have allocated $5 million in this fiscal year – FY2015 – to provide free legal services to victims of landlord neglect or harassment. In total, the Mayor has committed an additional $36 million to provide these services to every tenant in an area being rezoned or immediately adjacent to that area.

- We've also included $26 million over the next three years for major child welfare reforms, including training and prevention.

- We're investing $16.5 million over the next three years to expand community health centers in underserved neighborhoods, and $1.8 million to improve children's health.

- And this budget includes $5 million now to address the high demand for ID NYC, which is allowing us to increase staffing, open new locations, and reduce wait times.

And finally, we're focused on supporting **economic development**:

- In January, the Mayor announced tax reforms to modernize the outdated tax code, bring it in line with the State's code, and provide relief to 45,000 small businesses and manufacturers.

We're glad the reform was included in the Governor's budget.

- We are investing $1.4 million a year to expand access for small businesses to the City's MWBE program, including by providing technical assistance – because we are committed to making City contracting more inclusive.

- The budget also includes $4.6 million to improve service at the Department of Buildings, which will allow the agency to speed up inspections.

- And the budget includes funding for Small Business First, a $27 million comprehensive plan to reduce the regulatory burden on and cut bureaucracy for small businesses, which we did in partnership with the Council.

Cost Savings

As we move to the Executive Budget, the Mayor has asked agencies for specific cost savings.

These can include:

- Management and productivity initiatives;

- The elimination or reduction of costs for programs that are not proving effective;

- The consolidation or restructuring of programs; and,

- The reduction of the use of consultants or outside contracting.

The focus here is on finding real, permanent savings that also help ensure a more effective government.

Conclusion

I want to thank you again for the opportunity to testify today. We know that this is the start of a budget process that will be incredibly productive and successful thanks to your partnership.

I look forward to working together to ensure a FY2016 budget that is fiscally responsible, progressive, and honest.

And now, we'll take your questions.

Preliminary Budget Hearing

March 4

2015

Dr. Feniosky Peña-Mora, Commissioner

Department of Design and Construction

New York City Council Finance Committee

Preliminary Executive Budget Hearing
New York City Council Finance Committee

Department of Design and Construction
Dr. Feniosky Peña-Mora, Commissioner

March 4, 2015

Good afternoon Chairperson Ferreras and members of the Finance Committee. I am Dr. Feniosky Peña Mora, Commissioner of the New York City Department of Design and Construction (DDC), and I am very pleased to be here with you today. I have a statement which will highlight some of our work, after which I will gladly answer any questions the Committee may have.

We are the City's primary capital design and construction project manager. Our Public Buildings division provides communities with new or renovated structures such as firehouses, libraries, police precincts, courthouses and cultural facilities. We have finished over 300 projects for FDNY, completed more than $2 Billion Dollars of work for our City's Cultural Organizations, and managed nearly $680 Million Dollars in design and construction projects for New York City's three library systems.

In partnership with the NYC Department of Transportation and the NYC Department of Environmental Protection our Infrastructure division oversees the design and construction of sewer and drainage systems, water pipes, roadways and other related projects.

The funding for these projects is transferred to us from the capital programs of the more than 25 NYC agencies we do work for.

To successfully manage this vast portfolio, valued at nearly $10 Billion Dollars, our staff partners with other City agencies, as well as tapping a pool of emerging and renowned architects and consultants whose experience and creativity bring equitable, sustainable, resilient, design and construction strategies to the projects we build. Our goal is and will remain to serve the residents and businesses of New York City by providing the world class infrastructure and public buildings that people throughout the five boroughs have come to expect from our work.

DDC is committed to creating and fostering an equitable and competitive business environment, particularly Minority and Women Owned Business Enterprises (MWBE's). As such, we have appointed a Chief Diversity Officer who is responsible for delivering innovative solutions to increase procurement opportunities for MWBE's. We have also formed our own External Diversity Advisory Board to develop and facilitate innovative practices, procedures and initiatives to broaden participation of NYC certified MWBE consulting and construction firms. DDC also provides monthly workshops for MWBE firms so that they may gain a better understanding of DDC contract procedures and general business management practices. Along with the NYC Department of Small Business Services we have formed a Construction Mentorship Program providing contracting opportunities, training and one on one assistance to help

MWBE's participate in our portfolio of projects and grow their businesses. We have also sponsored along with the NYC School Construction Authority, an MWBE Tradeshow and Networking Event with prime contractors, MWBE firms and other construction entities in order to provide MWBE firms an opportunity to meet prime contractors, sub-contractors, and to hear about upcoming projects.

The Department of Design and Construction has also created a division of Community Partnerships and Science, Technology, Engineering, Architecture/Arts and Mathematics (STEAM) Initiatives to help establish a diverse pipeline to fields in Architecture, Construction, and Engineering (ACE). Our Agency's efforts are geared towards outreach programs intended to enhance student awareness of these fields beginning in middle school through high school, college and their first job. DDC's STEAM initiatives will expand opportunities for young people – particularly women and minorities who are underrepresented in the scientific and technological fields. Jobs in STEAM are projected to grow twice as fast as those in other industries. These are careers that pay well, even at the entry levels, and represent the jobs of the future. Our STEAM Team has also been working closely with DOE, DYCD and LaGuardia Community College in these efforts. We will also be partnering with several middle schools in underserved communities to facilitate an after school STEAM related curriculum to expose younger children to STEAM, as it relates to the ACE industry. Collectively these efforts and others will increase learning opportunities for students to explore STEAM professions and enhance DDC's talent pool and best practices for current and future construction projects.

DDC's Fiscal Year 2015 operating budget is $230.4 million. Of that, $103.5 million is for Personal Services with budgeted headcount of 1,311. The agency's FY15 Other than Personal Services budget is $126.9 million, including $102.1 million for the federally funded Build-It-Back and Coastal Resiliency Programs. The $230.4 million budget is comprised, by funding source, of $118.7 million in IFA funds, $102.5 million in federal funds and $9.2 million in City/Intra-city funds.

As of the Preliminary Budget, DDC's FY16 total agency operating budget is planned to be at $127 million. The FY16 Personal Services budget will be $104.5 million, with a budgeted headcount of 1,308. The FY16 Other than Personal Services budget will be $22.4 million. The $127 million FY16 budget is comprised, by funding source, of $119.7 million in IFA funds and $7.2 million in City/Intra-city funds. Federal funds for Build- It-Back and Coastal Resiliency are not yet included in the FY16 budget.

I would now like to take this opportunity to note some of the projects DDC is currently working on that may be of interest to you. Please also note that attached to this document I have provided images of some of the projects that

DDC has worked on or is in the process of completing. You will find references to these in this testimony.

On the public buildings side, DDC is managing a project portfolio consisting of new or renovated facilities that include over 240 libraries, 18 NYPD precincts and facilities, 10 Fire / EMS facilities, and 52 cultural institutions.

In recent years, DDC has completed seven new libraries as well as over 24 major additions and renovations to existing library facilities. Major library projects completed within recent years include: Glen Oaks in Queens (page A2), the Mariners Harbor Branch (page A3) and the greatly expanded branch libraries at Stapleton in Staten Island (page A4), and Kensington in Brooklyn (page A5). The renovated Washington Heights Branch re-opened mid last year as well. These projects are critical to the well- being of these facilities and contribute greatly to the quality of life enjoyed by the residents of our city.

Currently DDC has over 240 projects with the 3 Library Systems. Queens Library's new Hunter's Point branch (page A6) located on a prominent site in Long Island City had an initial kick-off meeting this February. In addition, this year the new branch library in Elmhurst, Queens (page A7), will complete construction and be readied for use by the public.

New York Public Library (NYPL) has two new branch libraries in their design phases, the Westchester Square branch in the Bronx and the Charleston branch in Staten Island. Major renovations are being planned for the Roosevelt Island

Branch as well as the Castle Hill Library in the Bronx. We are also in the process of completing our work on the Library for the Performing Arts in Manhattan.

Major renovations are also being designed for Brooklyn Public Library's Borough Park, Rugby, and East Flatbush branches.

I am also pleased to report that we have achieved Substantial Completion and beneficial use by the New York Police Department (NYPD) of the largest project in DDC's history, the New Police Academy in College Point, Queens (page A7). Valued at nearly $750 million, our construction effort on the NYPD's new 35-acre campus facilitates NYPD's plans to integrate their current group of dispersed facilities into a single location to allow more efficient training for all levels and bureaus. This state-of-the-art academy includes traditional academic spaces as well as realistic environments for scenario-based instruction, tactical training venues, indoor and outdoor tracks, a pool, and complete support facilities. Our design of the New Police Academy has been the subject of awards including the American Council of Engineering Companies' 2015 NY Diamond Award in the category of Special Projects. I am pleased to announce that the NYPD began a full training load at the New Academy for its 891 new cadets in January, 2015.

Construction is also proceeding on the new Public Safety Answering Center II (PSAC II) located in the Pelham Bay neighborhood of the Bronx. Once complete, PSAC II will operate in tandem with PSAC I in Brooklyn, but it is also designed so that in an emergency it can handle all 911 calls and dispatch operations for the entire City. DDC is coordinating phased turnover of the building with the NYC Department of Information and Technology (DoITT), who will be its owner and operator. Construction of the building will be fully complete in Early 2016.

Last year, under Mayor de Blasio, the City of New York moved aggressively to implement a truly universal pre - kindergarten system in New York City that would provide every 4 - year - old with a high - quality, full - day pre - K. These efforts have been guided by the deep expertise of city agencies, best practices from our community-based organizations, and decades of academic research that has proven high-quality pre - K is among the most effective ways to reduce economic inequality. DDC was proud to join in these efforts along with our partners at the FDNY, NYC Departments of Education, Heath and Buildings in order to monitor and advise on the design and construction efforts of UPK sites at many community based organizations. As a result of the hard work of many city agencies, the number of free pre-k seats in our city has doubled.

Also within our Public Buildings Unit - for the first time in its history, DDC is directly involved with housing construction as part of Mayor de Blasio's Build-It-Back program. This project is designed to assist homeowners, landlords and tenants whose primary homes were damaged by Hurricane Sandy. The goal of the Build-It-Back initiative is to help affected residents return to safe, sustainable, and resilient housing by addressing unmet housing recovery needs.

Recently, DDC and the Mayor's Office of Housing Recovery (HRO) issued a new procurement for construction management and design firms that will greatly expand the City's capacity to rebuild in communities recovering from Hurricane Sandy. The procurement also marks a renewed commitment to local hiring on recovery projects - increasing social and economic resiliency in Sandy-affected communities through substantial workforce investment.

Additionally, joining together with the NYC Parks Department we were pleased to work on the construction of the $14.5 million Bronx River House project at Starlight Park (page A9). The new facility will be approximately 7,000 square feet and will contain a boat house, a nature classroom, and a multipurpose community room. The River House will feature energy efficient and water conservation elements, such as screen walls made of galvanized steel and mesh that wraps the entire building for vines to grow, creating a favorable microclimate. When it is completed, it will be the headquarters for the Bronx River Alliance.

Our infrastructure portfolio consists of over 300 roadway, sewer, and water main projects valued at approximately $5.6 billion. Included are projects to design and install water mains that connect the existing water main system to the Manhattan leg of the City's new third water tunnel. We now have 13 projects associated with this effort valued at more than $500 million, with projected completion dates ranging from this year to late 2017 (page A10). The two projects that included all components critical to the activation of the Manhattan leg have been substantially completed. Much of this work is located in highly-congested areas - including entrance ramps to the Holland and Lincoln tunnels, and in proximity to the Queens Midtown Tunnel, Lincoln Center, the High Line, Amtrak, and Hudson Yards Development - we are working closely with area residents, businesses, NYU Medical Center and elected officials to ensure the transparency of our efforts and ensure that stakeholders have minimum disruption to their day-to-day operations.

To alleviate the chronic flooding conditions in Gerritsen Beach Brooklyn, we have embarked, along with NYC DOT and NYC DEP on a roadway reconstruction plan valued at more than $10 million, with a goal of restoring flood damaged streets in this area to a state of good repair and incorporate hazard mitigation design elements as appropriate to ensure both resiliency and sustainability.

In addition, a $28 million project for the reconstruction of West 11th, 12th and 13th Streets in the Broad Channel area of Queens (page A11), which includes a much needed storm sewer system has started construction with completion scheduled for the fall of 2016.

DDC has also undertaken along with our client agency the NYC Department of Transportation (DOT) to address Mayor de Blasio commitment to expand Select Bus Service (SBS) in our City (page A12), by constructing the infrastructure necessary to incorporate this innovative transit strategy on our major streets.

Select Bus Service is designed to reduce travel time and increase the level of comfort for its users. Currently, DDC is working on SBS routes in the following areas: Webster Avenue in the Bronx, Utica Avenue in Brooklyn, and Woodhaven Boulevard in Queens.

DDC is also designing and building pedestrian plazas throughout the City for the Department of Transportation. DOT's plaza program is intended to improve the urban environment by reclaiming underutilized portions of the public right of way, turning them into valuable community outdoor spaces. There are currently more than 24 active plaza projects in various stages of design, construction procurement, and construction. Some locations are: Montefiore Park & Plaza, Times Square (page A13), Astor Place (page A14), Forsyth Plaza (page A14), and Plaza De Las Americas in Manhattan (page A15); Myrtle Avenue and Knickerbocker Avenue (page A15), and Humboldt Street Plaza (page A16) in Brooklyn; Fordham Plaza (page A16) and Roberto Clemente Plaza (page A17) in the Bronx; and 71st Avenue and Corona Plaza in Queens (page A17).

We also have a robust and extensive working relationship with our client agency, the NYC Department of Environmental Protection (DEP) and have recently announced the completion of two water and sewer infrastructure upgrade projects on the south shore of Staten Island. Prior to this project, most of the roadways in these areas were not equipped with catch basins or storm sewers and they often flooded during heavy rain storms. As part of the upgrade, more than a mile and a half of storm sewers and 100 catch basins were installed to help drain precipitation from the roadways. The project also included the installation of more than a mile and a half of sanitary sewers that will allow 114 homes to connect to the City's sewer system and discontinue the use of septic tanks. These resilient and sustainable infrastructure upgrades in the neighborhoods of Arden Heights and Annadale will protect the public and the environment, but just as importantly they will improve the quality of life for residents of this great borough.

DDC is also working with our partners at DOT to implement the Safe Routes to Schools program, which provides pedestrian safety improvements in the vicinity of 135 schools throughout the city with the highest accident rates. This project directly supports Mayor Bill de Blasio's Vision Zero Program of increasing pedestrian safety and reducing accidents. Our construction efforts include new and redesigned curbs and sidewalks, narrowing intersections to reduce crossing distances, and other measures directly designed to heighten safety in critical areas where children run and play.

After Oct. 29, 2012, the city was faced with a new reality and an urgency to protect its coastline. DDC has now joined in this effort as part of Mayor de Blasio's Coastal Resiliency Program (page A18) to safeguard hard-hit areas in lower Manhattan. Along with our partners, the Mayor's Office of Resiliency and Recovery (ORR) and the New York City Parks Department (DPR) we are concentrating our efforts to protect neighborhoods and infrastructure from future storm surge and rising sea levels, as well as working to improve recreational opportunities and accessibility to parks and waterfront. To date, we have launched scoping and preliminary design work on the Lower East Side to implement a $335 million integrated, neighborhood-sensitive flood protection system to mitigate risk and help connect the community with the waterfront. This project, which is funded by the U.S. Department of Housing and Urban Development's Rebuild by Design competition, preliminarily runs from East 23rd Street to Montgomery Street and is intended to be just the first phase of a larger project that will ultimately provide coastal resiliency for all of Lower Manhattan. As part of our transparency and good neighbor policies, we are engaged with outreach efforts describing our project with elected officials, community boards and civic groups.

DDC also continues managing our capital construction project to rehabilitate the historic beauty of the High Bridge (page A19) which is located over the Harlem River connecting the two very important communities in the Bronx and Northern Manhattan. The High Bridge is a multiple-span arch bridge built in the late 19th century in the style of the Roman aqueducts. It is the oldest surviving bridge in New York City, and was built as part of the Croton Aqueduct that originally supplied the City with water. This rehabilitation project is valued at $61 million and will encompass improvements for both safety and aesthetics.

As a follow-up to DDC's previous year's testimony concerning capital projects on non-City owned property, the Agency continues to work with recipient organizations, along with the OMB taskforce, to facilitate progress of these projects through the various stages of approval. Since the program began at DDC in 2007, a total of 227 projects, valued at more than $77 million, have been registered. In Fiscal Year 2014 there were 25 projects totaling more than $12 million. This year, approximately 33 projects have already been registered and we expect another 10 will be by the end of June. At present, we are working on a portfolio of about 250 projects with a total of value of approximately $155 million. As always, we continue to be available to meet with recipient organizations, provide assistance, and answer questions.

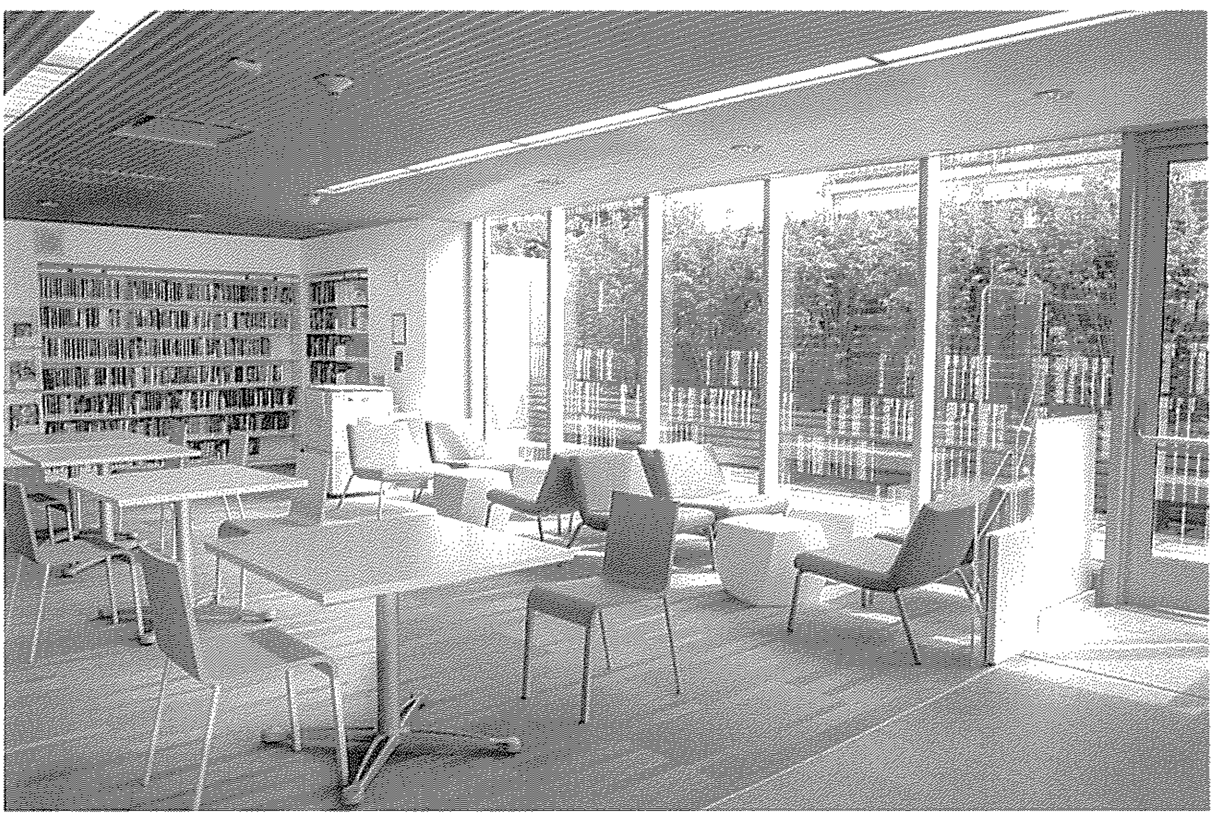
Madam Chair, and members of the Committee, I would like to take this opportunity to again thank you and your staff, as well as Speaker Melissa Mark-Viverito and her team - Nathan Toth and the wonderful Finance Division.

This concludes my prepared remarks and I am happy to answer any questions you may have.

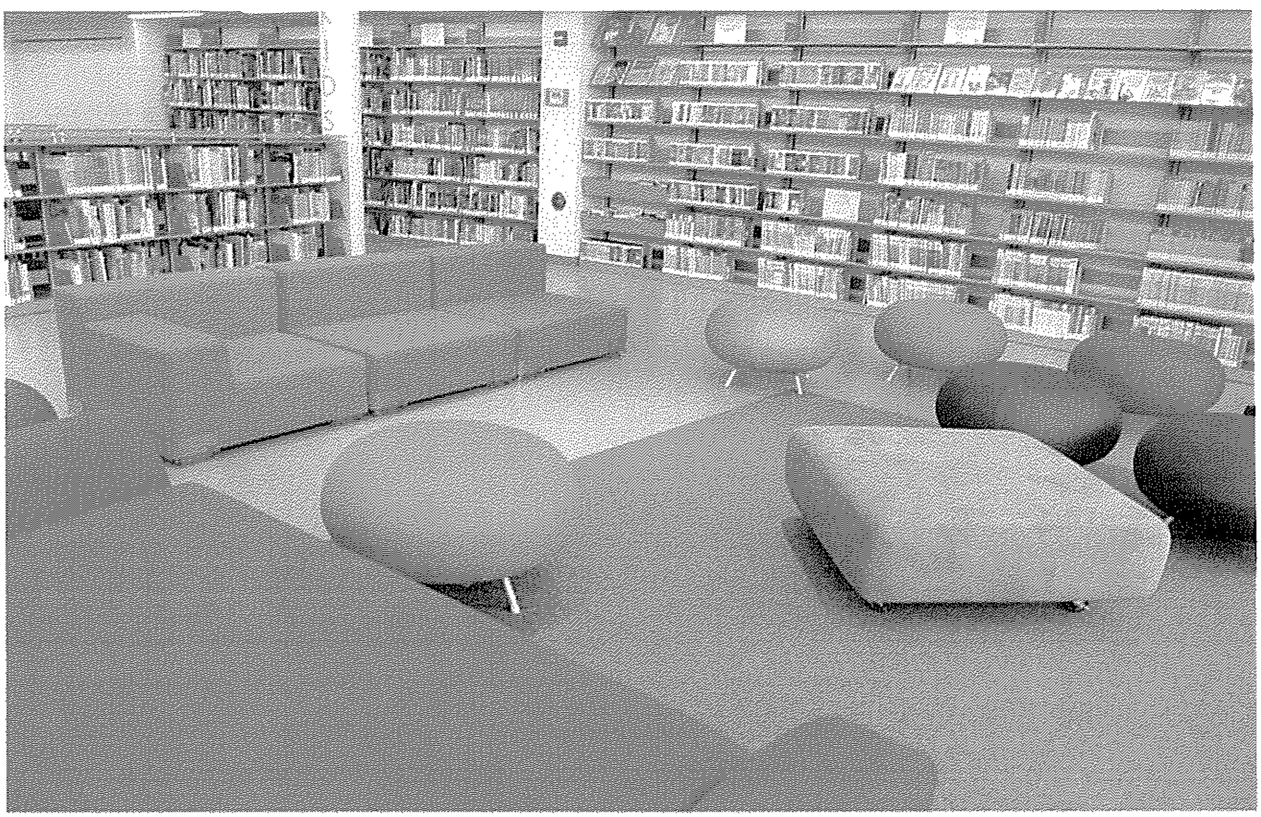
APPENDIX
Selected Projects

March 4, 2015

Department of
Design and
Construction

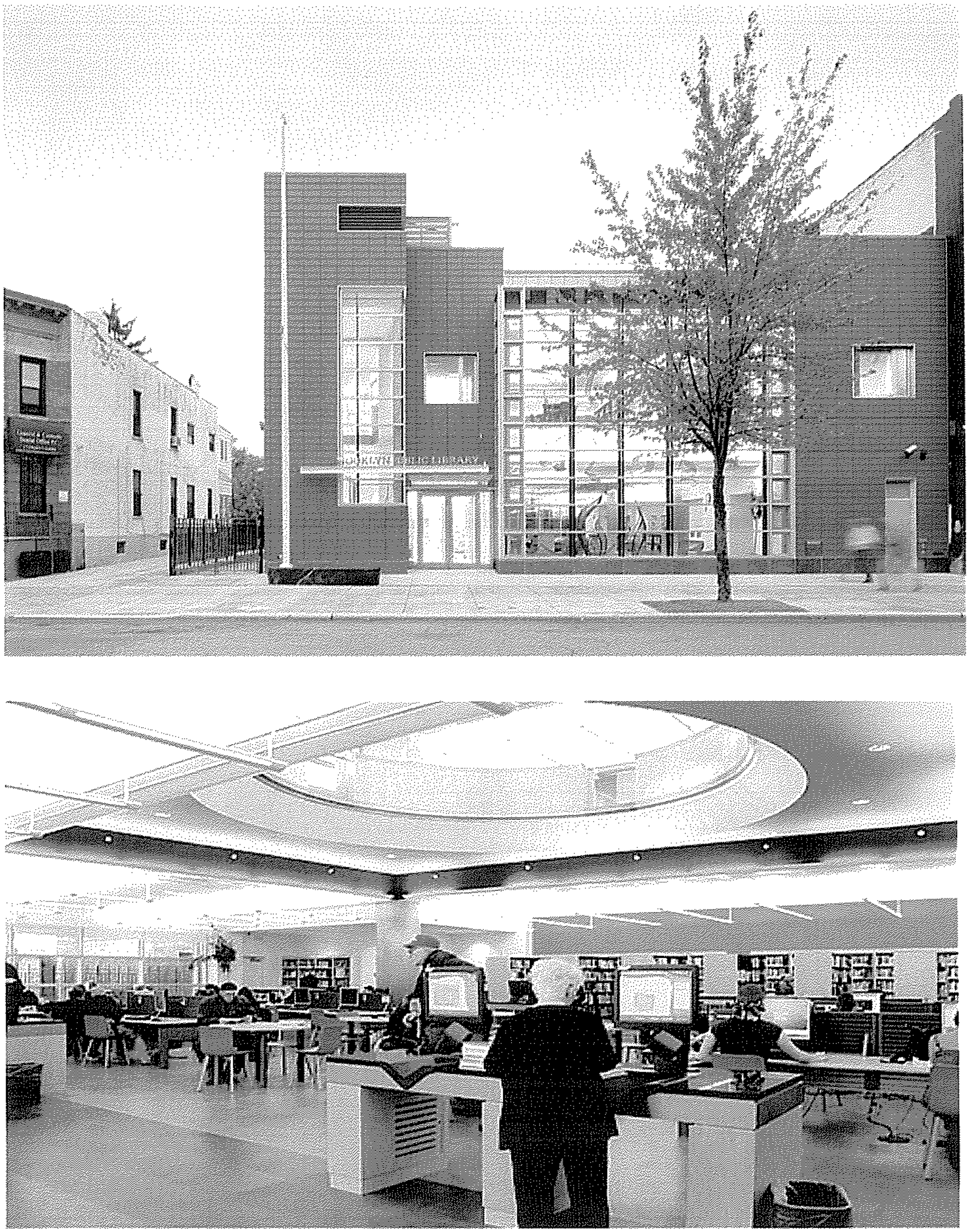


Glen Oaks Library, Queens

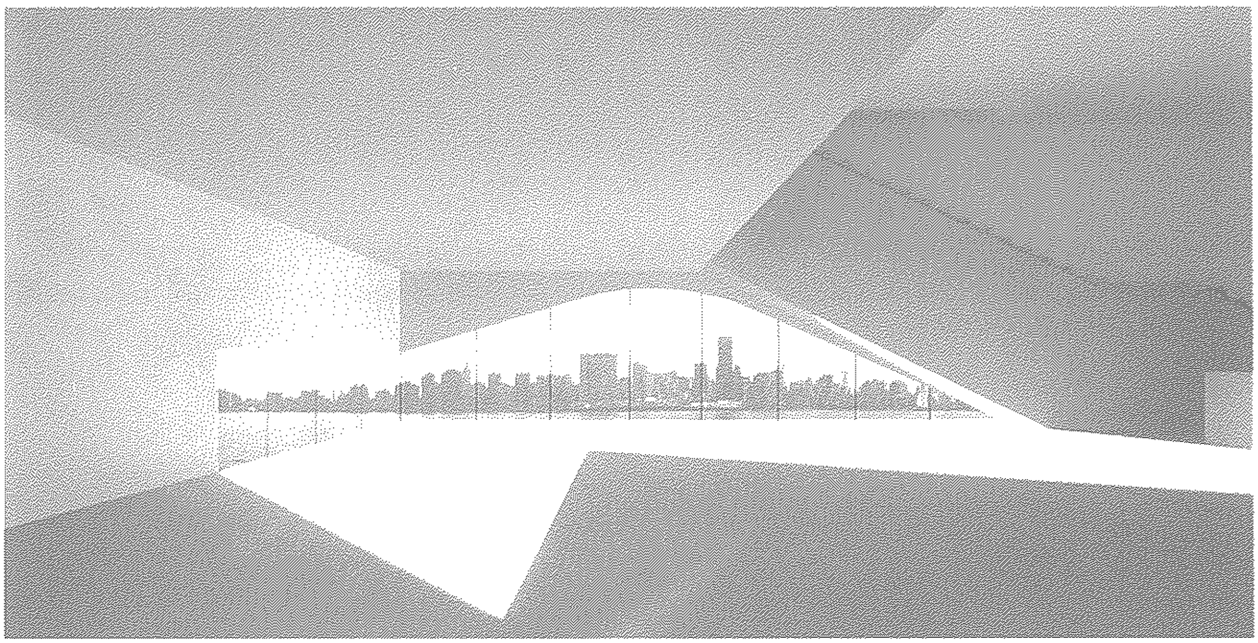


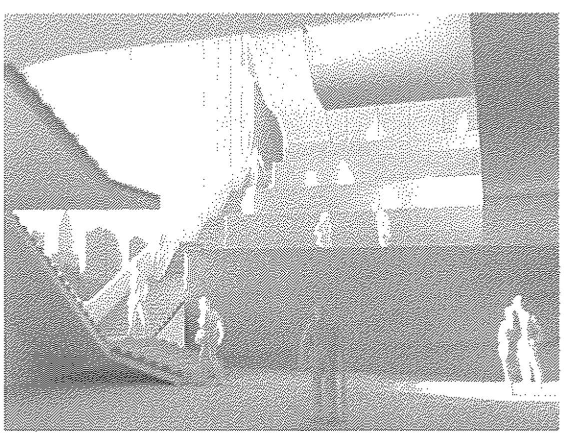
Mariners Harbor Library, Staten Island

Stapleton Library, Staten Island



Kensington Library, Brooklyn

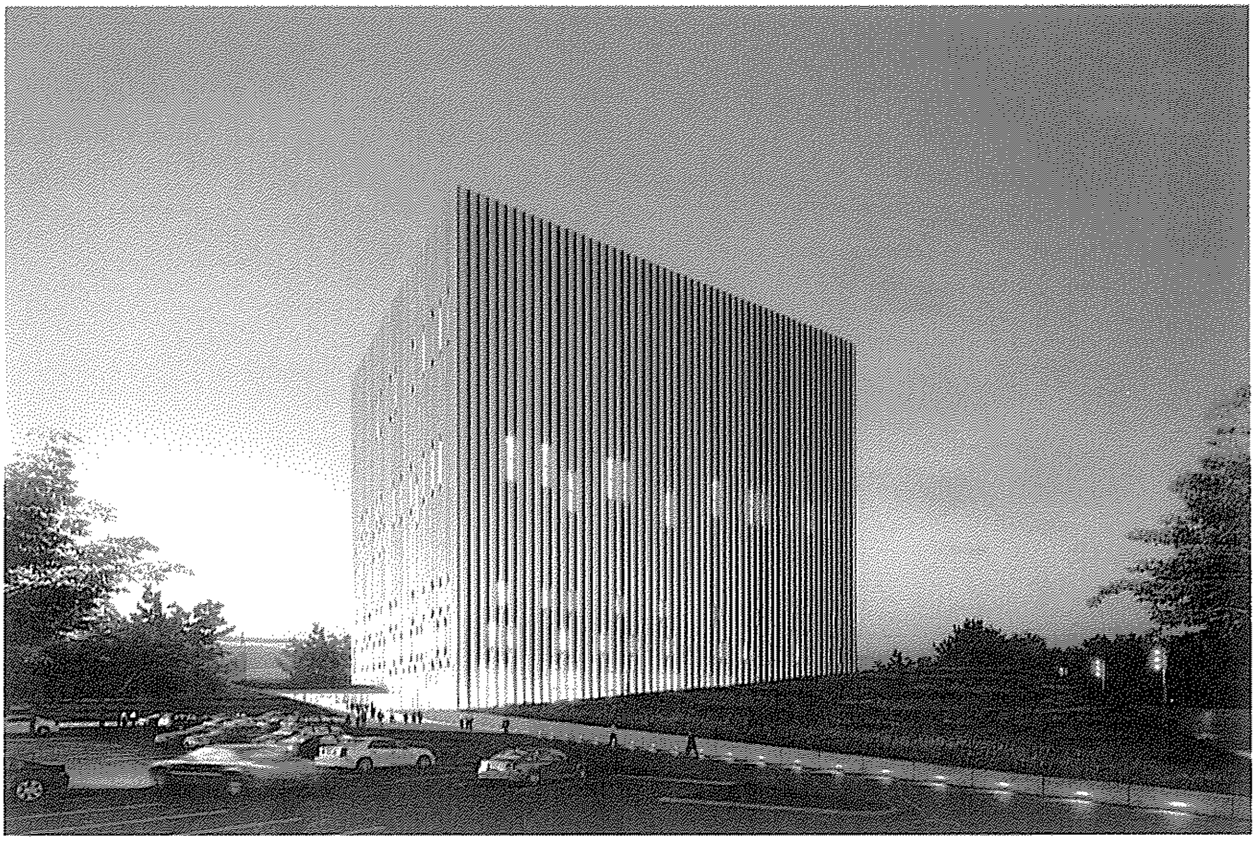




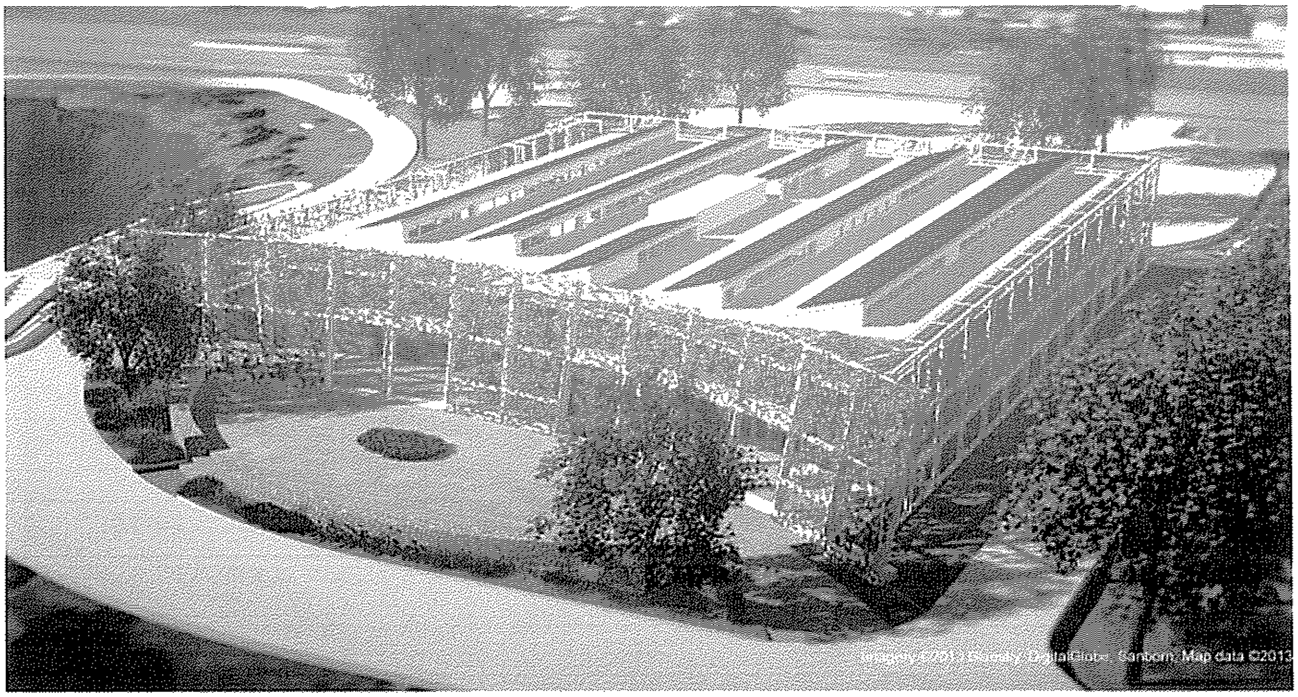
Hunters Point Library, Queens

Elmhurst Library, Queens

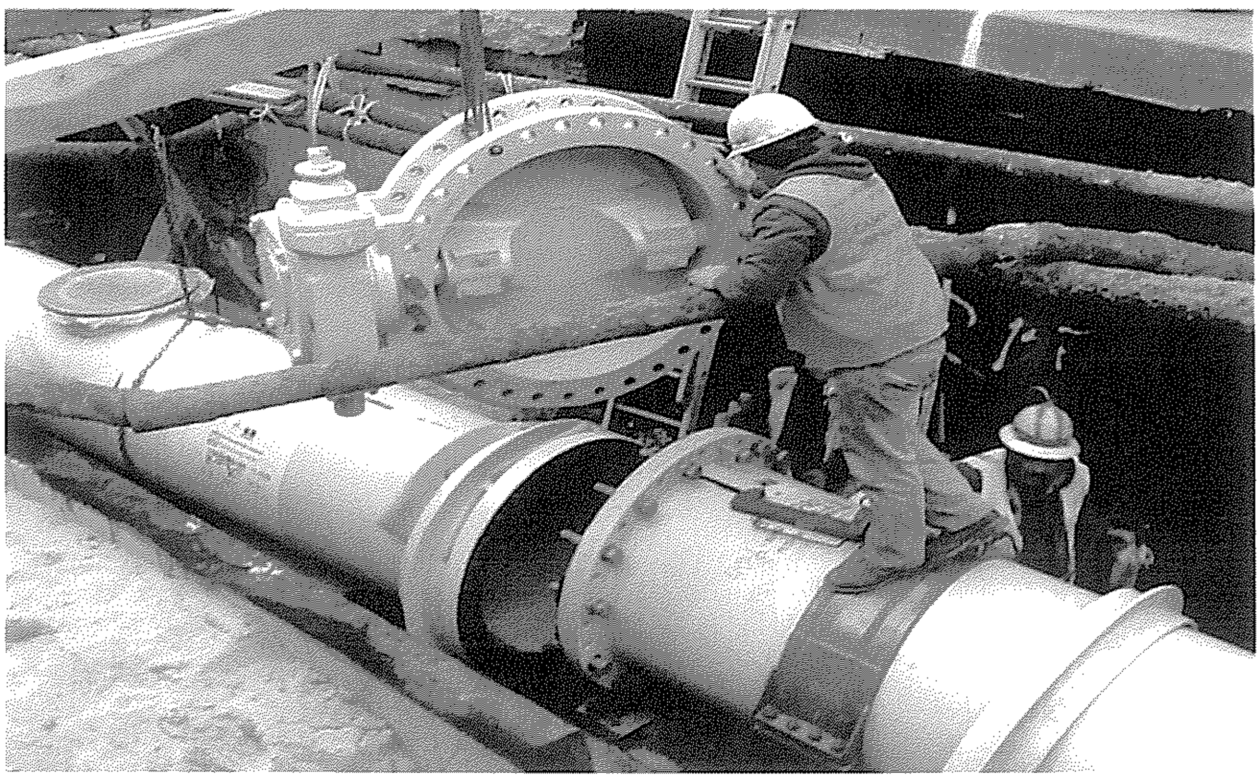

Police Academy, Queens



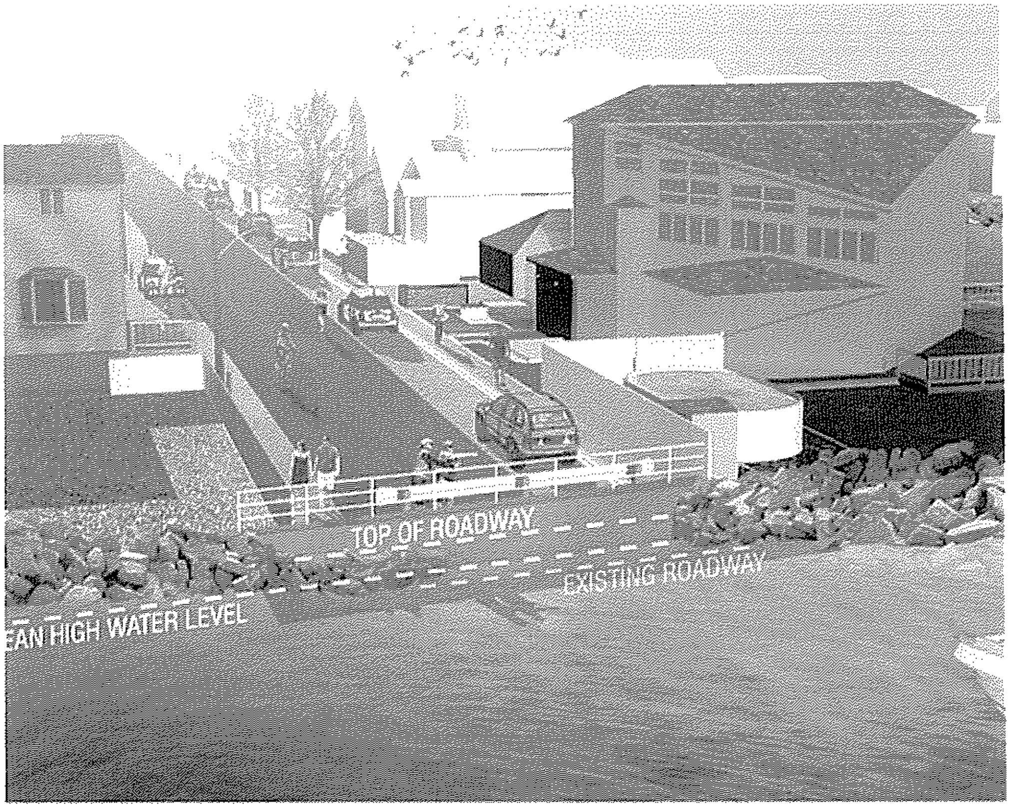
Public Safety Answering Center II, Bronx

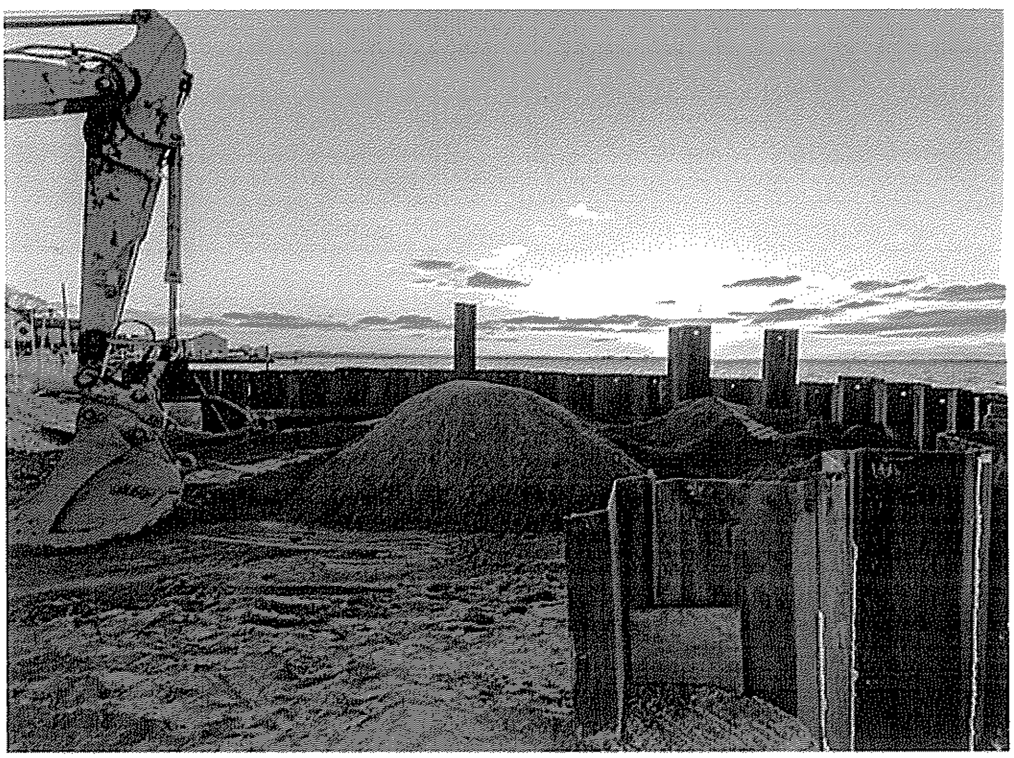


Bronx River House

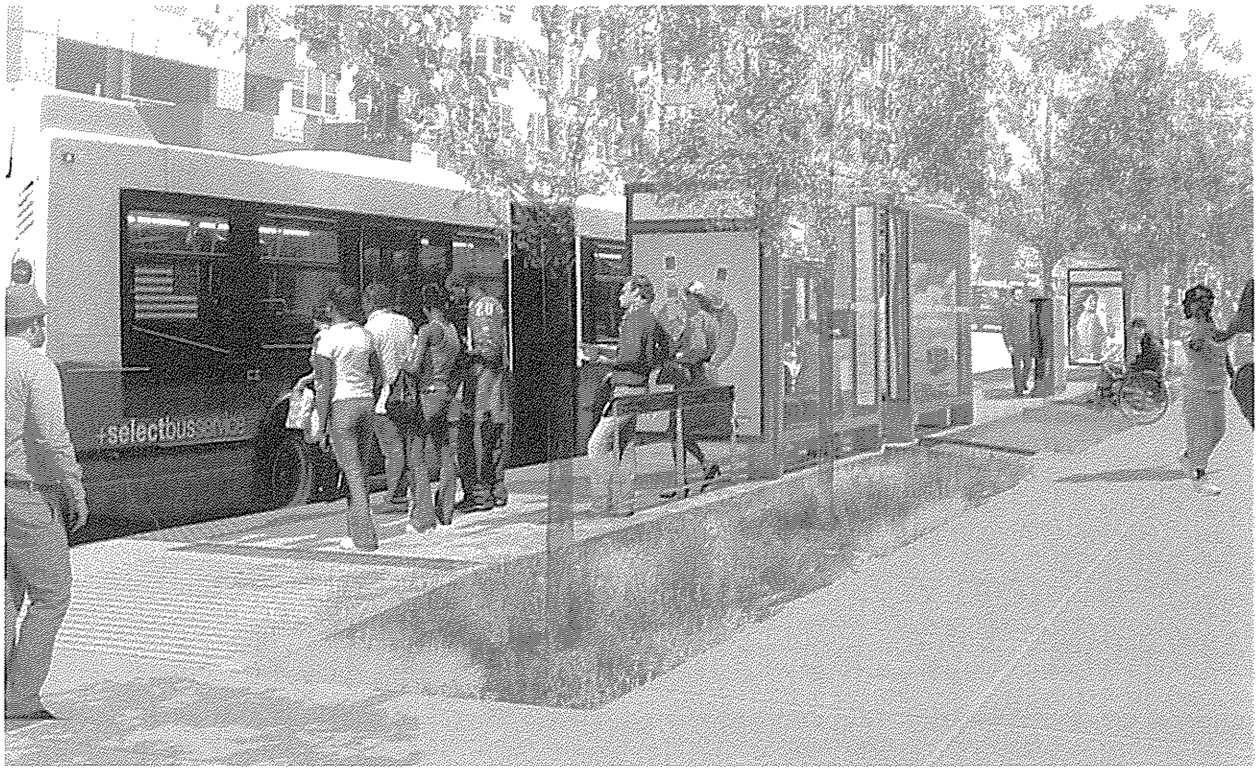


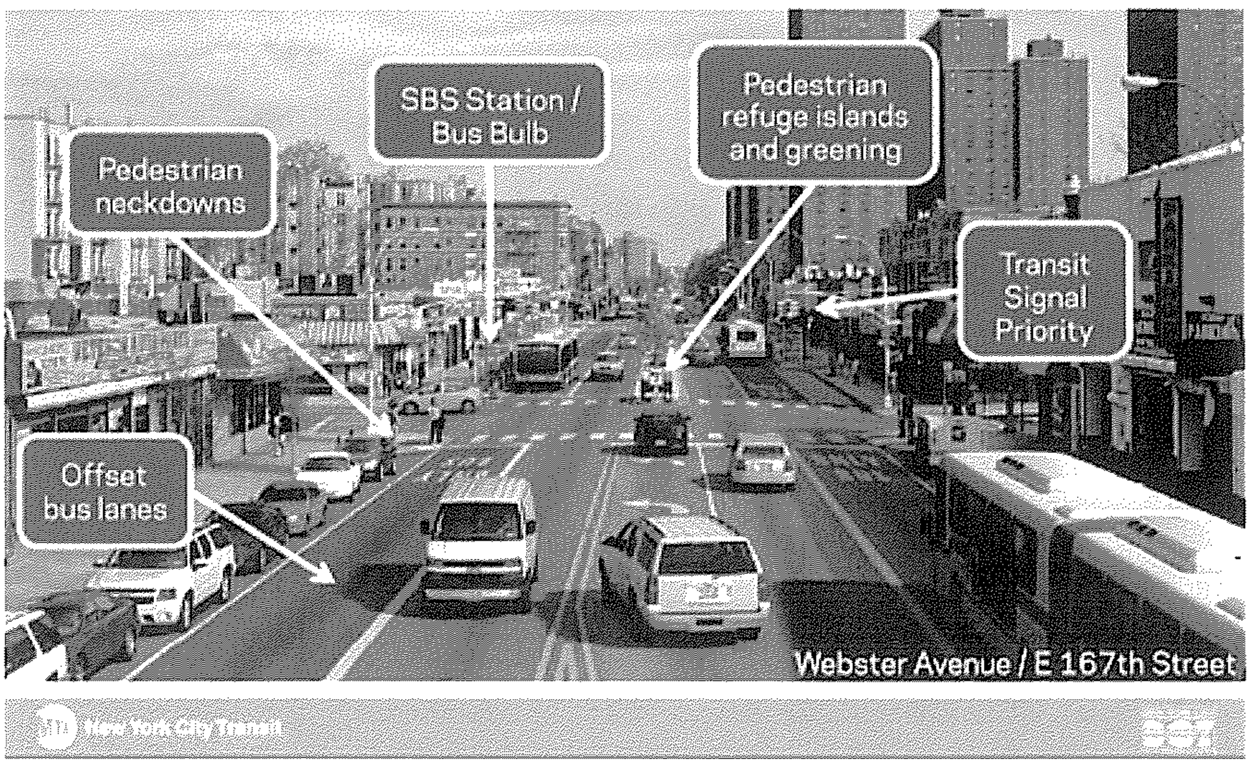
Water Tunnel No. 3 Shaft Connections, Manhattan



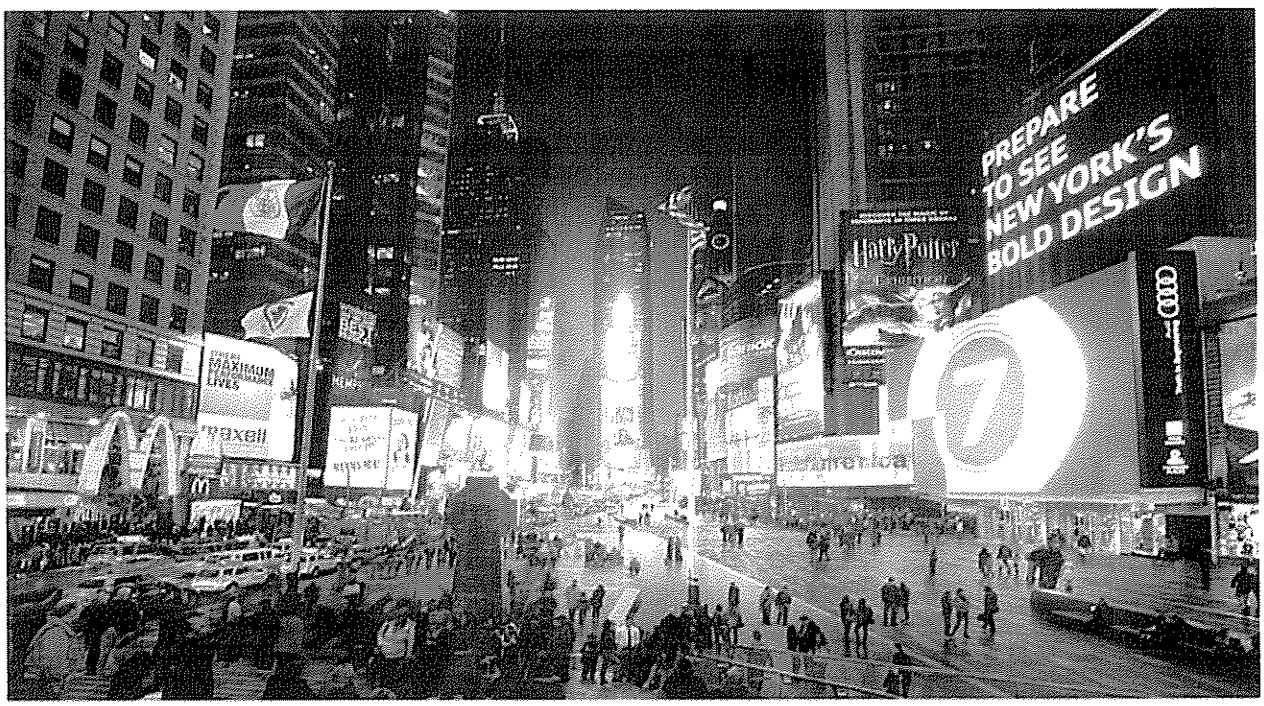


Broad Channel, Queens

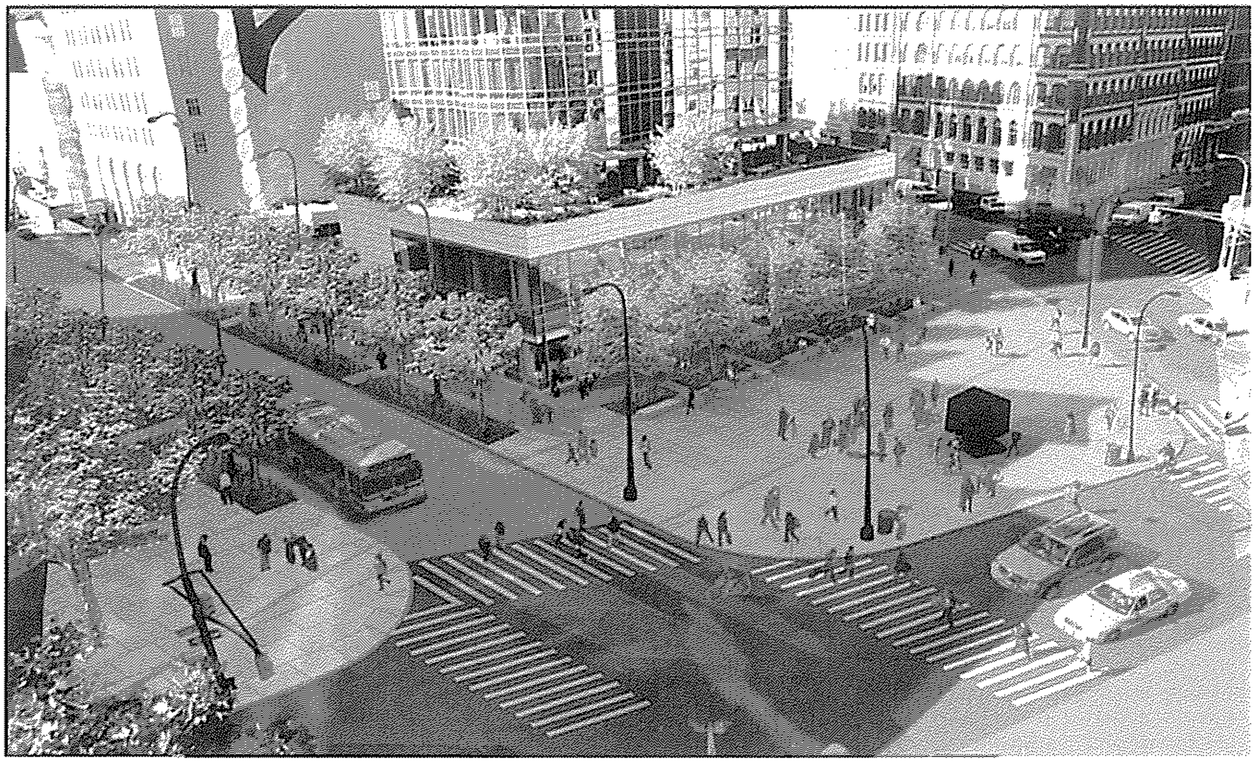


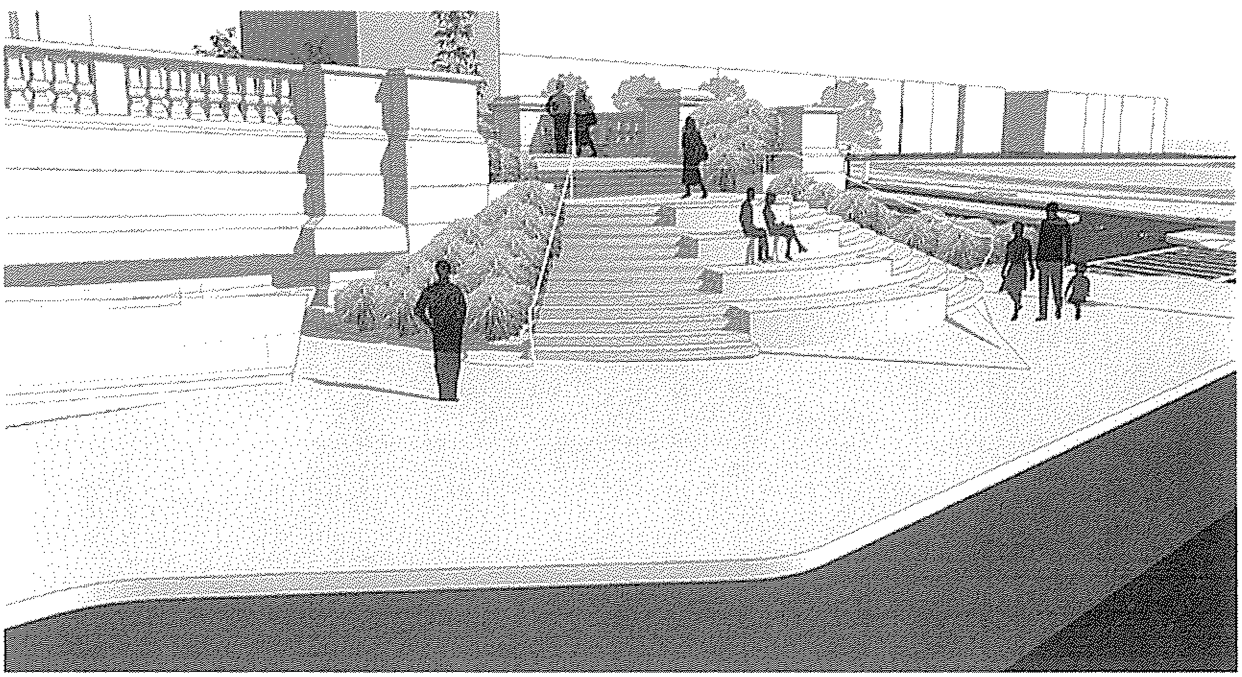


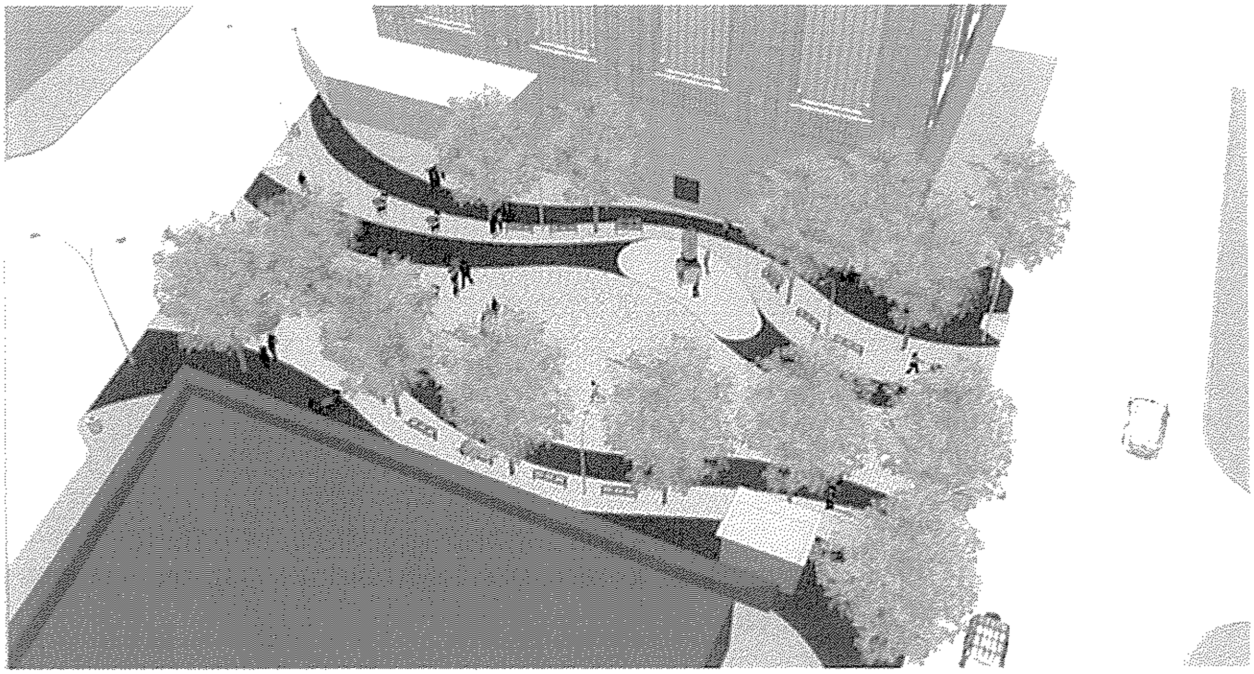
Select Bus Service, Manhattan



Times Square, Manhattan

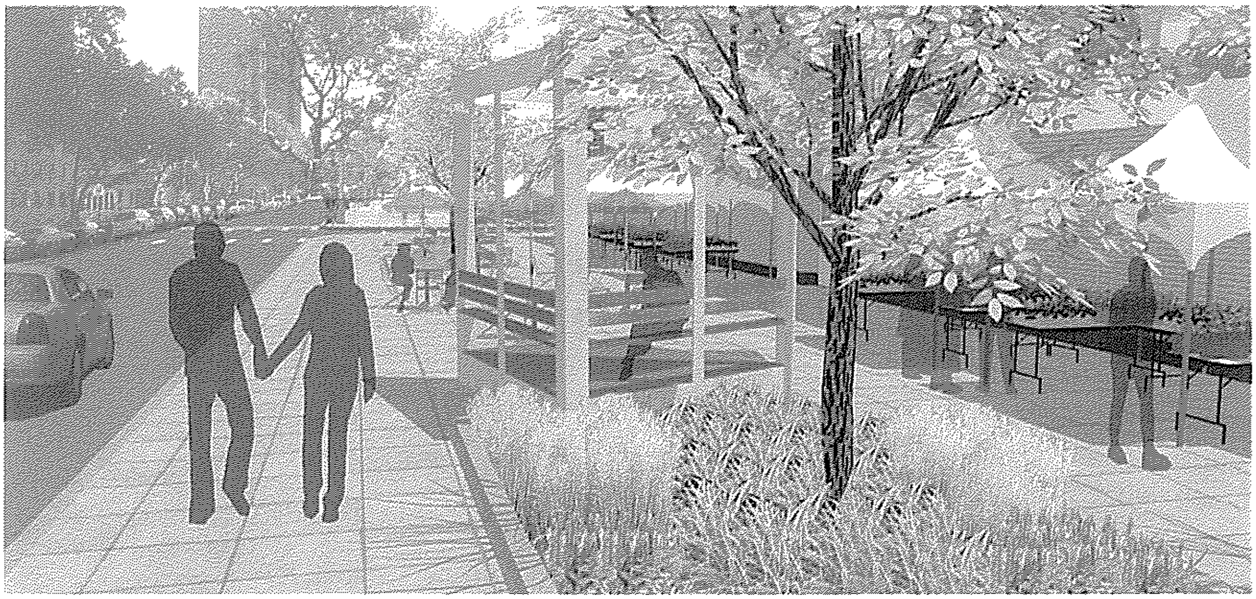

Astor Place Plaza, Manhattan


Forsyth Plaza, Manhattan

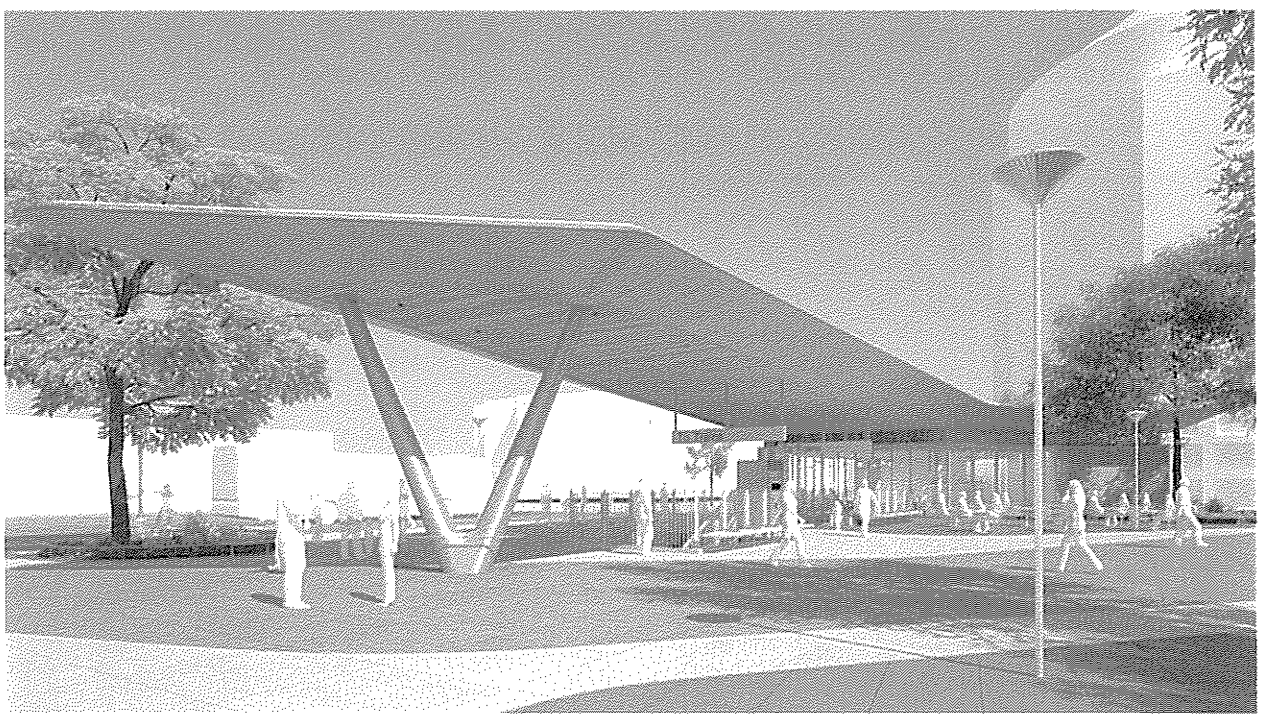


Plaza De Las Americas, Manhattan

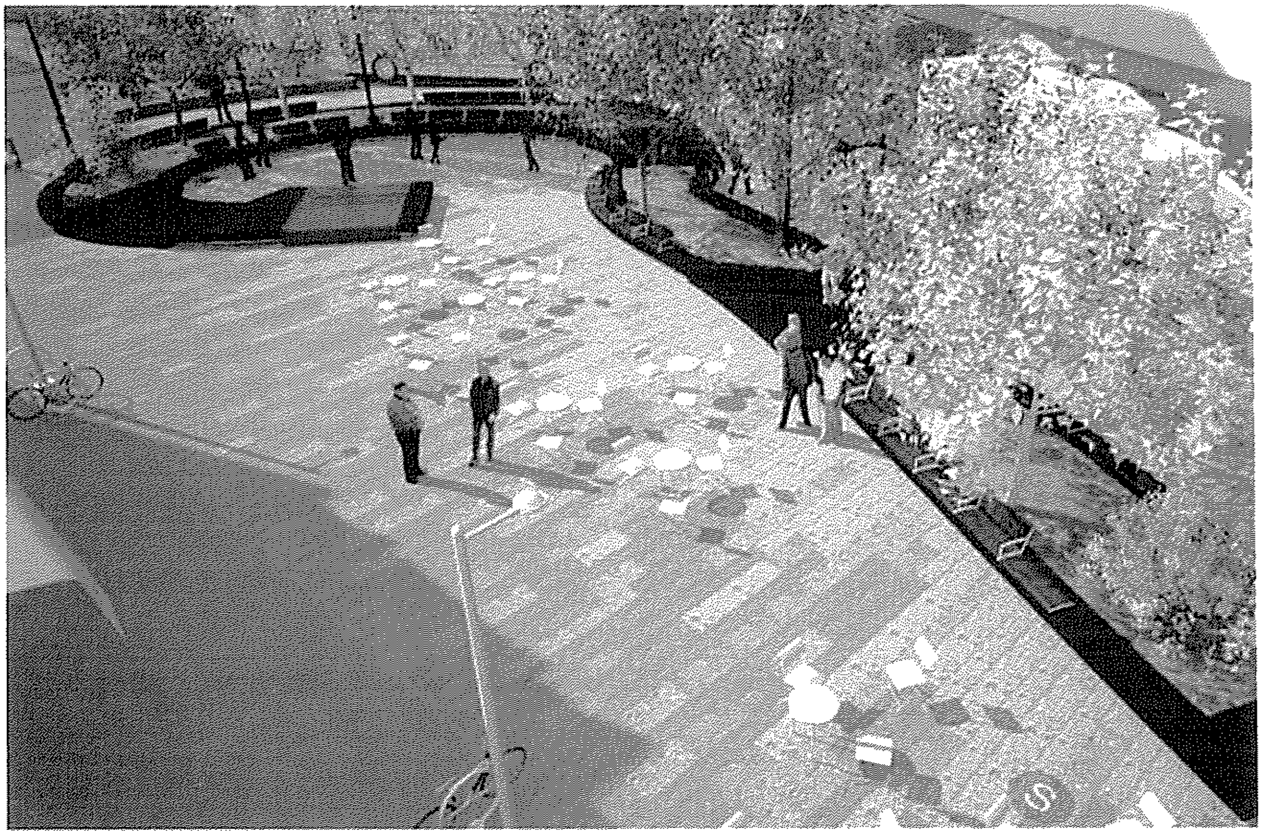
Myrtle Avenue Plaza, Brooklyn



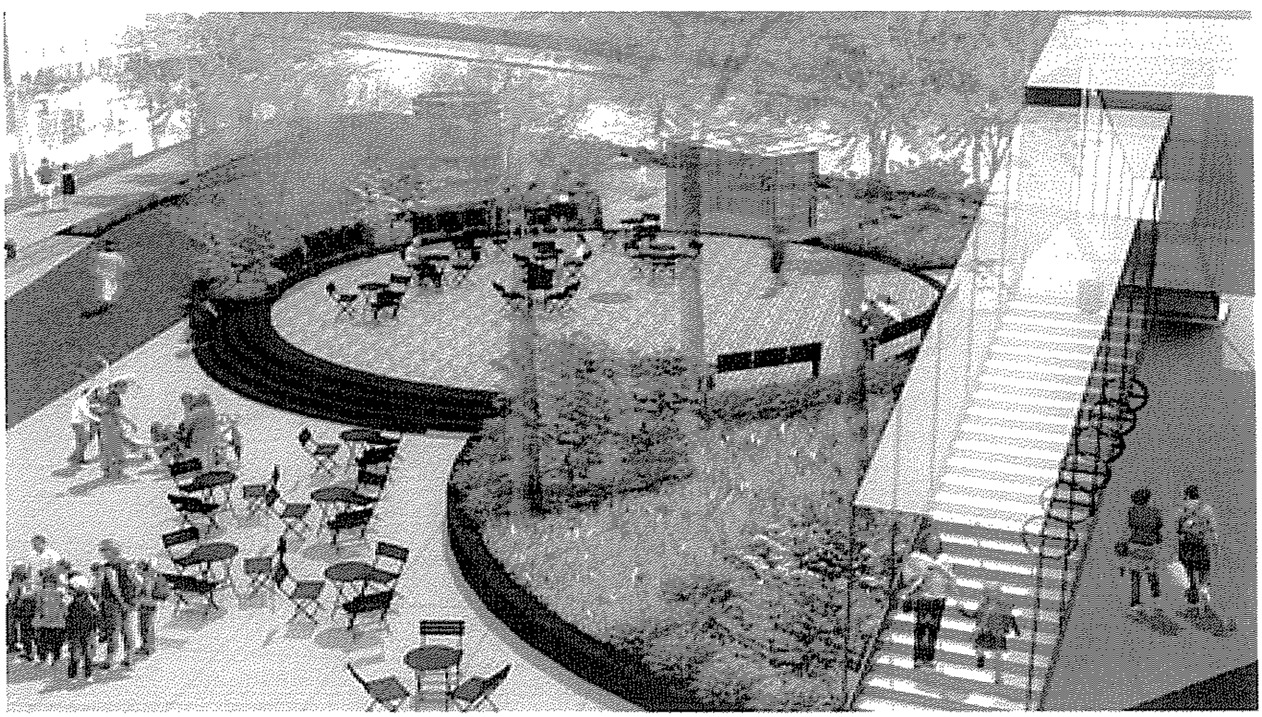
Humboldt Plaza, Brooklyn



Fordham Plaza, Bronx

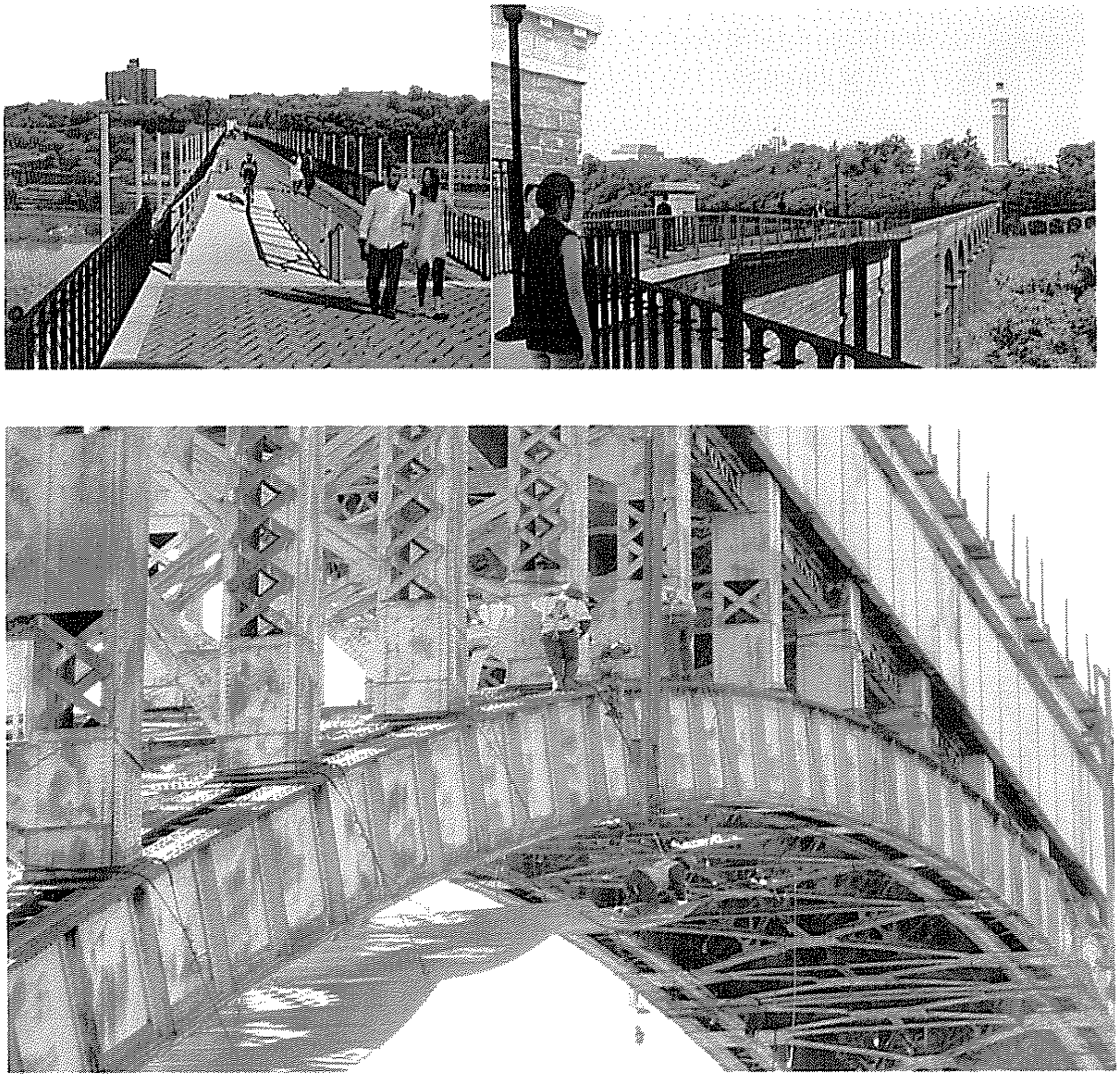


Roberto Clemente Plaza, Bronx



Corona Plaza, Queens

East Side Coastal Resiliency, Manhattan



The High Bridge Restoration, Manhattan to the Bronx

THE CITY OF NEW YORK
OFFICE OF THE COMPTROLLER
SCOTT M. STRINGER

TESTIMONY OF NEW YORK CITY COMPTROLLER
SCOTT M. STRINGER

COMMENTS ON NEW YORK CITY'S FY 2016
PRELIMINARY BUDGET BEFORE MEMBERS OF THE
NEW YORK CITY COUNCIL FINANCE COMMITTEE

March 4, 2015

Good afternoon, Chairperson Ferreras and members of the Committee. It's a pleasure to be here and discuss our analysis of New York City's FY 2016 Preliminary Budget.

Joining me here today is Tim Mulligan, Deputy Comptroller for Budget.

We're meeting at a time of relative prosperity in New York City. Our recovery from the Great Recession continues. Revenue collections have been outpacing projections -- and our budget growth is appropriately moderate and controlled.

But we cannot waste this moment of opportunity with complacency. We've got to double down and manage our finances effectively – so we can maximize our resources to solve problems and invest in the future.

I'll begin by talking about the City's Capital Budget and the new 10-year Capital Strategy. The Mayor's new Strategy projects that we'll spend $67.7 billion on capital initiatives through FY25. That's a <u>26% increase</u> since the last ten-year strategy two years ago. And I applaud the Administration's commitment to investing in infrastructure. But it's important to look at the reality of what actually happens with capital spending and our planned capital commitments.

This is an analysis that has been all but impossible in the past, due to limitations in the data. This year, we decided it was a problem that had to be faced.

Last week, my office released a report comparing the capital commitments that were scheduled to happen with the contracts that actually got executed.

We did this at a level of detail that's never been available before. The report analyzes more than $14 billion in planned commitments—some 1,600 budget lines across 25 agencies.

Our findings were very revealing:

Since FY05, the city has achieved an average of 60% of its planned commitments. But in FY14, only 52 percent of capital commitments were achieved – or actually contracted by the city. That was the second lowest rate in the last ten years.

Bottom line is that capital commitments are only as good as your ability to complete them.

Now let's look at the FY 16 Preliminary Budget. I want to commend the mayor for funding several important programs that include:

- $16 million for rental assistance for the homeless
- $11 million to FDNY to cut EMS response times
- $10 million to NYPD to increase police cadet headcount, and
- $4.2 million to the Department for updated bulletproof vests – to name a few.

Let me give you an overview of the proposed Budget and Financial Plan:

The fastest and largest growing budget categories – like salaries, debt service and employee health insurance – are projected to grow by an average 4.7% a year. The large budget categories that are growing at a slower rate include Medicaid, public assistance and non-personal service costs of city agencies.

What's surprising is that pensions are also in this category. As of now, the current stability in our pension contributions has helped us afford our increased salary costs.

That's because the average yearly salary growth from FY15 to FY19 is 3.6% – while the growth in pension contributions has flattened out to almost zero.

That's a big change. From FY09 to FY13, average yearly pension growth was 6.5%. The change to that trajectory is effectively paying for more than half of the increased salary costs.

This is good news. But there's no guarantee it will continue. A lot depends on the market, and if pension contributions rise more dramatically, there will be pressure on the budget.

So we must be prepared. At the very least, we've got to create a citywide efficiency savings program.

In the aftermath of the 1970's fiscal crisis, the City regularly implemented efficiencies from agencies through PEG programs. These efficiencies add up. The City saved more than $6.5 billion in FY14 alone from PEGs implemented between 2008 and 2013.

In November, City agencies were asked for savings proposals. They are now expected in the Executive Budget this spring.

If an agency efficiency program equivalent to those in the past is implemented, the City would save $1 billion in FY16 alone. And if that program were continued together with new savings initiatives each year, by the end of this plan – FY19 – the cumulative impact would be <u>$10 billion!</u>

Now I want to talk about another area where we're leaving money on the table.

There's no question that, on average, the growth in our state and federal revenue has not kept pace with the growth in our expenditures.

Our state and federal revenue growth rate is 2.5% -- but our expenditures have grown at nearly double that rate. The upshot is that city taxpayers are footing more of the cost of running city government.

For decades, New York City has been an economic engine for the state and the nation. But we aren't getting our fair share of federal and state funding.

If we were still receiving our long term average of federal revenue, New York City would have had an additional $2 billion from FY09 through FY14.

If we were still getting our long term average of revenue from the state, we would have had an additional $7.7 billion.

That includes the billions we are owed from the Campaign for Fiscal Equity. And don't forget the billions we've lost in revenue sharing, which was our only source of unrestricted state aid. This is the sixth year in a row that New York City has been excluded from the program.

When you add it all up, the total again comes to almost $10 billion over the past five years.

That's why I was in Albany last week, calling on New York City legislators to fight hard for the city to reclaim its fair share of funding.

How much is $10 billion worth to us? Think of the possibilities:

We could double what's in the City budget for child care and Head Start – and still only tap into a quarter of that money.

We could triple what's spent on prison health at Rikers – and use only 5% of that fair share figure.

We could quadruple the budget for family shelters, and it would still be less than a quarter of almost $10 billion.

But we can't just blame the state and federal governments for our funding shortfall. The City has missed opportunities to collect reimbursements to which we're entitled. For example:

NYCHA failed to take advantage of $692 million in federal funding going back to FY06.

From FY12 through FY14, DOE lost out on $779 million in revenues. They failed to successfully claim funds ranging from Medicaid reimbursements for special education, to funding for broadband connectivity in our schools.

So what can be done?

As an oversight entity, the Council has the authority to hold hearings on E-Rate reimbursements, on Medicaid funding, and on NYCHA's pending opportunities for new funding.

We must work together to hold agencies' feet to the fire – so not a single dollar is left on the table.

Finally, let me talk about our analysis of the Preliminary Budget.

We've done an independent projection, and anticipate added tax revenue of $1 billion in FY15 and FY16, and nearly $3.5 billion in the out years. These higher numbers stem from projected Income Tax payments on capital gains and Real Estate Transaction taxes.

The net impact is significantly lower budget gaps. We project that NYC will have nearly enough funds to close all of our out year gaps – all the way through 2019.

Now, why has this happened?

In four out of the last five years, the Gross City Product has grown faster than the nation's Gross Domestic Product. In FY14, our economy grew at 3.1 percent – compared to the national rate of 2.4 percent.

But make no mistake – this is the not the roaring 90's – when the city's growth rate was 5.2% and the nation's growth rate was 4.1%.

The recovery is not being felt by every day New Yorkers and the reason is virtually non-existent growth in wages. If you adjust for inflation, average workers here are making less than before the Recession. One remedy is to raise the minimum wage for city workers—and for the City to obtain the statutory authority to set its own rate.

That won't end flat wage growth. But it will help workers at the bottom of the pay scale—and pressure firms to raise wages for workers earning just above the minimum.

To conclude, our economy continues to recover – but we've always got to be prepared for an unexpected downturn. Being disciplined, however, doesn't mean we shouldn't be ambitious.

We've got to:

Rebuild NYCHA, turn Rikers around, combat homelessness, build more affordable housing, and give our children state-of-the-art broadband.

As economic growth slows, we've also got to manage our finances with discipline. Which is why we are working with OMB to maximize our debt service savings from re-financings.

We're doing this not just for immediate budgetary relief, but for long-term recurring savings that address rising future costs.

These two goals – investing in the future and maintaining fiscal discipline -- are not incompatible.

Where they converge, our city thrives. I'm happy to answer your questions.

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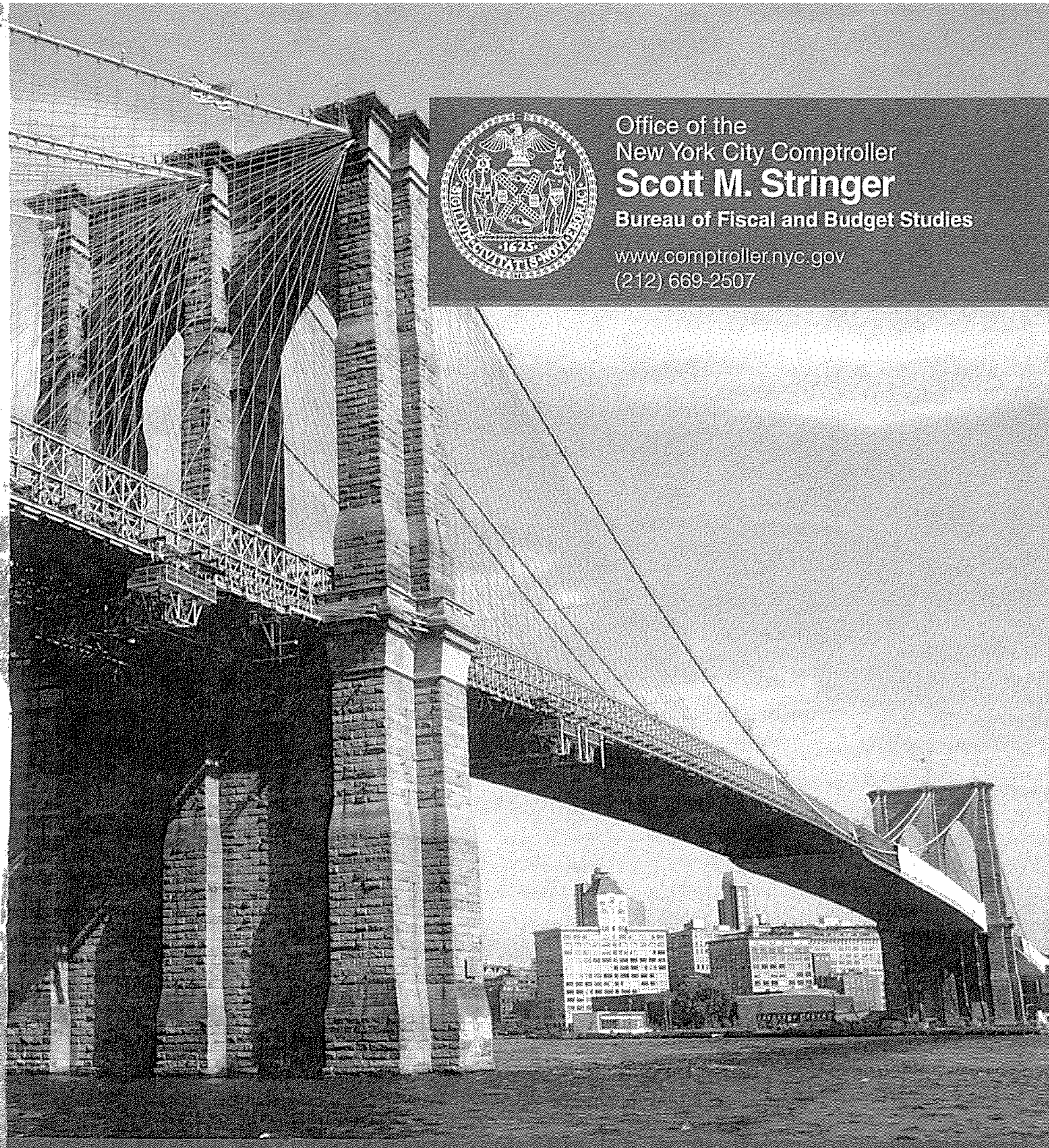

Comments on New York City's Preliminary Budget for Fiscal Year 2016 and Financial Plan for Fiscal Years 2015-2019

March 4, 2015

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Kettly Bastien
Amitabha Basu
Rosa Charles
Stephen Corson
Peter E. Flynn
Michele Griffin
Michael Hecht
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Andrew McWilliam
Marcia Murphy
Jane Pyon
Andrew Rosenthal
Orlando Vasquez

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New York City is now in the sixth year of recovery from the last recession. The national economy continues to grow, but at a slower rate compared to the growth experienced in the 1990's. For four of the last five years, the City's economy grew faster than the nation's. In 2014, the City added 86,400 new jobs and the unemployment rate averaged 6.2 percent – the lowest rate since 2008. One factor contributing to the City's faster growth is the concentration of successful industries in New York City, such as technology, media and information firms that compete nationally and internationally.

Despite the continued recovery, wages have not kept pace with inflation over this period, which means in real terms, that they have declined. Wage stagnation in New York City is exacerbated by the fact that new jobs have been increasingly concentrated in low-wage industries. Despite the uneven composition of job creation, overall economic growth should continue through 2015.

The Preliminary FY 2016 budget totals $78.55 billion, reflecting an increase of $773 million in revenues and a decrease of $1.06 billion in expenditures since the November Plan. The expenditure reduction is the result of a $1.47 billion increase in the roll from FY 2015 into FY 2016, enabled by re-estimates of FY 2015 revenues and expenditures. FY 2015 revenues were increased by $1.07 billion while expenditures were reduced by $400 million. Netting out the impact of the increase in the roll, City-fund expenditures in FY 2016 are $326 million above the November estimates. The growth is primarily due to increased agency spending and additional costs related to the labor agreement with the Uniform Superior Officers Coalition (USOC) applied to all uniformed employees, and the agreement with the Council of School Supervisors and Administrators (CSA).

The roll, reflected in the Plan in the FY 2015 Budget Stabilization Account (BSA), is lower than the roll in last year's Preliminary FY 2015 Budget.[1] The FY 2015 BSA totals $1.58 billion compared to the FY 2014 BSA of $1.77 billion from the Preliminary FY 2015 Budget. However, the FY 2015 BSA is expected to increase throughout the current fiscal year; the general reserve will likely be taken down further, revenues are likely to come in above projections and prior year payables will be taken down.

From FY 2015 through FY 2019, total expenditures are estimated to grow 9.9 percent. Salaries and wages, which comprise about 30 percent of the City's expenses, are budgeted to grow 15.1 percent during that period. The salary and wage growth in the Financial Plan is largely attributable to the costs stemming from labor agreements between the City and employee unions, and their assumed pattern applied to the unsettled groups.

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[1] The FY 2015 BSA is earmarked to prepay FY 2016 debt service. The prepayment of FY 2016 debt service in FY 2015 essentially allows the City to roll FY 2015 resources into FY 2016 by using current fiscal year resources to pay the following fiscal year's obligations.

Pension contributions, which comprise about 11 percent of the City's budget, remain essentially flat over the Plan period — growing by $2 million. The slower pension contribution growth continues a trend that began in FY 2013. In the seven fiscal years from FY 2013 through FY 2019, actual and projected yearly pension contribution growth is in the single digits or declines. The last seven year period that had comparable slow growth was FY 1993 – FY 1999. Pension contributions experienced double digit growth in all but three of the intervening years between those two periods. The City's current low pension contribution growth is a result of high investment returns — an average of 13.4 percent over the past five years, changes to the actuarial cost methods and amortization schedule made in 2012 and the introduction of less expensive pension plans for new employees. Current stability in City pension contribution growth helped offset some of the growth in salary and wage expenses.

After examining the City's Preliminary FY 2016 Budget, the Comptroller's Office has identified additional resources throughout the Five-Year Financial Plan. The Comptroller's Office projects tax revenues to be above the City's forecast in each year of the Financial Plan by a cumulative $4.5 billion, driven primarily by strength in the property tax and personal income tax collections. The Comptroller's Office also anticipates a cumulative $31 million in additional revenues from speed cameras. Through February, those revenues are already just shy of the City's total budgeted amount for the fiscal year.

The Comptroller's Office anticipates that FY 2015 expenditures will be less than in the February Plan and estimates that the City will spend $100 million less on debt service, will generate $500 million in savings from a re-estimate of prior-year payables, and will not need to use the $300 million left in the General Reserve.

Risks to the Financial Plan include the City's underestimation of overtime spending and overestimation of successful Medicaid claiming by the Department of Education (DOE). The Comptroller's Office projects that uniformed overtime spending in the Police Department and Department of Correction will exceed the budgeted amount by $76 million in FY 2015, $174 million in FY 2016 and $100 million a year beginning in FY 2017. Lower than estimated successful Medicaid claiming by DOE could increase the risk to the Financial Plan by $60 million in FY 2015 and $80 million a year beginning in FY 2016.

Compared to the City's stated gaps, the net resources identified by the Comptroller result in available funds of $1.1 billion in FY 2015 and $509 million in FY 2016 and reduce the three outyear gaps to a combined $1.67 billion. When applying the Comptroller's Office's risks and offsets to the City's plan, FY 2015 is projected to be the first time in seven years that the City will have an operating surplus. In contrast to recent years, the Comptroller's Office projects that the City will generate more resources in the current year compared to its current year expenses.

The prospect of the City achieving an operating surplus is a positive development. However, the need for a larger roll and budget cushion cannot be overstated. Unexpected events can necessitate increased expenditures and cause revenues to decline. While the current Plan is prudent, it is critical for the City to prepare for a downturn. The City can build its budgetary cushion by implementing a citywide agency efficiency program. In past years, a program to eliminate the gap (PEG) saved the City billions of dollars. The historical pattern during the years of the recession was for the City to implement PEGs of about $1 billion. If a similar program with recurring savings were implemented and maintained over the course of the Financial Plan period, the City could save $10 billion by FY 2019. A program of half that size would still yield $5 billion by the end of the Plan period. In November, the Administration requested City agencies to generate savings proposals which are to be incorporated in the Executive Budget in the spring.

Current economic conditions have helped generate manageable outyear gaps. That does not however, diminish the need to maintain discipline in city budgeting. Regularly evaluating costs and incorporating efficiencies is essential for achieving budget discipline. In order to weather unexpected events, the Comptroller's Office believes it is necessary for the City to have a multi-billion dollar budgetary cushion to make it through a downturn. The City must ensure it is in a position to set aside more resources for its future.

Table 1. FYs 2015 – 2019 Financial Plan

($ in millions)

	FY 2015	FY 2016	FY 2017	FY 2018	FY 2019	Changes FYs 2015 – 2019 Dollar	Percent
Revenues							
Taxes:							
General Property Tax	$21,371	$22,345	$23,377	$24,387	$25,456	$4,085	19.1%
Other Taxes	$28,145	$28,787	$29,578	$30,501	$31,443	$3,298	11.7%
Tax Audit Revenues	$912	$711	$711	$711	$711	($201)	(22.0%)
Subtotal: Taxes	$50,428	$51,843	$53,666	$55,599	$57,610	$7,182	14.2%
Miscellaneous Revenues	$7,738	$6,938	$6,805	$6,862	$7,090	($648)	(8.4%)
Less: Intra-City Revenues	($1,967)	($1,804)	($1,814)	($1,825)	($1,825)	$142	(7.2%)
Disallowances Against Categorical Grants	($15)	($15)	($15)	($15)	($15)	$0	0.0%
Subtotal: City Funds	$56,184	$56,962	$58,642	$60,621	$62,860	$6,676	11.9%
Other Categorical Grants	$898	$832	$840	$848	$845	($53)	(5.9%)
Inter-Fund Revenues	$574	$547	$543	$546	$546	($28)	(4.9%)
Federal Categorical Grants	$8,399	$6,618	$6,433	$6,389	$6,297	($2,102)	(25.0%)
State Categorical Grants	$12,493	$12,772	$13,181	$13,638	$13,682	$1,189	9.5%
Total Revenues	$78,548	$77,731	$79,639	$82,042	$84,230	$5,682	7.2%
Expenditures							
Personal Service							
Salaries and Wages	$24,241	$24,875	$25,014	$26,413	$27,842	$3,601	14.9%
Pensions	$8,582	$8,534	$8,504	$8,490	$8,586	$4	0.0%
Fringe Benefits	$8,660	$9,177	$9,682	$10,287	$11,019	$2,359	27.2%
Subtotal-PS	$41,483	$42,586	$43,200	$45,190	$47,447	$5,964	14.4%
Other Than Personal Service							
Medical Assistance	$6,447	$6,415	$6,415	$6,415	$6,415	($32)	(0.5%)
Public Assistance	$1,476	$1,407	$1,413	$1,413	$1,413	($63)	(4.3%)
All Other	$25,110	$23,261	$23,510	$23,932	$24,053	($1,057)	(4.2%)
Subtotal-OTPS	$33,033	$31,083	$31,338	$31,760	$31,881	($1,152)	(3.5%)
Debt Service							
Principal	$2,002	$2,267	$2,307	$2,282	$2,228	$226	11.3%
Interest & Offsets	$2,158	$2,390	$2,555	$2,682	$2,821	$663	30.7%
Subtotal Debt Service	$4,160	$4,657	$4,862	$4,964	$5,049	$889	21.4%
FY 2014 BSA	($2,006)	$0	$0	$0	$0	$2,006	(100.0%)
FY 2015 BSA	$1,578	($1,578)	$0	$0	$0	($1,578)	(100.0%)
TFA Debt Redemption	($99)	($103)	$0	$0	$0	$99	(100.0%)
TFA STAR Defeasance	($16)	($234)	($201)	($198)	$0	$16	(100.0%)
TFA Debt Service							
Principal	$828	$728	$887	$926	$1,193	$365	44.1%
Interest & Offsets	$1,254	$1,646	$1,665	$1,845	$1,809	$555	44.3%
Subtotal TFA	$2,082	$2,374	$2,552	$2,771	$3,002	$920	44.2%
General Reserve	$300	$750	$750	$750	$750	$450	150.0%
	$80,515	$79,535	$82,501	$85,237	$88,129	$7,614	9.5%
Less: Intra-City Expenses	($1,967)	($1,804)	($1,814)	($1,825)	($1,825)	$142	(7.2%)
Total Expenditures	$78,548	$77,731	$80,687	$83,412	$86,304	$7,756	9.9%
Gap To Be Closed	**$0**	**$0**	**($1,048)**	**($1,370)**	**($2,074)**	**($2,074)**	**N/A**

Table 2. Plan-to-Plan Changes
February 2015 Plan vs. November 2014 Plan

($ in millions)

	FY 2015	FY 2016	FY 2017	FY 2018
Revenues				
Taxes:				
General Property Tax	$201	$144	$222	$292
Other Taxes	$842	$553	$381	$369
Tax Audit Revenues	$1	$2	$2	$2
Subtotal: Taxes	$1,044	$699	$605	$663
Miscellaneous Revenues	$73	($43)	($35)	($38)
Less: Intra-City Revenues	($43)	$31	$31	$31
Disallowances Against Categorical Grants	$0	$0	$0	$0
Subtotal: City Funds	$1,074	$687	$601	$656
Other Categorical Grants	$50	($45)	($33)	($21)
Inter-Fund Revenues	$29	$14	$3	$4
Federal Categorical Grants	$432	$186	$52	$11
State Categorical Grants	$26	($69)	($142)	($205)
Total Revenues	$1,611	$773	$481	$445
Expenditures				
Personal Service				
Salaries and Wages	$463	$374	$293	$352
Pensions	($5)	($94)	$12	($303)
Fringe Benefits	($47)	$61	$83	$107
Subtotal-PS	$411	$341	$388	$156
Other Than Personal Service				
Medical Assistance	$0	$0	$0	$0
Public Assistance	$16	$0	$0	$0
All Other	$535	$181	($22)	($134)
Subtotal-OTPS	$551	$181	($22)	($134)
Debt Service				
Principal	$0	$0	$0	$0
Interest & Offsets	($264)	($141)	($63)	($38)
Subtotal Debt Service	($264)	($141)	($63)	($38)
FY 2014 BSA and Discretionary Transfers	$0	$0	$0	$0
FY 2015 BSA and Discretionary Transfers	$1,473	($1,473)	$0	$0
TFA Debt Redemption	$0	$0	$0	$0
STAR TFA Debt Defeasance	($0)	($0)	($0)	($0)
TFA Debt Service				
Principal	$62	$0	$0	$0
Interest & Offsets	($129)	($1)	$5	$29
Subtotal TFA	($67)	($1)	$5	$29
General Reserve	($450)	$0	$0	$0
	$1,654	($1,093)	$308	$13
Less: Intra-City Expenses	($43)	$31	$31	$31
Total Expenditures	$1,611	($1,062)	$339	$44
Gap To Be Closed	**$0**	**$1,835**	**$142**	**$401**

Table 3. June 2014 Plan to February Plan

($ in millions)

	FY 2015	FY 2016	FY 2017	FY 2018
Revenues				
Taxes:				
General Property Tax	$390	$259	$342	$417
Other Taxes	$1,217	$690	$523	$517
Tax Audit Revenues	$203	$2	$2	$2
Subtotal: Taxes	$1,810	$951	$867	$936
Miscellaneous Revenues	($282)	($58)	($183)	$238
Less: Intra-City Revenues	($170)	$18	$11	$5
Disallowances Against Categorical Grants	$0	$0	$0	$0
Subtotal: City Funds	$1,358	$911	$695	$1,179
Other Categorical Grants	$89	($44)	($32)	($19)
Inter-Fund Revenues	$41	$28	$25	$28
Federal Categorical Grants	$1,941	$289	$127	$96
State Categorical Grants	$92	($48)	($113)	($175)
Total Revenues	$3,521	$1,136	$702	$1,109
Expenditures				
Personal Service				
Salaries and Wages	$494	$207	$39	$25
Pensions	($13)	($299)	($396)	($918)
Fringe Benefits	($10)	$138	$222	$315
Subtotal-PS	$471	$46	($135)	($578)
Other Than Personal Service				
Medical Assistance	$0	$0	$0	$0
Public Assistance	$48	$0	$0	$0
All Other	$2,470	$573	$372	$261
Subtotal-OTPS	$2,518	$573	$372	$261
Debt Service				
Principal	($145)	($98)	$1	$0
Interest & Offsets	($165)	($155)	($74)	($38)
Subtotal Debt Service	($310)	($253)	($73)	($38)
FY 2014 BSA and Discretionary Transfers	($23)	$0	$0	$0
FY 2015 BSA and Discretionary Transfers	$1,578	($1,578)	$0	$0
TFA Debt Redemption	$0	$0	$0	$0
STAR TFA Debt Defeasance	($16)	($234)	($201)	($198)
TFA Debt Service				
Principal	$63	($187)	($164)	($157)
Interest & Offsets	($140)	$126	$69	$91
Subtotal TFA	($77)	($61)	($95)	($66)
General Reserve	($450)	$0	$0	$0
	$3,691	($1,507)	($132)	($619)
Less: Intra-City Expenses	($170)	$18	$11	$5
Total Expenditures	$3,521	($1,489)	($121)	($614)
Gap To Be Closed	**$0**	**$2,625**	**$823**	**$1,723**

Table 4. Risks and Offsets

($ in millions, positive numbers decrease the gap and negative numbers increase the gap)

	FY 2015	FY 2016	FY 2017	FY 2018	FY 2019
City Stated Gap	**$0**	**$0**	**($1,048)**	**($1,370)**	**($2,074)**
Tax Revenues					
Property Tax	$0	$113	$320	$210	$1,050
Personal Income Tax	232	424	542	559	517
Business Taxes	(50)	(53)	(25)	60	50
Sales Tax	0	21	33	30	20
Real-Estate-Related Taxes	117	228	219	36	(137)
Subtotal	**$299**	**$733**	**$1,089**	**$895**	**$1,500**
Speed Camera Revenues	**$5**	**$20**	**$6**	**$0**	**$0**
Expenditures					
Overtime	($76)	($174)	($100)	($100)	($100)
DOE Medicaid Reimbursement	(60)	(80)	(80)	(80)	(80)
DOE Full-Day UPK State Support	0	(40)	(40)	(42)	(42)
VRDB Rate Savings	100	50	0	0	0
General Reserve	300	0	0	0	0
Prior-Year Estimates Adjustment	00	0	0	0	0
Subtotal	**$764**	**($244)**	**($220)**	**($222)**	**($222)**
Total (Risks)/Offsets	**$1,068**	**$509**	**$875**	**$673**	**$1,278**
Restated (Gap)/Surplus	**$1,068**	**$509**	**($173)**	**($697)**	**($796)**

II. The State of the City's Economy

While 2014 fit the pattern of the post-recession recovery with U.S. real GDP expanding by only 2.4 percent, some underlying trends suggest that the economy is finally gaining momentum. After harsh winter weather contributed to a first-quarter decline in economic output, the national economy grew at an average annual rate of 3.9 percent for the rest of the year. Even more auspiciously, employment growth strengthened notably, with 2014 finishing as the best year for U.S. job creation in 14 years. Although not all of the impediments to rapid economic growth have been resolved, 2015 begins with more economic promise than any year since the 2007-2008 financial crisis.

The foremost impediment to faster economic growth in 2015 is the persistent weakness in wage growth. Without more robust wage growth, households cannot increase their spending enough to pull the economy from its lethargic pace. Other impediments to growth include the continued financial uncertainty in the Euro zone and the consequent strengthening of the dollar. Faltering economic growth in Europe, China, Japan and other economic centers may also dampen U.S. growth.

The city's economy is expected to grow at about the same rate as the national economy. Although the city's growth has somewhat outpaced that of the nation since the recovery began, the intimate linkages between the local and national economies usually produce a convergence of growth rates over time.

A. U.S. ECONOMIC OUTLOOK

After a severe winter contributed to a very disappointing first quarter of 2014, the U.S. economy heated up in the spring and produced some of its strongest results since the expansion began. The annual economic growth rate was measured at 4.6 percent in the second quarter and 5.0 percent in the third. While the pace cooled in the final quarter of the year, the slowing was due mostly to transitory factors that exaggerated the underlying momentum in the third quarter and understated it in the fourth.

Although headline GDP growth tapered off in the final quarter, employment growth did not. After averaging 232,000 new private-sector jobs per month during the first nine months of the year, job creation jumped to 317,000 per month during the final quarter. Overall, the economy added over 2.6 million private-sector jobs in 2014, the highest total since 1999. Job gains were broadly spread among industries, but the gains were particularly strong in construction, mining, transportation, food service, professional and business services, and ambulatory health care. Job creation was also spread broadly across the country, with states as diverse as Texas, Florida and Oregon scoring big employment increases.

The improvement in the economy in 2014 was largely due to the American consumer. Personal consumption expenditures strengthened as the year progressed and in the fourth quarter increased at their fastest annual rate since the recovery began. Consumption spending on durable goods was particularly strong in 2014, with auto and light truck sales rising by 5.9 percent to 16.5 million vehicles, the most since 2006. In addition to their auto purchases, consumers directed their spending towards building materials and garden supply stores, health and personal care stores, and food service establishments. By comparison, sales at electronics and home furnishing stores were flat, as were sales at clothing and department stores.

The 2.5 percent increase in real personal consumption expenditures was supported primarily by employment increases; for the fourth straight year wage increases barely kept pace with inflation. Household spending was also enabled by a 6.9 percent expansion of consumer credit—the largest yearly increase in consumer credit outstanding since 2006. However, the increase in consumer credit was mostly of the non-revolving type which represents auto loans, college loans, and other-fixed payment debt. Households continued to be restrained in their use of credit cards and other revolving credit, which fell to its lowest level relative to personal income since 1993.

Consumer spending also got a boost from the crash in world petroleum prices, which pushed retail gasoline prices down from an average of $3.75 per gallon at mid-year to $2.62 by the end of 2014. For every 10 cents drop in the retail price of gasoline, American consumers save around $12.6 billion a year, which can be redirected to other types of purchases. If gasoline prices stay roughly where they ended 2014 for all of 2015, households will save approximately $125 billion on their fuel purchases.

Overall, it appears that consumer spending was fairly well balanced in 2014, as is confirmed by a moderate and stable personal savings rate. There is also some upside to the household consumption trend in 2015, if gasoline prices remain low and a tighter labor market finally begins to translate into real wage gains.

The failure of wages to increase much beyond the rate of inflation during this recovery has emerged as a major national concern. Between December 2009 and December 2014, the average real weekly earnings of all private employees increased at only a 0.7 percent annual rate—about one-fourth the rate of real GDP growth and one-twelfth the rate that real corporate profits grew. Undoubtedly, the elevated rate of unemployment has contributed to wage stagnation and if the labor market continues to tighten, some upward pressure on wages will be generated. Nevertheless, the rate of real wage growth has trailed the rate of productivity growth for several decades, making it apparent that the problem has both structural and cyclical aspects. Since GDP growth is dependent on a corresponding growth of final demand from households, only healthier wage growth can provide the household incomes necessary for a strong, sustainable expansion of the economy.

Businesses spending on plant and equipment was an unreliable contributor to GDP growth in 2014, as it has been throughout the recovery. After promising increases in 2011 and 2012, business investment spending softened in 2013. It then picked up again in mid-2014, but sputtered in the final quarter. It is hazardous to read too much into fluctuations in business spending, as many investment projects are planned far in advance, but it is reasonable to assume that many firms continue to wait for convincing increases in demand for their goods and services before investing in increased capacity. The strengthening pace of consumer spending in 2014 should induce more firms to undertake capital investments in 2015, providing an additional boost to economic growth.

The housing sector contributed surprisingly little to GDP growth in 2014. After growing by about 10 percent in both 2012 and 2013, sales of new and existing homes unexpectedly slumped by about 3 percent in 2014. Although new housing starts rose by a respectable 8 percent, the increase was primarily due to multi-family construction activity; single-family home construction remains well below its historical levels. The housing market's loss of momentum suggests that there remain significant obstacles to its full recovery and that it may not provide the boost to this recovery that was widely expected. The slowing of housing activity in response to slightly higher mortgage rates in late 2013 and early 2014 indicates that credit access and affordability remain impediments.

The Federal Reserve has already signaled its desire to normalize monetary policy and its intention to move short term interest rates from the near-zero level they have hovered at since the financial crisis. However, we expect that the Fed will proceed cautiously with normalization and that the effect during 2015 will be mostly symbolic. There is nevertheless the possibility that financial markets will react adversely and that a spike in interest rates or other disruptions will occur.

The other risks to the U.S. economy in 2015 are international in origin. The European Union, America's largest export market aside from Canada, remains trapped in a prolonged economic slump and the recent appreciation of the dollar relative to the euro will make it even more difficult for American firms to market their goods and services there. Moreover, the efforts of the European Commission, the European Central Bank, and the International Monetary Fund to keep the euro currency union intact could go awry, with unpredictable repercussions for world trade and finance.

In summary, the U.S. economy looks poised to have its most prosperous year since the recession. Solid momentum on job creation, continued low interest rates, and an increase in business capital spending should produce an economic growth rate that finally matches the country's historic average. Further upside could be realized through healthier wage and income increases and from a stronger housing market. However, slowing growth and financial instability in Europe, China, Japan and elsewhere will prevent 2015 from resembling the best years of the 1990s.

B. NEW YORK CITY'S ECONOMIC CONDITION AND OUTLOOK

New York City enjoyed its fifth straight year of solid economic growth in 2014. Economic growth, as measured by the change in real gross city product (GCP), was 3.1 percent in 2014 compared to U.S. GDP growth of 2.4 percent. Although the city's rate of economic growth was down somewhat from the previous year, the city's economic fundamentals remain strong and auger well for 2015.

During the five full calendar years of the current recovery, the city's economy has grown at an estimated average annual rate of 2.8 percent. That is a faster rate of growth than the U.S. economy has experienced, but a slower rate of growth than the city's economy attained in 1996-2001 (5.2 percent annually) and in 2005-2007 (3.9 percent annually). Both of those previous periods, however, were characterized by Wall Street booms--the first representing the period of the dot.com boom and the second, the subprime mortgage securitization boom. The city's slower, but steady, economic growth during the current recovery is impressive considering that finance and insurance accounts for about one-quarter of the city's GCP and that the sector has struggled in the years since the financial crisis.

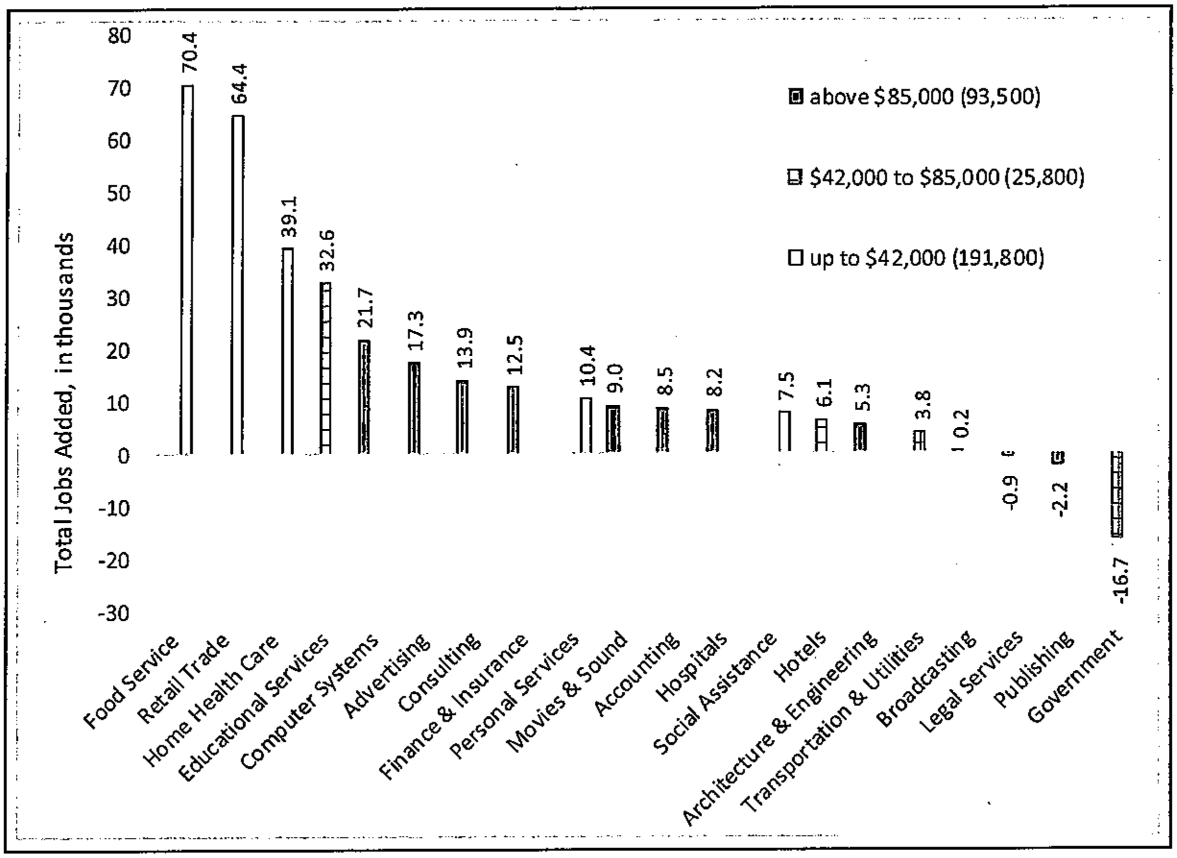
The city's job creation has been particularly impressive. In fact as of December 2014, total private-sector jobs were 306,200, or 9.4 percent, higher than at the previous cyclical peak reached in August 2008. Among the traditional "export" industries that are thought to drive regional economic growth, accounting and bookkeeping services, architectural and engineering services, and management and technical consulting have performed well, adding about 31,000 employees from their recessionary lows. Even the finance sector has regained about one-third of the 42,000 jobs it lost to the financial crisis and recession.

Perhaps the most significant growth, however, has come at the intersection of technology, media and advertising. The emergence of New York's "technology" sector has been apparent in the real estate press (as with, for example, Twitter's recent lease of 214,000 square feet of space in Chelsea), but the reinvigoration of some of New York's more established industries, such as advertising, by technology has only recently become appreciated. The confluence of technology, media, marketing and culture has boosted employment in the city's computer systems design and services industry by about 22,000 since the end of the recession, while the advertising industry's employment has jumped by about 17,000 and the motion picture and sound recording industry's by about 10,000. The development of a cluster of firms that are in high growth areas and take advantage of New York's traditional creative strengths bodes well for the city's future prosperity.

Employment growth in local industries that generate business from outside the city typically fuels corresponding growth in local service sectors that supply those firms or that provide personal services to their employees. During the present recovery that process has generated jobs in retail trade, food service, health care and other industries to an almost puzzling degree. Since December 2009, food service and retail trade alone have accounted for over 32 percent of the entire net job gain, and employment gains in industries that traditionally serve a local clientele have exceeded employment gains in export industries by almost four to one. To an extent, that imbalance can be attributed to the continued growth in tourism, as well as to local population growth. It is also possible, as some economists have recently argued, that creative and technology industries have extremely high jobs multipliers, and that a new ratio of service to export jobs is asserting itself.

Chart 1 shows the net change in jobs in New York City, by wage rate category and industry, from December 2009 to December 2014.

***Chart 1.* Growth of New York City Payroll Jobs, by Wage Rate Category and Industry, December 2009 – December 2014**



SOURCE: NYS Department of Labor and Bureau of Labor Statistics.
NOTE: Jobs are based on annual average of monthly data.

One consequence of employment growth that is skewed toward local service industries is that the incomes of New Yorkers have not expanded as rapidly as might be hoped. According to Bureau of Labor Statistics data, the average weekly earnings of private-sector employees in New York City has increased at only a 1.1 percent rate during the five years of recovery, and has not even kept up with the anemic national rate of earnings growth. Moreover, during those years the cost of living in the New York metropolitan area has increased at a 1.9 percent rate, indicating that the real income of NYC's workers has declined.

Collections from payroll withholding for the City's personal income tax were up by 8.8 percent from July through October. Since collections in those months are not distorted by Wall Street bonus payments, the strong collections suggests that larger wage increases for city workers may finally be occurring. However, such wage increases could be limited to certain industries or classes of workers, so better insight into the wage patterns awaits more detailed data.

The concerns about wage stagnation notwithstanding, the city's overall economic growth and job creation should continue through 2015. A stronger U.S. economy should create better business conditions for New York City firms that do business nationally, and a large increase in venture capital investments in the metropolitan area in 2014 indicate that the creative/technology nexus will experience further expansion. Very strong commercial office leasing activity during 2014 also indicates that the city's firms are feeling confident about the future and may be preparing to expand their operations here.

Table 5 shows the Comptroller's and the Mayor's forecast of five economic indicators for 2015 to 2019:

Table 5. Selected NYC Economic Indicators, Annual Averages, Comptroller's and Mayor's Forecasts, 2015-2019

Selected NYC Economic Indicators, Annual Averages						
		2015	**2016**	**2017**	**2018**	**2019**
Real GCP, (2009 $),	Comptroller	3.0	2.7	2.6	2.7	2.7
% Change	Mayor	1.5	1.8	2.0	1.9	2.0
Payroll Jobs,	Comptroller	84	59	62	59	60
Change in Thousands	Mayor	65	64	60	45	41
Inflation Rate	Comptroller	1.5	2.1	2.3	2.4	2.5
Percent	Mayor	0.9	2.3	2.4	2.6	2.6
Wage-Rate Growth,	Comptroller	1.9	2.4	2.2	2.3	2.3
Percent	Mayor	2.1	2.6	3.0	3.2	3.3
Unemployment Rate,	Comptroller	6.5	5.9	5.6	5.3	5.2
Percent	Mayor	NA	NA	NA	NA	NA
Selected U.S. Economic Indicators, Annual Averages						
		2015	**2016**	**2017**	**2018**	**2019**
Real GDP, (2009 $),	Comptroller	3.2	2.8	2.7	2.7	2.7
% Change	Mayor	3.0	2.7	2.8	2.5	2.8
Payroll Jobs,	Comptroller	2.9	2.3	2.1	2.0	2.1
Change in Millions	Mayor	2.8	2.4	1.9	1.1	1.4
Inflation Rate	Comptroller	1.2	1.8	2.0	2.1	2.2
Percent	Mayor	0.3	2.2	2.3	2.5	2.5
Fed Funds Rate,	Comptroller	0.2	0.7	1.4	2.8	3.1
Percent	Mayor	0.4	1.6	3.3	3.8	3.8
10-Year Treasury Notes,	Comptroller	2.6	3.4	3.9	4.4	4.4
Percent	Mayor	2.8	3.6	4.2	4.4	4.4

SOURCE: Comptroller=forecast by the NYC Comptroller's Office. GCP=Gross City Product. The NYC Office of Management and Budget in the February 2015 Financial Plan. NA=not available.

III. The FY2016 Preliminary Budget

The Preliminary FY 2016 budget totals $77.73 billion, reflecting an increase of $773 million in revenues and a reduction of $1.06 billion in expenditures since the November 2014 Plan. Revisions to the City-funds portion of the budget account for most of the changes, with City-funds revenues increasing by $687 million and City-funds expenditures declining by $1.15 billion. However, FY 2016 expenditures reflect a decrease of $1.47 billion in debt service from a planned increase in the FY 2015 prepayment of FY 2016 Transitional Finance Authority (TFA) debt service. As Table 6 shows, baseline expenditures, before debt service reduction from FY 2015 prepayments, are $326 million above the November Plan projections.

Table 6. Changes to the November 2014 City-Funds Estimate

($ in millions, positive numbers reduce the gap and negative numbers increase the gap)

	FY 2015	FY 2016	FY2017	FY 2018	FY 2019
Gap to be Closed - November 2014 Financial Plan	**$0**	**($1,835)**	**($1,190)**	**($1,771)**	**($2,197)**
Revenue Changes - Increase/(Decrease)					
Tax Revenue Forecast	$1,045	$699	$605	$663	$702
Miscellaneous Revenues	29	(12)	(4)	(7)	3
Subtotal Revenue Changes	**$1,074**	**$687**	**$601**	**$656**	**$705**
Expense Changes - Increase/(Decrease)					
Agency Expense Changes	($208)	($445)	($402)	($391)	($388)
Collective Bargaining Adjustments	(263)	(139)	(96)	(145)	(173)
Cost for New Round of Collective Bargaining	0	0	0	(13)	(254)
Debt Service Savings	329	143	58	8	(74)
Pensions	5	94	(12)	304	328
Fringe Benefits (including CUNY)	10	(21)	(29)	(40)	(44)
Miscellaneous Expenditures	12	4	10	11	15
General Reserve	450	0	0	0	0
Energy Adjustments	65	38	12	11	8
Subtotal Expense Changes	**$400**	**($326)**	**($459)**	**($255)**	**($582)**
FY 2015 Prepayment of FY 2016 Expenses	**($1,474)**	**$1,474**	**$0**	**$0**	**$0**
Gap to be Closed – February 2015 Financial Plan	**$0**	**$0**	**($1,048)**	**($1,370)**	**($2,074)**

Revisions to agency expenses account for $445 million of the net increase in FY 2016 baseline expenditures. As Table 7 shows, five agencies — the Police Department (NYPD), the Department of Correction (DOC), the Department of Social Services (DSS), the Fire Department (FDNY), and the Department of Sanitation (DOS) — account for more than half of the increases. The increases in these agencies include:

Police Department

- $72 million to relieve NYCHA of its obligation to pay for NYPD services
- $10 million to increase Police Cadet headcount by 520 [2]

[2] Police Cadet are considered part-time employees.

- $13 million to refresh the parking enforcement system
- $4.2 million to replace bulletproof vests

Department of Correction

- $25.3 million to fund young adult (18 – 21 year old) housing-area programs and improve staff-to-inmate ratio to 1:15
- $6.6 million for enhanced officer training
- $2.4 million to expand the Application Investigation Unit
- $2.3 million to fund camera expansion throughout DOC facilities

Department of Social Services

- $15.8 million for rental assistance for homeless seniors and homeless working adults
- $6.9 million to support current staffing level at SNAP (Supplemental Nutrition Assistance Program) centers
- $4.1 million to support increased applications for ID NYC
- $3.8 million for employment and aftercare services for working families and individuals receiving LINC (Living in Communities) rental assistance

Fire Department

- $11.3 million for 45 new Basic Life Support (BLS) tours in Emergency Medical Services (EMS) to reduce response times to life threatening emergencies
- $6.6 million for 149 additional EMS call takers
- $3.7 million for recruitment and diversity initiatives

Department of Sanitation

- $6.7 million for 78 additional district field supervisors
- $4.9 million to extend the curbside and school organic waste collection pilot to FY 2016
- $4.7 million to continue closure construction at Fresh Kills Landfill
- $3.1 million for a remedial investigation and feasibility study at Great Kills Park on Staten Island.

Table 7. Agency Expenditure Changes from the November 2014 Plan

($ in millions)

	FY 2015	FY 2016	FY 2017	FY 2018	FY 2019
Police	$39	$120	$107	$107	$106
Correction	17	50	38	38	38
Social Services	34	38	27	25	24
Fire	33	37	32	31	31
Sanitation	(8)	27	40	38	37
All Other Agencies	93	173	158	153	151
Total	**$208**	**$445**	**$402**	**$392**	**$387**

Other expenditure increases in the Preliminary FY 2016 Budget includes $139 million for the cost of the current round of collective bargaining and $21 million for additional fringe benefit costs. The revision to the collective bargaining cost reflects both the additional costs of the agreements the City reached with the Uniformed Superior Officers Coalition, as applied to all uniformed employees, and with the Council of School Supervisors and Administrators (CSA).

Reductions in projected costs for debt service, pensions, and energy offsets part of the expenditure increases. The debt service reduction is due mainly to debt service savings from lower than projected borrowing in the first half of FY 2015 and reduced interest support to Hudson Yard Infrastructure Corporation. Reductions to pension contributions reflect the Chief Actuary's latest estimates of the City's statutory contributions.

The FY 2015 Budget

The February Plan increased the FY 2015 Budget by $1.61 billion to $78.55 billion. After adjusting for the net impact of the change in prepayments, expenditures increased by only $137 million to $77.07 billion. The combined impact of the $1.61 billion increase in revenues and $137 million increase in expenditures results in additional FY 2015 resources of $1.47 billion in the February Plan. These projected additional resources are added to the FY 2015 Budget Stabilization Account (BSA), bringing the total in the BSA to $1.58 billion. The FY 2015 BSA will be used to prepay FY 2016 TFA debt service.

The additional resource results from changes in City-funds revenue and expenditure estimates, as shown in Table 8, and is due primarily to an increase of $1.07 billion in City-funds revenues and a reduction of $450 million in the FY 2015 General Reserve.[3] Changes in all other City-funds expenditure estimates result in a net decrease of $50 million.

Table 8. Changes to the FY 2015 Estimates

($ in millions)

	Revenues	Expenditures
November Plan	**$76,937**	**$76,937**
Change		
City-Funds	$1,074	($400)
Other Categorical Grants	$50	50
Inter-Fund Revenues	$29	29
Federal Categorical Grants	$432	432
State Categorical Grants	$26	26
Total Change	**$1,611**	**$137**
FY 2015 BSA		**$1,474**
February Plan	**$78,548**	**$78,548**

[3] The City increased the General Reserve to $750 million in each of the fiscal years in the June 2014 Financial Plan.

Revisions to the FY 2015 tax revenue forecast account for almost all of the increase in City-funds revenues. FY 2015 tax revenue estimates are $1.05 billion above the November Plan estimates. The higher estimates reflect both the continuing expansion of the local economy and fiscal year-to-date collections through January which are approximately $900 million higher than the November Plan estimates. Tax revenues are discussed in greater detail in "Tax Revenues" beginning on page 16.

Risks and Offsets

As Table 9 shows, the Comptroller's Office has identified additional resources ranging from $509 million to $1.28 billion in FYs 2015 through 2019. These additional resources, if realized, would produce budget surpluses of $1.07 billion and $509 million in FYs 2015 and 2016, respectively, and reduce the gaps in FYs 2017 through 2019 to $173 million, $697 million, and $796 million, respectively. The estimated FYs 2015 and 2016 budget surpluses are sufficient to close the Comptroller's Office's projected gaps in FYs 2017, 2018 and all but $89 million of the gap in FY 2019.

Table 9. Risks and Offsets

($ in millions, positive numbers decrease the gap and negative numbers increase the gap)

	FY 2015	FY 2016	FY 2017	FY 2018	FY 2019
City Stated Gap	**$0**	**$0**	**($1,048)**	**($1,370)**	**($2,074)**
Tax Revenues					
Property Tax	$0	$113	$320	$210	$1,050
Personal Income Tax	232	424	542	559	517
Business Taxes	(50)	(53)	(25)	60	50
Sales Tax	0	21	33	30	20
Real-Estate-Related Taxes	117	228	219	36	(137)
Subtotal	**$299**	**$733**	**$1,089**	**$895**	**$1,500**
Speed Camera Revenues	**$5**	**$20**	**$6**	**$0**	**$0**
Expenditures					
Overtime	($76)	($174)	($100)	($100)	($100)
DOE Medicaid Reimbursement	(60)	(80)	(80)	(80)	(80)
DOE Full-Day UPK State Support	0	(40)	(40)	(42)	(42)
VRDB Rate Savings	100	50	0	0	0
General Reserve	300	0	0	0	0
Prior-Year Estimates Adjustment	00	0	0	0	0
Subtotal	**$764**	**($244)**	**($220)**	**($222)**	**($222)**
Total (Risks)/Offsets	**$1,068**	**$509**	**$875**	**$673**	**$1,278**
Restated (Gap)/Surplus	**$1,068**	**$509**	**($173)**	**($697)**	**($796)**

The additional FY 2015 resources identified by the Comptroller's Office are the result of higher tax revenues of $299 million and lower expenditures of $764 million. The lower expenditures are mainly a result of the Comptroller's Office estimate that reductions to prior-year expense estimates will provide additional resources of $500 million in

FY 2015. Further resources will be provided by the release of $300 million from the General Reserve, as it will not be needed for budget balance.

In the outyears of the Plan, the Comptroller's Office's expenditure estimates are higher than the City's but are more than offset by the Comptroller's Office's higher tax revenues forecast. The higher expenditure estimates stems from the Comptroller's Office projections of higher overtime spending, lower Medicaid reimbursements, and lower State support of full-day Universal Pre-kindergarten (UPK).

In addition to the resources discussed above, the City could realize further benefits from a citywide savings and efficiency programs. In November, the City requested agencies to propose ways to reduce agency budgets. While no agency saving proposals were not reflected in the February Plan, the City has indicated that they will be included in the Executive Budget.

A. REVENUE ASSUMPTIONS

The FY 2016 Preliminary Budget and Financial Plan projects that total revenues will grow by $5.68 billion over the Financial Plan period, from $78.55 billion in FY 2015 to $84.23 billion in FY 2019. Those projections are based on the City's assumption of continued moderate growth in the local and national economies. City-funds revenues will grow from $56.18 billion in FY 2015 to $62.86 billion in FY 2019. Tax revenues are expected to comprise 64 percent of total revenues in FY 2015, and are projected to increase to 68 percent of total revenues in FYs 2018 – 2019. Property tax revenues are projected to grow from $21.37 billion in FY 2015 to $25.46 billion in FY 2019, while non-property tax revenues are expected to grow from $29.06 billion in FY 2015 to $32.15 billion in FY 2019.[4]

Miscellaneous revenue, excluding intra-City revenue, is expected to reach $5.77 billion in FY 2015 before declining to $5.13 billion in FY 2016. The FY 2015 projection includes a $1 billion transfer from the Health Stabilization Fund (HSF) to cover costs associated with labor settlements. Excluding the one-time transfer of $1 billion from the HSF, miscellaneous revenue are projected to grow from $4.77 billion in FY 2015 to $5.27 billion in FY 2019, an average annual growth of 2.5 percent. These projections include a $1.31 billion in expected proceeds from the sales of taxi medallions.

The February 2015 Plan projects total Federal and State aid of $20.89 billion in FY 2015. The current forecast reflects an increase of $458 million compared to the November Plan. The increase is primarily due to Federal aid, comprising Community Development Block Grant (CDBG) for disaster recovery and prior year homeland security grants. In the outyears, Federal and State aid are expected to reach a combined $19.39 billion in FY 2016, $19.61 billion in FY 2017, $20.03 billion in FY 2018 and $19.98 billion in FY 2019. The trend in the outyears mainly reflects the City's expectation of education aid increases from the State.

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[4] If not indicated specifically, throughout this section, Personal Income Tax (PIT) and Property tax revenues include School Tax Relief Program (STAR) reimbursement.

Tax Revenues

The Preliminary Budget and Financial Plan projects total tax revenue will reach $51.84 billion in FY 2016. This forecast represents an increase of $1.41 billion, or 2.8 percent, compared to the projected FY 2015 level. Since the November 2014 Plan, the City increased its FY 2016 forecast by a net $699 million. The revision is mainly attributable to forecast increases in the property tax, personal income tax (PIT), business taxes and sales tax, partially offset by a lower revenue projection for the mortgage recording tax.

Changes to the FY 2016 Tax Revenue Forecast

As Table 10 shows, since the November 2014 Financial Plan, the City increased its tax revenue forecast for every year of the Financial Plan period. The Preliminary Budget and Financial Plan identifies additional tax revenues of $1.04 billion in FY 2015, mostly in response to higher PIT and property tax collections through January. The increases in the FYs 2016 – 2019 tax revenue forecasts are more modest, ranging from $605 million to $701 million.

Table 10. Revisions to the City's Tax Revenue Assumptions November 2014 vs. February 2015

($ in millions)

	FY 2015	FY 2016	FY 2017	FY 2018	FY 2019
November 2014 Financial Plan Total	**$49,384**	**$51,144**	**$53,061**	**$54,936**	**$56,909**
Revisions:					
Property	201	144	222	292	362
Personal Income (PIT)	411	322	218	223	260
Business	110	113	81	48	(21)
Sales	101	99	67	68	68
Real-Estate-Related	150	(17)	(18)	4	16
All Other	70	36	33	26	14
Tax Audit	1	2	2	2	2
Revisions-Total	$1,044	$699	$605	$663	$701
February 2015 Financial Plan - Total	**$50,428**	**$51,843**	**$53,666**	**$55,599**	**$57,610**

SOURCE: NYC Office of Management and Budget.

The City increased its property tax revenue forecast by a net $144 million in FY 2016 to $22.35 billion. The adjustment reflects mostly a $121.1 million increase in tax levy resulting from changes in market and taxable values. The FY 2016 tentative property assessment roll, released in January 2015, shows a year-over-year increase of 9.1 percent in total market value to $988.3 billion. Billable assessed value grew by 9.4 percent, or $17.1 billion, over FY 2015 assessment to $199.6 billion, driven mainly by strong growth in assessed value for Classes 2 and 4 properties. The City anticipates the tentative roll to be reduced by $4.1 billion in the final roll to be released in May 2015.[5]

[5] Class 2 properties consist of residential, primarily cooperatives, condominiums and rental apartment buildings. Class 4 properties consist of all commercial and industrial properties.

The FY 2016 revenue projection for PIT increased by $322 million since the November 2014 Plan, to $10.72 billion. The revision is mostly due to an increase in the forecast for withholding collections in FY 2016. Over the past year, excluding the School Tax Relief Program (STAR) reimbursement, the City increased its projections for PIT revenues by $666 million in FY 2015 and $433 million in FY 2016. FY 2015 collections through January have proven to be stronger than the City anticipated. The current FY 2016 forecast reflects the City's assumption of continued growth in employment and wages.

Projected revenues from business income taxes, i.e., the General Corporation Tax (GCT), Banking Corporation Tax (BCT), and the Unincorporated Business Tax (UBT), increased by a net $113 million from the November 2015 Plan, to $6.26 billion. The adjustment is mostly attributable to an increase in anticipated revenues from the UBT. The FY 2016 revenue projection for the sales tax increased by $99 million to $7.05 billion, while the projection for real-estate-related taxes, i.e., the Real Property Transfer Tax (RPTT), and the Mortgage Recording Tax (MRT), decreased by a net $17 million to a combined $2.45 billion.

Projected Tax Revenue Growth, City Forecast, FYs 2015-2019

The FY 2016 Preliminary Budget and Financial Plan projects total tax revenues to grow by $7.18 billion from FY 2015 to FY 2019, representing an average annual growth rate of 3.4 percent. As shown in Table 11, the current Plan assumes tax revenues will grow by a modest 2.8 percent in FY 2016, down from a projected 4.2 percent in FY 2015. The City expects FY 2016 tax revenue growth to be driven by a 4.6 percent growth in property tax collections, dampened by a mere 1.5 percent growth in collections from non-property taxes. As collections from non-property revenues improve, total tax revenue growth is expected to accelerate to 3.5 percent in FY 2017 and to remain fairly constant for the remainder of the Plan period.

Table 11. City's Tax Revenue Forecast, Growth Rate, FYs 2015 – 2019

	FYs 2015-16	FYs 2016-17	FYs 2017-18	FYs 2018-19	Average Annual Growth
Property	4.6%	4.6%	4.3%	4.4%	4.5%
PIT	2.3%	2.2%	2.6%	2.8%	2.5%
Business	2.7%	2.1%	2.9%	3.5%	2.8%
Sales	3.9%	4.0%	4.1%	3.5%	3.9%
Real-Estate-Related	(0.4%)	3.8%	3.9%	3.4%	2.6%
All Other	(0.7%)	2.3%	2.5%	1.5%	1.4%
Total Tax with Audit	2.8%	3.5%	3.6%	3.6%	3.4%

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

Property tax revenue is projected to reach $22.35 billion in FY 2016. Projected growth in property tax revenue is supported by strong billable value growth of 9.4 percent in the FY 2016 tentative assessment roll. Large commercial and residential properties account for most of the growth. Over the forecast period, property tax revenue growth is expected to surpass growth in non-property taxes and average 4.5 percent annually, reflecting steady, moderate growth in billable assessed value, fueled in part by the phase-in of the pipeline of assessed value growth from prior years.

Growth in PIT collections is expected to decelerate from the projected 3.2 percent in FY 2015 to an estimated 2.3 percent in FY 2016 and reach $10.72 billion. The City anticipates withholding collections will continue to grow in FY 2016 and beyond reflecting continued growth in employment and wages. However, FY 2016 PIT revenue growth is expected to be dampened by an anticipated decline in Wall Street bonuses. Over the Financial Plan period, growth in PIT revenues is expected to average 2.5 percent annually.

Total business income tax revenues are forecasted to grow by 2.7 percent in FY 2016 to a combined $6.26 billion. Revenue growth from the GCT, the largest of the business income taxes, is forecasted to slow to 1.7 percent from a projected 4.8 percent in FY 2015, following an anticipated decline in Wall Street profits. BCT revenue is expected to grow by 2.0 percent in FY 2016 after a projected decline of 4.6 percent in FY 2015. Nevertheless, the City anticipates that settlement costs imposed on major banks and more restrictive regulations will continue to dampen BCT collections in the outyears. Continued growth in the hedge fund industry as well as in non-finance sector industries is expected to boost UBT payments in the coming fiscal year. UBT collections are forecasted to grow 4.4 percent in FY 2016. The current Plan assumes all business tax revenues combined will average 2.8 percent growth annually during FYs 2015-2019.

Sales tax collections are forecasted to reach $7.05 billion in FY 2016. This forecast represents a 3.9 percent increase in sales tax revenues in FY 2016, compared to 4.4 percent projected growth in FY 2015. The slower growth projection reflects the City's assumption of moderate growth in taxable consumption and wages. Tourism is expected to continue to support taxable consumption, although the rise in the U.S. dollar may discourage some international visitors. Beyond FY 2015, revenues from the sales tax are projected to grow steadily, supported by gradual growth in employment and wages as well as continued strength in the tourism sector. Revenue growth from the sales tax is expected to average 3.9 percent annually from FYs 2015 through 2019.

The current Plan forecasts real-estate-related tax revenues of $2.45 billion in FY 2016. Growth in the combined real-estate-related tax revenue is expected to continue to decline slightly by 0.4 percent in FY 2016 after declining by a projected 1.1 percent in FY 2015. Revenues from those taxes have rebounded since the financial crisis, growing by 36.1 percent in FY 2014 as commercial property transaction volume increased and prices rose. A stronger dollar and rising interest rates are expected to slow down commercial real estate activity during the Plan period. Collections from residential real estate activity are expected to return to growth in FY 2016 as new condominiums are completed. Because of tighter lending standards, collections from the mortgage recording tax are expected to continue to decline in FY 2016 and lag growth in real property transfer tax collections. Aggregate real-estate-related tax revenue is expected to rebound in FY 2017 and average 2.6 percent growth annually over the Financial Plan period.

Risks and Offsets to the City's Tax Revenue Assumptions

The Comptroller's Office's projections of risks and offsets to the City's tax revenue assumptions are based on current collections and the Office's latest economic projections.

As illustrated in Table 12, the Comptroller's Office projects tax revenue offsets growing from $299 million in FY 2015 to $1.50 billion in FY 2019.

The Comptroller's Office anticipates no offset from the property tax in FY 2015, but forecasts moderate property tax offsets in FY 2016 through FY 2018 and a more substantial offset in FY 2019, driven by rising market values and assessments. The Comptroller's economic forecasts anticipate that long-term interest rates will remain historically low at least through 2017, in turn keeping mortgage rates and capitalization rates relatively low and prices, especially of commercial properties, high. Even as market value growth slows in the outyears, the pipeline of transitional values for Class 2 and Class 4 properties will continue to boost billable assessments, as will the recovery of new residential construction activity.

The Comptroller's Office continues to anticipate significant PIT offsets throughout the Plan period. The Comptroller's Office believes that all substantial capital gains shifts in response to Federal tax changes have already occurred, and that growth in PIT collections in FY 2015 and beyond will be determined by prevailing economic conditions. The strong stock market gains of 2012-2014 are expected to provide a basis for a continued high level of long-term capital gains realizations and estimated tax payments, while projected employment and wage growth supports continued moderate growth in PIT withholding. Deferred compensation in the finance industry, awarded in prior years, has begun to vest and provides a delayed boost to PIT collections.

The Comptroller's Office projects offsets from the real-estate-related taxes through FY 2018, but forecasts a risk of $137 million in FY 2019. The Comptroller's Office believes that commercial and high-end residential real estate in Manhattan have benefitted from extraordinarily low long-term interest rates and from foreign money seeking safe-haven investments. Eventually, however, the price adjustments will be completed and the property transactions they trigger will diminish. Gradually improving real estate markets in the other boroughs will help to cushion transaction tax revenues as the Manhattan real estate cycle tops out.

Table 12. Risks and Offsets to the City's Tax Revenue Projections

($ in millions)

	FY 2015	FY 2016	FY 2017	FY 2018	FY 2019
Property	$0	$113	$320	$210	$1,050
PIT	232	424	542	559	517
Business	(50)	(53)	(25)	60	50
Sales	0	21	33	30	20
Real-Estate Related	117	228	219	36	(137)
Total	**$299**	**$733**	**$1,089**	**$895**	**$1,500**

Miscellaneous Revenues

The City's FY 2016 Preliminary Budget and Financial Plan includes a miscellaneous revenue projection of $5.13 billion for FY 2016. This projection represents a decrease of $637 million, or 11 percent, from the FY 2015 miscellaneous revenue estimate of \$5.77 billion. The year-over-year change reflects mostly a decline in projected non-recurring revenues in FY 2016. In FY 2015, non-recurring revenues include a \$1 billion transfer from the Health Stabilization Fund to help fund the estimated cost of labor settlements. Compared to the November Plan, the current Plan raised projected miscellaneous revenue by a net \$30 million in FY 2015 and lowered the FY 2016 projection by \$12 million. The upward adjustment in FY 2015 reflects higher revenue forecasts for licenses and franchises, charges for services, and fines and forfeitures. These changes result mainly from higher estimated collections for building and construction permits, fees such as 421-A tax incentive program fees, and marshal booting fees, as well as higher projected arrear revenues from Environmental Control Board (ECB) fines, and Real Property Income Expense (RPIE) late payment penalties.[6]

The current FY 2016 miscellaneous revenue forecast is \$12 million lower than the forecast included in the November 2014 Plan. As Table 13 shows, since the November Plan the City made only minor adjustments to the FY 2016 miscellaneous revenue forecast.

Table 13. Changes in FY 2016 Estimates February 2015 vs. November 2014

($ in millions)

	February 2015	November 2014	Change
Licenses, Franchises, Etc.	$603	$591	$12
Interest Income	45	45	0
Charges for Services	926	927	(1)
Water and Sewer Charges	1,563	1,580	(17)
Rental Income	271	270	1
Fines and Forfeitures	788	788	0
Other Miscellaneous	938	945	(7)
Total	**$5,134**	**$5,146**	**($12)**

Source: NYC Office of Management and Budget.

The City increased its forecast for licenses and franchises by a net \$12 million. The change reflects higher projected revenue from construction permits. Projections for "other miscellaneous" revenue were lowered by a net \$7 million. The adjustment includes a \$3.2 million decline in projected HHC debt service adjustment and a \$2 million decline in projected revenues from E-911 wireless surcharge.[7]

Over the Financial Plan period, the City expects to collect \$1.3 billion from the sales of 1,600 taxi medallions. In FY 2014 the City sold 400 taxi medallions, generating nearly \$338 million. The current Plan assumes no change in average medallion prices through FY 2019. Growing competition from ridesharing companies such as Uber and Lyft is believed to be affecting the market value of existing taxi medallions. We believe the ripple effect in the industry poses a risk to the value of new taxi medallions at auction.

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[6] Miscellaneous revenue analysis excludes private grants and intra-City revenues.

[7] Water and sewer revenues are excluded from the analysis because the bulk of these revenues represents reimbursement for operation and maintenance (O&M) of the water delivery and sewer systems and therefore is not available for general operating purposes.

After an estimated 11 percent decline in miscellaneous revenue in FY 2016 resulting from a drop in non-recurring revenues, the City estimates miscellaneous revenue will stabilize, and range between $5 billion and $5.3 billion in FYs 2016 – 2019.

The Comptroller's Office expects revenues from speed camera fines to come in above the City's forecast. To date, collections from speed camera fines are at more than 99 percent of the City's estimate for FY 2015, with four months left in the fiscal year. The Comptroller's Office estimates that revenues from speed camera fines will be above the City's projection by $5 million in the current fiscal year. In the outyears, the Comptroller's Office projects that revenues will be above the City's estimates by $20 million in FY 2016 and $6 million in FY 2017.

Federal and State Aid

The February Financial Plan includes a projection of total Federal and State aid for FY 2015 of $20.89 billion, supporting about 27 percent of the City's expenditure budget. The FY 2015 intergovernmental aid assumptions have risen by $458 million when compared to the November Plan, which include increases of $432 million in Federal aid and $26 million in State grants. A significant portion of the Federal aid increase stems from FEMA reimbursement for Hurricane Sandy-related costs, adding $296 million to the City's Federal aid assumptions in the February Plan. In total, approximately $1.2 billion is now assumed in FY 2015 Federal reimbursement for the City's clean-up and recovery costs related to the storm. The February Plan also recognizes an additional $98 million in Federal funding from a series of prior year homeland security grants.

The Preliminary Budget projects $19.39 billion of Federal and State grants for FY 2016, about 83 percent of which would be in support of education and social services spending. Federal and State grants are expected to support nearly 25 percent of total spending in FY 2016. The decline in the size of the Federal and State funded portion of the City's budget in FY 2016 is attributable both to the conclusion of Sandy relief aid and more conservative estimates of certain Federal grants. The only area that is expected to grow in FY 2016 is education aid mainly in State grants. However, the prospect of additional education aid is clouded by the Governor's proposal to link an increase to school aid next year to the approval of various education reform measures. In the State Executive Budget, the Governor has proposed to increase education aid by $1.1 billion statewide for the upcoming school year. Unlike past practice, the State did not provide details on how the additional funding will be allocated among school districts in its latest budget plan. In a typical school year, the City receives about 40 percent of statewide formula-based school aids, equivalent to an increase of more than $400 million under the Governor's proposal. However, in order for school districts to receive their share of the school aid increase next year, the legislature must adopt a full set of education reform initiatives while districts will also need to implement a revised teacher evaluation plan by September 1st.

The key element of the Governor's education reform plan is changing the benchmarks for teacher performance evaluation. The proposed criteria will be equally divided between student test scores and classroom observations, compared to the current 40 percent – 60 percent structure. It also seeks to eliminate the local test score portion, currently at 20 percent, from the standards and makes the entire 50-percent test score requirement based on State tests. In addition, the proposal requires independent observers to determine 35 of the 50 percentage points designated for classroom observations. The reform plan also includes, among other initiatives, extension of mayoral control in New York City for three years, a statewide increase of the charter school cap by 100 schools, expedited teacher dismissal procedures, and more restrictive teacher tenure requirement.

In the outyears, Federal and State grants are projected to increase to $19.61 billion in FY 2017, $20.03 billion in FY 2018 and $19.98 billion by FY 2019. These projections represent average annual growth of one percent, driven primarily by the City's expectation of education aid increases from the State. If these assumptions hold true, the level of Federal and State support for the City's expense budget would decline to about 23 percent by FY 2019. However, because of the City's conservative approach with Federal aid, which is currently budgeted to remain flat in FYs 2016-2019 (after adjusting for FEMA Sandy reimbursement), the assumed Federal support in the outyears is likely understated.

B. EXPENDITURES ANALYSIS

Expenditures in the February Financial Plan are projected to grow by 9.9 percent, from $78.55 billion in FY 2015 to $86.30 billion in FY 2019. These projections reflect reductions in FYs 2015 through 2018 debt service cost from prepayments and defeasances. Netting out the impact of prepayments and defeasances, expenditures are projected to grow by $7.21 billion, or 9.1 percent, from $79.09 billion to $86.30 billion, as shown in Table 14.

Table 14. FY 2015 – FY 2019 Expenditure Growth Adjusted for Prepayments and Prior-Year Actions

($ in millions)

	FY 2015	FY 2016	FY 2017	FY 2018	FY 2019	Growth FYs 15-19	Annual Growth
Salaries and Wages	$23,898	$24,550	$24,683	$26,075	$27,504	15.1%	3.6%
Debt Service	6,242	7,031	7,414	7,736	8,051	29.0%	6.6%
Health Insurance	5,206	5,577	5,923	6,327	6,849	31.6%	7.1%
Other Fringe Benefits	3,368	3,509	3,663	3,859	4,069	20.8%	4.8%
J & C	695	710	746	782	817	17.5%	4.1%
Subtotal	**$39,409**	**$41,376**	**$42,429**	**$44,779**	**$47,290**	**20.0%**	**4.7%**
Pensions	$8,455	$8,405	$8,375	$8,360	$8,457	0.0%	0.0%
Medicaid	6,447	6,415	6,415	6,415	6,415	(0.5%)	(0.1%)
Public Assistance	1,476	1,407	1,413	1,413	1,413	(4.3%)	(1.1%)
Other OTPS	23,304	22,042	22,256	22,643	22,728	(2.5%)	(0.6%)
Subtotal	**$39,682**	**$38,269**	**$38,459**	**$38,831**	**$39,013**	**(1.7%)**	**(0.4%)**
Total	**$79,091**	**$79,646**	**$80,888**	**$83,610**	**$86,303**	**9.1%**	**2.2%**

Half of the Financial Plan expenditure growth results from growth in salaries and wages, which are projected to increase by 15.1 percent, or $3.61 billion, over the Plan period. This growth reflects the costs associated with the current round of collective bargaining.

In addition to wages and salaries, spending debt service, health insurance, other fringe benefits and judgments and claims are also projected to grow by double digit over the Plan period. Spending in these areas, including wages and salaries, are projected to grow by 20 percent over the Plan period. Spending in other areas of the budget are projected to decline by 1.7 percent over the Plan period.

Labor

The City has increased funding for the cost of the current round of collective bargaining by $261 million in FY 2015, $137 million in FY 2016, $94 million in FY 2017, $143 million in FY 2018, and $171 million in FY 2019. The increase is primarily to fund both the additional cost of collective bargaining agreements for all uniformed employees based on the agreement between the Uniform Superior Officers Coalition (USOC) and the contract settlement with the Council of School Supervisors and Administrators (CSA) in December.[8]

The USOC agreement, which largely corresponds to the latter seven years of the UFT contract, provided for an additional one-percent increase on the first day of the twelfth month – an increase that was not previously included in the budget and financial plan. The City has increased the labor reserve by $746 million through FY 2019 to fund this cost.

The City and the Patrolmen's Benevolent Association (PBA), which represents uniformed police officers, have not reached a labor agreement and are now at an impasse. They have begun the binding arbitration process and an arbitration panel has been appointed by the New York State Public Employment Relations Board (PERB). If the arbitration decision results in wage increases above what is currently funded for uniformed employees, the City's labor cost will increase.

The CSA agreement generally follows the UFT pattern. However, the budget and financial plan did not include any funding for the structured lump-sum payments for the two 4 percent increases corresponding to the 2008 – 2010 round for the small group of CSA members who have been or will be promoted from UFT positions after the first 4 percent increase and through September 30, 2020.[9] Although this benefit is estimated to cost about $120 million, as per the agreement $72 million is to be borne by the City with CSA funding the remainder. However, after re-estimating the cost of the entire CSA contract, the City needed to add only $35 million to the labor reserve through FY 2019.

Besides funding the additional cost of the USOC and CSA agreement, the City has also added $13 million in FY 2018 and $254 million in FY 2019 to fund annual wage increases of one percent for its entire workforce beyond the current round of collective bargaining.

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[8] The CSA and USOC agreements are discussed in detail in the Comptroller's report, "The State of the City's Economy and Finances", December 15, 2014.

[9] These members would not have been entitled to a part or all of the structured lump-sum payments because the UFT contract terminated payments to members who left the UFT-title other than for retirement.

The City has now negotiated contract settlements with unions representing about 76 percent of its workforce. Since the November Plan, tentative agreements have been reached with the Communications Workers of America (CWA Local 1180), the Civil Bar Association (CSBA), the International Alliance of Theatrical Stage Employees Local 306 (IATSE Local 306) and the Committee of Interns and Residents/SEIU. These agreements mirror the established civilian pattern and will grant employees a $1,000 ratification bonus in addition to wage increases of 10 percent over seven years.

In addition, the City recently reached a tentative agreement with the Sergeants Benevolent Association (SBA) which largely mirrors the USOC agreement. The main difference is the timing of the first wage increase. The SBA agreement provides for the first wage increase on the first day of the first month of the contract. As mentioned above, the USOC agreement provides for an increase on the first day of the 12th month of the contract.[10] The additional cost of this modification is borne within the terms of the SBA contract and will not result in additional costs to the City. These terms include delaying the final two wage increases by a month, reducing welfare contribution, and amending existing work rules to reduce overtime cost.

Pensions

The FY 2016 Preliminary Budget projects pension expenses to remain relatively flat throughout the Plan period, averaging $8.4 billion annually. These projections are updated with certain census data improvements, wage increases, and actual investment returns for FY 2014 (17.5 percent), as well as other minor adjustments. In comparison to the November Plan, the projections are lower by $5 million in FY 2015, $94 million in FY 2016, $303 million in FY 2018, and $328 million in FY 2019, but higher by $12 million in FY 2017, as shown in Table 15.

Table 15. FY 2015 – FY 2019 City Pension Expenditures

($ in millions)

	FY 2015	FY 2016	FY 2017	FY 2018	FY 2019
Five Actuarial Systems	$8,445	$8,260	$8,202	$8,261	$8,352
Reserve for Expected Adjustments	0	121	142	58	57
Non-Actuarial Systems	64	68	72	77	82
Non-City Systems	73	85	88	94	95
Less: Intra City-Expense	(127)	(129)	(129)	(129)	(129)
Net Pension Expense February Plan	8,456	8,405	8,375	8,361	8,457
Net Pension Expense November Plan	8,461	8,499	8,363	8,664	8,785
Net Change	**($5)**	**($94)**	**$12**	**($303)**	**($328)**

*The reserve is being held to accommodate expected changes in headcount, valuation refinements, and salary adjustments.
**Totals may not add up due to rounding.

[10] Subsequent to the USOC agreement, five unions – the Detectives Endowment Association, the Lieutenants Benevolent Association, the Sanitation Officers Association, the Correction Captains Association, and the Assistant Deputy Wardens/Deputy Warden Association – during negotiations for the separate unit agreement, modified the date of the first salary increase to the first day of the seventh month of the contract. The cost associated with this modification were funded by other changes in the agreement and did not result in additional cost to the City.

The pension impact of wage increases included in the projections reflects both collective bargaining agreements for groups that have settled their contracts during the last year as well as assumed wage increases for groups that have not yet settled their current collective bargaining round. So far, the City has settled labor contracts for the current collective bargaining round with about 76 percent of the workforce. The projections may be refined later this fiscal year if any labor settlements negotiated in the near future diverge from the expected pattern.

The current pension cost projections are based on the assumption that pension investments will earn exactly 7 percent per year on Actual Asset Value (AAV).[11] Actual investment returns will differ from this assumption thus impacting future employer contribution calculations. Each percentage point investment gain in FY 2015 above the assumed 7.0 percent return on AAV assumption would lower pension contributions by approximately $17 million in FY 2017, $35 million in FY 2018, and $52 million in FY 2019.[12]

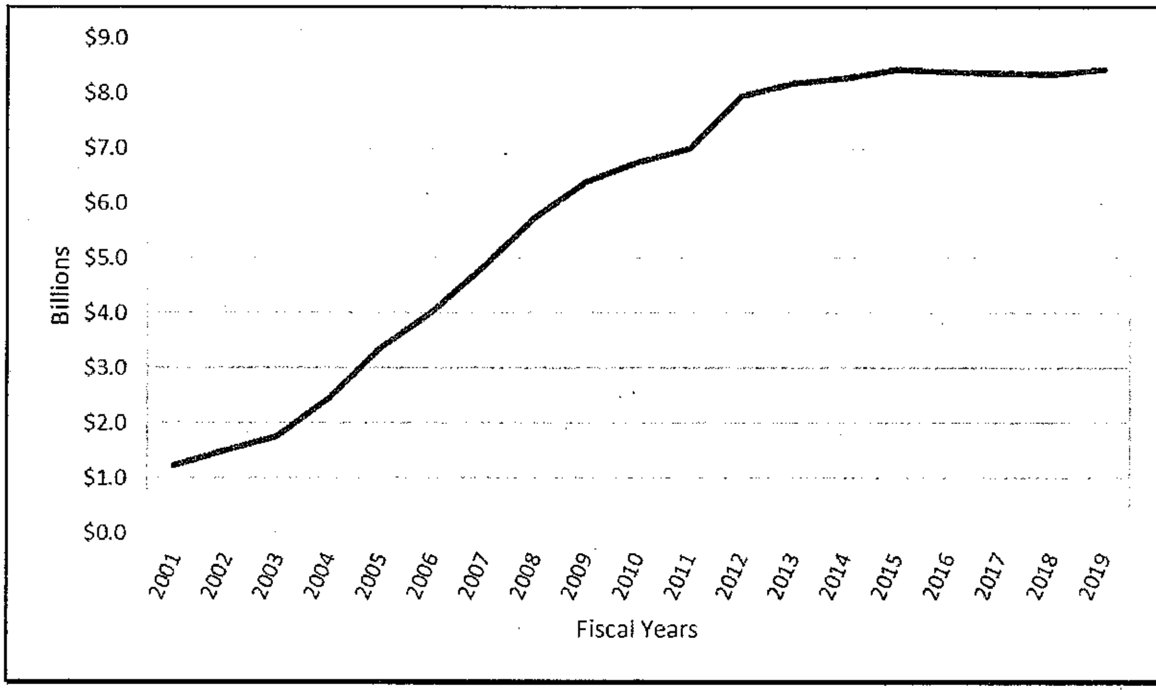
Longer-Term Perspective

The rapid increase in the City's pension expenses during the first decade of the millennium seems to have abated and stabilized. During the period FY 2001 through FY 2012, pension expenses grew at an average annual rate of almost 19 percent. In comparison, from FY 2012 through FY 2019, the average annual growth in pension expenses is projected to be approximately one percent. This trend can be seen in Chart 2 below.

[11] The Actuarial Asset Value (AAV) is a smoothed market-related asset value that is used to derive employer contributions. The sole purpose of using a smoothed asset value is to reduce the volatility of employer contributions. The current AAV was "restarted" as of June 30, 2011 – i.e., the June 30, 2011 AAV was reset to the Market Value of Assets as of that date. Under the currently adopted AAV method, the difference between the assumed investment return (on the AAV) and the actual investment return (on a market value basis) in any fiscal year is phased into the AAV over six years, beginning the following June 30, at a rate of 15%, 15%, 15%, 15%, 20% and 20% per year (or cumulative rates of 15%, 30%, 45%, 60%, 80% and 100%).

[12] Investment losses below the 7.0 percent assumption will increase pension expenses by similar amounts.

***Chart 2.* The City's Pension Expenses**



The levelling-off of the City's pension expenses after FY 2012, even after incorporating the costs resulting from new or expected labor-contracts for all employees, is due to several factors.

- The annual investment returns during FY 2010 through FY 2014 period is perhaps the primary factor. The average annual investment return for the period July 1, 2000 through June 30, 2009 was a meager 1.3 percent, compared to annual average returns of 13.4 percent between July 1, 2009 and June 30, 2014. If investment returns average 7.0 percent for FYs 2015, 2016, 2017, 2018 and 2019, the average annual returns between July 1, 2009 and June 30, 2019 will still be a healthy 10.2 percent.

- Second, the implementation of new actuarial assumptions and methodology effective FY 2012 and the "restarting" of the funding has aided the stability of employer contributions.

- Finally, the introduction of less expensive pension plans for new employees also has had an impact, although to a lesser extent up to this point.

Independent Actuarial Audit

Pursuant to Chapter 96 of the New York City Charter, the Comptroller's Office has initiated two consecutive biennial independent actuarial audit engagements. The Office engaged Gabriel, Roeder, Smith & Company ("GRS") to conduct the audits. The engagements consist of audits of employer contributions for FY 2012 and FY 2014 to validate actuarial calculations and methods, experience studies of data through June 30, 2011 and June 30, 2013 to validate actuarial assumptions, and administrative reviews of the City's collection and processing of actuarial data. The audit process is ongoing and GRS is expected to release final reports for their second engagement in the later part of 2015.

Headcount

The February 2015 Financial Plan projects full–time City-funded headcount of 241,730 employees as of June 30, 2015, an increase of 3,117 employees from the November 2014 Plan, as shown in Table 16. However, only 1,706 of the increase stems from newly created positions, the rest being technical adjustments.[13]

Some of the noteworthy planned increases in FY 2015 include:

- An increase of 282 Uniformed and 6 Civilian positions in the Department of Correction (DOC) to aid in the separation of housing for young adults (18-21 year-olds) and improve staff to inmate ratio to 1:15.
- An increase of 149 Civilian positions in the Fire Department to expand the Emergency Medical Dispatch call center by increasing the number of call-takers.
- An increase of 189 positions in the Department of Homeless Services (DHS) to improve support in various areas like homeless prevention, rental assistance, advocacy support, and training to shelter providers.
- An increase of 174 positions in the Department of Social Services (DSS), of which 91 positions are to provide operational and administrative support for homeless prevention programs. The other 83 positions are to expand the New York City Municipal Identification Card (IDNYC) effort but these positions do not extend beyond FY 2015.
- An increase of 83 positions in the Administration for Children's Services (ACS) to improve risk assessments, frontline coaching, training and preventive services.
- An increase of 72 positions at the Department of Information Technology and Telecommunications (DOITT) to reduce reliance on contractors associated with the Emergency Communications Transformation Project.

In addition, the February Plan shows a net increase of 592 positions in FY 2016 above the FY 2015 headcount, bringing the total increase in FY 2016 to 3,709. The net 592 planned additions in FY 2016 include:

[13] Technical adjustments to the headcount level represents a realignment of the Plan to actual headcounts. For example, the City University of New York (CUNY) included technical adjustments of 1,003 new positions – 826 pedagogical and 177 civilian – in the February Plan, but these employees had already been hired over the last few years and were reflected in the actual headcount, but not previously reflected in the Plan. Technical adjustments may also include shifting employees to/from City funding from/to other types of funding. Technical adjustments accounted for increased headcount of 207 civilians in the Police Department and 158 positions in the Department of Transportation (DOT).

- An increase of 181 positions in the Fire Department to operate 45 additional EMS tours to reduce ambulance response times in the South Bronx, western Queens, and Staten Island.
- Funding plans for 515 positions in the DSS for the Supplemental Nutrition Assistance Program (SNAP) initiative. This is not really an increase but the avoidance of a cut - a continuation of the program that was supposed to be terminated by the end of FY 2015.
- Funding plans for 83 uniformed positions in the Department of Sanitation to extend the Residential and School Organics Pilots into FY 2016.
- An increase of 40 legal and support positions in the Law Department to increase efficiency in the handling of cases, including improving the City's ability to litigate Police misconduct cases.

Table 16. Changes to FYs 2015 – 2018 City-Funded Full-Time Headcount February 2015 Financial Plan vs. November 2014 Financial Plan

	FY 2015	FY 2016	FY 2017	FY 2018
Pedagogical				
Dept. of Education	12	12	12	12
City University	826	826	826	826
Subtotal	**838**	**838**	**838**	**838**
Uniformed				
Police	0	0	0	0
Fire	1	1	1	1
Correction	329	318	318	318
Sanitation	93	181	93	93
Subtotal	**423**	**500**	**412**	**412**
Civilian				
Dept. of Education	1	7	7	7
City University	177	177	177	177
Police	248	198	198	198
Fire	225	423	423	423
Correction	71	71	71	71
Sanitation	5	32	32	32
Admin. for Children's Services	83	83	83	83
Social Services	174	594	440	440
Homeless Services	189	154	154	153
Health and Mental Hygiene	14	18	18	18
Finance	63	63	63	63
Transportation	226	68	68	68
Parks and Recreation	21	40	40	40
All Other Civilians	359	443	444	444
Subtotal	**1,856**	**2,371**	**2,218**	**2,217**
Total	**3,117**	**3,709**	**3,468**	**3,467**

June 30, 2015 Planned Headcount Target vs. January 31, 2015 Actuals

The actual City-funded full-time headcount was 237,821 employees on January 31, 2015, lower than the June 30, 2015 target by 3,909 employees, as shown in Table 17. Some Agencies like DOC, the DOT, the DHS, and the Department of Health and Mental Hygiene may find it difficult to hire enough employees to meet the June 30, 2015 target, over and above expected attrition.

Table 17. City-Funded Full-Time Headcount
February 2015 Plan Target for June 30, 2015 vs. January 31, 2015 Actuals

	Jan 31, 2015 Actuals	FY 2015(Feb 2015 Plan)	Difference	Difference Percent
Pedagogical				
Dept. of Education	93,188	93,303	115	0.1%
City University	3,987	4,162	175	4.4%
Subtotal	**97,175**	**97,465**	**290**	**0.3%**
Uniformed				
Police	35,385	34,483	(902)	(2.5%)
Fire	10,693	10,781	88	0.8%
Correction	8,711	9,537	826	9.5%
Sanitation	7,402	7,332	(70)	(0.9%)
Subtotal	**62,191**	**62,133**	**(58)**	**(0.1%)**
Civilian				
Dept. of Education	9,891	9,025	(866)	(8.8%)
City University	1,891	1,905	14	0.7%
Police	14,487	15,051	564	3.9%
Fire	5,227	5,371	144	2.8%
Correction	1,378	1,728	350	25.4%
Sanitation	1,914	2,064	150	7.8%
Admin. for Children's Services	5,852	6,482	630	10.8%
Social Services	10,088	10,544	456	4.5%
Homeless Services	1,909	2,165	256	13.4%
Health and Mental Hygiene	3,049	3,484	435	14.3%
Finance	1,852	2,025	173	9.3%
Transportation	1,918	2,399	481	25.1%
Parks and Recreation	3,199	3,388	189	5.9%
All Other Civilians	15,800	16,501	701	4.4%
Subtotal	**78,455**	**82,132**	**3,677**	**4.7%**
Total	**237,821**	**241,730**	**3,909**	**1.6%**

As shown in Table 18, during the Financial Plan period, City-funded full-time headcount is projected to be 241,730 in FY 2015, increasing slightly to 241,797 in FY 2016, and then falling to 241,367 in FY 2017 and to 241,292 in FYs 2018 and 2019.

Table 18. City-Funded Full-Time Year-End Headcount Projections FYs 2015-2019

	FY 2015	FY 2016	FY 2017	FY 2018	FY 2019
Pedagogical					
Dept. of Education	93,303	93,303	93,303	93,303	93,303
City University	4,162	4,157	4,191	4,191	4,191
Subtotal	**97,465**	**97,460**	**97,494**	**97,494**	**97,494**
Uniformed					
Police	34,483	34,483	34,483	34,483	34,483
Fire	10,781	10,781	10,781	10,781	10,781
Correction	9,537	9,526	9,526	9,526	9,526
Sanitation	7,332	7,461	7,373	7,373	7,373
Subtotal	**62,133**	**62,251**	**62,163**	**62,163**	**62,163**
Civilian					
Dept. of Education	9,025	9,032	9,032	9,032	9,032
City University	1,905	1,853	1,853	1,853	1,853
Police	15,051	14,849	14,849	14,849	14,849
Fire	5,371	5,569	5,564	5,564	5,564
Correction	1,728	1,727	1,727	1,727	1,727
Sanitation	2,064	2,123	2,123	2,123	2,123
Admin. for Children's Services	6,482	6,844	6,844	6,844	6,844
Social Services	10,544	10,361	10,025	9,966	9,966
Homeless Services	2,165	2,148	2,148	2,147	2,147
Health and Mental Hygiene	3,484	3,460	3,456	3,456	3,456
Finance	2,025	2,020	2,015	2,010	2,010
Transportation	2,399	2,239	2,239	2,239	2,239
Parks and Recreation	3,388	3,319	3,321	3,321	3,321
All Other Civilians	16,501	16,542	16,514	16,504	16,504
Subtotal	**82,132**	**82,086**	**81,710**	**81,635**	**81,635**
Total	**241,730**	**241,797**	**241,367**	**241,292**	**241,292**

Overtime

The FY 2016 Preliminary Budget includes $1.098 billion for overtime expenditures, 13 percent lower than the $1.265 billion currently budgeted for FY 2015. Based on the current overtime spending trend, FYs 2015 and 2016 overtime spending will likely exceed the Financial Plan's overtime budget. As shown in Table 19, the Comptroller's Office expects overtime expenditures to exceed the Plan projections by $76 million in FY 2015 and $174 million in FY 2016.

Table 19. Projected Overtime Spending, FY 2015 and FY 2016

($ in millions)

	City Planned Overtime FY 2015	Comptroller's Projected Overtime FY 2015	FY 2015 Risk	City Planned Overtime FY 2016	Comptroller's Projected Overtime FY 2016	FY 2016 Risk
Uniformed						
Police	$499	$556	($57)	$424	$546	($122)
Fire	266	266	0	204	204	0
Correction	116	135	(19)	78	130	(52)
Sanitation	79	79	0	92	92	0
Total Uniformed	$960	$1,036	($76)	$798	$972	($174)
Others						
Police-Civilian	$82	$82	$0	$82	$82	$0
Admin for Child Services	17	17	0	17	17	0
Environmental Protection	23	23	0	23	23	0
Transportation	40	40	0	35	35	0
All Other Agencies	143	143	0	143	143	0
Total Civilians	$305	$305	($0)	$300	$300	$0
Total City	**$1,265**	**$1,341**	**($76)**	**$1,098**	**$1,272**	**($174)**

The February Plan increased the FY 2015 overtime budget by $44 million. As shown in Appendix A3, there was a net increase of $28 million for uniformed overtime. The increase stems mainly from an upward revision to correction officers' overtime costs from $88 million to $116 million.

For FY 2016, the February Plan increased overtime projections by $28 million. Almost 40 percent of the increase was attributable to an upward revision of civilian overtime at the Fire Department from $37 million to $48 million. This increase is mainly due to 45 additional Basic Life Support tours by the Emergency Medical Service planned for South Bronx, Western Queens and Staten Island.

Overtime spending for uniformed employees at the NYPD continues to pose the largest risk to the overtime budget. Through January of FY 2015, the NYPD uniform overtime expenditures, including costs associated with recent protests related to the Ferguson, Missouri, and Staten Island grand jury decisions, exceeded $340 million and are on pace to be at least $556 million for FY 2015. Should this trend continue, the FY 2016 overtime could face a risk of at least $122 million.

The Department of Correction (DOC) has spent an average of $132 million for uniformed overtime between FYs 2012 and 2014 and is on track to spend at least $135 million for FY 2015. Although DOC had expected to reduce overtime spending in FY 2015 due to new hires, DOC seems to be having difficulty recruiting enough candidates to offset attrition. Uniformed headcount levels have actually declined from 8,922 at the end of FY 2014 to 8,711 at the end of January 2015. DOC currently plans to increase uniformed headcount to 9,537 by June 30, 2015 to support new initiatives such as increasing the uniformed staff-to-inmate ratio for inmates 21 years or younger and the need for officers to monitor camera feeds. As a result, the increased headcount may not provide any reduction in DOC overtime spending, resulting in risks to the City's budget of $19 million in FY 2015 and $52 million in FY 2016.

Health Insurance

The FY 2016 Preliminary Budget includes $5.578 billion for employees' and retirees' pay-as-you-go health insurance in FY 2016, $38 million higher than projected in the November Plan and $372 million higher than budgeted for FY 2015.

Between FY 2016 and FY 2019, health insurance expenditures are projected to increase to $5.922 billion in FY 2017, $6.327 billion in FY 2018 and $6.849 billion in FY 2019, an average annual increase of 7.1 percent. The projections reflect anticipated savings from the healthcare reform agreement between the City and the Municipal Labor Committee (MLC).[14]As such, the projected growth in health insurance cost is lower than the projected premium increase. The outyear projections assume annual increases in health insurance premium rates of 9 percent in FYs 2017 and 2018, and 7 percent for FY 2019. Senior care rates are projected to increase by 8 percent annually for FYs 2017 and 2018 and 5 percent for FY 2019.

Table 20. Pay-As-You-Go Health Expenditures

($ in millions)

	FY 2015	FY 2016	FY 2017	FY 2018	FY 2019
Department of Education	$1,972	$2,093	$2,215	$2,357	$2,563
CUNY	41	96	102	107	108
All Other	3,193	3,389	3,605	3,863	4,178
Total Pay-As-You-Go Health Insurance Costs	$5,206	$5,578	$5,922	$6,327	$6,849

Between FY 2005 and FY 2014, the City's health insurance costs more than doubled from $2.575 billion to $5.378 billion, driven mainly by a steady rise in health insurance premium rates which increased on average by approximately 9 percent annually.[15] However, that rate of increase has slowed recently. FY 2014 health insurance costs increased by 4.37 percent from FY 2013, reflecting an increase of 5.2 percent in the health insurance premium rates for that year. For FY 2015, the health insurance premium rates remained flat as Emblem Health, whose rate determines the City's overall health insurance cost, did not request a rate increase for CY 2014. For FY 2016, health insurance rates are expected to increase by a relatively modest 2.89 percent.

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[14] In May 2014, the City and the MLC reached an agreement on healthcare reform that will provide savings of $400 million in FY 2015, $700 million in FY 2016, $1 billion in FY 2017, and $1.3 billion annually in FY 2018 and beyond. The savings are earmarked to offset some of the cost of the current round of collective bargaining.

[15] Health Insurance costs are adjusted for the use of Retiree Health Benefit Trust (RHBT) funds and prepayment.

So far, the City has realized savings of $55 million in FY 2015, $377 million in FY 2016, $414 million in FY 2017, $454 million in FY 2018, and $422 million in FY 2019 of the projected healthcare reform savings. These savings resulted from the recognition of lower than projected increases in health insurance premium rates and senior care health insurance premium rates. As discussed above, health insurance premium rates will increase by 2.89 percent in FY 2016 rather than the previously projected 9 percent. Similarly, FY 2015 rates for senior care health insurance increased at .32 percent rather than the previously budgeted 8 percent. The City has indicated that other initiatives being explored will result in additional savings for FY 2015 and beyond. Those savings will be necessary to reach the targets agreed to by the City and the labor unions to help offset some of the costs associated with the labor contracts. Initiatives cited by the City include:

- A funding structure change in the City's GHI Plan from being fully insured to a minimum premium plan enabling the City to benefit from lower fees and taxes.
- The reduction of administrative fees paid to Empire Blue Cross Blue Shield for 2015.
- Dependent Eligibility Verification Audit.
- Strategies to reduce emergency room utilization.
- Savings from the renegotiated contract with Express Scripts for specialty drugs (PICA).

Public Assistance

Through January, the City's FY 2015 public assistance caseload has averaged 347,423 recipients per month. The average monthly caseload has increased by about one percent, or 3,678 recipients compared to the average monthly caseload in FY 2014. The City's public assistance caseload still remains about 70 percent below its historical peak. However, it has rebounded sharply over the past eight months since falling to a recent low of 336,403 in May 2014. The January 2014 public assistance caseload of 351,491 is an increase of almost 4.5 percent from the May 2014 caseload. Thus far in FY 2015, public assistance grants spending has averaged about $112 million per month, representing a 5.3 percent increase from the FY 2014 monthly average of approximately $106 million.

The City's FY 2015 public assistance caseload projections remain unchanged in the February Plan, an average 350,297 over the Plan period. Total baseline grants expenditures are projected at approximately $1.4 billion in FY 2015 and $1.35 billion in each of FYs 2016-2019. The February Plan provides an additional $15 million in the current year mainly to support housing services for public assistance clients, including funding for Living in Communities (LINC) aftercare services (a rental assistance program), anti-eviction legal services and broker's fees. Since the Adopted Budget, the City has reflected nearly $50 million in housing-related costs for FY 2015 in its public assistance expenditures. The City's budget projections for public assistance grants appear in line with actual spending thus far in FY 2015. However, should the increase in the public assistance spending continue for an extended period, it could pose risks to the City's assumptions over the outyears of the Plan.

Department of Education

The February Financial Plan shows an increase of $117 million in the Department of Education's (DOE) FY 2015 budget. The FY 2015 DOE budget totals $20.86 billion, an increase of 4.1 percent or $814 million above actual FY 2014 spending of $20.05 billion. The additional funding in the current year primarily consists of collective bargaining transfers to cover labor settlements with various unions, including the Council of Supervisors and Administrators, custodians, custodial helpers and certain DC 37 titles. These transfers include about $77 million wholly supported by City-funds.

The City also provides $13 million to support the Department's new needs, chief among these actions are $5 million for teacher leadership positions and $5 million for Renewal Schools. The teacher leadership positions stem from the UFT labor agreement that created designations (master teacher, model teacher and teacher ambassadors) for senior teachers serving in supplemental mentoring and advisory roles at eligible schools. It should be noted that when the UFT labor settlement was reached, the City initially claimed that the entire cost of this initiative would be self-funded internally by the DOE. As announced by the Mayor in November, the Renewal Schools program targets 94 of the City's worst schools by downsizing the schools while at the same time offering extended school days, additional teacher training and on-site community and social services. City funds reflected in the February Plan, along with $25 million in Federal Title I grants, would provide $30 million this year towards this initiative. The City plans to follow through with the program at a cost of $108 million in FY 2016, to be supported by $50 million in internal DOE savings and $58 million in reprogrammed Federal funds that have not yet been reflected in the Department's Budget. School health centers costing an additional $12 million outside of the DOE budget will push the total cost of the Renewal Schools program to $150 million covering both FY 2015 and FY 2016. Rounding out the remainder of the FY 2015 changes is an increase of $25 million in other categorical funds mostly from a School Construction Authority reimbursement for school facilities improvements.

The Preliminary FY 2016 budget projects DOE funding at $21.58 billion, representing an increase of $682 million or about 3.4 percent from the FY 2015 budget. About $418 million of this increase is expected from City funds with the remainder primarily from State support. However, given the education reform proposals in the State Executive Budget, the City's assumption of additional school aid faces significant uncertainty in FY 2016. Unless the legislature adopts the reform measures, including a more rigorous teacher evaluation plan which needs to be implemented by September 1st by the DOE, the City could forego a net increase of $241 million in formula-based aids currently anticipated in the February Plan. In FY 2013, the City absorbed a loss of $303 million in similar aids for failing to meet the State-mandated deadline to develop and implement its current teacher evaluation plan. Compared to the November Plan, the FY 2016 Budget has risen by $115 million mainly from baseline increases associated with collective bargaining transfers.

Over the remainder of the Plan, the DOE budget is projected to rise to $22.44 billion in FY 2017 and $23.35 billion in FY 2018, before reaching $23.91 billion by FY 2019. Increased state aid is expected to comprise about $772 million or one-third of the total growth over this period, with City funds essentially making up the remainder of the increase.

The Department continues to face ongoing risks to its assumptions of Federal Medicaid revenue in the February Plan. The DOE estimates it will realize Medicaid reimbursement of $67 million in the current year and $97 million annually in the outyears for special education occupational and physical therapy services. However, these targets are substantially higher than actual collections over the past two years, during which the Department only managed to collect Medicaid revenues of $6 million in FY 2013 and $2 million in FY 2014. Therefore, the Comptroller's Office projects risks of $60 million in FY 2015 and $80 million in each of FYs 2016 – 2019. In addition, the City currently assumes Full-Day Universal Pre-kindergarten grants of $340 million in FY 2016, which could pose a shortfall of $40 million given that the State Executive Budget has allocated only $300 million to the City for this program.

Debt Service

As shown in Table 21, debt service in the February 2015 Plan, net of prepayment adjustments, is projected to grow from $6.32 billion in FY 2015 to $8.13 billion in FY 2019, an increase of $1.82 billion, or an average annual growth of 6.5 percent.[16]

Table 21. February 2015 Financial Plan Debt Service Estimates

($ in millions)

Debt Service Category	FY 2015	FY 2016	FY 2017	FY 2018	FY 2019	Change from FYs 2015 – 2019
GO[a]	$3,935	$4,422	$4,554	$4,663	$4,754	$819
TFA[b]	2,083	2,374	2,552	2,771	3,002	919
Lease-Purchase Debt	224	235	308	301	295	71
TSASC, Inc.	74	74	74	82	82	8
Total	**$6,316**	**$7,105**	**$7,488**	**$7,817**	**$8,133**	**$1,817**

SOURCE: February 2015 Financial Plan.
NOTE: Debt service is adjusted for prepayments.
[a] Includes long-term GO debt service and interest on short-term notes.
[b] Amounts do not include TFA BARBs.

These projections represent decreases from the November 2014 Financial Plan of $329 million in FY 2015, $143 million in FY 2016, $58 million in FY 2017, $8 million in FY 2018, and an increase of $74 million in FY 2019.[17]

The decrease in planned FY 2015 debt service is the result of a $170 million reduction in GO debt service, a $93 million decrease in lease-purchase debt service, and $66 million in estimated TFA savings. Of the $170 million decline in GO debt service, $117 million is the result of lowering estimates for current year interest costs for GO Variable Rate Demand Bonds (VDRB), along with $27 million in savings from eliminating

[16] Includes debt service on GO, TFA, and TSASC bonds as well as lease-purchase debt and interest on short-term notes.

[17] There was no official estimate for FY 2019 in either the July or November Plans.

an $800 million GO borrowing in the first-half of FY 2015. In addition, estimated letter-of-credit and remarketing fees related to GO VRDB debt is forecast to be $18.5 million lower than the November Plan in FY 2015. The decrease in lease-purchase/conduit debt service is comprised of a $76.5 million reduction in City interest support to the Hudson Yards Infrastructure Corporation (HYIC) and $16.4 million from Education Construction Fund savings. The $66 million reduction in FY 2015 TFA debt service results primarily from reduced variable-rate interest cost assumptions.

The reduction in estimated debt service from the November Plan for FY 2016 is comprised of GO debt service and lease-purchase debt savings of $142.5 million. GO savings in FY 2016 result primarily from the continuation of savings from the lower-first half borrowing cited above, which provides savings of $54.2 million in FY 2016. The balance of $88.3 million in savings is from net changes in the City's payments to the HYIC.

The FYs 2017 and 2018 decreases from the November Plan of $58 million and $8 million, respectively, come primarily from the continued impact of lower FY 2015 borrowing offset somewhat by increased debt service costs associated with increased planned GO and TFA borrowing beginning in FY 2017 and FY 2018.

The FY 2019 increase of $74 million results from an increase of $5 million in GO and an increase of $69 million from higher planned TFA borrowing in FY 2017 and FY 2018.

The City has paid approximately $10 million in GO VRDB interest costs from July 2014 through January 2015. If the current low-interest environment continues through the end of June, the City would realize significant budgetary savings in FY 2015. OMB has already lowered budgeted FY 2015 GO VRDB costs from $300 million to $180 million.

Debt Refinancing

The Comptroller's Office, together with the Office of Management and Budget (OMB), closely monitors the City's outstanding bonds and market conditions to refinance debt when opportunities to realize debt service savings present themselves. Since January 1, 2010, refundings have saved City taxpayers and water and sewer rate payers over $3.62 billion.[18]

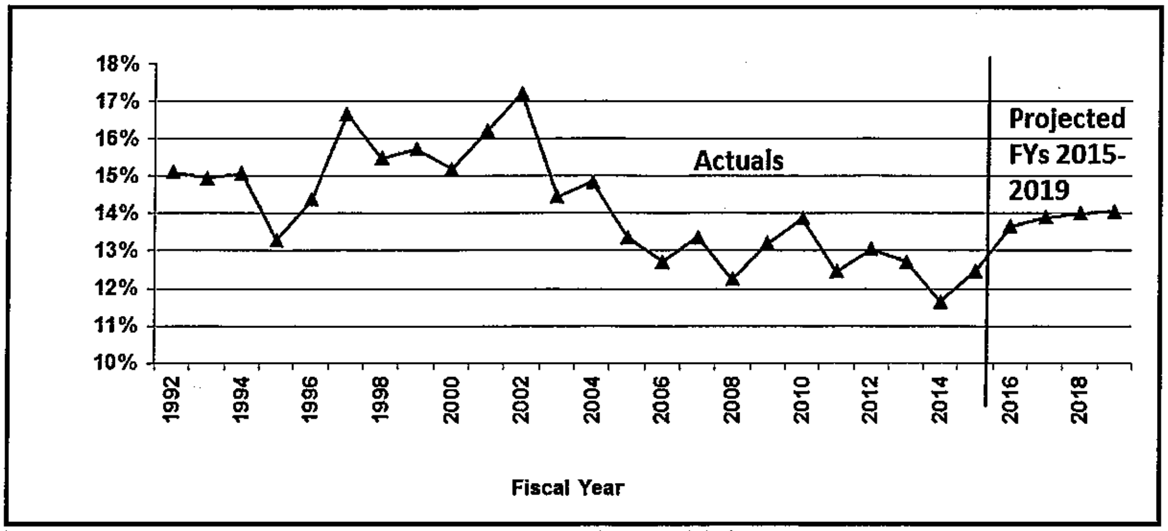
Debt Affordability

Debt service as a percent of local tax revenues is one of several measures of debt affordability used by municipal analysts and government officials alike. The February 2015 Plan projects that debt service will consume 12.5 percent of local tax revenues in FY 2015, 13.7 percent in FY 2016, 13.9 percent in FY 2017, 14 percent in FY 2018 and 14.1 percent in FY 2019, as shown in Chart 3. The upward trend of this ratio is the result of the City's debt service growing at a faster rate than its tax revenues. Between FY 2015 and FY 2019 the City's debt service is estimated to grow by 28.8 percent, resulting in an annual growth

[18] Includes Sales Tax Asset Receivable (STAR) Corporation refunding savings of $649 million.

rate of 6.5 percent over the Financial Plan period. In contrast, the estimated annual tax revenue growth for the same period is 3.4 percent.

Chart 3. **Debt Service as a Percentage of Tax Revenues, 1992 – 2019**



SOURCE: NYC Office of Management and Budget, February 2015 Financial Plan.

Financing Program

The February 2015 Financial Plan contains $36.18 billion of planned City and State supported borrowing in FYs 2015 – 2019, as shown in Table 22. GO and TFA PIT-supported borrowing account for three-quarters of the total borrowing over this period. Planned TFA bonds total $14.36 billion while GO borrowing totals $12.51 billion.

Planned borrowing over FYs 2015 – 2018 is $2.36 billion less than the November Plan, attributable primarily to decreased TFA Building Aid Revenue Bonds (BARBs) borrowing[19]. The planned issuance of TFA BARBs debt to support the DOE capital program is reduced by $3.13 billion, from $5.79 billion in the November Plan to $2.65 billion.[20] This borrowing plan for TFA BARBs keeps the issuance of future BARBs debt within its $9.4 billion statutory limit. The February Plan also reduced GO borrowing by $800 million in FY 2015 to better align with expected capital cash flow needs this year.

NYWFA planned FY 2015 – 2019 borrowing of $6.24 billion accounts for a significant 17.2 percent of the City's capital borrowing plan during this period. However, unlike other debt that is financed by revenues derived from collection of the property tax and other general fund revenues, NYWFA debt service is funded by water and sewer user fees that are collected directly by the NYC Water Board. As a result, neither the water and sewer user fees nor the NYWFA debt service is included in the City's general fund.

[19] Changes described are from FYs 2015-2018 as FY 2019 was not yet in the November 2014 Financial Plan.

[20] Figures refer to FYs 2015-2018 period to calculate TFA BARBs change. FY 2019 estimates were not published in the November Plan. The February Plan contains $419 million of projected BARBs borrowing in FY 2019.

Table 22. February 2015 Financing Program, FYs 2015 – 2019

($ millions)

Description:	Estimated Borrowing and Funding Sources FYs 2015-2019	Percent of Total
General Obligation Bonds	$12,510	34.6%
TFA – PIT Bonds	14,360	39.7
NYC Water Finance Authority	6,238	17.2
TFA – BARBs	3,073	8.5
Total	**$36,181**	**100.0%**

SOURCE: February 2015 Financial Plan, NYC Office of Management and Budget.

Capital Commitment Plan

The February 2015 Capital Commitment Plan for FYs 2015 – 2018 contains $44.66 billion in authorized all-funds commitments, as shown in Table 23.[21] Included in that is $36.6 billion in City-funds, as shown in Table 24. All-funds commitments increased by $2.52 billion, or six percent, from the October 2014 Commitment Plan, the net result of a $4.41 billion increase of City-funded projects, offset by a $1.88 billion decline in Non-City-funded projects.

On an all-funds basis:

- After adjusting for the reserve for unattained commitments of $3.58 billion over the period, the February 2015 Capital Commitment Plan for FYs 2015 – 2018 reflects $41.08 billion in commitments.
- The Plan is front-loaded with 39 percent of all-funds commitments scheduled for FY 2015.

Consistent with prior Plans, capital commitments for DOE and CUNY, the Department of Environmental Protection (DEP), the Department of Transportation (DOT) and Mass Transit, and Housing and Economic Development account for 70 percent of all-funds commitments.[22]

[21] The Commitment Plan is a schedule of anticipated capital contract registrations. The February Commitment Plan contains forecasts for FYs 2015 – 2018 only. FY 2019 will appear at the time of the Executive Budget and Plan.

[22] This percentage assumes all DOT project types, not just bridges and highways.

Table 23. FYs 2015 – 2018 Capital Commitments, All-Funds

($ in millions)

Project Category	February FYs 2015– 2018 Commitment Plan	Percent of Total
Education & CUNY	$11,453	25.7%
Environmental Protection	8,185	18.3
Dept. of Transportation & Mass Transit	6,822	15.3
Housing and Economic Development	4,908	11.0
Administration of Justice	2,473	5.5
Technology and Citywide Equipment	1,833	4.1
Parks Department	2,433	5.4
Hospitals	1,630	3.7
Other City Operations and Facilities	4,919	11.0
Total	**$44,656**	**100.0%**
Reserve for Unattained Commitments	($3,580)	N/A
Adjusted Total	**$41,076**	**N/A**

SOURCE: NYC Office of Management and Budget, FYs 2015 – 2018 February Capital Commitment Plan, February 2015.

The net increase of $2.52 billion from the October 2014 Plan is comprised of a decrease of $505 million in FY 2015, followed by estimated increases of $1.44 billion in FY 2016, $830.6 million in FY 2017, and $755.4 million in FY 2018.

- The main drivers of the FY 2015 decline stems from decreases in HHC and citywide equipment purchases of $416.2 million and $220.1 million, respectively.
- The addition of $1.44 billion in FY 2016 is driven by increases to HHC in the amount of $749.2 million; largely the result of Sandy-related projects, a NYCHA increase of $308 million due to Sandy-related CDBG dollars, and a $227 million increase to Highway-related projects in DOT.
- The increase of $830.6 million in FY 2017 is driven by a $398.4 million increase in DOC for the new Rikers Island Facility project, rolled from FY 2016. In addition, there is an increase of $152.3 million to HHC of which $142.5 million is from additional Sandy-related dollars, and a $90 million increase in projected citywide equipment purchases.
- The additional $755.4 million in FY 2018 is driven by increases of $246.2 million in water pollution control projects, $196 million in highway related projects in DOT, $130.5 million increase in water supply projects, and $100 million increase in HHC, $90 million of which is related to additional Sandy projects.

The February 2015 Capital Commitment Plan increased planned City-funded projects over the FYs 2015 – 2018 period by $4.41 billion, the net result of changes to 40 project types.

On a City-funds basis:

- As shown in Table 24, after adjusting for the reserve for unattained commitments of \$3.58 billion, the February 2015 Capital Commitment Plan for FYs 2015 – 2018 reflects \$33.02 billion in City-funds commitments.
- DEP, Education & CUNY, DOT & Mass Transit, along with Housing and Economic Development (Business Services) account for 69.4 percent of City-funds commitments over the FYs 2015-2018 period.
- Over 75 percent of the \$4.41 billion increase over the four-year period is due to a \$3.33 billion increase in City-funds for DOE that was made necessary because of reductions in planned State-funded commitments. The State, which uses TFA BARB debt to finance City DOE capital needs, is, in effect, reducing DOE capital funding because of the diminishing debt-incurring margins of TFA BARBs.
- The next highest increase is \$382.3 million over the four-year period for Highways-related projects in DOT, followed by a \$129.7 million increase in capital projects related to public buildings (DCAS), and a \$115.5 million increase to the Police Department's capital program.
- A decrease of \$121.2 million in DEP water supply projects mostly reflected a postponement, as \$130 million for a groundwater rehabilitation project was shifted from FY 2017 to FY 2019.

The February Commitment Plan also reduced DEP equipment-related projects and purchases by \$26 million.

Table 24. FYs 2015 – 2018 Capital Commitments, City-Funds

(\$ in millions)

Project Category	**February FYs 2015 – 2018 Commitment Plan**	**Percent of Total**
Environmental Protection	\$7,842	21.4%
Education & CUNY	8,899	24.3
Dept. of Transportation & Mass Transit	4,561	12.5
Housing and Economic Development	4,087	11.2
Administration of Justice	2,362	6.4
Technology and Citywide Equipment	1,824	5.0
Parks Department	1,892	5.2
Hospitals	601	1.6
Other City Operations and Facilities	4,532	12.4
Total	**\$36,599**	**100.0%**
Reserve for Unattained Commitments	(\$3,580)	N/A
Adjusted Total	**\$33,019**	**N/A**

SOURCE: NYC Office of Management and Budget, FYs 2015-2018 February Capital Commitment Plan, February 2015.

Preliminary Ten-Year Capital Strategy

The City is required to issue a Preliminary Ten-Year Capital Strategy (the Preliminary Strategy) every odd calendar year as required by Section 215 and 234 of the City Charter. The Preliminary Ten-Year Capital Strategy for FYs 2016 – 2025 sums to $67.74 billion – $59.93 billion of City-funds and $7.8 billion in non-city funds. This is a $14.02 billion, or 26 percent, increase from the last Ten-Year Capital Strategy published in May 2013, as shown on Table 25. This is the largest percentage increase in the Strategy since the 34 percent increase from the May 2005 Capital Strategy to the May 2007 Capital Strategy.

Table 25. Preliminary Ten-Year Capital Strategy, FYs 2016– 2025, February 2015, Comparison to the 2013 Ten-Year Capital Strategy, May 2013

($ in millions)

	May 2013 Capital Strategy – City Funds	May 2013 Capital Strategy – All-Funds	February 2015 Capital Strategy – City Funds	February 2015 Capital Strategy – All-Funds	Change in City Funds	Change in All-Funds
Education (DOE)	$9,776	$19,666	$22,257	$24,943	$12,481	$5,278
Environmental Protection	12,374	12,410	12,500	12,791	126	381
DOT and Transit	5,888	8,661	6,978	9,284	1,090	623
Housing (HPD and NYCHA)	2,353	2,923	6,957	7,764	4,604	4,841
Business Services	351	354	1,114	1,205	763	851
All Other	8,935	9,704	10,126	11,748	1,191	2,044
Total	**$39,677**	**$53,718**	**$59,932**	**$67,735**	**$20,255**	**$14,018**

SOURCE: Preliminary Ten-Year Capital Strategy, Fiscal Years 2016-2025, February 2015 & the Ten-Year Capital Strategy, FYs 2014-2023, May 2013.

Similar to patterns of other Ten-Year Strategies, all-funds projects for Education, DEP, Housing (including NYCHA), and DOT/Transit constitute 82.7 percent of the current preliminary Strategy. The categories with the largest changes from the prior capital strategy are increases of $5.28 billion in Education (DOE), $4.45 billion in HPD, $1.42 billion in HHC largely the result of Sandy-related projects, $1.02 billion in water pollution control projects, and $851.2 million in Economic Development/Business Services. Contemplated all-funds projects in NYCHA increased from $63.6 million in the May 2013 Capital Strategy to $453.7 million in the February 2015 Strategy. Even after excluding Sandy-related costs of $308 million, commitments for NYCHA more than doubled from the previous Capital Strategy.

Notably, when comparing the February 2015 Preliminary Strategy to the May 2013 Strategy, the City-funds share increased by $20.26 billion while the Non-City share declined by $6.24 billion. The most significant factor driving this change in the City/Non-City split is a shift in funding of DOE and Housing related projects. In the May 2013 Strategy, DOE projects were 49.7 percent City-funded; in the current Strategy the ratio has increased to 89.2 percent City-funded, reflecting a reduction in the State's support by an estimated $9.8 billion over the ten-year period. As discussed earlier, this is related to the lack of remaining debt-incurring capacity of TFA BARBs, the State's leading source of funding for DOE capital programs.[23] Housing related projects in the May 2013 Strategy were 80.1 percent City-funded and now are 93.2 percent City-funded, reflecting an ambitious expansion of the Housing program.

Major Programmatic Agencies

Education

The Department of Education (DOE) capital programs account for $24.94 billion in all-funds, or almost 37 percent of the Preliminary Strategy. They include:

- Rehabilitation of School Components with a forecast total of $10.59 billion over the period. This area of work is dedicated to keeping major building and playground components in a state of good repair.
- System Expansion with $5.23 billion to build new school space.
- $2.2 billion for the renovation of leased space, building additions, new athletic fields and playgrounds.
- $2.89 billion for the category of Emergency, Inspection, and Miscellaneous, which is comprised of mayoral/council program, administrative costs, emergency projects, research and development, along with funds to complete prior plan projects.
- Almost $2.7 billion for Educational Enhancements. This category is technology driven, with eligible computer purchases, network upgrades, approved software enhancements, along with re-wiring projects to better access the internet. Upgrades and replacements of science labs are part of this category as well.
- $780 million from the $2 billion Smart Schools Bond Act approved by voters in November 2014. This allocation will be used for technological enhancements, additional pre-kindergarten capacity, along with removal of transportable classroom units. The Comptroller's Office contends that this allocation short-changes the City by $88 million because it represents only 39 percent of the total issuance, against the 43.4 percent that would be deemed a fair share.
- $567 million is allocated for safety and security projects which include security systems, emergency lighting, and miscellaneous code compliance projects.

Department of Environmental Protection

The Department of Environmental Protection (DEP) capital programs account for $12.79 billion in all-funds, or 19 percent of the Preliminary Strategy total. DEP capital projects are divided into five program areas: water pollution control; water mains, sources and treatment; sewer related projects; water supply; and equipment purchases.

Water pollution control projects total $5.39 billion and involve capital work at wastewater treatment plants, including projects to improve storm water capture, and conform to water quality mandates. These projects include:

[23] As of March 2015, there is approximately $2.72 billion of remaining TFA BARBs capacity.

- Plant Upgrading and Reconstruction, which constitutes 51 percent of water pollution control projects at $2.76 billion. The primary charge of this category is the reconstruction or replacement of components, or related conveyance infrastructure at in-city waste water treatment plants, including $337 million for plant upgrades that will reduce carbon emissions and make plants more energy efficient, and $201 million for floodwater resiliency upgrades.
- $1.54 billion for capital projects related to water quality mandates. The majority of the funding, about $1.3 billion, will be used for measures to prevent combined-sewer overflow (CSO) into local harbor waters.
- A new ten-year plan category for this program area is the Green Infrastructure program which contains just under $700 million of funding. This program is seeking natural water absorption strategies through the use of constructed wetlands, bioswales, tree pits, green roofs, and permeable pavement projects throughout the City.

The water mains, sources, and treatment program area, which has been allocated $3.55 billion in the Preliminary Strategy, is dedicated to the upkeep of the water supply at its source and its related distribution systems. These projects include:

- The category of Trunk and Distribution Main replacement, which contains $1.36 billion of funding, including $325 million for underground infrastructure to accelerate the replacement of aging water mains. Related thereto, is an allocation of $116 million for emergency water main breaks as well as just over $66 million that will provide connections from the Manhattan portion of City Water Tunnel No. 3 to the water main distribution system.
- The category of Water Quality Preservation programs for which $1.25 billion of resources are dedicated. Included in this category is $647 million for projects such as the repair and rehabilitation of the Catskill aqueduct, including pressurization, and the rehabilitation of the lower Catskill aqueduct. Also included is $92 million for the development of a new hydro-electric facility on the Cannonsville reservoir.
- Two new initiatives totaling $45 million, the Bluebelt program and Water for the Future, which will provide resources to connect natural storm water drainage corridors along with Water for the Future projects to support the temporary shutdown of the Delaware Aqueduct.

Sewer related projects throughout the City are allocated $2.59 billion in the Preliminary Strategy. Included in this are:

- $876.9 million for the Replacement of Chronically Failing Components to address malfunctioning or collapsed cement combined sewers. About $597 million of this allocation is reserved for emergency work citywide.
- A $660 million allocation for the Replacement or Augmentation of Existing Systems. Included in this category is $113 million for sewer work to assist in Coney Island development, $69.5 million to address CSO discharge into Pugsley Creek,

and $60 million for below ground infrastructure work related to the replacement of aging sewers on an accelerated schedule.

- Over $362 million for the new Bluebelt program that aligns with a comprehensive storm water management plan focused on reducing local flooding.

The Water Supply program was allocated $740 million over the Preliminary Strategy period. This includes:

- $339.5 million for City Water Tunnel No. 3, Stage 1, which will modify the water chambers at the Hillview reservoir.
- $66.8 million for City Water Tunnel No. 3, Stage 2, which will provide DEP the ability to bypass tunnels 1 and 2 and allow inspection of those tunnels for the first time since inception.
- Water for the Future related projects totaling $273 million that will provide $143 million to rehabilitate a groundwater supply in Queens to create an alternative source, and another $130 million to rehabilitate the upper Catskill Aqueduct to augment its capacity.

DEP equipment programs total $511.7 million over the FYs 2016 – 2025 period. This includes:

- Water Meter replacements along with Utility Relocations. These two dominate this program area with an allocation of $364 million of the total. As part of this, in accordance with a cost-sharing agreement with local gas utilities, $241.6 million is allocated for gas utility relocation work that is caused by DEP water and sewer construction projects, along with $122.6 million for the replacement of residential and commercial water meters.

Department of Transportation (DOT) and Mass Transit

The Preliminary Ten-Year Capital Strategy contains $9.28 billion over FYs 2016 – 2025, or 13.7 percent of the all-funds total, for NYC DOT and mass transit projects. Sub-program areas which include Bridges, Highways, Traffic, Ferries, and Equipment are allocated $8.88 billion, and $404 million is allocated to New York City Transit infrastructure projects.

The Bridges program area contains both East River crossings and highway bridges citywide. Over $4.86 billion is allocated in this category. This includes:

- $2.13 billion for the category of Bridge Life Extension for rehabilitative work on 26 specific bridges rated "fair" or "good", as well as a variety of other bridges.
- $2.07 billion for the Fair and Good Bridges, which is projected to reconstruct 44 bridge structures rated "fair" and "good", including $120 million for the Roosevelt Avenue Bridge, and $181 million for the Bruckner Expressway over Westchester Creek.

- Just over $297 million for East River bridges, with $148 million of it earmarked for the Ed Koch Queensboro Bridge over the period.

The Highways program area totals $3.05 billion over the ten-year period and is comprised primarily of $1.38 billion for 6,940 lane-miles of street resurfacing and $1.2 billion for 356 lane-miles of street reconstruction. About $276 million of the street reconstruction allocation is dedicated to Vision Zero projects such as the 4th Avenue safety improvements in Brooklyn, along with the reconstruction of Atlantic Avenue, and pedestrian safety improvements to the Grand Concourse in the Bronx, and Queens Boulevard.

The Traffic program area within DOT sums to $550.5 million over the period and contains $183 million for signal installation of computerization, $162 million for lampposts and luminaries, and $116 million for installation of signals, streetlights, and lane markings related to highways projects.

The program area of Ferries contains $379 million over the period, of which $284 million is for the on-going capital maintenance and rehabilitation of DOT's eight ferry boats and $92 million is for improvements and rehabilitation of terminal buildings, slips, and racks at both St. George and Whitehall terminals.

The Ten-Year Plan category of transportation equipment contains $42.1 million over the ten-year period and includes $20 million for data processing equipment, along with $22 million for automotive and other equipment.

The Ten-Year Plan category of Transit (MTA) is comprised primarily of IFA Track Infrastructure projects totaling $350 million of the $404 million total in this category.

Housing and Economic Development

This program area includes capital projects for HPD, NYCHA, and Small Business Services agencies. The Preliminary Strategy allocates $8.97 billion, or 13.2 percent of the total Ten-Year Plan, to this area. Housing for HPD and NYCHA comprises $7.76 billion of the total amount, with Business Services at $1.2 billion. The housing component's primary objective is to support "Housing New York" program whose goal is to create 200,000 units of affordable housing.

HPD spearheads this program area with $7.31 billion over the FYs 2016 – 2025 period. Three HPD categories, which have increased by $4.2 billion from the May 2013 Capital Strategy, comprise 90 percent of the allocation:

- Preservation, at $2.52 billion, will address the preservation of the existing affordable housing stock and assist in the creation of long-term affordability.
- The new construction category contains $2 billion to finance new affordable housing units. Housing New York's goal is to build 80,000 new units by FY 2024.

- The Special Needs category provides $2.1 billion for both the construction and preservation of housing for seniors, the disabled, and formerly homeless households throughout the five boroughs.

NYCHA with $454 million in all-funds over the period, will address roof repairs and elevator replacements at various NYCHA developments. This includes a $308 million CDBG grant to rehabilitate NYCHA housing stock impacted by Super Storm Sandy.

The Department of Small Business services, in conjunction with NYC Economic Development Corporation, has an allocation of $1.2 billion from FYs 2016 – 2025. Four Ten-Year Plan categories make up 94 percent of the agency total. These include Neighborhood Revitalization, Industrial Development, Commercial Development, and Waterfront Development:

- The category of Neighborhood Revitalization contains planned projects of $411 million. Major investments in Hunters Point South in Queens, Coney Island in Brooklyn, and the Stapleton section of Staten Island are major elements of the Plan. This category also invests in physical improvements, including street light and sidewalk beautification, along with pedestrian and intermodal improvements in mixed-use areas.
- The Preliminary Strategy allocates $289 million to Industrial Development with a focus on City-owned or operated industrial real estate at the Brooklyn Navy Yard and the Brooklyn Army Terminal, along with improvements to the Bush Terminal in Brooklyn. Capital project objectives include infrastructure improvements along with bringing assets to a state-of-good repair to continue to attract private-sector business to the facilities.
- The Preliminary Strategy allocates $238 million for Commercial Development of sites over the period such as Willets Point in Queens to create a mixed-use community. Overall, the goals of the category are to foster new industries and new retail opportunities.
- Waterfront Development contains $198 million of resources over the period. Primary objectives are the expansion and preservation of public waterfront locations throughout the City for transportation and recreational purposes, as well as improvements to the Manhattan and Brooklyn Cruise terminals to serve a growing number of passengers and retain tourist related businesses.

IV. Appendix

Table A1. *February 2015 Preliminary Budget Revenue Detail*

($ in millions)

	FY 2015	FY 2016	FY 2017	FY 2018	FY 2019	Change FYs 2015-19 Dollars	Change FYs 2015-19 Percent
Taxes:							
Real Property	$21,371	$22,345	$23,377	$24,387	$25,456	$4,085	19.1%
Personal Income Tax	$10,477	$10,721	$10,953	$11,236	$11,553	$1,076	10.3%
General Corporation Tax	$2,900	$2,950	$3,036	$3,136	$3,246	$346	11.9%
Banking Corporation Tax	$1,171	$1,194	$1,190	$1,191	$1,218	$47	4.0%
Unincorporated Business Tax	$2,029	$2,118	$2,167	$2,251	$2,345	$316	15.6%
Sale and Use Tax	$6,782	$7,045	$7,327	$7,624	$7,893	$1,111	16.4%
Real Property Transfer	$1,501	$1,506	$1,557	$1,612	$1,661	$160	10.7%
Mortgage Recording Tax	$960	$944	$986	$1,030	$1,071	$111	11.6%
Commercial Rent	$735	$765	$800	$835	$865	$130	17.7%
Utility	$398	$404	$413	$428	$440	$42	10.6%
Hotel	$567	$550	$565	$574	$569	$2	0.4%
Cigarette	$49	$48	$47	$46	$45	($4)	(8.2%
All Other	$576	$542	$537	$538	$537	($39)	(6.8%
Tax Audit Revenue	$912	$711	$711	$711	$711	($201)	(22.0%)
Total Taxes	**$50,428**	**$51,843**	**$53,666**	**$55,598**	**$57,610**	**$7,182**	**14.2%**
Miscellaneous Revenue:							
Licenses, Franchises, Etc.	$612	$603	$577	$574	$574	($38)	(6.2%)
Interest Income	$17	$45	$134	$163	$163	$146	858.8%
Charges for Services	$933	$926	$926	$926	$926	($7)	(0.8%)
Water and Sewer Charges	$1,541	$1,563	$1,533	$1,534	$1,549	$8	0.5%
Rental Income	$271	$271	$271	$271	$271	$0	0.0%
Fines and Forfeitures	$819	$788	$787	$787	$787	($32)	(3.9%)
Miscellaneous	$1,578	$938	$763	$782	$995	($583)	(36.9%)
Intra-City Revenue	$1,967	$1,804	$1,814	$1,825	$1,825	($142)	(7.2%)
Total Miscellaneous	**$7,738**	**$6,938**	**$6,805**	**$6,862**	**$7,090**	**($648)**	**(8.4%)**
Other Categorical Grants	**$898**	**$832**	**$840**	**$848**	**$845**	**($53)**	**(5.9%)**
Inter-Fund Agreements	**$574**	**$547**	**$543**	**$546**	**$546**	**($28)**	**(4.9%)**
Reserve for Disallowance of Categorical Grants	**($15)**	**($15)**	**($15)**	**($15)**	**($15)**	**$0**	**0.0%**
Less: Intra-City Revenue	**($1,967)**	**(1,804)**	**($1,814)**	**($1,825)**	**($1,825)**	**$142**	**(7.2%)**

Table A1 (Con't). *February 2015 Preliminary Budget Revenue Detail*

($ in millions)

	FY 2015	FY 2016	FY 2017	FY 2018	FY 2019	Change FYs 2015-19 Dollars	Change FYs 2015-19 Percent
Federal Categorical Grants:							
Community Development	$1,316	$521	$362	$327	$239	($1,077)	(81.8%)
Welfare	$3,315	$3,245	$3,238	$3,232	$3,229	($86)	(2.6%)
Education	$1,684	$1,696	$1,696	$1,696	$1,696	$12	0.7%
Other	$2,084	$1,156	$1,137	$1,134	$1,133	($951)	(45.6%)
Total Federal Grants	**$8,399**	**$6,618**	**$6,433**	**$6,389**	**$6,297**	**($2,102)**	**(25.0%)**
State Categorical Grants							
Social Services	$1,500	$1,499	$1,499	$1,503	$1,503	$3	0.2%
Education	$9,250	$9,569	$9,932	$10,341	$10,341	$1,091	11.8%
Higher Education	$262	$262	$262	$262	$262	$0	0.0%
Department of Health and Mental Hygiene	$477	$468	$468	$468	$468	($9)	(1.9%)
Other	$1,004	$974	$1,020	$1,064	$1,108	$104	10.4%
Total State Grants	**$12,493**	**$12,772**	**$13,181**	**$13,638**	**$13,682**	**$1,189**	**9.5%**
TOTAL REVENUES	**$78,548**	**$77,731**	**$79,639**	**$82,041**	**$84,230**	**$5,682**	**7.2%**

Table A2. *February 2015 Preliminary Budget Expenditure Detail*

($ in thousands)

	FY 2015	FY 2016	FY 2017	FY 2018	FY 2019	Change FYs 2015-19 Dollars	Change FYs 2015-19 Percent
Mayoralty	$118,198	$107,256	$108,249	$106,323	$111,419	($6,779)	(5.7%)
Board of Elections	$113,941	$84,362	$84,429	$84,451	$84,451	($29,490)	(25.9%)
Campaign Finance Board	$12,496	$13,573	$13,706	$13,740	$13,740	$1,244	10.0%
Office of the Actuary	$7,206	$7,273	$7,371	$7,398	$7,398	$192	2.7%
President, Borough of Manhattan	$4,612	$4,410	$4,503	$4,530	$4,530	($82)	(1.8%)
President, Borough of Bronx	$5,514	$5,288	$5,408	$5,442	$5,442	($72)	(1.3%)
President, Borough of Brooklyn	$6,554	$5,170	$5,291	$5,323	$5,323	($1,231)	(18.8%)
President, Borough of Queens	$4,963	$4,588	$4,680	$4,703	$4,703	($260)	(5.2%)
President, Borough of Staten Island	$4,360	$4,127	$4,205	$4,227	$4,227	($133)	(3.1%)
Office of the Comptroller	$90,564	$91,248	$92,716	$93,132	$93,135	$2,571	2.8%
Dept. of Emergency Management	$71,840	$12,436	$11,963	$11,643	$11,643	($60,197)	(83.8%)
Office of Administrative Tax Appeals	$4,415	$4,474	$4,567	$4,591	$4,591	$176	4.0%
Law Dept.	$176,714	$168,202	$170,167	$172,216	$172,719	($3,995)	(2.3%)
Dept. of City Planning	$29,414	$29,860	$32,526	$32,483	$32,104	$2,690	9.1%
Dept. of Investigation	$38,062	$25,241	$24,957	$25,078	$25,079	($12,983)	(34.1%)
NY Public Library - Research	$24,276	$23,631	$24,082	$24,165	$24,165	($111)	(0.5%)
New York Public Library	$119,569	$115,788	$117,453	$117,761	$117,761	($1,808)	(1.5%)
Brooklyn Public Library	$89,286	$86,307	$87,766	$88,117	$88,118	($1,168)	(1.3%)
Queens Borough Public Library	$90,092	$87,405	$88,927	$89,216	$89,216	($876)	(1.0%)
Dept. of Education	$20,864,036	$21,578,365	$22,435,386	$23,349,979	$23,906,518	$3,042,482	14.6%
City University	$933,737	$907,593	$915,045	$918,707	$920,517	($13,220)	(1.4%)
Civilian Complaint Review Board	$13,617	$14,528	$14,825	$14,890	$14,890	$1,273	9.3%
Police Dept.	$4,921,400	$4,557,485	$4,541,693	$4,546,669	$4,549,932	($371,468)	(7.5%)
Fire Dept.	$1,982,034	$1,812,016	$1,798,380	$1,772,437	$1,775,272	($206,762)	(10.4%)
Admin. for Children Services	$2,861,291	$2,874,976	$2,883,685	$2,886,258	$2,886,295	$25,004	0.9%
Dept. of Social Services	$9,870,251	$9,689,898	$9,683,462	$9,670,110	$9,656,120	($214,131)	(2.2%)
Dept. of Homeless Services	$1,110,724	$1,033,046	$1,030,823	$1,030,948	$1,033,843	($76,881)	(6.9%)
Dept. of Correction	$1,140,750	$1,170,314	$1,157,998	$1,161,294	$1,164,740	$23,990	2.1%
Board of Correction	$1,721	$1,686	$1,723	$1,732	$1,732	$11	0.6%
Citywide Pension Contribution	$8,455,337	$8,404,827	$8,374,840	$8,360,203	$8,457,016	$1,679	0.0%
Miscellaneous	$8,772,782	$9,592,323	$9,700,737	$11,119,574	$12,810,810	$4,038,028	46.0%
Debt Service	$4,159,051	$4,656,864	$4,861,823	$4,963,995	$5,049,502	$890,451	21.4%
TFA Debt Service	$2,082,450	$2,374,060	$2,552,550	$2,771,210	$3,001,880	$919,430	44.2%
STAR TFA Debt Defeasance	($16,090)	($234,300)	($201,290)	($197,680)	$0	$16,090	(100.0%)
Redemption of TFA Debt Service	($98,800)	($102,670)	$0	$0	$0	$98,800	(100.0%)
FY 2014 BSA	($2,005,731)	$0	$0	$0	$0	$2,005,731	(100.0%)
FY 2015 BSA	$1,578,290	($1,578,290)	$0	$0	$0	($1,578,290)	(100.0%)
Public Advocate	$3,264	$3,278	$3,336	$3,356	$3,356	$92	2.8%
City Council	$59,156	$51,519	$52,492	$52,820	$52,820	($6,336)	(10.7%)
City Clerk	$5,953	$5,379	$5,498	$5,528	$5,528	($425)	(7.1%)
Dept. for the Aging	$284,340	$257,026	$257,560	$257,594	$257,595	($26,745)	(9.4%)
Dept. of Cultural Affairs	$160,654	$150,168	$150,894	$150,302	$150,302	($10,352)	(6.4%)
Financial Info. Serv. Agency	$102,209	$104,943	$105,828	$108,183	$109,013	$6,804	6.7%
Office of Payroll Admin.	$28,568	$28,222	$28,498	$28,565	$28,565	($3)	0.0%
Independent Budget Office	$6,067	$5,490	$5,514	$5,553	$6,190	$123	2.0%
Equal Employment Practices Comm.	$1,104	$1,093	$1,109	$1,113	$1,113	$9	0.8%

Table A2 (Con't). *February 2015 Preliminary Expenditure Detail*

($ in thousands)

	FY 2015	FY 2016	FY 2017	FY 2018	FY 2019	Change FYs 2015-19	
						Dollars	*Percent*
Civil Service Commission	$1,063	$1,075	$1,091	$1,095	$1,095	$32	3.0%
Landmarks Preservation Comm.	$5,707	$5,557	$5,670	$5,709	$5,709	$2	0.0%
Taxi & Limousine Commission	$76,796	$68,040	$50,040	$49,687	$49,688	($27,108)	(35.3%)
Commission on Human Rights	$6,905	$6,686	$6,774	$6,793	$6,793	($112)	(1.6%)
Youth & Community Development	$433,158	$313,850	$315,693	$315,875	$315,875	($117,283)	(27.1%)
Conflicts of Interest Board	$2,197	$2,213	$2,248	$2,261	$2,261	$64	2.9%
Office of Collective Bargaining	$2,383	$2,268	$2,306	$2,319	$2,319	($64)	(2.7%)
Community Boards (All)	$16,526	$16,167	$16,386	$16,470	$16,470	($56)	(0.3%)
Dept. of Probation	$86,186	$84,597	$86,017	$86,119	$86,120	($66)	(0.1%)
Dept. Small Business Services	$287,975	$149,188	$111,942	$178,022	$98,425	($189,550)	(65.8%)
Housing Preservation & Development	$957,395	$717,847	$588,532	$549,332	$548,478	($408,917)	(42.7%)
Dept. of Buildings	$115,687	$118,958	$114,128	$112,001	$112,002	($3,685)	(3.2%)
Dept. of Health & Mental Hygiene	$1,500,129	$1,444,497	$1,446,339	$1,440,540	$1,440,719	($59,410)	(4.0%)
Health and Hospitals Corp.	$209,474	$149,881	$193,081	$208,096	$213,500	$4,026	1.9%
Office of Administrative Trials & Hearings	$36,482	$37,751	$38,423	$38,935	$38,935	$2,453	6.7%
Dept. of Environmental Protection	$1,711,208	$1,231,930	$1,180,657	$1,115,793	$1,099,580	($611,628)	(35.7%)
Dept. of Sanitation	$1,481,431	$1,565,559	$1,559,666	$1,558,666	$1,557,006	$75,575	5.1%
Business Integrity Commission	$8,710	$7,438	$7,574	$7,610	$7,610	($1,100)	(12.6%)
Dept. of Finance	$260,975	$257,900	$260,366	$264,058	$262,438	$1,463	0.6%
Dept. of Transportation	$953,869	$837,333	$843,596	$843,915	$844,042	($109,827)	(11.5%)
Dept. of Parks and Recreation	$421,309	$385,292	$386,558	$387,590	$387,597	($33,712)	(8.0%)
Dept. of Design & Construction	$228,239	$126,973	$129,461	$130,093	$130,104	($98,135)	(43.0%)
Dept. of Citywide Admin. Services	$416,269	$399,947	$400,330	$388,142	$385,776	($30,493)	(7.3%)
D.O.I.T.T.	$403,932	$390,081	$385,386	$386,876	$386,920	($17,012)	(4.2%)
Dept. of Record & Info. Services	$5,968	$5,721	$5,727	$5,740	$5,740	($228)	(3.8%)
Dept. of Consumer Affairs	$39,466	$37,937	$38,481	$38,604	$38,604	($862)	(2.2%)
District Attorney - N.Y.	$108,876	$97,121	$99,846	$100,628	$100,628	($8,248)	(7.6%)
District Attorney - Bronx	$59,251	$56,996	$58,570	$59,036	$59,036	($215)	(0.4%)
District Attorney - Kings	$95,878	$91,930	$93,772	$94,311	$94,311	($1,567)	(1.6%)
District Attorney - Queens	$56,518	$53,865	$55,159	$55,546	$55,546	($972)	(1.7%)
District Attorney - Richmond	$9,849	$9,492	$9,696	$9,755	$9,755	($94)	(1.0%)
Office of Prosec. & Spec. Narc.	$19,130	$19,381	$19,864	$20,009	$20,009	$879	4.6%
Public Administrator - N.Y.	$1,690	$1,628	$1,646	$1,650	$1,650	($40)	(2.4%)
Public Administrator - Bronx	$669	$637	$652	$655	$655	($14)	(2.1%)
Public Administrator - Brooklyn	$760	$702	$716	$719	$719	($41)	(5.4%)
Public Administrator - Queens	$560	$571	$585	$589	$589	$29	5.2%
Public Administrator - Richmond	$471	$469	$482	$487	$487	$16	3.4%
General Reserve	$300,000	$750,000	$750,000	$750,000	$750,000	$450,000	150.0%
Energy Adjustment	($65,498)	($46,544)	($10,182)	$39,944	$75,489	$140,987	(215.3%)
Lease Adjustment	$0	$33,668	$63,347	$93,916	$125,401	$125,401	N/A
OTPS Inflation Adjustment	$0	$55,519	$111,038	$166,557	$222,076	$222,076	N/A
TOTAL EXPENDITURES	**$78,547,834**	**$77,730,599**	**$80,687,038**	**$83,412,022**	**$86,303,470**	**$7,755,636**	**9.9%**

Table A3. February Plan vs. November Plan Overtime, FY 2015 and FY 2016

($ in millions)

	February Plan FY 2015	November Plan FY 2015	Increase/ (Decrease)	February Plan FY 2016	November Plan FY 2016	Increase/ (Decrease)
Uniformed						
Police	$499	$494	$5	$424	$421	$3
Fire	266	263	3	204	201	3
Correction	116	88	28	78	73	5
Sanitation	79	87	(8)	92	92	0
Total Uniformed	$960	$932	$28	$798	$787	$11
Others						
Police-Civilian	$83	$82	$1	$82	$82	$0
Fire-Civilian	41	38	3	48	37	11
Parks and Recreation	11	6	5	11	6	5
Transportation	40	36	4	35	34	1
All Other Agencies	130	127	3	123	123	0
Total Civilians	$305	$289	$16	$299	$282	$17
Total City	**$1,265**	**$1,221**	**$44**	**$1,097**	**$1,069**	**$28**

Glossary of Acronyms

AAVM	Actuarial Asset Valuation Method
ACS	Administration for Children's Services
AIRA	Actuarial Interest Rate Assumption
BARB	Building Aid Revenue Bond
BCT	Banking Corporation Tax
BLS	Basic Life Support
BSA	Budget Stabilization Account
CBDG	Community Block Development Grant
CSA	Council of School Supervisors and Administrators
CSBA	Civil Service Bar Association
CUNY	City University of New York
CWA 1180	Communications Workers of America
CY	Calendar Year
DCAS	Department of Citywide Administrative Services
DEP	Department of Environmental Protection
DHS	Department of Homeless Services

DOC	Department of Correction
DOE	Department of Education
DOS	Department of Sanitation
DSS	Department of Social Services
DOT	Department of Transportation
ECB	Environmental Control Board
EMS	Emergency Medical Services
FDNY	Fire Department
FY	Fiscal Year
GCP	Gross City Product
GCT	General Corporation Tax
GDP	Gross Domestic Product
GO Debt	General Obligation Debt
HHC	Health and Hospitals Corporation
HPD	Department of Housing Preservation & Development
HSF	Health Stabilization Fund
HYIC	Hudson Yards Infrastructure Corporation

IATSE 306	International Alliance of Theatrical State Employees
LINC	Living in Communities
MLC	Municipal Labor Committee
MRT	Mortgage Recording Tax
MTA	Metropolitan Transportation Authority
NYC	New York City
NYCHA	New York City Housing Authority
NYPD	New York City Police Department
NYW	New York City Municipal Water Finance Authority
O&M	Operation and Maintenance
OMB	Office of Management and Budget
OTPS	Other Than Personal Services
PBA	Patrolmen's Benevolent Association
PEG	Program to Eliminate the Gap
PERB	Public Employment Relations Board
PIT	Personal Income Tax
PS	Personal Services

RHBT	Retiree Health Benefits Trust
RPIE	Real Property Income and Expense
RPTT	Real Property Transfer Tax
SEIU	Service Employees International Union
SNAP	Supplemental Nutrition Assistance Program
STAR	School Tax Relief Program
STAR Corp.	Sales Tax Asset Receivable Corporation
TFA	New York City Transitional Finance Authority
TSASC	Tobacco Settlement Asset Securitization Corporation, Inc.
UBT	Unincorporated Business Tax
UFT	United Federation of Teachers
UPK	Universal Pre-K
U.S.	United States
USOC	Uniform Superior Officers Coalition
VRDB	Variable Rate Demand Bond

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Testimony of Ronnie Lowenstein
Director, New York City Independent Budget Office
To the New York City Council Finance Committee
On the Preliminary Budget for 2016 and Financial Plan Through 2019

March 4, 2015

Good afternoon Chairwoman Ferreras and members of the City Council Finance Committee. I am Ronnie Lowenstein, director of the city's Independent Budget Office. Thank you for the opportunity to be here today and present highlights of IBO's latest economic forecast along with our projections of tax revenues and city spending under the framework of the Mayor's Preliminary Budget for 2016 and Financial Plan Through 2019. Attached to your copies of my presentation is a set of tables that provide more details than I will discuss in this written testimony.

Nearly a year ago today, I came before this committee to testify on the de Blasio Administration's first budget plan. At that time I described the city's fiscal outlook as healthy. At the same time, I offered a number of reasons for caution. A year later, the city's fiscal outlook remains healthy, with our projection for growth in tax collections outpacing our expectations for increases in city spending over fiscal years 2015 through 2019. But there are still ample reasons for caution.

Our estimates of city surpluses over the five-year period—and we project surpluses in all of them—are a clear indication of the city's ongoing fiscal well-being. We project the city will end the current fiscal year with a surplus of $1.8 billion, $182 million more than anticipated by the Mayor. While the Mayor has, of course, presented a balanced budget for next year, our expectation for 2016 is a surplus of $1.3 billion. And we project relatively modest surpluses of more than $300 million in each of the ensuing years through 2019.

A key factor underlying these surplus projections is our economic forecast. IBO anticipates growth throughout the plan period, although this growth slows after calendar year 2016. Our expectation for increased tax revenue follows a similar pattern. While over the course of the five-year plan period we estimate tax revenues will increase by an average of 4.6 percent annually, the growth is a bit higher than the average in 2015 and 2016 and lower in 2017 and 2018.

IBO's projection for the city's job growth underscores this pattern. We forecast job growth averaging nearly 82,000 annually in calendar years 2015 and 2016, and then slowing over the next two years to an average of roughly 58,000.

Looking a little more closely not just at the number of new jobs but at which sectors are growing and their wages, we see a continued evolution in the city's employment mix. Over the 2015-2019 period, we expect average annual employment growth of roughly 2.0 percent both in relatively high-paying industries (wages over $100,000) and in low-paying industries (under $50,000). Jobs in middle-wage industries are expected to grow at an annual rate of 1.1 percent. This is considerably different than in the five years after the last recession, when job growth in low-wage industries such as retail trade and hospitality grew at more than four times the rate of middle-wage industries such as construction, wholesale trade, and government. Within the high-wage industries, the very highest paying—securities and finance—is expected to lag behind job increases in information and professional and business services.

Our outlook for city tax revenues over the financial-plan period reflects sustained but comparatively moderate growth, particularly compared with increases over the past two years. During fiscal years 2013 and 2014, tax revenue grew at an average rate of 7.3 percent; we project average growth this year and next at a more modest rate of 4.8 percent.

The mix of taxes growing at a faster or slower rate is also changing compared with the prior two years. IBO anticipates a much faster rate of growth in 2015 and 2016 in the unincorporated business tax due to strong growth in professional and business services, which over time have become less closely tied to the fortunes of the finance sector. With property tax bills capturing more of the growth in local property values that is required to be phased-in over time, as well as new construction and newly taxable properties, we also expect to see a somewhat faster growth rate in property tax revenue than in the past two years.

Conversely, we project slower growth rates in 2015 and 2016 in the property transfer taxes and the general corporation tax. Over the past two years sales of large office and apartment buildings have fueled double-digit growth in the property transfer taxes, a pattern we do not expect to continue. Revenue growth from the general corporation tax will slow as Wall Street profits are expected to remain flat due to rising interest rates and the effect of new regulations.

As noted before, IBO expects the growth of tax revenues to outpace spending growth under the Mayor's plan. Our expectation of moderate increases in expenditures occurs despite the lack of a set of proposals for spending reductions, reductions previous mayors have routinely undertaken. Mayor de Blasio has said to expect proposals for spending cuts to accompany his next budget plan in April.

Although the current plan does not include a spending reduction program, the budget continues to hold substantial reserves, including roughly $2 billion in the Retiree Health Benefit Trust and a $750 million annual general reserve for 2016 through 2019. The preliminary budget also does not contain any big ticket expense budget proposal such as last year's plan for expanding prekindergarten. But there are a number of smaller initiatives. These range, for example, from the elimination of a $72 million annual reimbursement from the housing authority to cover policing costs to $16 million over two years for the expansion of community-based health clinics.

IBO's projection of spending under the Mayor's plan takes into account our expectation that a number of services will be more costly than budgeted. One example is education spending, which we estimate will be $152 million higher than budgeted by the de Blasio Administration in 2016 because the plan does not include sufficient funds for charter schools already scheduled to open or expand next year and the expectation that Medicaid reimbursements for certain school services will be less than projected. Another example is the cost of shelter for the homeless, which we anticipate will be $32 million higher than budgeted.

Even with our higher expenditure estimates in some areas, IBO is projecting budget surpluses in each of the years of the Mayor's plan. But there are a number of factors that could erode these surplus estimates.

One factor is Albany. The Governor's budget plan has left a large question mark around the level of state education aid the city can expect. Last year's $190 million expansion of after-school programs for middle school students was funded with part of the increase in state education aid. It is unclear if these state dollars will be available again. The Mayor also expects additional state funding to enable expanding universal prekindergarten by another 20,000 seats. Following release of his financial plan, the Mayor urged Albany to provide $300 million for the housing authority, a sum Mayor de Blasio said the city would match although it is not part of his current budget.

Other factors are more local. Mayoral initiatives such as the expansion of ferry service and bus rapid transit are not funded in the current expense budget plan. It also remains unclear if the Mayor's proposal to reform the city's business taxes will in fact be revenue neutral, at least in the early years of the overhaul. Additionally, members of the City Council and other elected officials have also suggested a number of service enhancements and initiatives. Increasing the police force by 1,000 officers, for example, would cost about $100 million in the first year.

IBO's full report on the Mayor's preliminary budget and financial plan is not due for a number of weeks. Before then we intend to release brief sections of the report covering issues that we believe will be of interest to you and the broader public as the Council's hearings proceed.

Thank you for the opportunity to be here today and I am pleased to answer any questions you may have.

Total Revenue and Expenditure Projections
Dollars in millions

	2015	2016	2017	2018	2019	Average Change
Total Revenue	**$78,760**	**$79,497**	**$81,929**	**$84,723**	**$87,606**	2.7%
Total Taxes	49,876	52,225	54,553	56,874	59,606	4.6%
Total Expenditures	**78,760**	**78,232**	**81,568**	**84,409**	**87,254**	2.6%
IBO Surplus/(Gap) Projections	**$0**	**$1,265**	**$360**	**$315**	**$353**	
Adjusted for Prepayments:						
Total Expenditures	$79,121	$80,329	$81,769	$84,607	$87,254	2.5%
City-Funded Expenditures	$56,848	$58,978	$60,188	$62,601	$65,300	3.5%

NOTES: IBO projects a surplus of $1.76 billion for 2015, $182 million above the de Blasio Administration's forecast. The surplus is used to prepay some 2016 expenditures, leaving 2015 with a balanced budget. Figures may not add due to rounding.

New York City Independent Budget Office

Pricing Differences Between IBO and the de Blasio Administration
Items that Affect the Gap
Dollars in millions

	2015	2016	2017	2018	2019
Gaps as Estimated by the Mayor	**$0**	**$0**	**($1,048)**	**($1,370)**	**($2,074)**
Revenue					
Taxes					
Property	$2	$439	$548	$826	$1,204
Personal Income	188	295	379	312	540
General Sales	(1)	39	57	24	10
General Corporation	(10)	69	147	197	220
Unincorporated Business	41	195	358	500	609
Banking Corporation	0	20	63	97	94
Real Property Transfer	36	37	57	55	46
Mortgage Recording	33	58	40	24	21
Utility	5	24	30	29	29
Hotel Occupancy	6	62	81	100	128
Commercial Rent	7	21	9	(6)	(21)
Cigarette	2	1	(1)	(2)	(3)
Subtotal	**$308**	**$1,259**	**$1,768**	**$2,156**	**$2,877**
STaR Reimbursement	0	(28)	(27)	(21)	(16)
Taxi Medallion Sales	(5)	(47)	(36)	(38)	(69)
TOTAL REVENUE	**$303**	**$1,184**	**$1,705**	**$2,097**	**$2,792**
Expenditures					
Debt Service	104	75	75	75	75
Fringe Benefits:					
Health Insurance - Education	(31)	20	(36)	(60)	(33)
Health Insurance - City University	(37)	10	10	8	2
Health Insurance - All Other Agencies	34	83	(32)	(53)	(44)
Education	(125)	(152)	(173)	(192)	(212)
Police	(50)	(50)	(50)	(50)	(50)
Board of Elections	-	(25)	(25)	(25)	(25)
Corrections	-	(15)	(15)	(15)	(15)
Homeless Services	(10)	(32)	(32)	(32)	(32)
Public Assistance	(10)	(12)	(13)	(13)	(13)
Small Business Services	4	(2)	(6)	(14)	(18)
Campaign Finance Board	-	-	-	(40)	-
TOTAL EXPENDITURES	**(121)**	**(100)**	**(297)**	**(411)**	**(365)**
TOTAL IBO PRICING DIFFERENCES	**$182**	**$1,084**	**$1,408**	**$1,686**	**$2,427**
IBO Prepayment Adjustment 2015/2016	(182)	182	-	-	-
IBO SURPLUS/(GAP) PROJECTIONS	**$0**	**$1,265**	**$360**	**$315**	**$353**

NOTES: Negative pricing differences (in parentheses) widen the gaps, while positive pricing differences narrow the gaps. Figures may not add due to rounding.

New York City Independent Budget Office

IBO Revenue Projections
Dollars in millions

	2015	2016	2017	2018	2019	Average Change
Tax Revenue						
Property	$21,172	$22,552	$23,689	$24,977	$26,424	5.7%
Personal Income	10,005	10,371	10,687	10,903	11,448	3.4%
General Sales	6,781	7,084	7,384	7,648	7,903	3.9%
General Corporation	2,890	3,019	3,183	3,333	3,466	4.7%
Unincorporated Business	2,070	2,313	2,525	2,751	2,954	9.3%
Banking Corporation	1,171	1,214	1,253	1,288	1,312	2.9%
Real Property Transfer	1,537	1,543	1,614	1,667	1,707	2.7%
Mortgage Recording	993	1,002	1,026	1,054	1,092	2.4%
Utility	403	428	443	457	469	3.9%
Hotel Occupancy	573	612	646	674	697	5.0%
Commercial Rent	742	786	809	829	844	3.3%
Cigarette	51	49	46	44	42	-5.0%
Other Taxes and Audits	1,488	1,252	1,248	1,248	1,248	-4.3%
Total Taxes	**$49,876**	**$52,225**	**$54,553**	**$56,874**	**$59,606**	**4.6%**
Other Revenue						
STaR Reimbursement	$861	$849	$854	$860	$865	0.1%
Miscellaneous Revenue	5,766	5,087	4,955	5,000	5,196	-2.6%
Unrestricted Intergovernmental Aid	-	-	-	-	-	n/a
Disallowances	(15)	(15)	(15)	(15)	(15)	n/a
Total Other Revenue	**$6,612**	**$5,921**	**$5,794**	**$5,844**	**$6,046**	**-2.2%**
TOTAL CITY-FUNDED REVENUE	**$56,487**	**$58,146**	**$60,347**	**$62,718**	**$65,652**	**3.8%**
State Categorical Grants	$12,462	$12,774	$13,184	$13,641	$13,685	2.4%
Federal Categorical Grants	8,328	7,161	6,977	6,934	6,841	-4.8%
Other Categorical Aid	910	869	877	885	882	-0.8%
Interfund Revenue	573	547	543	545	545	-1.2%
TOTAL REVENUE	**$78,760**	**$79,497**	**$81,929**	**$84,723**	**$87,606**	**2.7%**

NOTE: Figures may not add due to rounding.

New York City Independent Budget Office

IBO Expenditure Projections
Dollars in millions

	2015	2016	2017	2018	2019	Average Change
Health & Social Services						
Social Services						
Medicaid	$6,600	$6,569	$6,571	$6,572	$6,572	-0.1%
All Other Social Services	3,280	3,142	3,134	3,120	3,106	-1.4%
HHC	209	150	193	208	214	0.5%
Health	1,479	1,459	1,461	1,455	1,456	-0.4%
Children Services	2,861	2,875	2,884	2,886	2,886	0.2%
Homelss	1,120	1,114	1,112	1,112	1,115	-0.1%
Other Related Services	717	571	573	573	573	-5.4%
Subtotal	**$16,268**	**$15,880**	**$15,929**	**$15,927**	**$15,922**	**-0.5%**
Education						
DOE (excluding labor reserve)	$20,963	$21,664	$22,598	$23,556	$24,106	3.6%
CUNY	935	863	870	876	883	-1.4%
Subtotal	**$21,898**	**$22,527**	**$23,468**	**$24,432**	**$24,990**	**3.4%**
Uniformed Services						
Police	$4,979	$4,842	$4,827	$4,832	$4,835	-0.7%
Fire	1,982	1,952	1,938	1,912	1,915	-0.9%
Correction	1,141	1,185	1,173	1,176	1,180	0.8%
Sanitation	**1,483**	**1,568**	**1,562**	**1,561**	**1,559**	**1.3%**
Subtotal	**$9,585**	**$9,547**	**$9,500**	**$9,481**	**$9,489**	**-0.3%**
All Other Agencies	**$10,066**	**$8,975**	**$8,876**	**$8,967**	**$8,901**	**-3.0%**
Other Expenditures						
Fringe Benefits	$4,928	$5,209	$5,651	$6,076	$6,567	7.4%**
Debt Service	5,778	4,859	7,138	7,463	7,977	6.8%*
Pensions	8,455	8,405	8,375	8,360	8,457	0.0%
Judgments and Claims	695	710	746	782	817	4.1%
General Reserve	300	750	750	750	750	n/a
Labor Reserve:						
Education	11	-	-	-	-	n/a
All Other Agencies	841	1,328	971	1,870	2,961	n/a
Expenditure Adjustments	(65)	43	164	300	423	n/a
TOTAL EXPENDITURES	**$78,760**	**$78,232**	**$81,568**	**$84,409**	**$87,254**	**2.6%**

NOTES: *Represents the annual average change after adjusting for prepayments.
**Fringe benefits exclude DOE and CUNY expenditures, which are reported within DOE and CUNY budget amounts.
Expenditure adjustments include energy, lease and non-labor inflation adjustments.
Figures may not add due to rounding.

New York City Independent Budget Office

IBO versus Mayor's Office of Management and Budget Economic Forecasts

	2014	2015	2016	2017	2018	2019
National Economy						
Real GDP Growth						
IBO	2.4	3.4	3.3	2.9	2.4	2.1
OMB	2.4	3.0	2.7	2.8	2.5	2.8
Inflation Rate						
IBO	1.7	1.1	2.5	2.9	2.8	2.2
OMB	1.6	0.3	2.2	2.3	2.5	2.5
Personal Income Growth						
IBO	3.9	5.2	6.7	6.3	5.4	4.0
OMB	3.9	4.3	5.0	5.6	5.0	5.2
Unemployment Rate						
IBO	6.2	5.5	5.2	5.0	4.9	4.9
OMB	6.2	5.6	5.3	5.2	5.2	5.1
10-Year Treasury Bond Rate						
IBO	2.5	2.9	4.0	4.6	4.5	4.5
OMB	2.5	2.8	3.6	4.2	4.4	4.4
Federal Funds Rate						
IBO	0.1	0.3	2.1	3.5	4.0	4.1
OMB	0.1	0.4	1.6	3.3	3.8	3.8
New York City Economy						
Nonfarm New Jobs (thousands)						
IBO	86.4	83.3	80.1	63.3	53.5	45.7
OMB	91.0	65.0	64.0	60.0	45.0	41.0
Nonfarm Employment Growth						
IBO	2.2	2.1	1.9	1.5	1.3	1.1
OMB	2.3	1.6	1.6	1.4	1.1	1.0
Inflation Rate (CPI-U-NY)						
IBO	1.3	1.2	3.0	3.3	3.3	3.1
OMB	1.5	0.9	2.3	2.4	2.6	2.6
Personal Income ($ billions)						
IBO	510.4	533.3	561.6	590.6	618.2	641.4
OMB	503.7	519.0	539.3	565.0	589.1	613.2
Personal Income Growth						
IBO	5.9	4.5	5.3	5.2	4.7	3.7
OMB	4.6	3.0	3.9	4.8	4.3	4.1
Manhattan Office Rents ($/sq.ft)						
IBO	72.1	76.7	78.6	80.5	82.0	83.4
OMB	73.7	76.7	80.6	82.9	86.3	87.6

SOURCE: Mayor's Office of Management and Budget

NOTES: Rates reflect year-over-year percentage changes except for unemployment, 10-Year Treasury Bond Rate, Federal Funds Rate, and Manhattan Office Rents. The local price index for urban consumers (CPI-U-NY) covers the New York/ Northern New Jersey region. Personal income is nominal. For 2014, New York City personal income and growth rates are estimated, pending Bureau of Economic Analysis release.

New York City Independent Budge Office

HUMAN SERVICES COUNCIL
TESTIMONY TO CITY COUNCIL
HEARING OF THE COMMITTEE ON FINANCE
Wednesday, March 4, 2015

Good morning Chair Ferreras and members of the Committees on Finance. I am David Ng, Government and External Relations Manager at the Human Services Council, and I am glad for the opportunity to testify before you today.

HSC is a membership association comprising almost 200 of New York City's leading human services organizations – direct service providers as well as umbrella and advocacy groups. Our members are involved in such realms as early childhood education, youth development, health, mental health, employment and services to seniors and immigrants. To operate these programs, our members partner extensively with government and, very often, with City government.

HSC serves our membership as a convener, a coordinating body and an intermediary to government, and we focus on such matters as procurement practices, disaster preparedness and recovery, public policies that over-arch the sector and, pertinent to this hearing, budgetary issues.

The Human Services Council of New York (HSC) supports alleviating poverty and inequality and we hope that the City will provide adequate funding for the workforce of the nonprofit human services sector in order for us to achieve that. Stretched thin after years of funding cuts, denied cost-of-living adjustments, counterproductive regulatory requirements, and increasing costs and demand, the industry is long overdue for a substantial investment.

The nonprofit human services sector plays an important role in improving community health and safety, combatting poverty, and fostering equity. The services we provide include job training and placement, early childhood education and afterschool enrichment, violence intervention, legal assistance, homeless shelters, community health services, assistance to immigrants, and senior services. These services provide bridges to opportunity for New Yorkers struggling to overcome a vast array of systemic biases impeding their ability to succeed. In addition to improving the lives of the disadvantaged, this industry is a major economic engine; according to the Mayor's Office of Contract Services, nonprofit organizations deliver nearly $5.5 billion in human services each year through City-funded contracts in New York City alone.

Unfortunately, over the last five years, the nonprofit human services industry has been financially eviscerated. According to a survey published by the Nonprofit Finance Fund, 42 percent of respondents do not have the right mix of financial resources to thrive and be effective in the next three years with 28% of respondents ended their 2013 fiscal year with a deficit. The study also found that only 14 percent of nonprofits receiving state and local funding are paid for the full cost of service. Demand for human services has increased while funding for programs and service rates have remained stagnant. This combination has led to a persistent instability in the sector, which can lead to an interruption in service and damage the quality of service provided.

A skyrocketing cost of living, combined with stagnant or falling wages for many who are lucky enough to find work, has left many New Yorkers in need of help. Facing soaring demand and shrinking resources, providers have been forced to make difficult decisions, such as laying off staff, freezing or reducing salaries, reducing contributions to health insurance plans and other benefits, drawing on reserves, and forgoing much-needed investments in training and infrastructure. With low wages and diminishing benefits, frontline workers are increasingly seeking services themselves. Nonprofits are struggling to do much more with much, much less. We are seeing the effects of this financial starvation in the form of program and organization closures, diminished quality and reach of services, greater signs of ongoing financial instability among too many organizations, and a very low- wage workforce with fewer benefits. For us and the communities we serve, the recession is not over.

Despite an exorbitant and steadily rising cost of living in New York, the City's nonprofit human services providers have not received a City cost-of-living adjustment (COLA) since July 2008, when then Mayor Bloomberg authorized a 3 percent increase. To deny these providers an increase for a sixth consecutive year is unacceptable. Women and people of color comprise the majority of the human services workforce, holding notoriously low-wage positions.

Meanwhile, in 2014, the City reached an agreement with the public workers' union to implement automatic increases—retroactively—through 2016. This agreement, which covered more than 100,000 City employees who had been working without a contract since 2010, included increases based on the final seven years of the United Federation of Teachers contract: 1 percent each year for 2011, 2012, and 2013, followed by 1.5 percent in 2014, 2.5 percent in 2015, and 3 percent in 2016, amounting to a total increase of 10 percent. It is only fair that this increase, which is a modest acknowledgement of the ever rising cost of living in an already expensive City, be applied to the human services sector. We urge a total increase of 10 percent for the nonprofit human services sector by 2016, with a 5 percent increase this fiscal year and another 5 percent increase next fiscal year.

It is important to note that nonprofit human services providers deliver essential services on behalf of the City government, so while provider employees are not City employees, they are providing City services. Furthermore inflation does not discriminate. Prices rise for public workers, private workers, and nonprofit human services workers alike. The lack of salary increases to offset growing costs (such as rent, utilities, medical care, and transportation) has created a recruitment and retention crisis for nonprofits, which must compete with public employers that afford salary increases and comprehensive benefits. A total increase of 10 percent by 2016 will put nonprofit employees on better financial footing and enable nonprofit providers to attract and retain qualified, dedicated workers. This, in turn, would stabilize the sector and enhance the quality of services delivered.

HSC supports Mayor Bill de Blasio's push for a living wage for New Yorkers. This proposal is a much-needed effort to make our City livable for many who are barely scraping by, and the nonprofit human services sector in particular presents a meaningful opportunity to raise the wage of a large, low-income workforce. According to the American Community Survey, median annual earnings are only $25,255 in social services. According to another Census Bureau survey, 24 percent of social service workers are paid less than $10 an hour, 40 percent make less than $12 an hour, and 52 percent make less than $14 an hour. A two-tier structure has been identified, with higher-paying occupations tending to have higher proportions of white, non-Hispanic workers, and lower-paying occupations having higher proportions of people of color. The challenge is to build a ladder between the two tiers.

We urge the City to provide financial support for a living wage and more systematic career ladder opportunities for the lowest-paid nonprofit human services workers. While we support a living wage, we must acknowledge that without adequate funding to cover the cost and flexibility for nonprofits to implement the new wage, instability within the sector will be exacerbated. We also note the need for State investment if nonprofits funded largely through state contracts will be expected to pay a living wage. Because of the long-term lack of investment in our sector, many organizations are already struggling to pay even the current minimum wage.

We hope that the City legislators and our Mayor will recognize the integral role that nonprofit human services providers play in preventing, alleviating, and reducing poverty as they develop the City's financial plan. We look forward to working with the City Council during this budget session to ensure smart, equitable investment in this important sector for the benefit of all New Yorkers.

Once again, thank you for the opportunity to testify.

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Testimony
New York City Council
Finance Committee 2016 Budget Hearing
March 4, 2015
By Ralph Palladino
2nd Vice President DC 37 Local 1549 Clerical-Administrative Employees

Local 1549's 16,000 members are tax payers and employees of the City of New York. We work in nearly all city agencies, the NYPD and the Health and Hospitals Corporation (HHC) including the Metro Plus HMO. Our members are 911 operators, 311 Call Center Representatives, HRA Eligibility Specialists for Medicaid and Food Stamps, among numerous other titles and duties. In HHC we also provide information, and perform billing and Financial Counseling duties.

We are glad that the city will have a sizeable surplus. We have ideas on how we can use this opportunity to enhance services, create needed jobs and save tax dollars in the long run.

Civilianization Saves Tax Dollars

We thank the City Council for supporting Civilianization of the NYPD and Department of Corrections (DOC). We ask you to proactively encourage the new city administration to follow through on its promise to FULLY civilianize. The Department of Sanitation also has positions that should be civilianized.

Able bodied uniformed personnel in the NYPD including *Police Officers, Traffic Enforcement Agents* and *School Safety Agents* are currently performing the jobs of clerical employees performing routine tasks such as answering phones, inquiries, filing, roll call and payroll among others. These uniformed personnel can be better utilized in *community policing, protecting pedestrians,* and *making schools safer*. The NYPD, City Council and union agree that 750 positions could be civilianized. The NYPD has wisely increased the hiring of clerical personnel in order to back fill positions attrited by the last administration and we thank them for that.

The same is true of Correction Officers in the DOC, where there has been a marked increase in violence perpetrated on inmates and personnel. More uniformed personnel can better be utilized to protect inmates and employees. There are 300 positions that could be civilianized.

In the Department of Sanitation, there are 59 uniformed personnel assigned to clerical functions full time. This is true in garages and borough command offices. Their names were provided to the City Council.

Local 1549 and DC 37 have won three NYPD arbitrations on civilianizaton, including judgments against the appeals by the city. The former administration just ignored the rulings.

This is a waste of taxpayers' dollars. It is estimated by various sources including former City Comptrollers, Public Advocates, Citizens Budget Commission and the Independent Budget Office that **NYPD Civilianization could save the taxpayers anywhere between $17 and $127 million dollars. Our latest figures factoring in our collective bargaining raises but NOT those of uniformed personnel show a savings of: *$39,006,274* For All agencies:**

NYPD: $26,595,450
DOC: $9,8781,380
Sanitation: $2,679,544

Civilianization saves tax dollars and increases services

NYPD 911 System Staffing

We thank the City Administration and NYPD for increasing staffing levels in the last year for 911 personnel. However, the increases and the proposed additional 150 scheduled for hiring in July *will only maintain the present number*. It only helps keeping up with attrition. This is still 200 positions short of the 400 positions that the union requested in order to maintain proper staffing. The union requested the hiring of 400 additional and still need 200 more than the 150 proposed for July. 911 personnel testified at the 911 NYPD/FDNY contract hearings regarding the need for adequate staffing of these officially designated first responders at NYPD Public Safety Answering Center. Staffing levels fluctuate due to constant attrition and a number of new hires not completing the training program. Staffing must constantly be monitored. Overtime still occurs, but has lessened. New hirees are often "asked" to work 6 day work weeks. These probationary employees feel pressured to say "yes" to this "voluntary" overtime. There are still times when callers are on hold waiting for 911 staff to answer.

We support an increase of personnel in the FDNY-EMS 911 center. It will undoubtedly improve public health and safety. That said, it is important to point out that the first contact a caller to 911 has is with a NYPD 911 operator. Therefore, it stands to reason that unless the number of NYPD personnel must increase in order to decrease or eliminate waiting time. There have also been calls on hold at various times at NYPD 911.

NYC Health and Hospitals Corporation (HHC): Privatization Kills Public Health

The cost of providing necessary quality services to the public continues to outpace this public system's cost of care and income. This is despite HHC's low administrative overhead. *HHC is the key to the making health care more accessible, especially in areas where the greatest disparities in health care exist.*

A New York Post article last year spoke about the excessive tax dollars received by large hospitals with high paid CEO's who do not service anywhere near the number of poor patients that HHC does. The article speaks to the need to support HHC and its mission to treat all those who come to its' doors.

Yet, the HHC continues on a mission to privatize. There are up to 500 private temps performing clerical duties in HHC. That represents 10% of the clerical work. We also see continued moves to privatize Dialysis and Appointment Call Center responsibilities.

As an HHC patient, I am appalled and concerned that my Medical Records number will be known to private temp agency employees. I question the vetting and security issues concerning every HHC patient.

The city is proposing to spend more than $16 million on building Community Health Clinics in the next three years. This is wise. But the union believes, based on past history, that those clinics will be privately run, instead of being run by HHC, since the city council provided funding to expand these clinics a few years ago with public tax dollars and they are private clinics not staffed with public employees. We believe that public tax dollars should not be used to build private health care institutions while HHC continues to bleed. The City Council should inquire as to who will run these clinics and who will represent the employees.

In 1979, the city tax levy dollars provided 33% of HHC's funding. Now it is below 10%. This was curtailed courtesy of Mayor Giuliani who tried to privatize and destroy the public system.

We think the city should once again support HHC, based on public needs.

Additional DCAS Staffing Needed/Save the Civil Service System!

The new Director of DCAS should be thanked for her efforts to understand and correct some of the abuses of the Civil Service System that Local 1549 and others in the CLC-MLC have seen. The union asks the city council to monitor this with DCAS. Too often, the city utilizes non-competitive titles to replace civil servants (see Addendum II for titles and agencies). In most cases these non-competitive titles require the city to pay higher salaries for performing routine clerical work. THIS IS A WASTE OF CITY TAX PAYERS' DOLLARS and a subversion of a fair Civil Service system. It smacks of favoritism and cronyism.

DCAS has eliminated *102* Clerical Associate positions the past five years. The Clerical Associate staff working in the test registration areas for applicants who do not have computers must work overtime and some Saturdays to complete the work. Many work voluntarily through their lunch hours to complete the work. There are long lines of applicants.

THE CITY COUNCIL SHOULD PROVIDE FUNDING TO PROPERLY STAFF DCAS.

Contracting Wastes City's Tax Dollars

We thank the leadership of HRA who announced the cessation of using private temps by year's end. We thank the City Council for including requests to cut the contracting out to private vendors who pay their employees low wages. This is certainly true of clerical contracting with the city. Civil service employees must take a test, be vetted and fingerprinted in order to get their jobs. The contracting system has diverted millions of dollars to private contracting companies. Their employees mostly receive a minimum wage and must rely on taxpayer funded Medicaid and Food Stamps in order to live. This city is basically aiding and abetting the perpetuation of poverty.

City's Interpreter Services Contracting

The civil service city title of Interpreter is not being utilized by the city. All the interpreter services in the city agencies are being contracted out. There are people on civil service lists that DCAS refuses to move. In the Health and Hospitals Corporation, the title responsible for interpreter services is Client Navigator. This title is being underutilized. As with other city services, the use of these private contractors rather than civil servants could compromise clients' confidentiality.

We estimate that the city is currently contracting out interpreter services **at a cost of roughly $12.5 million. This does not include HHC contracting.** These are phone services. It is a fact that interpreter servicing is best carried out in a face-to-face manner. It is easier for the clients to understand when they also have a visual input. Nowhere is this more critical than in health care. It can be a matter of life and death when interpretation is not available or mistakes are made. The HHC prefers to use the phone lines rather than the Client Navigators.

Continue support for HRA

Thanks to city administration and HRA Director Banks for continuing to utilize our Eligibility (ES) staff for Medicaid. In addition ES's continue to assist those in need for food stamps in SNAP. HRA needs to continue to be supported by the city and the budget in order to continue to carry out its' mission of helping those in need. Any assistance needed by HRA we support.

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Increased Revenues

Fiscal watchdogs have been saying recently that the city is on target to take in more revenue this year than first anticipated. In addition, the city estimates a large surplus. What better time to enhance services than now? What better time to institute an aggressive Civilianization Program with long term savings of tax dollars?

Tax Fairness

If there is not enough money, then there should be a push for a tax on the very richest 1% of the population. This 1% has increased their income since 1994 from 23% to 36% of the city's total income. They also pay at least a full 1% lower tax rate than they did 20 years ago.

SUMMARY ASK FOR NYC BUDGET 2015- Using Surplus Wisely!

- Invest in **CIVILIANIZATION** for the NYPD; DOC; Dept of Sanitation in order to enhance save tax dollars and enhance safety and health.
- Invest in **hiring** 200 additional over the 150 proposed for this July **911 PCT/SPCTs** in the NYPD in order to enhance public safety.
- **Increase Tax Levy support for public health at HHC**. Seek to gain more oversight powers over HHC.
- Increase staffing of **Clerical Associates in DCAS** so as to better be able to assist those taking Civil Service Tests.
- **Save Civil Service!** Discourage the city from using non-competitive titles (especially higher paid ones) to replace Civil Servants. This will save tax dollars, enhance productivity and help end favoritism and cronyism in hiring qualified candidates that will enhance productivity.
- **End excessive contracting out** of clerical-administrative jobs in city agencies and HHC. The city should not be complicit in promoting and supporting low wage-slavery. Privatization should end. This will save tax dollars, enhance productivity and help New Yorkers on civil service lists get decent jobs.
- **Utilize the Interpreter title** to assist those in need for multi-lingual services. This will help save lives and create needed decent jobs.
- Continue to **support funding for needs at HRA** in order to make sure those in need continue to receive it.
- **Fair Taxation.** Billionaires using our services should be required to pay their fair share of taxes in order to help pay for them. This includes those who's residence is not here but who live and rent in high income residences.

THANK YOU. AND THANK YOU FOR ALL YOU HAVE DONE!

Please see the Addendum pages 1 and 2 analysis of civilianization savings put together by DC 37 Research and Negotiations.

Please see the addendum II outlining the agencies subverting civil service and the non-competitive titles they are using to replace civil service with.

Addendum on civilianization of Uniformed Agencies

DC 37 latest analysis of cost savings for Civilianization of the NYPD, Department of Corrections and Sanitation. The numbers from DC 37 Research and Negotiations reflect the inclusion of the collective bargaining increases for our members including health benefits. The numbers for the uniformed employees do not. Presumably you can add a 10+% on to their salaries and totals since we expect pattern bargaining will rule.

The numbers of positions of able bodied uniformed employees currently performing routine clerical-administrative work 100% of the time are as follows:

NYPD- 750 (this is the number set by the NYPD and City Council and we are agreeable to it)
Corrections- 300 (About four years ago the number was 500 as forth in testimony by the DOC at City Council hearings.
Sanitation- 59 positions that we have counted and presented to the City Council.

This is a total of 1109 positions where able bodied uniformed employees are performing routine clerical duties. There are currently civil service lists that are pending where these positions can be filled with able candidates. None of the job descriptions for the work being performed are different that the job descriptions contained in the Civil Service Job Specifications.

See below:

NYPD- Using the incumbent rates after 5 years a uniformed police officer would be a cost of $87,119.20 and a Police Administrative Aide would cost $51, 658.60. The additional cost for a uniformed employee is $35,460.60. Multiplied by 750 positions is **$26,595.450.**

Corrections- Using the incumbent rates after 5 years a Correction Officer would be a cost of $84,263.20 and a Corrections Administrative Aide would cost $51, 658.60. The additional cost for a uniformed employee is $32,604.60. Multiplied by 300 positions is **$ 9,781,380.**

Sanitation- Using the incumbent rate after 5.5 years a Sanitation Worker would be a cost of $97, 074.60 and a Clerical Associate III would be $51,658.60. For each position the additional cost for a uniformed employee is $45,416.00. Multiplied by 59 positions is **$ 2,679,544.00.**

***Not factoring* in the additional 10+% raise in pay expected for the uniformed employees it would mean that if the city civilianizes all the above positions it would save:**

$39,006,274

Basic Comparative Costing of Clerical 1	9/3/2014	9/3/2014		% difference
SANITATION				How much more it costs to have uniformed
	New Hire	Incumbent	with 40% Fringes	
Clerical Associate Level 3	$ 32,086	$ 36,899	$ 51,658.60	
Sanitation Worker	New Hire	$ 33,746	$ 47,244.40	
	after 6 months	$ 36,607	$ 51,249.80	
	after 18 months	$ 37,458	$ 52,441.20	
	after 5.5 years	$ 69,339	$ 97,074.60	88%
CORRECTIONS				
Correction Administrative Aide	$ 32,086	$ 36,899	$ 51,658.60	
		12/1/2010		
Correction Officer				
	New Hire	$39,755	$ 55,657.00	8%
	after 18 months	$43,378	$ 60,729.20	18%
	increases every yr for 1st 5 years			
	5 yrs	$60,188	$ 84,263.20	63%
	20 yrs	$83,853	$ 117,394.20	127%
NYPD				
Police Administrative Aide	$ 32,086	$ 36,899	$ 51,658.60	
Police Officer		**7/31/2010**		
	New Hire	$ 41,975	$ 58,765.00	14%
	after 18 months	$ 43,644	$ 61,101.60	18%
	increases every yr for 1st 5 years			
	5 yrs	$ 62,228	$ 87,119.20	69%
	20 yrs	$ 85,379	$ 119,530.60	131%

Notes: These figures do not include any other additions to gross, overtime, differentials, for either the civilian or uniformed titles. Since the uniformed contracts are behind the civilian contracts, it is expected that these rates will also go up by additional collective bargaining amounts.

After 5 yrs it is ranges from over 60% to more than 130% more expensive to have a uniformed staff doing clerical work

Prepared by Department of Research Negotiations, DC 37 AFSCME

2/25/15

ADDENDUM II

Wasting Tax Payers dollars- Use of Non-competitive titles to replace Civil Servants

Agencies using Non-Competitive titles to perform Clerical-Administrative Duties.

DCAS
HHC (most hospitals)
ACS;
Consumer Affairs;
DOHMH;
DOT;
HASA;
MISCA;
HPD;
TLC;
OATH;
OCSE;
DEP;
NYFD;
Department of Aging
Department of Buildings

Non-competitive titles currently being used to perform routine clerical work.

Assistant Coordinating Manager
Community Associates
Community Liaisons
Community Assistants
Community Aides
Healthcare Program Planner Analyst
Clinical Dietetic Technician
Nurse
Bio Medical Equipment Technician
Patient Care Associate
Patient Care Technician
Service Aide

THE COALITION FOR ASIAN AMERICAN CHILDREN AND FAMILIES

New York City Council
FY2016 Preliminary Budget
March 4, 2015

Testimony of Marissa Martin
Director of Government Affairs, Coalition for Asian American Children and Families

My name is Marissa Martin, and I am the Director of Government Affairs at the Coalition for Asian American Children and Families (CACF). We would like to thank Speaker Mark-Viverito, Chair Ferreras and members of the Finance Committee for holding this public hearing on the city fiscal year (FY) 2016 Preliminary Budget.

Since 1986, CACF is the nation's only pan-Asian children's advocacy organization, and works to improve the health and well-being of Asian Pacific American (APA) children and families in New York City in three key policy areas: education, health and child welfare. CACF challenges the stereotype of Asian Pacific Americans as a "model minority" and advocates on behalf of underserved families in our community, especially immigrants struggling with poverty and limited English skills. We work with our membership of over 40 community based organizations to promote better policies, funding, and services for East Asian, South Asian, Southeast Asian, and Pacific Islander children, youth, and families.

CACF also co-leads the 15% & Growing Coalition, a group of over 45 Asian led and serving organizations that work together to ensure that New York City's budget protects the most vulnerable Asian Pacific American New Yorkers. Coalition members employ thousands of New Yorkers and serve hundreds of thousands of New Yorkers. Currently, the Asian Pacific American community is by percentage the fastest growing group in New York City, nearly doubling every decade since 1970, and is nearly 15% of the population. Unfortunately, current levels of public funding for the Asian Pacific American community remain disproportionate to our community's needs.

CHALLENGES

Currently, the Asian Pacific American community is grossly underfunded with the City's health and human service dollars. While City Council discretionary funding provides us the opportunity to be flexible, innovative, and responsive to community needs, City agencies must keep reinventing their policies and approaches in contracting out health and human service funding.

Consider that APA led and serving organizations receive less than 1% in public social service contract dollars and City foundation grant dollars. And yet, while many CACF members have long relied on City Council discretionary dollars to bridge the gap and continue to provide vital services in APA ethnic enclaves in Council districts city-wide, our analysis of publicly available budget documents from the FY2014 Adopted Budget revealed that **APA led and serving organizations received only 2.9% of City Council discretionary dollars.**

Despite the "model minority" stereotype, the Asian Pacific American community must also overcome many challenges.

- 1 out 2 APA children are born into poverty.
- 29.9% of APA live in poverty, the highest of all racial groups in NYC.
- APAs have the highest rate (42%) of linguistic isolation meaning that no one over the age of 14 in a household speaks English well.

- 75% of the APA senior population is linguistically isolated.
- 1 out of 5 APAs in NYC are uninsured.
- 83% of all uninsured individuals are immigrants.

Education and Youth services are especially important for immigrant youth who struggle with English language proficiency, the acculturation process, and inadequate academic preparation. Immigrant youth come from families that face high rates of poverty, live in linguistic isolation, and lack the knowledge of available systems and resources. As the fastest growing population, APA comprises of 14% of the student population in NYC public school but 1 out of 4 Asian Pacific American high school students does not graduate on time or at all. Additionally, 1 out of 5 Asian Pacific American students is an English Language Learner and according to the New York State Department of Education, only 50% of Asian Pacific American (APA) students[1] are considered prepared for college and career.[2] For APA students in high need urban-suburban areas, the rate drops to 35.2%.[3]

While we are happy to see that the administration and Council have restored many vital health and human service programs in the Executive Budget, there is still large unmet need throughout the five boroughs. **Below are recommendations for new and existing initiatives and programs that we urge the City Council to support.**

NEW PROGRAMS AND RECOMMENDATIONS

- **Invest $5million in the City Council Communities of Color Nonprofit Stabilization Fund (NSF) to support capacity building that targets communities of color.** This request has the support of the premier federated community of color organizations in New York City, including partner organizations; Coalition for Asian American Children and Families, the Hispanic Federation and New York Urban League along with the Asian American Federation and Black Agency Executives.

  In FY 2015, the $2.5 million City Council investment, the first of its kind, offered capacity building grants to over 80 qualifying organizations from all five boroughs to support capacity building, strengthening, and rescuing of nonprofit human service providers that serve communities of color. They offer a varying array of services to New Yorkers, and are being funded to address a comprehensive menu of infrastructural needs including leadership development, financial management, and outcomes system development, among others. The Nonprofit Stabilization Fund is helping secure the long-term viability of community-based human service organizations with majority minority leadership that serve clients in diverse and low-income New York City communities, by providing these nonprofits with resources to bolster back-office capacity and ensure sound infrastructure. The ultimate aim is to ensure long-term viability in service delivery and community development.

- **Support the $5 million Access Health NYC Initiative.** Access Health NYC is a new proposal for a city-funded initiative to support community-based organizations (CBOs) that serve immigrants and other underserved populations. It will enable them to do outreach and public education in their communities about options for health care coverage and care, particularly for the uninsured.

  New York State awarded federal funds to networks of CBOs statewide to serve as “Navigators” to assist with applications for New York State of Health, the state’s health insurance marketplace. Unfortunately, these funds cannot be used to conduct basic, public education and community outreach. In the Asian Pacific American community, 1 out of 5 individuals are uninsured, and NYSOH’s media campaign did not take into account the linguistic and cultural diversity of the APA community.

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[1] “*Most New York Students Are Not College Ready,”* New York Times, Feb. 7, 2011. Available online at: http://www.nytimes.com/2011/02/08/nyregion/08regents.html?_r=1&hp.

[2] Ibid. According to the New York State Department of Education College and Career Ready is defined as achieving a grade of 80 on the Math Regents, and a 75 on the English Regents. It is important to note that by their calculations, these grades merely predict a C grade for college level courses in these same subject areas.

[3] Ibid.

Access Health NYC can augment the state's Navigator program by supporting outreach programs about health coverage and access to all New Yorkers, regardless of immigration status, and connect them to Navigators and other experts to enroll in coverage. Although undocumented New Yorkers are not eligible for standard Medicaid and Qualified Health Plans, Access Health NYC can help them learn about and understand their options for free or low-cost health care services available through:

- "HHC Options", a program of the NYC Health and Hospitals Corporation
- Federally Qualified Health Care Centers, and other safety net providers
- Pre-certification for Emergency Medicaid (good for one year)New York's "Child Health Plus" program for all children and youth up through age 18

Five million dollars would allow 65 organizations to apply for grants of $75,000 (average minimum) and can provide adequate additional resources for training and program oversight. Grants would be awarded through a competitive bidding/RFP process, which could be multi-year. Grants would be allocated based on the percentage of uninsured per community per borough.

EXISTING PROGRAMS AND RECOMMENDATIONS

Adult Literacy

- **We urge the City Council to invest in Adult Education.** For low-income adults in New York City, investing in Adult Education is a critical first step as education is the key to securing employment, building a foothold in the job market, helping their children succeed in school, or acquiring the language skills needed to navigate their way through day to day life.
- In the FY 2016 Preliminary budget, there were no additional investments in adult education. **Any additional investments will fund community-based programs that provide ABE (Adult Basic Education), ESOL (English as a Second or Other Language), and HSE (High School Equivalency) classes for the 1.3 million New Yorkers who lack either an HSE, English proficiency, or both.** This would support additional seats and an array of programs at a level of $1,200 per slot to support quality instruction and holistic supports as well as include vital capacity building, professional development and materials for the programs. Supporting an educated, skilled workforce is critical to creating and sustaining a thriving economy – one that can attract new and diverse employers and generate the revenues needed to support a high quality of life for New York's residents and visitors.

Immigrant Specific Programs

- **Renew and Expand $20 million to NYC DACA Initiative.** In FY 2016 budget, the City Council allocation of $18 million over 2 years for DACA eligible youth will expire. The implementation of DACA has resulted in an increase of youth and young adults enrolling in a variety of adult education classes, as one of the requirements of DACA is that a young person has a high school degree or be working towards one. In NYC, there are nearly 16,000 individuals who would be eligible to apply for the DACA program if they were able to enroll is an HSE preparation class. We urge the City Council and Mayor to continue to invest in DACA and DAPA eligible individuals.
- **While these are only short term initiatives, we urge the Mayor and City Council to continue to invest in the growing immigrant populations of New York City.**

Education

- **Provide more comprehensive guidance to New York City students.** As there is more emphasis on whole child development, and with the arrival of the Common Core, in addition to the focus on the academic enrichment side of education, we want to also address the support the youth get as they enter high school to be better prepared for post-high school life. CACF's city-wide youth program, ASAP (Asian Student Advocacy Project), consists of APA youth from all 5 boroughs and 10 different high schools, who have been working on a campaign to standardize guidance roles for every high school, in which they would provide comprehensive guidance and follow an individualized roadmap for each student starting from freshman year. For many youth, including APAs, having working class or immigrant parents who cannot help guide their children in navigating high school, this resource will be a major factor in providing the proper support that each student can get in their path to college and career readiness.

- **Provide adequate and culturally competent interpretation and translation services in order to increase the issues of parent engagement for many of the parents in our communities.** Many of the lack luster services now currently present wide ranging problems for many immigrant families to understand the education system and better support their children.

- **Ensure there are resources allocated to supporting English Language Learners (ELL's).** It is vital for the DOE to create additional bilingual general education and special education programs to serve ELLs as well as additional dual language programs and ensure that these programs are accessible to ELLs. It is also equally important to recognize and allocate resources to culturally competent, language accessible materials that are used to support ELL's.

Thank you for this opportunity to submit testimony, we look forward to working with the City Council to ensure that all New Yorkers have access to the services and support they need to thrive. Please feel free to contact me at mmartin@cacf.org with any additional questions.

Visiting Neighbors, Inc.

Testimony
NYC Council Preliminary Budget Hearings
Committee onAging
March 23, 2015

Thank you for this opportunity to speak out on behalf of the needs of one of our City's most vulnerable and underserved populations: the oldest old. Since 1972, Visiting Neighbors has been providing vital support services that help seniors remain independent, part of the vibrant communities they helped create and still cherish.

While the City has helped sustain senior centers, home-delivered meals and some other valuable services, they have neglected to support some of seniors' most urgent needs, the very cost-effective programs that enable the seniors to remain in their cherished apartments rather than being forced into nursing homes.

Think of Lily, who has lived in her Greenwich Village apartment for more than 60 years. It has become increasingly difficult for her to climb the three flights of stairs to her apartment, so basic tasks like grocery shopping, doing laundry and even getting her mail, often seemed overwhelming. A friend told her about Visiting Neighbors' programs and Lily now enjoys a new friend. Robert, who visits her once a week, who encourages her as she faces the challenges of aging alone on a limited income, and who takes her out for a walk when the weather permits. VN volunteers escort her to medical appointments, go shopping for her, and help her with errands.

These services are much more than "nice." They become a lifeline that saves lives. VN volunteers and staff encourage seniors to visit their doctors regularly and to follow medical advice. They check the seniors' apartments to help eliminate safety hazards. VN volunteers save lives, alerting the staff immediately of any change in a senior's health or outlook so they can get the help they need before an emergency occurs.

Although seniors only make up 14% of Manhattan's population, they account for 41 percent of Manhattan's pedestrian traffic fatalities. Many seniors' lives could have been saved if they had someone walking with them, someone to hold on to, someone to guide them across our busy thoroughfares? Think about a senior trying to cross 7th Avenue. Even if they start to cross the minute the light changes to green, they can't make it all the way across before the light turns red and traffic comes barreling down at them. Someone with a steady arm to lean on could hold up a hand to warn drivers to slow down until the senior is safely across the street. Many seniors have been knocked down by pedestrians who were so busy on their cell phones that they didn't watch where they were walking. We are here to protect our seniors, to help ensure their safety and well-being. That's what were here to do.

Health and safety are among the most urgent concerns of most seniors. Visiting Neighbors' Health Advocate provides information about conditions affecting seniors, makes referrals to free or low-cost health services, and encourages seniors to visit their doctors regularly and to follow medical advice. Volunteers provide safety checks of seniors' apartments, helping to eliminate safety hazards. Falls, both in-home and out-doors, are a major cause of seniors' hospitalizations, loss of independence, and even death. We work hard to prevent falls so our seniors can stay safe and able to enjoy the freedom of living on their own.

We also hope the Council will restore funding for intergenerational programs that engage high school students in helping seniors. Both generations learn from each other, sharing hopes and dreams, life experiences and challenges. Our seniors, many of whom have no one to talk to, share their life stories with the students, encouraging them to follow their dreams, to stay in school and to appreciate our city's resources. The students love learning about the seniors' lives and families, their careers and their struggles. They enjoy teaching the seniors about today's technology, and take pride in the knowledge that they are helping someone. Bringing generations together to help one another and learn from each other was the core of our intergenerational program until funding was abruptly cut a few years ago.

I hope that you will provide funding for these vital, cost-effective services for our seniors. They have given so much to our City. I'm sure that most of you share our commitment to helping our seniors stay safe and able to enjoy their independence as long as they can safely do so.

Please provide the necessary support to Visiting Neighbors and other cost-effective programs like ours so we can continue as trusted lifelines for our City's elderly.

Thank you.

Cynthia Maurer, Ph.D.
Executive Director
Visiting Neighbors, Inc.
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(212) 260-6200
www.visitingneighbors.org

Hudson Square Connection
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212.463.9160 phone
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HudsonSquareBid.com

New York City Council Member Ydanis Rodriguez
Chair, Committee on Transportation

March 5, 2015

Written Testimony submitted by the Hudson Square Connection
New York City Council hearing to review the FY16 Preliminary Budget Department of Transportation

Re : Hudson Square Streetscape Improvements – Hudson Street Redesign

Chair Rodriquez, members of the committee,

I am submitting written testimony on behalf of the Hudson Square Connection Business Improvement District (HSC BID) to ask you to urge the administration to include the last piece of funding needed to complete an important Vision Zero project. As further explained below, $10 million of funding is already in place and we need the final $2 million to enable the redesign of a portion of Hudson Street between Canal and Houston Streets to be included in the NYC Fiscal Year 2016 (FY16) executive budget for the Department of Transportation (DOT). The project has no City expense budget implications as all improvements will be maintained by the BID.

As you may be aware, the HSC BID has been working closely with the DOT to advance the redesign of this portion of Hudson Street, which is one of the initiatives of the Hudson Square Streetscape Improvement Project, a 5-year, $27M public private partnership between the BID and the City of New York. Hudson Square has been identified as a priority area in the Vision Zero Manhattan Pedestrian Safety Action Plan in part because the neighborhood includes the entrance into the Holland Tunnel, which burdens the surrounding community with traffic and noise pollution as well as encumbers pedestrians and cyclists.

The Hudson Street redesign project puts Hudson Street "on a diet" thus meeting the goals of the Mayor's Vision Zero by improving pedestrian safety, calming traffic and providing safe crossings. The project will also improve cyclist's safety by upgrading the existing bike lane to a protected bike lane consistent with a request by Community Board 2, and reduce the potential for conflicts between pedestrians, cyclists and motorist and, in turn, injuries and crashes. A protected bike lane has already been implemented beginning and Houston Street and extending north to 14th Street.

In addition, this project has significant green benefits as the additional street trees that will be planted according the Hudson Square standard will produce oxygen and reduce air pollution, lower the outdoor temperature by providing shade, capture and retain storm water and reduce storm water run-off and in turn reduce the risks of sewer overflow.

In conjunction with DOT, the Hudson Square BID conducted a visioning study for the redesign of Hudson Street between Canal and Houston Streets that was completed in July 2015. The new design will reduce the overly wide travel lanes to standard width, leaving room to extent the western sidewalk 3-6 FT and create a 'linear park' (a series of small pocket parks), include a protected bike lane and planted pedestrian safety islands at the intersections. In August 2014 DOT conditionally approved the conceptual design.

The Hudson Street redesign is estimated to cost $12 million of which $10 million is funded. As this is a public-private partnership and the BID is providing $6 million and the City Council has allocated $4 million for the project in FY15. A $2 million shortfall remains. If DOT can provide the final $2 million we are prepared to immediately undertake this project. EDC has agreed to manage the project and once fully funded, DOT, EDC and the BID will execute a MOU enabling the project to move forward immediately. All the improvements are made on city-owned land.

The $2 million we are asking DOT to provide in the FY16 executive budget will complement the significant City Council and BID funding already committed for the Hudson Square Streetscape Improvement Project, which meets the goals of the Mayor's Vision Zero, meets the needs of the local community, and provides significant green benefits to the district.

We strongly urge you to join us in leveraging $6 million in private funding for a $12 million Vision Zero project that will benefit not just residents, businesses and visitors in Hudson Square but all New Yorkers.

Thank you for this opportunity to testify on behalf of the Hudson square community.

Sincerely,

Ellen Baer,

President Hudson Square Connection

THE COUNCIL
THE CITY OF NEW YORK

Appearance Card

I intend to appear and speak on Int. No. DDC Res. No. ______
☐ in favor ☑ in opposition Complaint
Date: 3-4-2015
(PLEASE PRINT)
Name: Bill Busk
Address: 465 East Tremont Ave Apt 2C
I represent: myself
Address: Tremont Neighborhood in the Bronx.

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: ______
(PLEASE PRINT)
Name: George Sweeting
Address: ______
I represent: NYC Independent Budget Office
Address: ______

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: ______
(PLEASE PRINT)
Name: Ronnie Lowenstein
Address: ______
I represent: NYC Independent Budget Office
Address: ______

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

THE COUNCIL
THE CITY OF NEW YORK

Appearance Card

I intend to appear and speak on Int. No. oversight Res. No. ______

☐ in favor ☐ in opposition

Date: 3/4/15

(PLEASE PRINT)

Name: Tim Mulligan

Address: 1 Centre St. NYC NY - 6th Floor

I represent: comptroller's office

Address:

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: 3/4/15

(PLEASE PRINT)

Name: Andrea Glick, Deputy com. admin

Address:

I represent: DDC

Address: 30-30 Thomson Ave LIC

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: 3/4/15

(PLEASE PRINT)

Name: ERIC MACFARLANE

Address: DDC 30-30 Thomson Ave, LIC

I represent: NYC DDC

Address:

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

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: ________

(PLEASE PRINT)

Name: Christine Flaherty, Associate Commissioner

Address: ~~90~~

I represent: NYC DDC

Address: 30-30 Tompson Ave

THE COUNCIL
THE CITY OF NEW YORK

Appearance Card

I intend to appear and speak on Int. No. Oversight Res. No. ________
☐ in favor ☐ in opposition

Date: 3/4/15

(PLEASE PRINT)

Name: Scott M. Stringer

Address: 1 Centre St. New York, NY

I represent: Comptroller's Office

Address: 1 Centre St.

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: ________

(PLEASE PRINT)

Name: FENIOSKY PENA-MORA

Address: COMMISSIONER OF NYC DDC

I represent: ________

Address: ________

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

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: ____

(PLEASE PRINT)

Name: Jeffrey Shear

Address: 1 Centre Street

I represent: NYC Dept. of Finance

Address: ____

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: 3/4/15

(PLEASE PRINT)

Name: Ralph Palladino

Address: 125 Barclay Street NY NY 10007

I represent: 2nd Vice-President, L.1549, DC37

Address: (Expense Budget)

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: ____

(PLEASE PRINT)

Name: JACQUES JIHA

Address: 215-18 46th Ave, Bayside NY 11361

I represent: Finance Department

Address: 1 Centre St, NY NY 10007

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

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: ______

(PLEASE PRINT)

Name: Michael Hyman

Address: 1 Centre St

I represent: Dept. of Finance

Address: 1 Centre St

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: 3/4/15

(PLEASE PRINT)

Name: Larian Angelo

Address: First Deputy Director

I represent: Office of Management : Budget

Address: ______

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: ______

(PLEASE PRINT)

Name: David Ng

Address: ______

I represent: Human Services Council

Address: 130 East 59 street NY NY 10002

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

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: 3/4/15

(PLEASE PRINT)

Name: Bob Linn

Address: ________

I represent: Commissioner, Office of Labor Relations

Address: ________

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

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: 3/4/15

(PLEASE PRINT)

Name: Dean Fuleihan

Address: Director, Office of Management & Budget

I represent: ________

Address: ________

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