THE CITY OF NEW YORK
OFFICE OF THE COMPTROLLER

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TO THE PEOPLE OF THE CITY OF NEW YORK

It is my privilege to present the City of New York's Annual Comprehensive Financial Report (ACFR) for Fiscal Year 2023. Over the past year, New York City's economy showed itself to be resilient and surpassed recovery expectations. Jobs ended the year near their pre-pandemic peak, the economy saw growth in new sectors such as a technology, labor force participation was strong, and inflation moderated from where it was a year ago. Looking forward, while the City remains on solid footing, projected out-year budget gaps require establishing a sustainable long-term savings program and generating additional revenue streams to pay for strategic investments to support a thriving and inclusive economy.

This report shows that the City of New York (City) completed its Fiscal Year 2023 financial reporting requirements, in accordance with Generally Accepted Accounting Principles (GAAP).

The General Fund remains a primary indicator of the City's financial activity and legal compliance within the reporting model promulgated by the Governmental Accounting Standards Board (GASB). In Fiscal Year 2023, the General Fund had revenues and other financing sources of $108.238 billion and expenditures and other financing uses of $108.177 billion, resulting in a surplus of $60.5 million, including restricted fund activities. The operating surplus net of restricted fund activities was $5.1 million. This amount increased the General Fund's committed balance (the Revenue Stabilization Fund) to $1.959 billion. Expenditures and other financing uses included transfers of $5.479 billion to eliminate the projected budget gap for Fiscal Year 2024. Fiscal Year 2023 total General Fund revenues were $1.161 billion higher than in FY 2022, driven by an increase of $3.840 billion in tax revenues, a decline of $5.073 billion in Federal categorical grants, an increase in State categorical grants of $1.222 billion, and an increase in miscellaneous and other revenue sources of $1.310 billion. Fiscal Year expenditures and other financing uses were $2.252 billion higher than in Fiscal Year 2022, an increase of 2.1 percent. Excluding the transfers to eliminate future fiscal year projected gaps, expenditures and other financing uses increased by $2.896 billion or 2.7 percent. A detailed analysis of the City's fund and government-wide financial statements is provided in the Management's Discussion and Analysis (MD&A), which immediately precedes the basic financial statements contained in this report.

This introduction includes a summary of the economic conditions that New York City faced in Fiscal Year 2023, our economic and fiscal outlook, a brief description of the City's governance and budget process, and an overview of the ACFR.

ECONOMIC CONDITIONS IN FISCAL YEAR 2023

The Census Bureau's decennial enumeration estimated New York City's population at 8.8 million as of April 2020, an increase of 629,100 from 2010 or 7.7 percent.[1] The Census Bureau estimated the City's population dropped to 8.3 million by the start of FY 2023, a decline of 468.3 thousand residents or -5.3 percent from April 2020. The drop was driven by unusually large domestic outmigration, lower international immigration, fewer births, and higher deaths, largely as a consequence of the COVID-19 pandemic. The largest percentage decline was in the Bronx (-6.3 percent), followed by Manhattan (-5.8 percent), then Brooklyn and Queens (-5.3 percent), and Staten Island (-0.9 percent).[2]

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(1) See nyc_decennialcensusdata_2010_2020_change.xlsx (live.com).

(2) See Population Estimates for New York City and Boroughs as of July 2022 (nyc.gov).

The City’s economy continued to grow robustly in Fiscal Year 2023, with many indicators returning to or surpassing pre-COVID-19 levels.

Payroll jobs NYC

Jobs in New York City (in thousands)

Economic sectors	June 2023	Previous trough: April 2020	Previous peak: Feb 2020	Peak to trough Change	Peak to trough % change	Trough to June 2023 Change	Trough to June 2023 % change	Peak to June 2023 Change	Peak to June 2023 % change	June 2022 to June 2023* Change	June 2022 to June 2023* % change
Total	4,672.0	3,746.0	4,702.6	(956.5)	(20.3)%	925.9	24.7%	(30.6)	(0.7)%	149.1	3.3%
Total Private	4,099.2	3,161.7	4,108.1	(946.3)	(23.0)%	937.4	29.6%	(8.9)	(0.2)%	144.8	3.6%
Total office-using	1,512.1	1,361.4	1,497.5	(136.1)	(9.1)%	150.7	11.1%	14.6	1.0%	12.6	0.8%
Financial Activities	499.4	469.1	487.1	(18.0)	(3.7)%	30.3	6.4%	12.3	2.5%	12.9	2.6%
Information	222.7	204.2	229.2	(25.0)	(10.9)%	18.5	9.1%	(6.5)	(2.8)%	(14.1)	(5.9)%
Prof. and Business Services	790.0	688.1	781.3	(93.1)	(11.9)%	101.9	14.8%	8.8	1.1%	13.8	1.8%
Education and Health Services	1,182.0	936.9	1,079.9	(143.0)	(13.2)%	245.1	26.2%	102.1	9.5%	83.1	7.6%
Leisure and Hospitality	435.9	156.5	470.1	(313.7)	(66.7)%	279.5	178.6%	(34.2)	(7.3)%	38.6	9.4%
Other Services	185.4	129.2	196.1	(66.9)	(34.1)%	56.2	43.5%	(10.7)	(5.5)%	8.0	4.5%
Trade, Transportation, and Utilities	573.4	452.2	635.9	(183.6)	(28.9)%	121.2	26.8%	(62.5)	(9.8)%	(7.6)	(1.3)%
Construction	152.5	87.7	162.6	(74.9)	(46.1)%	64.8	73.9%	(10.1)	(6.2)%	10.4	7.2%
Manufacturing	57.9	37.8	66.0	(28.1)	(42.7)%	20.0	53.0%	(8.1)	(12.3)%	(0.3)	(0.5)%
Government	572.8	584.3	594.5	(10.2)	(1.7)%	(11.5)	(2.0)%	(21.7)	(3.6)%	4.3	0.8%

Data release: 8.18.2023.

* Based on non-seasonal adjusted data.

Source: NYS Department of Labor, NYC Office of Management and Budget, Office of the NYC Comptroller.

By the end of FY 2023, the City’s job market recovered 925,900 of the 956,500 jobs lost between February and April 2020 and was close to the pre-pandemic peak. Job gains between June 2022 and June 2023 totaled 149,100 (+3.3 percent). By the end of FY 2023, jobs in traditionally office-using industries reached a new peak exceeding 1.5 million. Within office-using industries, jobs in the Information sector returned below the February 2020 peak due to a combination of layoffs in tech firms and the temporary effects of the writers’ (WGA) and actors’ (SAG/AFTRA) strikes. Jobs in Education and Health Services were also at a new peak of nearly 1.2 million jobs. Relative to February 2020, the largest private-sector job gaps were in Trade, Transportation, and Utilities (-62,500, -9.8 percent), Leisure and Hospitality (-34,200, -7.3 percent), and Other Services(3) (-10,700, -5.5 percent).

The unemployment rate was 5.4 percent in June 2023 (seasonally adjusted). From June 2022 to June 2023 the unemployment rate increased by 0.4 percentage points, due to an increase in the labor force (+112,500 NYC residents) larger than the increase in employment (+88,600). The unemployment rate had peaked at 21.4 percent in May 2020. In June 2023, both the labor force participation rate and the employment population ratio reached new highs of 62.6 percent and 59.3 percent, respectively.

Tourism continued to improve in FY 2023. In the Manhattan hospitality market, Revenue Per Available Room (RevPAR) increased 11.3 percent between the fourth quarter of FY 2022 and the fourth quarter of FY 2023. Over the same period, occupancy grew from 81.0 percent to 83.9 percent and the Average Daily Rate (ADR) reached $328.28 (+7.4 percent over the year).(4) The March 2023 outlook from the City’s tourism agency, projected a total of 63.3 million and 69.6 million visitors to the City in calendar year 2023 2024, respectively, finally exceeding the previous peak of 66.6 million visitors established in 2019.(5)

NYC taxable sales grew by 11.3 percent in FY 2023 (preliminary), driven by economic growth and inflation. In nominal terms, taxable sales in FY 2023 were 24.4 percent higher than in FY 2019.

(3) Establishments in this sector are primarily engaged in activities such as equipment and machinery repairing, promoting or administering religious activities, grant making, advocacy, and providing dry cleaning and laundry services, personal, death, and pet care services, as well as other minor categories.

(4) See pwc-q2-2023-manhattan-lodging-index.pdf.

(5) See NYC Travel and Tourism Outlook.

NYC taxable sales FY 2014 – FY 2023

	Taxable sales ($b)					
Fiscal Year*	Retail trade	Utilities and Information	Leisure and Hospitality	Professional and Business Services	Other	Total
2014	$46.5	$23.3	$29.6	$11.9	$29.7	$141.0
2015	$47.5	$22.8	$31.7	$13.4	$31.3	$146.7
2016	$47.7	$21.9	$33.7	$14.4	$33.2	$150.9
2017	$48.6	$23.0	$34.9	$14.5	$36.0	$156.9
2018	$50.6	$23.5	$36.0	$15.9	$39.4	$165.5
2019	$52.6	$24.0	$37.6	$17.1	$42.7	$174.1
2020	$51.1	$25.8	$31.5	$17.8	$40.4	$166.5
2021	$54.4	$27.3	$15.7	$15.7	$39.8	$152.9
2022	$64.2	$30.3	$32.7	$19.8	$47.5	$194.6
2023	$66.3	$32.7	$42.6	$22.7	$52.2	$216.6

* Taxable sales by NYC Fiscal Year are June through May. Sectors are based on North American Industrial Classification System (NAICS). Data are subject to revision.

Source: NYS Department of Taxation and Finance, https://data.ny.gov/Government-Finance/Taxable-Sales-And-Purchases-Quarterly-Data-Beginni/ny73-2j3u.

The Consumer Price Index (CPI) in the New York City metropolitan area grew by 5.3 percent in FY 2023 (annual average), more than double the steady pace established in the years before the COVID-19 pandemic. Excluding food and energy, NYC-area prices grew by 4.9 percent, in line with the increase in the cost of shelter (4.8 percent) which is the largest component of the consumption basket. CPI in the NYC area continued to rise more slowly than in other large ("size class A") cities and the US overall. The only exception was CPI less food and energy, where NYC-area prices grew 0.3 percentage points faster than in the nation.

Consumer Price Index (CPI)

		FY 2017 - FY 2018	FY 2018 - FY 2019	FY 2019 - FY 2020	FY 2020 - FY 2021	FY 2021 - FY 2022	FY 2022- FY 2023
NYC metro area	All items	1.8%	1.8%	1.8%	2.1%	5.0%	5.3%
	All items less food and energy	1.3%	1.7%	2.2%	2.0%	3.4%	4.9%
	Shelter	2.3%	2.1%	2.2%	1.3%	1.7%	4.8%
Size class A cities	All items	2.5%	2.3%	1.8%	2.1%	6.7%	6.3%
	All items less food and energy	2.2%	2.3%	2.2%	1.8%	5.0%	5.9%
	Shelter	3.6%	3.4%	3.2%	1.8%	3.9%	7.2%
US	All items	2.3%	2.1%	1.6%	2.3%	7.2%	6.3%
	All items less food and energy	0.9%	1.3%	1.3%	2.2%	6.2%	4.6%
	Shelter	3.4%	3.3%	3.1%	2.0%	4.2%	7.4%

Notes: i) CPI calculated as the growth rate of not-seasonally-adjusted indexes averaged over NYC's fiscal year;
ii) size class A metro areas those with population greater than 2.5 million.

Source: Bureau of Labor Statistics, Office of the NYC Comptroller.

During the first year of the pandemic, COVID-19 drove a steep deterioration in the residential rental market, with increases in vacant inventory and discounts, and a decline in the median asking rent. In FY 2022, the market rebounded strongly, ending the year with a new peak in asking rent at $3,500 per month, 20.7 percent above its pre-pandemic peak, and record-low inventory. Median asking rents reached $3,750 at the end of FY 2023. In contrast with FY 2022, however, higher rents were accompanied by higher inventory of rental units. In FY 2023, median sales price and inventory for sale remained largely unchanged from the prior year.

Residential real estate

	2017	2018	2019	2020	2021	2022	2023
Inventory for rent	54,320	46,176	43,935	53,948	52,405	31,036	37,420
Median asking rent	$2,795	$2,800	$2,900	$2,888	$2,600	$3,500	$3,750
Inventory for sale	16,791	18,839	20,544	15,202	19,965	17,392	17,731
Median sale price	$653,193	$650,000	$745,000	$664,500	$799,000	$800,005	$785,000

Source: Streeteasy.com data dashboard. Data as of June of each year.

The vacancy rate in the Manhattan office market closed FY 2023 at 22.4 percent, higher than the previous peak of 21.5 percent in FY 2022. While higher vacancy rates have not been accompanied by lower asking rents, market conditions remain challenging as demand for space settles around hybrid in-person schedules. Office attendance in the NYC metro area Tuesday through Thursday reached 57.3 percent of pre-pandemic norms in the fourth quarter of FY 2023 while the count of mobile devices at a representative sample of NYC office buildings reached 64.4 percent.

Manhattan office real estate

	2017	2018	2019	2020	2021	2022	2023
Inventory (million sf)	398.7	398.7	402.2	404.7	405.6	411.9	414.2
Vacancy rate	9.2%	9.2%	10.5%	11.9%	18.3%	21.5%	22.4%
Asking rent per sf	$72.6	$72.6	$74.2	$73.3	$70.3	$71.6	$72.1
Attendance Tuesday-Thursday vs. pre-pandemic	n/a	n/a	n/a	6.1%	19.8%	45.6%	57.3%
Visitation Rates vs. pre-pandemic	n/a	n/a	n/a	n/a	40.0%	57.5%	64.4%

Note: data as of the fourth quarter of the FY.
Attendance is defined as entry swipes at office buildings relative to pre-pandemic levels in the NYC metro area.
Visitation rates are counts of mobile devices at 350 office buildings (~225 million square feet) in New York City.

Source: Cushman and Wakefield, Kastle Systems, REBNY.

As financial markets adjusted to rapidly increasing interest rates, FY 2023 profits of New York Stock Exchange member firms dropped to $24.9 billion, the lowest level, in nominal terms, since FY 2018. Since the second half of FY 2022, profits have fluctuated in a narrow band between $12.0 billion and $13.5 billion.

FISCAL YEAR 2023 BUDGET AND THE ECONOMIC AND FISCAL OUTLOOK

Actual FY 2023 revenues were $7.850 billion more than projected in the Fiscal Year 2023 Adopted Budget (+7.8 percent), driven by a $5.688 billion variance in tax revenues (+8.4 percent).

Overall, the City availed itself of $12.531 billion in additional resources that were primarily used to close the FY 2024 budget gap ($5.479 billion), fund the unanticipated costs associated with providing services and shelter to people seeking asylum ($1.474 billion), fund greater than budgeted contractual services costs outside of asylum seeker costs ($2.055 billion), and pay for greater than expected overtime costs, again excluding overtime costs associated with the City's asylum seeker response ($1.112 billion).(6)

In FY 2023, the City deposited $5 million in the Revenue Stabilization Fund (RSF), reaching a balance of $1.959 billion. At the end of FY 2023, the Retiree Health Benefit Trust (RHBT) fund held assets of $5.318 billion, of which $500 million designated for, the payment of FY 2024 pay-as-you-go OPEB costs. The net amount of $4.818 billion exceeds the $4.584 billion intended to remain as a long-term deposit as of the adoption of the FY 2024 budget.(7) The total of long-term reserves (RHBT and RSF) was $6.543 billion, or 8.9 percent of the City's FY 2023 tax revenues, well below the estimate of 16.0 percent needed to weather the full length of a recession, as estimated by the Office of the NYC Comptroller.(8)

(6) The City expenditures for services to asylum seekers include spending in multiple object codes, including contractual spending ($934 million), payment to H+H ($469 million), and overtime costs ($10 million), among others. Total contractual spending and overtime spending above the adopted budget amounts, including the asylum seeker response, are $2.989 billion and $1.122 billion, respectively.

(7) The difference is principally due to investment income of $152 million and excess contributions of $82 million.

(8) See Preparing for the Next Fiscal Storm : Office of the New York City Comptroller Brad Lander (nyc.gov).

In FY 2023, total General Fund revenues and other financing sources reached $108.238 billion, an increase of 48.5 percent from FY 2014 (compound annual growth rate – CAGR – of 4.5 percent). Total tax revenues reached $73.436 billion in FY 2023, a trend growth from FY 2014 comparable with total General Fund revenues (+51.8 percent, CAGR of 4.7 percent). FY 2023 tax revenues were $11.943 billion higher than their pre-COVID-19 level of $61.494 billion in FY 2019 (CAGR of 4.5 percent). Revenue from federal categorical grants in FY 2023 declined to $9.974 billion from $15.047 billion in FY 2022, but it is still above the pre-pandemic level of $7.522 billion in FY 2019 due to COVID-19 related programs and transfers.(9)

Tax expenditures(10)

In FY 2023, the City provided a total of $7.536 billion in property tax exemptions and abatements. The majority was attributable to City programs ($4.592 billion), followed by public agencies ($2.208 billion), and NYS programs ($735.5 million). Among the City programs, the largest expenditure was attributable to the 421-a program ($1.806 billion) for the construction of multifamily rental buildings, with and without the inclusion of income-restricted housing units. The 421-a program expired on June 15, 2022. Programs for owners of condominium and coop units, low-income seniors and disabled owners and renters, and veterans represent the vast majority of the $1.093 billion in City individual assistance programs. Tax expenditures on economic development programs were $898.4 million in FY 2023, $841.5 million of which was for the construction and renovation of commercial and industrial real estate. NYS and public agencies' programs provided a total of $1.667 billion in tax expenditures to residential properties and $1.277 billion to commercial and industrial properties.

Data on business, excise, sales, and other tax expenditures are available with a lag. The latest available data refer to 2019 and 2021. Business income expenditures for tax year 2019 and excise tax expenditures for tax year 2021 totaled $1.072 billion, with $774.4 million represented by the non-taxation of insurance corporations and the business and investment capital tax limitation. For calendar year 2019, sales tax exemptions were worth $5.403 billion.

Cash balance

The City began FY 2023 with $8.159 billion in cash-on-hand, versus $8.469 billion in FY 2022. During FY 2023, the City collected $127.999 billion in revenues and incurred $123.771 billion in expenditures. Both revenues and expenditures were the highest amounts on record.

In November 2022, daily cash balances started to increase rapidly and significantly above FY 2022 levels. On April 21st, the balance reached $18.699 billion, the highest amount on record.(11) As a result, in FY 2023 the City's daily cash balances averaged $11.122 billion, $3.598 billion above the average in the previous fiscal year. The lowest daily cash balance in FY23 measured $3.966 billion, compared to $1.338 billion in FY22, $2.143 billion in FY21 and $1.769 billion in FY20. As for the past 20 years, the City did not resort to short-term borrowing to cover the cost of operations.(12)

Economic and fiscal outlook

The Office of the Comptroller forecasts that the U.S. Gross Domestic Product (GDP) will grow in real terms by 1.7 percent in both calendar year 2023 and 2024. Real GPD growth rates in 2025 through 2027 are expected to average 2.6 percent per year. While GDP growth rates have slowed in the first and second quarter of 2023 to 2.0 percent and 2.1 percent, respectively, recent data show few signs of an imminent recession. As of September, the consensus among economic forecasters calls for GDP growth to fall near zero percent in the first quarter of 2024, and to return to moderate levels afterwards. However, a recession continues to be a risk to the economic outlook as the Federal Reserve continues to signal that interest rates may remain elevated for longer than previously expected.(13)

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(9) The data used in this paragraph are available in the statistical appendix of this report.

(10) The data in this section are drawn from NYC Department of Finance (2023) *Annual Report on Tax Expenditures FY 2023*, https://www1.nyc.gov/site/finance/taxes/annual-report-on-tax-expenditures.page.

(11) See Spotlight: Is Cash Really King in New York City? : Office of the New York City Comptroller Brad Lander (nyc.gov) for an analysis of the causes.

(12) The data are based on the book balances in the New York City Central Treasury as calculated by the Division of Financial Analysis, Office of the New York City Comptroller. Receipts are reported based on cash receipts and the analysis of bank deposits. Expenditures are reported based on warrants issued. Additional details and analysis of the City's cash position are available in the Office of the NYC Comptroller quarterly cash reports (https://comptroller.nyc.gov/reports/new-york-city-quarterly-cash-report/.

(13) See the Federal Open Market Committee's Survey of Economic Projections as of September 2023.

The Office of the Comptroller projects U.S. job growth exceeding GDP growth for the remainder of 2023, as a result of declining average productivity as lower-wage sectors continue to see faster job growth than higher-wage ones. In 2024 through 2027, job growth is expected to range between 0.3 percent and 0.6 percent. Consistent with the trend established in 2023, inflation is forecast to return to 2.4 percent in 2024 and settle at 2.0 percent in 2025. This will allow the Federal Reserve to gradually start lowering interest rates from 2024 to 2026.

At the New York City level, the Office of the Comptroller projects solid job growth in 2023, with gains of 86.8 thousand jobs on an annual average basis. Job growth is expected to slow in 2024 (+28.9 thousand jobs), and average 55.8 thousand from 2025 to 2027. A key risk to the economic outlook is the adjustment of commercial real estate, particularly the office sector, to both reduced demand for space, higher interest rates, and tighter lending standards. The potential fiscal implications of different scenarios for the office market are discussed in the Office of the Comptroller's June 2023 Economic Spotlight.

The Adopted Budget for the General Fund in FY 2024 totals $107.12 billion. More than half of the total budget ($57.76 billion or 54 percent) is allocated for education, social services, and public safety and judicial services. Other agency spending comprises approximately 20 percent of the budget ($21.71 billion). Spending on fringe benefits and pensions for City employees and retirees accounts for 21 percent of budgeted spending ($22.27 billion). Debt service costs to fund the City's capital program account for 2.6 percent ($2.76 billion, adjusted for prior year pre-payments). Payments for judgments and claims make up 1.1 percent ($1.16 billion). The Adopted Budget also includes a General Reserve of $1.20 billion and a Capital Stabilization Reserve of $250 million, which together account for 1.4 percent of the budget. Both reserves cover expenditures that have not yet been identified or revenue shortfalls that could take place during the fiscal year.

Approximately 72 percent of the spending in the FY 2024 Adopted Budget is supported by City-funded revenues of $76.94 billion. Tax revenues of $71.14 billion represent the bulk of City-generated revenues. Real property tax (32.71 billion or 46 percent of tax revenues) and personal income taxes (PIT and Pass-Through Entity Tax or PTET, $14.94 billion or 21 percent of tax revenues) are the largest tax revenue sources. Non-tax City revenues including interest income, charges for services, and revenues from licenses, permits, and franchises are expected to be 5 percent ($5.8 billion) of FY 2024 City-funded revenues.

State categorical grants are forecast to total $18.05 billion in FY 2024 or 17 percent of total FY 2024 projected revenues. Federal grants account for another $10.32 billion or 10 percent of FY 2024 projected revenues. Of the federal revenues planned for FY 2024, $3.02 billion or 29 percent are COVID-19-related funding. Other categorical grants and inter-fund agreement (IFA) revenues each represent 1 percent of revenues. IFA revenues are reimbursements from the Capital Fund to the General Fund for costs related to the execution of capital projects.

In the Financial Plan, revenues and expenses for FY 2023 and FY 2024 are in balance in accordance with GAAP. The plan projects gaps of approximately $5.08 billion, $6.84 billion and $7.90 billion in fiscal years 2025, 2026 and 2027, respectively.

The Comptroller's Office anticipates that City-funded revenues (tax and miscellaneous revenues) will be higher than projected in the Financial Plan by $834 million in FY 2024, $1.16 billion in FY 2025, $1.44 billion in FY 2026, and $1.74 billion in FY 2027. In FY 2024, the variance is principally driven by personal income taxes (PIT and PTET) and the Sales Tax. In FY 2025 and beyond the variance is principally driven by the Real Property Tax. The Comptroller's Office estimates expenditures will be higher than those reflected in each year of the Financial Plan, by $2.80 billion in FY 2024 and growing to $7.81 billion in FY 2027. Overall, the Comptroller's Office projects a FY 2024 gap of $1.96 billion, growing to $9.65 billion. Gaps grow to $9.65 billion in FY 2025, $12.62 billion in 2026, and $13.98 billion in FY 2027. Details on the projections are available in the Office of the Comptroller's Comments on the FY 2024 Adopted Budget.

Updates on the cost of services provided to asylum seekers

In the Financial Plan, using data available as of April 2023, the Mayor's Office of Management and Budget (OMB) had projected that the services to people seeking asylum would cost $2.9 billion in FY 2024 and $1 billion in FY 2025. The Financial Plan also reflects State funding for asylum seekers of $562 million in FY 2024 and assumes $290 million in State funding in FY 2025. The Financial Plan reflects $135 million in federal funds for costs related to asylum seekers in FY 2024.

The Office of the Comptroller had instead estimated a total cost of $3.65 billion in FY 2024 and in the remainder of the Financial Plan. Using data available as of July 30th, the number of asylum seekers in the City's shelter system exceeded the Comptroller's Office's range of projections. The average per diem cost of services was also tracking close to the high end of the projection's scenarios. The Office of the Comptroller has not yet updated its cost projection.

Using data available as of August 2023, the Mayor's Office of Management and Budget (OMB) projected that the cost will be $4.7 billion in FY 2024 and $6.1 billion in FY 2025, an increase of $1.8 billion and $5.1 billion in each respective fiscal year compared to the previous projection. At the time of writing, OMB does not have cost estimates for FY 2026 and beyond.

Program to eliminate the gap (peg) and other savings initiatives

In the Financial Plan released in June 2023, the FY 2024 budget is balanced and the gap in FY 2025 is $5.08 billion. OMB's re-estimate of cost of services to asylum seekers increased the combined projected gap in FY 2024 and FY 2025 from $5.08 billion to approximately $12.0 billion. In September of 2023, the Mayor announced a Program to Eliminate the Gap (PEG) mandating a 5% reduction in city-funded spending per fiscal year in each of the next three financial plans (typically released in November, January, and April) and covering FY 2024 through FY 2028. The PEG program, if implemented, totals approximately 14.3 percent of targeted City-funded spending, which excludes exempted expenditures (for instance, health benefits, pension contributions, debt service, Medicaid, public assistance, and others). Other announced savings initiatives include (i) a freeze on spending for new needs; (ii) a freeze on hiring, other than critical positions required to support health, public safety and revenue generation, which will be permitted only on the basis of one new hire for every one departure; (iii) a freeze on certain designated City-funded Other than Personnel Services spending, with certain exemptions as approved by OMB and the Office of the First Deputy Mayor; and (iv) the issuance of a directive implementing overtime-reduction plans for the City's four uniformed agencies (the Police, Fire, Sanitation and Corrections Departments). OMB expects the combined amount of the PEG and savings initiatives will not be sufficient to cover the $12.0 billion gap in FY 2024 and FY 2025.

Municipal finance

The municipal market during Fiscal Year 2023 experienced increased volatility due to continued Federal Reserve rate hikes and effects of the Federal debt ceiling showdown in Washington. Fortunately, the debt ceiling crisis was resolved and there has been little lingering effect on the municipal market. Although the Federal Reserve may hike rates in the near term, it is likely approaching the end of this cycle. The City remains committed to financing the capital needs through the issuance of debt, as well as refinancing outstanding bonds for debt service savings to save taxpayer money.

Following a uniform increase in tax-exempt rates in the second half of Fiscal Year 2022, continued Federal Reserve rate increases to alleviate inflationary pressure contributed to a modest increase in mid- and long-term rates and a steep increase in short-term interest rates throughout Fiscal Year 2023, resulting in an inverted MMD AAA Benchmark (MMD) yield curve that began in December of 2022 and persisted through the end of the fiscal year. On June 30, 2023, 1-Year MMD was 3.05 percent, 5-Year MMD was 2.62 percent, 10-year MMD was 2.56 percent and 30-year MMD was 3.49, whereas on July 1, 2022, 1-Year MMD was 1.60 percent, 5-Year MMD was 2.18 percent, 10-year MMD was 2.66 percent and 30-year MMD was 3.11.

Despite the volatility, the City's borrowing and refinancing schedule remained consistent, with the General Obligation (GO) and New York City Transitional Finance Authority (TFA) credits coming to market a combined 11 times throughout the fiscal year. Retail investor participation in New York City transactions remained strong and provided welcomed stability throughout the pricing process. Retail participation was not enough to offset larger market movements, but borrowing costs for new projects came in below projections and the City achieved significant budget savings over the course of several refinancing transactions.

In Fiscal Year 2023, GO and TFA issued a combined six new money transactions, totaling $7.715 billion, to raise proceeds for the City's capital needs. Notably, as part of GO 2023 B transaction, the City issued $400 million of Social Bonds to support more than 3,000 units of affordable housing, marking New York City's first sale of social bonds, which are part of an emerging class of Environmental, Social, and Governance (ESG) bonds that support projects with positive social and environmental outcomes. The social bonds met the goal of appealing to this class of investors with more than $380 million of orders placed on behalf of 10 investors identified as Social Bond-specific accounts. The table below summarizes true interest costs of the bonds issued for new money purposes.

GO and TFA FY 2023 new money issuance summary

Transaction	Closing Date	Tax Exempt Par	Taxable Par	Total Par	Total Proceeds	True Interest Cost%	Average Life (years)	Final Maturity
TFA 2023 A	8/2/2022	$1,250,000,000	$0	$1,250,000,000	$1,324,571,055	3.593%	19.317	8/1/2052
GO 2023 A	9/8/2022	$1,250,000,000	$125,000,000	$1,375,000,000	$1,471,762,109	3.528%	17.041	9/1/2049
GO 2023 B	10/18/2022	$950,000,000	$400,000,000	$1,350,000,000	$1,425,205,880	4.778%	19.467	10/1/2052
TFA 2023 D	11/3/2022	$950,000,000	$350,000,000	$1,300,000,000	$1,347,137,684	4.975%	16.377	11/1/2048
TFA 2023 F	3/23/2023	$950,000,000	$300,000,000	$1,250,000,000	$1,294,756,917	4.437%	17.220	2/1/2051
GO 2023 E	4/11/2023	$950,000,000	$240,000,000	$1,190,000,000	$1,263,788,592	4.187%	16.818	4/1/2050

Source: Office of the NYC Comptroller.

During Fiscal Year 2023, the City and the Transitional Finance Authority issued five refunding transactions that generated $500 million of debt service savings over the life of the bonds. In May of 2023, to achieve additional savings, the City also conducted a tender process to purchase certain outstanding bonds from bondholders. During the tender process, the City received nearly 1,200 offers from bondholders, for a total of roughly $454 million or 40% of the outstanding principal of the bonds subject to the tender offer. This innovative addition to the refunding transaction accounted for more than $26 million of additional budget savings, bringing total savings for the transaction to more than $108 million. The table below summarizes the debt service savings, present value saving percentages, and estimated debt service savings reductions for each transaction:

GO and TFA FY 2023 refunding summary

Transaction	Closing Date	Par Amount	Gross Budget Savings	Present Value Savings %	True Interest Cost %	Average Life (years)	Final Maturity
TFA BARBs 2023 S-1	7/28/2022	$563,750,000	$73,580,316	10.586%	3.132%	8.522	7/15/2039
TFA 2023 BC	9/7/2022	$934,965,000	$96,551,219	8.444%	3.303%	7.497	11/1/2038
TFA 2023 E	2/28/2023	$1,195,955,000	$184,465,948	11.815%	3.145%	8.936	11/1/2041
GO 2023 CD	3/14/2023	$688,320,000	$37,082,353	4.520%	3.071%	3.604	8/1/2034
GO 2023 FG/2023-1	6/13/2023	$1,559,875,000	$108,275,632	5.764%	3.460%	7.348	8/1/2039

Source: Office of the NYC Comptroller.

Pension investments returns

The Comptroller's Office, through its Bureau of Asset Management, serves as the investment advisor to the City's five pension funds. The City's primary pension trust funds are New York City Employees' Retirement System (NYCERS), Teachers' Retirement System of the City of New York (TRS), New York City Police Pension Fund (Police), New York City Fire Pension Fund (Fire), and the New York City Board of Education Retirement System (BERS). Each of these pension systems provides pension benefits through its Qualified Pension Plan (QPP) as well as certain other retirement benefits that vary by plan and retiree status.

As of June 30, 2023, the combined value of investments of the City's five Systems totaled $253.3 billion.(14) These assets include funds invested by certain employee investment plans and exclude cash from the settlement of pending purchases and sales. This total represented an increase of $12.7 billion from the total value of $240.6 billion on June 30, 2022. During the fiscal year, the fair value of the assets ranged from a high of $253.3 billion (June 2023) to a low of $228.2 billion (September 2022).

The time weighted return (net of manager fees) of the aggregate portfolio was 7.98 percent in fiscal year 2023 and -8.65 percent in fiscal year 2022. The fiscal year 2023 return of 7.98 percent underperformed the public markets index return of 11.90 percent. This benchmark represents the return of a portfolio with a mix of 65 percent equity and 35 percent fixed income.

Assets are managed in accordance with investment policy statements adopted periodically by each System's Board of Trustees in consultation with the Comptroller's Office and the City pension funds' independent consultants. The allocation to each asset class is based in part on an analytical study indicating the expected rates of return and levels of risk and correlations for various asset allocations. The policy mix ranged from 62.5 percent equity to 68 percent equity among funds, and each fund allows the mix to float within a narrow range to limit portfolio turnover and to accommodate short term cash needs.

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(14) This is the total amount of investments reported in the five Qualified Pension Plans (QPP), net of collateral from securities lending transactions and investments in variable funds (see Part II-D, Fiduciary Funds schedules).

As of June 30, 2023, the City pension funds collectively utilized 24 domestic equity managers, 35 international equity managers, 4 global managers, 19 hedge fund managers, 21 fixed income managers, one Economically Targeted Investment (ETI) manager, 36 alternative credit managers, 116 private equity managers, 51 private real estate managers, and 14 infrastructure managers. The City pension funds' assets are invested for the benefit of the plan participants and their beneficiaries. More detailed information on pension fund assets and managers is available on the Comptroller's website at https://comptroller.nyc.gov/services/financial-matters/pension/asset-under-management/.

Except for certain private equity, real estate, infrastructure and opportunistic fixed income investments where registration is not required, all fund assets are managed by investment advisers registered in their respective jurisdictions pursuant to guidelines issued by the Comptroller's Office. In addition, all short-term assets managed by the Comptroller's Office Bureau of Asset Management are traded through registered broker-dealers. The table below reports portfolio returns in Fiscal Years 2022 and 2023.

Investment returns in FY 2022 and FY 2023

	FY 2023 Market Value ($m)	Annual Return (%)	
		FY 2022	FY 2023
All systems			
TOTAL PORTFOLIO (NET OF MANAGER FEES)	$253,279	(8.65)	7.98
BENCHMARK		(13.30)	11.90
EXCESS RETURN		4.65	(3.91)
Board of Education Retirement System (BERS)			
TOTAL PORTFOLIO (NET OF MANAGER FEES)	$8,499	(8.39)	8.18
POLICY BENCHMARK		(8.70)	7.44
EXCESS RETURN		0.31	0.75
Employees' Retirement System (NYCERS)			
TOTAL PORTFOLIO (NET OF MANAGER FEES)	$80,487	(9.77)	7.76
POLICY BENCHMARK		(9.54)	6.81
EXCESS RETURN		(0.23)	0.95
Fire Pension Fund (NYCFPF)			
TOTAL PORTFOLIO (NET OF MANAGER FEES)	$18,746	(7.17)	8.09
POLICY BENCHMARK		(8.84)	7.94
EXCESS RETURN		1.67	0.15
Police Pension Fund (NYCPPF)			
TOTAL PORTFOLIO (NET OF MANAGER FEES)	$49,628	(7.64)	7.76
POLICY BENCHMARK		(8.41)	7.19
EXCESS RETURN		0.76	0.56
Teachers' Retirement System			
TOTAL PORTFOLIO (NET OF MANAGER FEES)	$95,919	(9.01)	8.55
POLICY BENCHMARK		(8.30)	7.93
EXCESS RETURN		(0.71)	0.62

Note: The benchmark for all systems is a proxy allocation of 65% public equities and 35% public fixed income. The policy benchmarks for individual systems are composed of benchmarks and weights adopted pursuant to each system's investment policy statement.

Source: Office of the NYC Comptroller.

CITY GOVERNMENT AND THE BUDGET PROCESS

In 1897 the New York State Legislature adopted the Greater New York Charter. Over the years, the Charter has been revised, most significantly in 1989, and in its current form, it defines the City of New York's organization, function, and policies and procedures.

The City of New York comprises five counties, which correspond to its five boroughs: Brooklyn, the Bronx, Manhattan, Queens, and Staten Island. Within the five counties, the City is the local government primarily responsible for service delivery and the only local government with authority to levy and collect taxes.

The Mayor serves as the City's chief executive officer. The City Council, the City's legislative body, comprises fifty-one council members who represent New Yorkers residing in their districts. Responsibilities for governing are also vested in the City Comptroller, the Public Advocate, and the Borough Presidents. Officials are subject to a limit of two consecutive terms of service.

The Mayor. The Mayor is elected in a general election for a four-year term. The Mayor has the power to appoint the commissioners of the City's various departments. The Mayor is responsible for preparing and administering the City's annual Expense and Capital Budgets and financial plan. The Mayor has the power to veto local laws enacted by the City Council, but such a veto may be overridden by a two-thirds vote of the City Council. The Mayor has powers and responsibilities relating to land use and City contracts and all residual powers of the City government not otherwise delegated by law to some other public official or body.

The City Comptroller. The City Comptroller is elected in a general election for a four-year term and is the chief fiscal officer of the City. The City Comptroller has investigative and audit powers and responsibilities which include keeping the financial books and records of the City. The City Comptroller's audit responsibilities include a program of performance audits of City agencies in connection with the City's management, planning and control of operations. In addition, the City Comptroller is required to evaluate the Mayor's budget, including the assumptions and methodology used in the budget. The Office of the City Comptroller is responsible under the City Charter and pursuant to State law and City investment guidelines for managing and investing City funds for operating and capital purposes. The City Comptroller is a trustee, the custodian and the delegated investment advisor of the City's five pension systems.

The City Council. The City Council consists of 51 members elected for four-year terms who represent various geographic districts of the City. The City Council is led by a Speaker, elected by Council Members. Under the City Charter, the City Council must annually adopt a resolution fixing the amount of the real estate tax and adopt the City's annual Expense Budget and Capital Budget. The City Council does not, however, have the power to enact local laws imposing other taxes, unless such taxes have been authorized by State legislation. The City Council has powers and responsibilities relating to franchises and land use and as provided by State law.

The Public Advocate. The Public Advocate is elected in a general election for a four-year term. The Public Advocate is first in the line of succession to the Mayor in the event of the disability of the Mayor or a vacancy in the office, pending an election to fill the vacancy. The Public Advocate appoints a member of the City Planning Commission and has various responsibilities relating to, among other things, monitoring the activities of City agencies, the investigation and resolution of certain complaints made by members of the public concerning City agencies and ensuring appropriate public access to government information and meetings.

The Borough Presidents. Each of the City's five boroughs elects a Borough President who serves for a four-year term concurrent with other City elected officials. The Borough Presidents consult with the Mayor in the preparation of the City's annual Expense Budget and Capital Budget. Five percent of discretionary increases proposed by the Mayor in the Expense Budget and, with certain exceptions, five percent of the appropriations supported by funds over which the City has substantial discretion proposed by the Mayor in the Capital Budget, must be based on appropriations proposed by the Borough Presidents. Each Borough President also appoints one member to the Panel for Educational Policy (as described below) and has various responsibilities relating to, among other things, reviewing and making recommendations regarding applications for the use, development or improvement of land located within the borough, monitoring and making recommendations regarding the performance of contracts providing for the delivery of services in the borough, and overseeing the coordination of a borough-wide public service complaint program.

As required by the New York State Financial Emergency Act for the City of New York and the New York City Charter, the Mayor is responsible for preparing a four-year annual financial plan, including certain entities that receive funds from the City. The plan is revised on a quarterly basis and includes capital, revenue and expense projections.

The City's fiscal year starts on July 1st with the Budget adopted by June 30 of the previous fiscal year. While the Mayor can update the financial plan at any time (N.Y. Charter § 258(d)), below are the main steps of the budget process:

1. The "November plan" (N.Y. City Charter § 258.c.(2)(c)) is an update to the adopted financial plan to be issued during the second quarter of the fiscal year (typically in November), covering the current year and the three ensuing ones. The upcoming fiscal year does not need to be balanced.

2. The Preliminary Budget and associated financial plan: unless otherwise authorized by the City Council, the Mayor presents the Preliminary Budget for the upcoming fiscal year by January 16 (N.Y. City Charter § 236). The Mayor is also required to present a financial plan for the current and four ensuing fiscal years. The current and upcoming fiscal year budgets need to be balanced (N.Y. City Charter § 225(a)). The City Council then invites public comment and conducts hearings at which agency heads, the City Comptroller, the Independent Budget Office, and others testify (N.Y. City Charter § 237(a)).

3. The Executive Budget and associated financial plan: unless otherwise authorized by the City Council, the Mayor presents the Executive Budget for the upcoming fiscal year by April 26 (N.Y. City Charter § 249). The Mayor is also required to present a financial plan for the current and four ensuing fiscal years. The current and upcoming fiscal year budgets need to be balanced. The Charter directs the Council to hold hearings on the Executive Budget between May 6 and May 25 (N.Y. City Charter § 253).

4. Revenue re-estimate (N.Y. City Charter § 1515): after the presentation of the Executive Budget but before May 25, the Mayor can submit to the City Council and updated estimate of all sources of revenues for the upcoming fiscal year. Upon a written determination of fiscal necessity to be submitted to the City Council, the Mayor can update the revenue estimate for the upcoming fiscal year until budget adoption.

5. The Adopted Budget: in case the Budget is not adopted by June 5, the current fiscal year adopted expense budget and property tax rate (as modified through the fiscal year) are extended to the new fiscal year until a new expense budget is adopted. The Council can amend the Mayor's executive budget (N.Y. City Charter § 254(a)) and the Mayor may veto any items of appropriation that the Council has added to the Executive Budget (subject to possible Council override), but may not veto appropriations that were already in the Executive Budget (N.Y. City Charter §§ 254(c), 255).

The City is financially accountable for legally separate entities also known as component units (such as, among others, the New York City Health and Hospitals Corporation, the New York City Housing Authority, the New York City Economic Development Corporation, and the New York City Housing Development Corporation). Financial accountability is determined based on the entities' organizational structure, specifically the City's ability to appoint a voting majority, the governing body's ability to impose its will, or whether the organization provides a financial benefit or poses a financial burden on the City. For a complete listing of the City's components units, please see the Management Discussion and Analysis section entitled *Financial Reporting Entity*. Other organizations may appear as potential component units due to their relationship with the City, however are not presented as such because they do not meet the criteria as outlined in GASB statement no. 14, as amended by GASB statement no. 61.

NEW YORK CITY'S ANNUAL COMPREHENSIVE FINANCIAL REPORT

The Annual Comprehensive Financial Report (ACFR) is required by Section 93(1) of the New York City Charter, and is presented in three sections. This transmittal letter serves as an introduction and summary. The financial section includes the basic financial statements, combining fund financial statements and schedules and other required supplementary information. The statistical section includes selected financial and demographic information, generally presented on a multi-year basis.

As was the case for the first time last year, the financial and statistical tables in the ACFR are available for download as data files from the Comptroller's website at comptroller.nyc.gov.

The City is responsible for both the accuracy of the data and the completeness and fairness of the presentation, including all disclosures. To the best of the Comptroller's Office Leadership's knowledge and belief, the enclosed data is accurate in all material respects and is reported in a manner designed to fairly present the financial position and results of operations of the City and its various funds. All disclosures necessary to enable the reader to gain an understanding of the City's financial activities have been included.

The City is required to undergo an annual Single Audit in conformity with the provisions of the Single Audit Amendments Act of 1996 and the United States Office of Management and Budget's (OMB) *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* and other related documents. Information related to the Single Audit, including the Schedule of Expenditures of Federal Awards, findings and recommendations, and auditors' reports on internal controls and compliance with applicable laws and regulations, are issued as a separate report.

Budgetary and financial controls

The City is responsible for establishing and maintaining internal controls designed to ensure that municipal assets are protected from loss, theft, or misuse and to ensure that adequate accounting data is compiled to allow for the preparation of financial statements in conformity with GAAP. Internal controls are designed to provide reasonable, but not absolute, assurance that these objectives are met. The concept of reasonable assurance recognizes that: (1) the cost of a control should not exceed the benefits likely to be derived, and (2) the valuation of costs and benefits requires estimates and judgments by management. These internal controls are subject to continuous evaluation by the City.

Budgetary controls

The City maintains budgetary controls to ensure compliance with legal provisions embodied in the Annual Appropriated Budget approved by the City's governing body. Activities of the General Fund are included in the Annual Appropriated Budget. The City also makes appropriations in the Capital Budget to authorize the expenditure of funds for various capital projects. The New York City Charter establishes the legal budgetary control at the Unit of Appropriation level. A Unit of Appropriation represents the amount for a particular program, purpose, activity or institution in an agency's budget. The City maintains budgetary controls to ensure compliance, within certain parameters, with legal provisions embodied when expenditures exceed the appropriated amount. The City also maintains an encumbrance accounting system as another technique of accomplishing budgetary control. Encumbrances lapse at the end of each fiscal year.

Financial controls

The City maintains financial controls through the use of an integrated accounting and budgeting system, referred to as the Financial Management System (FMS). FMS maintains the City's centralized accounting and budgetary controls. FMS is also used by the City to maintain information on City contracts as well as capital projects. FMS provides the ability for the Mayor's, Comptroller's, and individual agencies' financial managers to access, analyze, and utilize the City's financial data. These capabilities are continuously improved to meet new information needs.

Section 93 of the New York City Charter grants the Comptroller broad powers for establishing accounting and internal control policies and procedures for the City. To ensure the adequacy of the City's internal controls, directives and memoranda that outline appropriate policies and procedures for all City agencies and component units are issued and periodically updated. These directives and memoranda establish internal controls and accountability, which safeguard City assets. The Comptroller's Office and agency auditors periodically check City agencies' and component units' adherence to internal control policies and procedures. Each year, in accordance with the *Comptroller's Internal Control and Accountability Directive #1—Principles of Internal Control*, every City agency is required to prepare a report on its internal controls. Each agency's report must include an "Agency Financial Integrity Compliance Statement" signed by the agency head. The statement must include the agency head's opinion as to whether the agency's internal controls provide reasonable assurance that internal control objectives were achieved during the fiscal year and can continue to be achieved in the future.

The Comptroller's Office Audit Bureau administers the "Agency Financial Integrity Compliance Statement" program that is part of the "Principles of Internal Control" Directive and collects agency responses. In addition, the auditors collate these responses and use the results as part of a risk assessment to identify future audits. This approach helps to ensure that agencies genuinely assess their internal controls, rather than just examine them perfunctorily. The Comptroller's Office also asks agencies to assess the adequacy of their internal audit functions.

Should a control weakness prevent any significant control objective from being achieved, the agency head must describe management's plans for correcting it. Agencies must also explain and describe planned corrective action for any outstanding weakness described in audit reports prepared by the City Comptroller's Office auditors, the City's independent auditors, the State Comptroller, or other oversight or audit bodies.

AWARDS

For the 43rd consecutive year, the City of New York was awarded the prestigious Certificate of Achievement for Excellence in Financial Reporting by the Government Finance Officers Association (GFOA). The Certificate signifies that the City's Annual Report meets the highest standards of governmental financial reporting. Only 2,596 of some 38,779 governmental counties, municipalities, and townships have received the Certificate thus far, and New York City is one of a very select group of 166 to have received the award for 43 or more consecutive years. To be awarded a Certificate of Achievement for Excellence in Financial Reporting, a government must publish an easily readable and efficiently organized Annual Report, and the Fiscal Year 2022 Annual Report has satisfied these requirements once again.

ACKNOWLEDGEMENTS

Ensuring that our City's financial reporting is accurate, transparent, and reliable is an essential foundation for trust in local government and our democratic institutions. This report relies on the hard work of the hundreds of accounting and financial professionals in every City agency who work every day on behalf of New Yorkers. Your cooperation and collaboration with the staff of the Comptroller's office to produce this report comprises the foundation of our City's good faith and credit, not only with ratings agencies and bondholders, but with the people of the City of New York. I also wish to convey my deep appreciation to my staff who have worked so diligently to prepare the financial statements and the entire ACFR. I offer special thanks to Deputy Comptroller for Accountancy Jacqueline Thompson, Bureau Chief Katrina Stauffer, and the entire management team and staff of the Bureau of Accountancy, as well as Executive Deputy Comptroller Francesco Brindisi. I am also grateful for the assistance of the Mayor's Office of Management and Budget, the Office of the Actuary, the five major Retirement Systems, and the Financial Information Services Agency.

I want to thank the City's independent auditors, Grant Thornton LLP, for their efforts throughout this audit engagement. Finally, I want to acknowledge the work of the City's Audit Committee, and especially the private members who serve a vital role in ensuring the integrity of the independent audit process.

With gratitude for all their work, confidence in the strength of our city, and optimism for its future,

Brad Lander
New York City Comptroller