

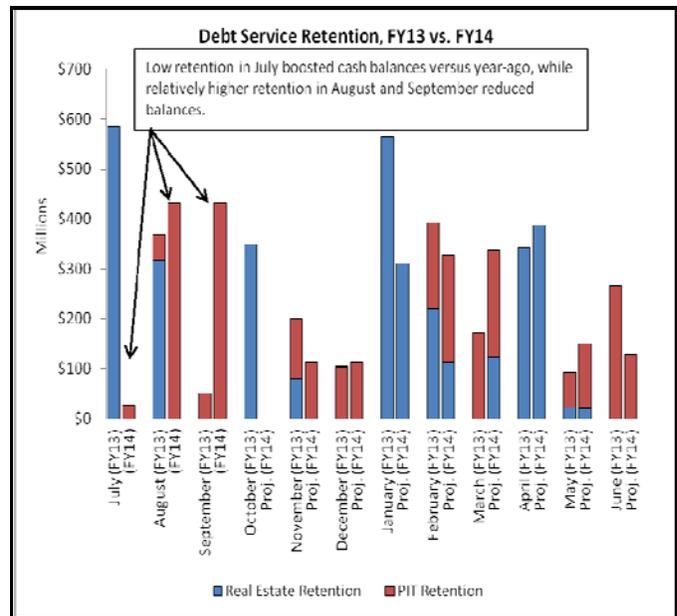
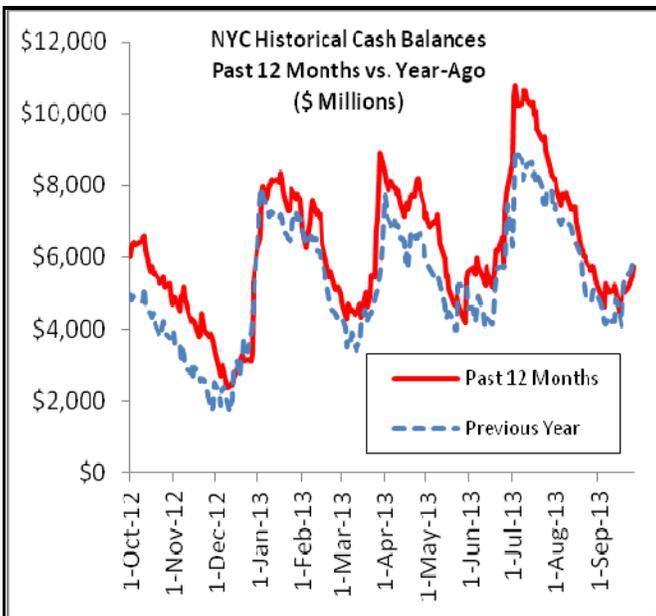
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To: Distribution
From: Kirk Parks, Bureau Chief, Financial Analysis
Subject: NYC Cash Balance Projection (October 2013 - March 2014)
Date: September 30, 2013



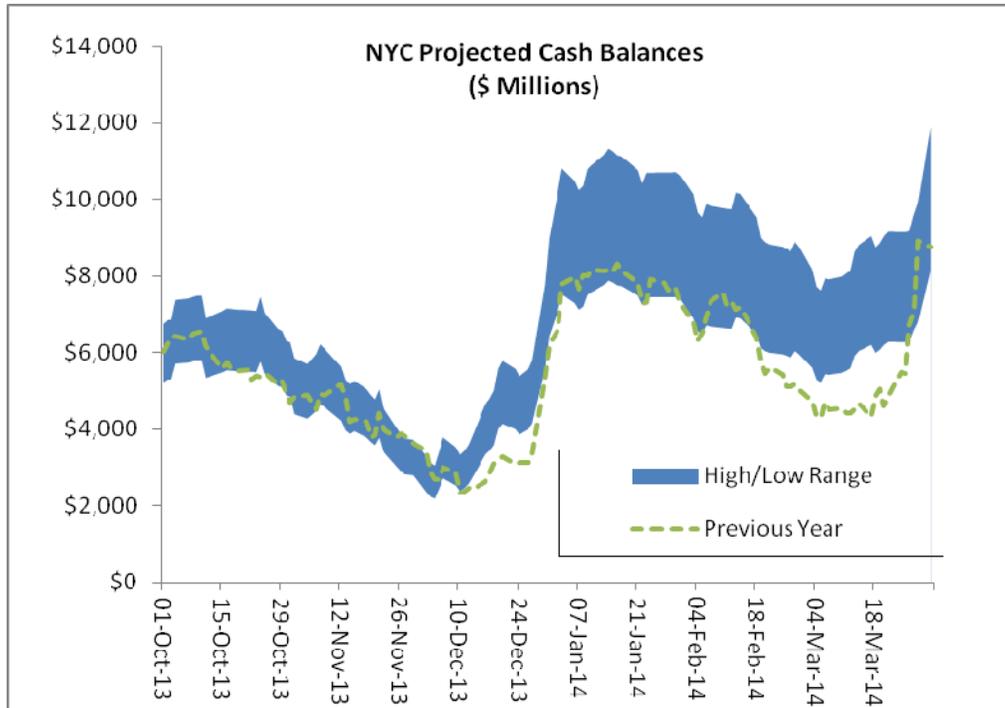
Our May projection predicted that balances would make considerable advances on year-ago comparables, and so they did - for a passing moment, at least. The City of New York completed FY13 on June 28, with a record-high closing unrestricted cash (book) balance of \$7.944 billion. The average cash balance for FY13 measured \$5.959 billion, the strongest full-year performance since FY08. The unrestricted cash balance has reached levels not seen since FY08, attaining \$10.781 billion on July 3, 2013, as compared to the \$8.972 billion on that date the year prior. Yet, as of September 26, the NYC cash balance stands at \$5.755 billion, slightly trailing the \$5.870 billion mark recorded at this time last year. It seems that FY14 balances have given up a lot of ground since July 3.

July balances initially benefited from the absence of an abnormally large year-end pension cost adjustment such as the City encountered at the end of FY12. Also, the FY14 calendar arrangement of debt service retention contributed to the high balances in the early going. In dedicating substantially all of the FY13 year-end prepayment to GO debt service (as opposed to TFA debt service), the City provided itself relief from more debt service retention in the early weeks of FY14. By contrast, last year's real estate tax (GO) retention reduced July 2012 balances by \$586 million. The dedication of the FY13 prepayment to GO debt was not done for cash purposes, but for long-term economic reasons. The boost to balances in July was only an ancillary effect.

How it comes to pass that FY14 balances relinquish a \$2 billion advantage over year-ago comparables demands some examination. Part of the answer lies in the same debt service retention arrangement that contributed to the higher

balances in the first half of July. Since practically all of the FY13 prepayment was devoted to GO debt service, none was allocated towards TFA debt service. As a result, TFA-driven retention of Personal Income Tax began early in FY14 - very lightly in July (\$26 million), then more substantially in August (\$432 million) and September (\$432 million). Another portion of the answer relates to internal bookkeeping procedures within the City's Financial Management System (FMS). Certain outlays are registered in FMS well before the actual expenditure is made. It is a City agency's way of giving advance notice that a large expense is coming. For the purposes of cash reporting, we treat these items as spent funds and deduct them from the unrestricted cash balance. Such adjustments accounted for \$667 million in deductions from unrestricted cash during July. Lastly, lower Federal aid payments reduced balances by nearly \$400 million in July and August.

The projection update that follows outlines expected cash balances from October 1, 2013 to March 31, 2014, and incorporates guidance provided in the FY14 Adopted Budget.



Our latest estimates uphold the basic message of our May projection, that cash balances are headed higher. However, this updated picture is decidedly more nuanced. While balances are still expected to trend higher relative to year-ago marks, there will be instances, particularly in October through December, when FY13 and FY14 balances are closely paired. We look for more decisive separation in the second half of the projection, though the outer reaches of the model are the most likely to change with future updates.

The projection predicts that the FY14 cash balance low point will occur during the first week of December and measure \$2.2 to \$3.0 billion, roughly in-line with last year's low of \$2.351 billion. For comparison, consider that the FY10 low was recorded as \$449 million. Towards the middle of December, the City usually sees the beginning of an influx of real estate tax payments lasting through the first few days of January. Over the past year, cash inflow of real estate tax has grown by 5.1%, so we look to this important revenue stream as the catalyst for some positive separation of FY14 cash balances from year-ago levels. Moreover, tax inflows exhibit broad-based strength across most categories of tax. Total tax inflows rose 7.2% in FY13. Barring unusual fluctuations in capital transfers, Federal aid, State aid, or the previously mentioned adjustments for pending expenditures, we would expect to see a gradual improvement in the increase of current-year balances over year-ago levels. Our next Cash Letter is scheduled for release in November, unless projection revisions are required sooner.

**NYC Cash Balance Projected Ranges
(\$ Millions)**

	<u>High</u>	<u>Low</u>	<u>Baseline</u>
01-Oct-13	6,739	5,216	5,977
02-Oct-13	6,841	5,295	6,068
03-Oct-13	6,850	5,302	6,076
04-Oct-13	7,367	5,702	6,534
07-Oct-13	7,403	5,730	6,567
08-Oct-13	7,445	5,763	6,604
09-Oct-13	7,480	5,790	6,635
10-Oct-13	7,481	5,790	6,635
11-Oct-13	6,887	5,331	6,109
15-Oct-13	7,079	5,479	6,279
16-Oct-13	7,146	5,531	6,338
17-Oct-13	7,139	5,525	6,332
18-Oct-13	7,121	5,512	6,317
21-Oct-13	7,108	5,501	6,305
22-Oct-13	7,097	5,493	6,295
23-Oct-13	7,085	5,484	6,284
24-Oct-13	7,440	5,759	6,600
25-Oct-13	7,023	5,436	6,229
28-Oct-13	6,617	5,122	5,869
29-Oct-13	6,565	5,081	5,823
30-Oct-13	6,300	4,876	5,588
31-Oct-13	6,259	4,845	5,552
01-Nov-13	5,848	4,383	5,385
04-Nov-13	5,696	4,269	5,245
06-Nov-13	5,950	4,459	5,478
07-Nov-13	6,208	4,653	5,716
08-Nov-13	6,101	4,572	5,617
12-Nov-13	5,625	4,216	5,180
13-Nov-13	5,286	3,962	4,867
14-Nov-13	5,166	3,872	4,757
15-Nov-13	5,258	3,941	4,841
18-Nov-13	5,035	3,773	4,636
19-Nov-13	4,887	3,663	4,500
20-Nov-13	4,773	3,578	4,395
21-Nov-13	5,032	3,771	4,633
22-Nov-13	4,521	3,388	4,163
25-Nov-13	4,023	3,015	3,704
26-Nov-13	3,867	2,898	3,561
27-Nov-13	3,753	2,813	3,456
29-Nov-13	3,719	2,788	3,425

	<u>High</u>	<u>Low</u>	<u>Baseline</u>
02-Dec-13	3,290	2,356	3,137
03-Dec-13	3,112	2,229	2,967
04-Dec-13	3,042	2,178	2,900
05-Dec-13	3,398	2,433	3,240
06-Dec-13	3,781	2,708	3,605
09-Dec-13	3,526	2,526	3,362
10-Dec-13	3,327	2,383	3,172
11-Dec-13	3,425	2,453	3,266
12-Dec-13	3,585	2,567	3,418
13-Dec-13	3,842	2,751	3,663
16-Dec-13	4,650	3,330	4,433
17-Dec-13	4,793	3,433	4,570
18-Dec-13	5,001	3,581	4,768
19-Dec-13	5,573	3,991	5,313
20-Dec-13	5,775	4,136	5,506
23-Dec-13	5,571	3,990	5,312
24-Dec-13	5,378	3,851	5,127
26-Dec-13	5,550	3,975	5,291
27-Dec-13	5,789	4,146	5,519
30-Dec-13	7,773	5,567	7,411
31-Dec-13	8,972	6,426	8,554
02-Jan-14	10,149	7,057	9,889
03-Jan-14	10,801	7,511	10,524
06-Jan-14	10,477	7,285	10,208
07-Jan-14	10,233	7,116	9,971
08-Jan-14	10,344	7,193	10,079
09-Jan-14	10,786	7,500	10,509
10-Jan-14	10,892	7,574	10,613
13-Jan-14	11,157	7,758	10,871
14-Jan-14	11,321	7,872	11,031
15-Jan-14	11,251	7,823	10,962
16-Jan-14	11,149	7,752	10,862
17-Jan-14	11,117	7,730	10,831
21-Jan-14	10,756	7,479	10,480
22-Jan-14	10,409	7,238	10,142
23-Jan-14	10,688	7,432	10,413
24-Jan-14	10,691	7,434	10,416
27-Jan-14	10,696	7,437	10,421
28-Jan-14	10,697	7,438	10,423
29-Jan-14	10,699	7,439	10,425
30-Jan-14	10,701	7,441	10,426
31-Jan-14	10,615	7,381	10,343

	<u>High</u>	<u>Low</u>	<u>Baseline</u>
03-Feb-14	10,135	6,884	9,781
04-Feb-14	9,657	6,560	9,320
05-Feb-14	9,527	6,472	9,195
06-Feb-14	9,872	6,705	9,527
07-Feb-14	9,824	6,673	9,481
10-Feb-14	9,768	6,635	9,427
11-Feb-14	9,747	6,621	9,407
12-Feb-14	9,735	6,613	9,395
13-Feb-14	10,166	6,906	9,811
14-Feb-14	10,140	6,888	9,786
18-Feb-14	9,526	6,471	9,193
19-Feb-14	8,991	6,107	8,677
20-Feb-14	8,874	6,027	8,564
21-Feb-14	8,819	5,990	8,511
24-Feb-14	8,755	5,947	8,450
25-Feb-14	8,696	5,907	8,393
26-Feb-14	8,641	5,869	8,339
27-Feb-14	8,883	6,034	8,573
28-Feb-14	8,748	5,942	8,442
03-Mar-14	8,166	5,595	7,909
04-Mar-14	7,717	5,288	7,474
05-Mar-14	7,616	5,219	7,376
06-Mar-14	7,926	5,431	7,677
07-Mar-14	7,904	5,416	7,655
10-Mar-14	7,977	5,466	7,726
11-Mar-14	8,054	5,518	7,800
12-Mar-14	8,146	5,581	7,889
13-Mar-14	8,624	5,909	8,352
14-Mar-14	8,810	6,036	8,532
17-Mar-14	9,037	6,192	8,752
18-Mar-14	8,740	5,989	8,465
19-Mar-14	8,857	6,069	8,578
20-Mar-14	9,040	6,194	8,755
21-Mar-14	9,156	6,273	8,867
24-Mar-14	9,142	6,264	8,854
25-Mar-14	9,141	6,263	8,853
26-Mar-14	9,165	6,280	8,876
27-Mar-14	9,578	6,562	9,276
28-Mar-14	9,897	6,781	9,585
31-Mar-14	11,903	8,156	11,528

NYC Cash Balance Monthly Detail
(\$ Millions)

	<u>Oct-13</u>	<u>Nov-13</u>	<u>Dec-13</u>	<u>Jan-14</u>	<u>Feb-14</u>	<u>Mar-14</u>	<u>Total</u>
Opening Balance	5779.64	5552.24	3424.70	8554.49	10342.60	8442.36	5779.64
Sales Tax	605.00	492.00	648.00	487.00	560.00	481.00	3273.00
Utility Tax	34.10	32.04	25.00	34.02	32.00	36.00	193.16
Commercial Rent Tax	11.00	6.00	166.95	17.01	8.00	181.08	390.04
Personal Income Tax	713.02	492.00	814.00	1716.00	666.00	592.00	4993.02
General Corporation Tax	88.00	205.02	628.00	167.00	133.00	1006.00	2227.02
Banking Tax	66.00	8.00	248.74	46.00	16.00	458.69	843.43
Unincorporated Business Tax	56.10	18.00	151.06	470.00	34.01	51.03	780.20
Real Property Tax	785.77	94.20	4496.19	2659.84	112.06	1107.62	9255.68
Other Taxes	178.22	171.85	386.68	525.84	294.28	273.28	1830.15
Less Refunds All Taxes	-97.00	-54.00	-51.00	-93.00	-98.99	-97.00	-490.99
Total Taxes	2440.21	1465.11	7513.62	6029.71	1756.36	4089.70	23294.71
Federal Welfare	62.04	182.00	233.10	157.08	139.08	467.04	1240.34
Federal Education	10.81	21.24	68.88	69.15	196.15	202.44	568.67
Federal Community Development	14.08	15.00	16.00	13.02	14.06	12.00	84.16
Federal Other	186.00	196.02	188.00	200.00	191.00	193.00	1154.02
Total Federal Aid	272.93	414.26	505.98	439.25	540.29	874.48	3047.19
NYS Welfare	86.02	85.00	106.05	128.10	56.05	326.00	787.22
NYS Health	42.02	4.00	16.00	51.03	26.03	95.00	234.08
NYS Education	66.60	383.70	764.90	59.50	69.00	2825.50	4169.20
NYS Higher Education	366.76	0.00	0.00	0.00	349.79	339.78	1056.33
NYS Other	18.04	31.00	69.09	25.00	19.00	76.02	238.15
Total New York State Aid	579.44	503.70	956.04	263.63	519.87	3662.30	6484.98
NYS Revenue Sharing	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Other Intergovernmental Aid	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Total Intergovernmental	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Water Board	121.00	136.08	103.00	218.00	225.00	45.00	848.08
Interest Income	2.00	2.00	3.00	2.10	2.09	1.05	12.24
Fines and Forfeitures	98.00	81.00	94.08	63.00	62.00	69.09	467.17
Miscellaneous Revenue	206.00	206.00	206.01	206.01	206.00	206.01	1236.03
Senior College Tuition and Fees	241.00	0.00	0.00	241.08	0.00	241.08	723.16
Capital Interest	0.00	0.18	0.21	0.07	0.06	0.03	0.55
Housing Revenue	4.84	4.86	4.83	4.83	4.82	4.83	29.01
Total Miscellaneous	672.84	430.12	411.13	735.09	499.97	567.09	3316.24
Prior Federal Aid	495.00	188.00	222.00	87.00	127.00	44.10	1163.10
Prior NYS Aid	282.04	113.04	1107.00	82.00	56.05	249.06	1889.19
Total Federal And NYS Prior Aid	777.04	301.04	1329.00	169.00	183.05	293.16	3052.29
Balance Sheet Inflows	15.00	15.00	15.00	15.00	15.01	15.00	90.01
Federal/State Capital	130.02	189.00	45.00	152.04	92.00	91.00	699.06
Transfers from Capital Proceeds	650.00	700.00	700.00	612.00	574.00	454.00	3690.00
Payroll Taxes Inflows	138.50	114.85	165.40	139.80	137.70	178.00	874.25
Seasonal Borrowing	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Other Operating Inflow	279.00	279.00	279.09	279.09	279.00	279.09	1674.27
Total Other Inflows	1212.52	1297.85	1204.49	1197.93	1097.71	1017.09	7027.59
Total Inflows	5954.98	4412.08	11920.26	8834.61	4597.25	10503.82	46223.00

NYC Cash Balance Monthly Detail
(\$ Millions)

	<u>Oct-13</u>	<u>Nov-13</u>	<u>Dec-13</u>	<u>Jan-14</u>	<u>Feb-14</u>	<u>Mar-14</u>	<u>Total</u>
Payroll	1248.20	1031.40	1495.88	1260.16	1240.99	1598.65	7875.28
Pensions	675.00	670.00	670.00	675.00	674.00	692.00	4056.00
Social Security	168.04	131.56	132.81	131.65	130.24	130.74	825.04
Health Plan	338.40	338.40	338.40	338.40	338.40	338.40	2030.40
Other PS	98.00	69.00	83.00	85.05	71.06	75.00	481.11
Total PS	2527.64	2240.36	2720.09	2490.26	2454.69	2834.79	15267.83
PA	223.08	202.00	204.00	250.00	183.00	189.00	1251.08
MA	433.00	460.08	539.07	438.06	477.09	482.00	2829.30
Other DOSS	211.00	213.00	222.00	182.07	196.08	216.09	1240.24
HHC	80.08	45.00	60.06	39.06	74.00	85.05	383.25
TA	0.10	0.00	53.97	0.10	18.24	0.00	72.41
HA	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Lump Sum	182.00	182.00	182.07	182.07	182.02	182.07	1092.23
Vendor Payments	1115.62	1165.91	1208.40	1125.69	1211.44	1185.49	7012.55
Other OTPS	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Total OTPS	2244.88	2267.99	2469.57	2217.05	2341.87	2339.70	13881.06
City Capital	492.00	729.00	535.08	766.08	437.00	700.00	3659.16
Other Outflow Capital	72.00	455.04	95.00	418.00	95.00	354.06	1489.10
GO Debt Service Funding	0.00	0.00	0.00	310.57	112.06	122.94	545.57
NYCTFA Debt Service Funding	0.00	111.82	111.82	0.00	214.77	214.76	653.17
Other Debt Service Funding	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Repay Seasonal Borrowing	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Payroll Taxes Outflow	635.76	525.35	648.91	634.54	632.10	641.86	3718.52
Other Outflows	210.10	210.06	210.00	210.00	210.00	210.00	1260.16
Total Other Outflows	1409.86	2031.27	1600.81	2339.19	1700.93	2243.62	11325.68
Total Outflows	6182.38	6539.62	6790.47	7046.50	6497.49	7418.11	40474.57
Net Flow	-227.40	-2127.54	5129.79	1788.11	-1900.24	3085.71	5748.43
Ending Balance	5552.24	3424.70	8554.49	10342.60	8442.36	11528.07	11528.07