

**THE COUNCIL**

**THE CITY OF NEW YORK**

**FINANCE DIVISION**

**250 BROADWAY, 15TH FLOOR**

**NEW YORK, N.Y. 10007-2594**

**(212) 788-6921**

TO: Honorable Corey Johnson

Speaker

Honorable Daniel Dromm

Chair, Finance Committee

FROM: Latonia McKinney, Director, Finance Division

Raymond Majewski, Deputy Director/Chief Economist, Finance Division

Rebecca Chasan, Senior Counsel

Paul Sturm, Supervising Economist

DATE: March 28, 2019

SUBJECT: A Budget Modification (MN-4) for Fiscal 2019 that will appropriate $868.5 million in new revenues.

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INITIATION: By letter dated March 25, 2019, the Director of the Office of Management and Budget submitted to the Council, pursuant to section 107(e) of the New York City Charter, a request to appropriate $868.5 million in new revenues. These new revenues, combined with additional resources of $400 million of Prior Year Payables, and an adjustment to the General Reserve, will be used for prepayments of $2.65 billion to increase the Budget Stabilization Account.

BACKGROUND: This modification (MN-4) seeks to recognize $868.5 million in new revenues, and combines $400 million of Prior Year Payables, and $1,381 million from the General Reserve, implementing changes reflected in the February 2019 Financial Plan. Of these funds, the total amount of $2.65 billion is added to the Budget Stabilization Account, which will prepay debt service for Fiscal 2020.

FISCAL IMPACT: This modification represents a net increase in the Fiscal 2019 budget of $868.5 million.

Preconsidered Res. No. 816

..Title

RESOLUTION APPROVING A MODIFICATION (MN-4) PURSUANT TO SECTION 107(e) OF THE CHARTER OF THE CITY OF NEW YORK.

..Body

By Council Member Dromm

 **Whereas**, At a meeting of the Committee on Finance of the City Council of the City of New York (the “City Council”) on March 28, 2019, the Committee on Finance considered a communication, dated March 25, 2019, from the Office of Management and Budget of the Mayor of the City of New York (the “Mayor”), of a proposed request to recognize a net increase in revenue pursuant to Section 107(e) of the Charter of the City of New York (the “Charter”), attached hereto as Exhibit A (the "Request to Appropriate"); and

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

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

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

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

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

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

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

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

**T H E C O U N C I L**

**REPORT OF THE COMMITTEE ON FINANCE**

**RESOLUTION APPROVING A MODIFICATION (MN-4) PURSUANT TO SECTION 107(E) OF THE CHARTER OF THE CITY OF NEW YORK**

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

# R E P O R T

Introduction. At the meeting of the Committee on Finance of the City Council on March 28, 2019, the Council considered a communication from the Office of Management and Budget of the Mayor, dated March 25, 2019, of a proposed request to modify, pursuant to Section 107(e) of the Charter of the City of New York, the Fiscal 2019 Expense Budget Plan, and the revenue estimate related thereto prepared by the Mayor as of March 25, 2019.

Analysis. The Council annually adopts the City's budget covering expenditures pursuant to Section 254 of the Charter. On June 14, 2018, the Council adopted the expense budget for fiscal year 2019 (the "Fiscal 2019 Expense Budget"). On December 20, 2018, the Council adopted MN-1, modifying the Fiscal 2019 Expense Budget, and MN-2, which appropriated new revenues. On March 25, 2019, the Mayor submitted to the Council MN-3, modifying the Fiscal 2019 Expense Budget. On March 25, 2019, the Mayor submitted to the Council a revenue estimate MN-4, related to the Fiscal 2019 Expense Budget.

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

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

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

This modification (MN-4) seeks to increase revenues in the net amount of $868.5 million compared to the most recent Revenue Budget Modification (MN-2). This represents an increase in City funds of approximately 1.3 percent.

MN-4 is the second revenue modification of Fiscal 2019 and it reflects changes since the November 2018 Financial Plan.

MN-4 recognizes $868.5 million in increased revenues, including $228.2 million in tax revenue, $444.4 million in miscellaneous revenue, $89.9 million in unrestricted intergovernmental aid, and $106 million from disallowances.

Tax revenues increased by $228.2 million since the November 2018 Financial Plan. The majority of the increase, $174 million, came from general corporation tax collections, which benefited from strong corporate profits. Additional tax revenues included $122 million from the mortgage recording tax, and $75.7 million from the property tax, both benefiting from a strong commercial real estate market. Offsetting these increases was $177 in reduced revenues from the personal income tax. This was due to the sharp fall in estimated payments experienced in December 2018 and January 2019. The causes of the decline have been attributed to weakness in the stock market during the last quarter of 2018, and changes in tax payment timing, due to the capping of the state and local tax deduction. Revenues from the unincorporated business tax fell by $70 million, also due to a forward-shift in tax payments, due to requiring the repatriation of hedge fund assets by the end of 2017.

Miscellaneous revenues increased by $444.4 million since the November 2018 Financial Plan. This included $361.5 million in Mayoral sundries, under other miscellaneous. Its major components include $152.3 million in reimbursements from New York City Health and Hospitals, $117.6 million in asset sales, and $77.6 million in legal restitution payments.

Unrestricted intergovernmental aid increased by $89.9 million, and $106 was obtained by drawing down the reserve for disallowances of state and federal grants.

This budget modification adds $2.65 billion to the Budget Stabilization Account, which will prepay debt service for Fiscal 2020. This addition is funded by the $868.5 million increase in revenues, $400 million in Prior Year Payables, and a $1.38 billion reduction of the General Reserve.

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