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

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I. Executive Summary

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.

[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	500	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.

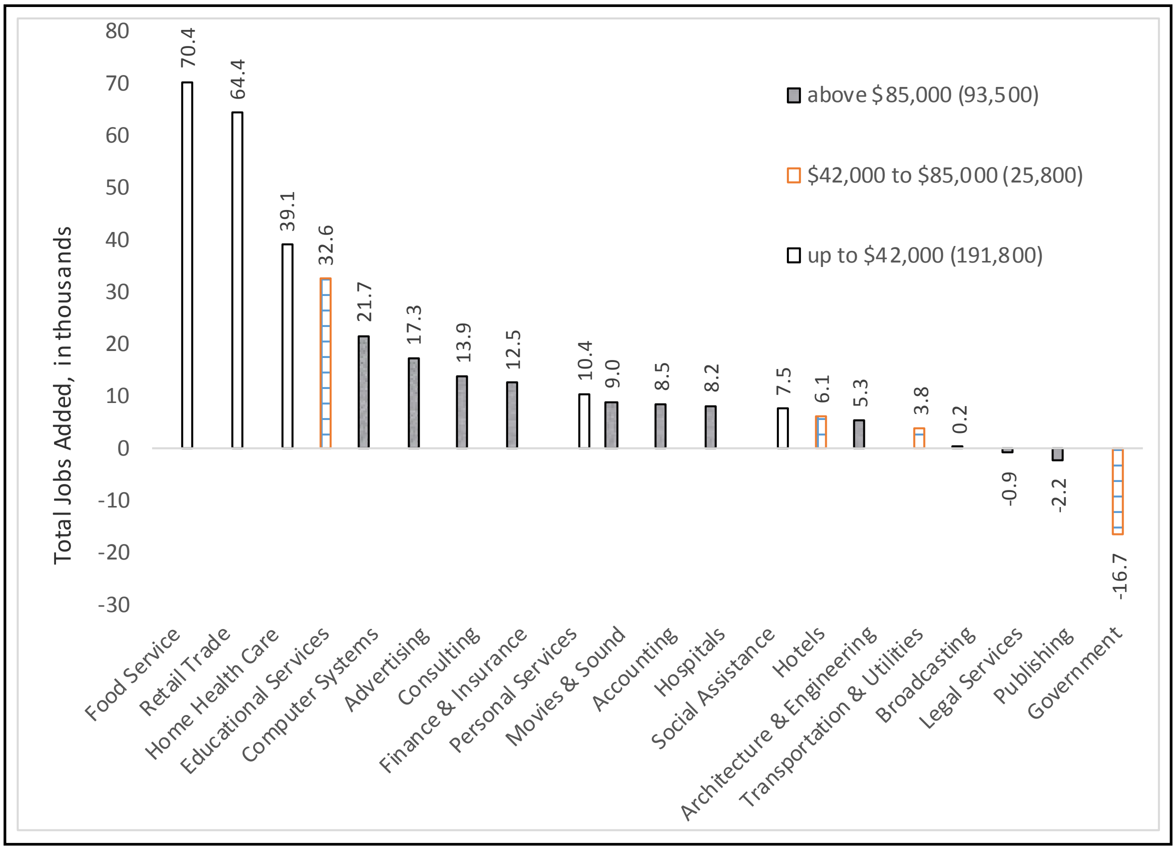
The city's job creation has been particularly impressive. In fact as of December 2014, total private-sector jobs were 306,200, or 9.4 percent, higher than at the previous cyclical peak reached in August 2008. Among the traditional "export" industries that are thought to drive regional economic growth, 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	500	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.

[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.

[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.

[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]

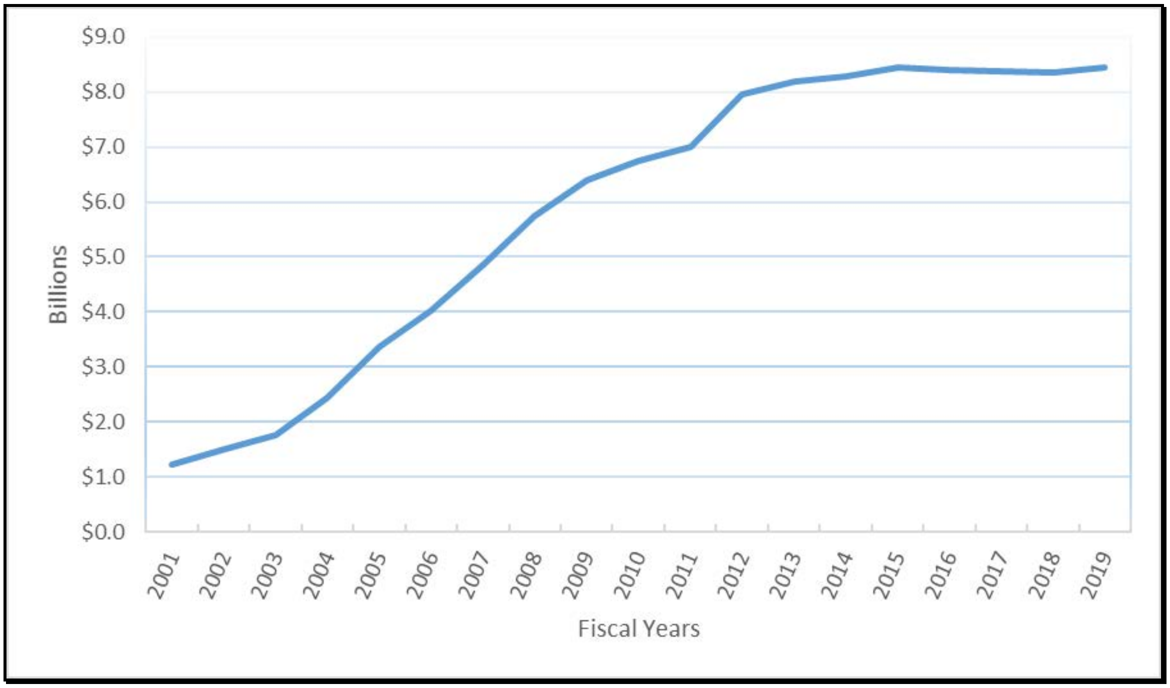
Longer-Term Perspective

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.

[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]

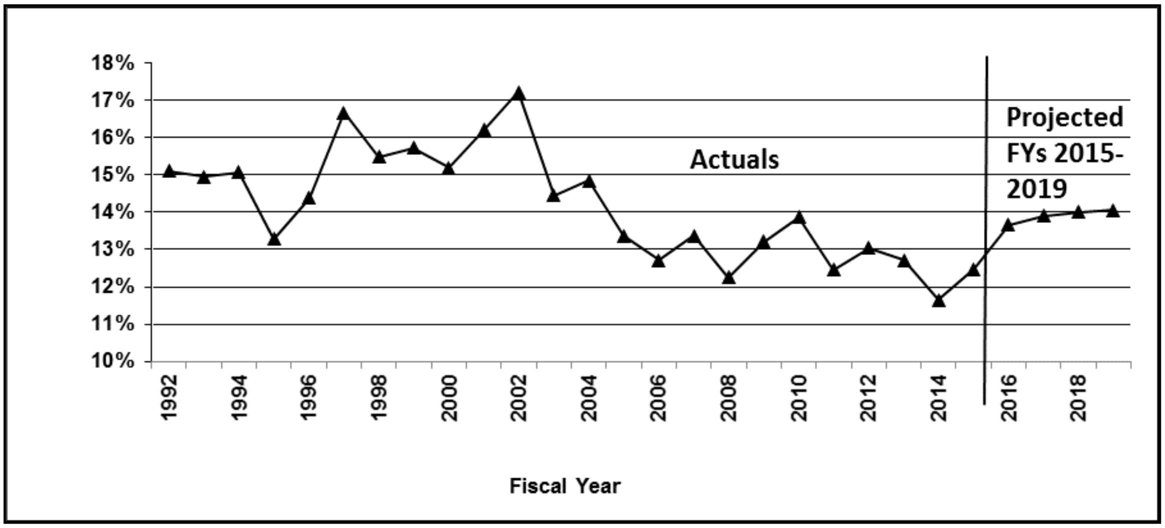
Debt Affordability

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	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*	Change FYs 2015-19 *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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