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BUREAU OF FISCAL AND BUDGET STUDIES

The State of the City's Economy and Finances

December 15, 2010

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I. Executive Summary

The national economic recovery, which began with substantial vigor in late 2009, quickly ran out of steam. By the second quarter of 2010, the real national economic growth rate had slowed to just 1.7 percent, improving only slightly to 2.5 percent in the third quarter of the year. Hampered by excessive household indebtedness, a floundering housing market, and the waning effects of the 2009 Federal Stimulus, by late 2010 the recovery no longer appeared likely to generate a self-sustaining momentum that might reduce the nation's painfully high unemployment rate in a reasonable amount of time. Amid much domestic and international criticism, the Federal Reserve once more stepped in to provide a non-conventional monetary stimulus. Even the Fed itself, however, does not expect that its "quantitative easing" strategy will provide more than a modest boost to the economic growth rate, leaving the national economic outlook torpid and tenuous.

The City's economy rebounded surprisingly quickly from the blows it suffered in 2008 and 2009. Private employment in the City resumed growth contemporaneously with national job growth, and the City's private employers added almost 74,000 jobs during the first ten months of 2010. The local economic recovery has been fortified by the remarkable recovery of the financial sector, by the City's continued appeal to tourists and visitors, and by strong external demand for the professional and business services its firms provide. The City's real estate sector also appears to have bottomed out and prices and sales volume have generally increased throughout the year, albeit with a spottiness that suggests continued uncertainty. Despite its unexpectedly positive performance in 2010, however, the City's economy faces a number of challenges moving toward 2011. Most importantly, its economic fortunes are inextricably tied to those of the nation, so a continued sluggish national recovery will provide a poor climate for local economic growth. Furthermore, the financial sector remains at risk from a variety of factors, including problem real estate loans that have not yet been resolved, the European debt crisis, and the long-term effects of financial regulatory reform.

Against this backdrop of uncertainty about the strength of the recovery, the Financial Plan that was released on November 18, 2010 paints a challenging picture of the City's fiscal outlook for FYs 2012 through 2014. While revenue forecasts in the outyears of the Plan show modest declines from projections in the July Plan, expenditure estimates have increased significantly. Revenue projections are lower by $105 million, $215 million, and $178 million in FYs 2012, 2013, and 2014, respectively while expenditures have been revised upwards by $1.166 billion, $1.493 billion, and $1.488 billion, respectively, in these years.

The increase in expenditures stems primarily from the City's commitment to fund the expiration of the American Recovery and Reinvestment Act (ARRA) education support with City tax levy, increase in health insurance rates, and the cost associated with anticipated changes in pension assumptions and methodology. Together, these three items are expected to increase spending by $1.379 billion in FY 2012, $1.448 billion in FY 2013, and $1.529 billion in FY 2014.

Confronted with looming budget deficits, the Mayor instructed City agencies in September 2010, to propose gap-closing initiatives within their agencies to get a head start on addressing the FY 2012 gap. The November Plan includes agency gap-closing initiatives totaling $592 million in FY 2011, $1.01 billion in FY 2012, $925 million in FY 2013, and $923 million in FY 2014. Gap-closing initiatives with values of $5 million or more, commonly referred to as core PEGs (Program to Eliminate the Gap), account for most of the budget relief. Of the 239 FY 2011 initiatives, only 22 are core PEGs. However, they account for $394 million or 67 percent of the PEG benefits. Similarly, core PEGs which make up only 20 percent of the FY 2012 initiatives account for 87 percent of the benefits.

Despite the gap-closing initiatives, the budget gaps of $4.838 billion in FY 2013 and $5.578 billion in FY 2014 are larger than the gaps projected in July 2010. While the projected gap of $2.357 billion in FY 2012 is smaller than the July 2010 gap, the reduction in the gap is due largely to an anticipated $1.161 billion prepayment of FY 2012 debt service with projected FY 2011 budget surplus.

In contrast to the outyears of the Financial Plan, the FY 2011 budget outlook has improved since the July Plan. Revenue forecasts are $85 million above the July Plan and expenditure estimates are $484 million lower. The revised estimates, together with agency PEGs of $592 million result in a budget surplus of $1.161 billion.

The Comptroller's Office review of the November Plan finds that significant risks remain. In FY 2011, the risks include: reductions in State aid; overtime expenses, which the Mayor historically underestimates; and funding of the next round of collective bargaining for City employees represented by the United Federation of Teachers (UFT) and the Council of School Supervisors and Administrators (CSA). The November Plan does not include any funding for wage increases for the first two years of the current round of collective bargaining for the UFT and CSA, reflecting the Mayor's decision that any wage increases in these years be funded with offsetting productivity savings. Since other municipal employee unions have settled for two annual wage increases of 4.0 percent over comparable period, excluding funding for these increases represents significant risks to the Plan that would total approximately $900 million in each of FY 2011, FY 2013, and FY 2014 and $800 million in FY 2012. These risks would be partially offset by higher tax revenues and lower judgment and claims (J&C) costs.

In total, the Comptroller's Office has identified expenditure risks of $965 million and revenue offsets of $199 million for FY 2011. These risks and offsets continue in the outyears of the Plan. Beginning in FY 2012, the City also faces risks of $1 billion in each of the outyears of the Plan from State actions. If all these risks and offsets were to materialize, they would result in gaps of $766 million in FY 2011, $3.635 billion in FY 2012, $6.049 billion in FY 2013, and $6.626 billion in FY 2014.

Table 1. FYs 2011 – 2014 Financial Plan

($ in millions)

	FY 2011	FY 2012	FY 2013	FY 2014	Changes FYs 2011 – 2014 Dollar	Changes FYs 2011 – 2014 Percent
Revenues						
Taxes:						
General Property Tax	$16,989	$17,635	$17,905	$18,042	$1,053	6.2%
Other Taxes	$21,372	$22,508	$23,599	$24,814	$3,442	16.1%
Tax Audit Revenues	$628	$645	$644	$651	$23	3.7%
Subtotal: Taxes	$38,989	$40,788	$42,148	$43,507	$4,518	11.6%
Miscellaneous Revenues	$6,177	$5,790	$5,837	$5,902	($275)	(4.5%)
Unrestricted Intergovernmental Aid	$14	$314	$314	$314	$300	2,142.9%
Less: Intra-City Revenues	($1,824)	($1,523)	($1,519)	($1,519)	$305	(16.7%)
Disallowances Against Categorical Grants	($15)	($15)	($15)	($15)	$0	0.0%
Subtotal: City-Funds	$43,341	$45,354	$46,765	$48,189	$4,848	11.2%
Other Categorical Grants	$1,330	$1,160	$1,156	$1,154	($176)	(13.2%)
Inter-Fund Revenues	$559	$500	$493	$493	($66)	(11.8%)
Total City & Inter-Fund Revenues	$45,230	$47,014	$48,414	$49,836	$4,606	10.2%
Federal Categorical Grants	$7,871	$5,837	$5,725	$5,712	($2,159)	(27.4%)
State Categorical Grants	$11,475	$12,318	$12,518	$12,935	$1,460	12.7%
Total Revenues	$64,576	$65,169	$66,657	$68,483	$3,907	6.1%
Expenditures						
Personal Service						
Salaries and Wages	$21,816	$21,195	$21,379	$21,848	$32	0.1%
Pensions	$7,012	$8,345	$8,421	$8,441	$1,429	20.4%
Fringe Benefits	$7,616	$8,123	$8,580	$9,152	$1,536	20.2%
Retiree Health Benefits Trust	($395)	($672)	$0	$0	$395	(100.0%)
Subtotal-PS	$36,049	$36,991	$38,380	$39,441	$3,392	9.4%
Other Than Personal Service						
Medical Assistance	$5,398	$6,019	$6,171	$6,778	$1,380	25.6%
Public Assistance	$1,558	$1,590	$1,578	$1,578	$20	1.3%
All Other	$20,226	$19,091	$19,891	$20,527	$301	1.5%
Subtotal-OTPS	$27,182	$26,700	$27,640	$28,883	$1,701	6.3%
Debt Service						
Principal	$1,789	$2,037	$2,169	$2,141	$352	19.7%
Interest & Offsets	$2,392	$2,521	$2,646	$2,752	$360	15.1%
Subtotal Debt Service	$4,181	$4,558	$4,815	$4,893	$712	17.0%
FY 2010 BSA & Discretionary Transfers	($3,646)	$0	$0	$0	$3,646	(100.0%)
FY 2011 BSA	$1,161	($1,161)	$0	$0	($1,161)	(100.0%)
FY 2008 Redemption of Certain NYCTFA Debt	($35)	$0	$0	$0	$35	(100.0%)
NYCTFA						
Principal	$376	$594	$719	$725	$349	92.8%
Interest & Offsets	$832	$1,067	$1,160	$1,338	$506	60.8%
Subtotal NYCTFA	$1,208	$1,661	$1,879	$2,063	$855	70.8%
General Reserve	$300	$300	$300	$300	$0	0.0%
	$66,400	$69,049	$73,014	$75,580	$9,180	13.8%
Less: Intra-City Expenses	($1,824)	($1,523)	($1,519)	($1,519)	$305	(16.7%)
Total Expenditures	$64,576	$67,526	$71,495	$74,061	$9,485	14.7%
Gap To Be Closed	**$0**	**($2,357)**	**($4,838)**	**($5,578)**	**($5,578)**	**N/A**

Table 2. Plan-to-Plan Changes
November 2010 Plan vs. July 2010 Plan

($ in millions)

	FY 2011	FY 2012	FY 2013	FY 2014
Revenues				
Taxes:				
General Property Tax	$0	$3	$4	$4
Other Taxes	$77	($49)	($204)	($181)
Tax Audit Revenues	$6	$24	$24	$31
Subtotal: Taxes	$83	($22)	($176)	($146)
Miscellaneous Revenues	$265	$52	$68	$83
Unrestricted Intergovernmental Aid	$0	$0	$0	$0
Less: Intra-City Revenues	($208)	($25)	($17)	($17)
Disallowances Against Categorical Grants	$0	$0	$0	$0
Subtotal: City-Funds	$140	$5	($125)	($80)
Other Categorical Grants	$95	$18	$17	$17
Inter-Fund Revenues	$1	$7	$0	$0
Total City & Inter-Fund Revenues	$236	$30	($108)	($63)
Federal Categorical Grants	$1,058	$90	$51	$45
State Categorical Grants	$123	$44	$31	$32
Total Revenues	$1,417	$164	($26)	$14
Expenditures				
Personal Service				
Salaries and Wages	$240	$184	$50	($27)
Pensions	($600)	$469	$438	$355
Fringe Benefits	($53)	$35	$171	$235
Retiree Health Benefits Trust	$0	$0	$0	$0
Subtotal-PS	($413)	$688	$659	$563
Other Than Personal Service				
Medical Assistance	$232	$72	$0	$0
Public Assistance	($28)	($36)	($36)	($36)
All Other	$811	($199)	$59	$150
Subtotal-OTPS	$1,015	($163)	$23	$114
Debt Service				
Principal	$0	($115)	$36	$37
Interest & Offsets	($30)	($6)	$14	$16
Subtotal Debt Service	($30)	($121)	$50	$53
FY 2010 BSA & Discretionary Transfers	($4)	$0	$0	$0
FY 2011 BSA	$1,161	($1,161)	$0	$0
FY 2008 Redemption of Certain NYCTFA Debt	$0	$0	$0	$0
NYCTFA Debt Service				
Principal	($81)	$16	$34	$18
Interest & Offsets	$114	$30	$8	$26
Subtotal NYCTFA	$33	$46	$42	$44
General Reserve	($137)	$0	$0	$0
	$1,625	($711)	$774	$774
Less: Intra-City Expenses	($208)	($25)	($17)	($17)
Total Expenditures	$1,417	($736)	$757	$757
Gap To Be Closed	**$0**	**$900**	**($783)**	**($743)**

Table 3. Risks and Offsets to the November 2010 Financial Plan

($ in millions)

	FY 2011	FY 2012	FY 2013	FY 2014
City Stated Gap	**$0**	**($2,357)**	**($4,838)**	**($5,578)**
Tax Revenues				
Property Tax	($39)	($67)	($98)	($92)
Personal Income Tax	($115)	($117)	($69)	($151)
Business Taxes	$120	$193	$171	$316
Sales Tax	$0	$99	$121	$132
Real-Estate-Related-Taxes	$233	$379	$476	$512
Subtotal	**$199**	**$487**	**$601**	**$717**
State Aid	**$0**	**($1,000)**	**($1,000)**	**($1,000)**
Expenditures				
UFT/CSA Collective Bargaining	($898)	($800)	($897)	($900)
Overtime	($152)	($100)	($100)	($100)
Judgments and Claims	$85	$135	$185	$235
Subtotal	**($965)**	**($765)**	**($812)**	**($765)**
Total Risks/Offsets	**($766)**	**($1,278)**	**($1,211)**	**($1,048)**
Restated (Gap)/Surplus	**($766)**	**($3,635)**	**($6,049)**	**($6,626)**

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II. State of the City's Economy

While no one would mistake the current economic conditions in New York City for a golden era of prosperity, they are nevertheless remarkably improved from the turbulent and fearful days of late 2008. Just two years ago, the city's economy was following the nation's down the steep slope of recession, the city's leading industry appeared on the verge of collapse, and businesses and households alike were frozen by the uncertainty of what lay ahead. The recession that unfolded was indeed deep and damaging, but for New York at least, it was nowhere near as disastrous as initially feared. During the past year a fragile but unmistakable recovery has taken hold and the city's resilience has been proven once again.

As the national and local economies struggle to repair the damage caused by the economic crash and to correct the imbalances that led to it, many challenges remain. Most obviously, unemployment continues to be intolerably high. In October 2010, the national unemployment rate hovered at 9.6 percent while the local rate, though inching down to 9.2 percent, represented the continued joblessness of over 368,000 New Yorkers. Unfortunately, with the private sector hobbled by the residual effects of the credit bubble and the federal government inhibited by ideological and partisan divisions, there is little likelihood that unemployment will return to a more natural rate any time soon. At best, the national and local economies will gradually pick up steam during the next few years, creating new jobs steadily enough to keep the unemployment rate on a slow, downward trajectory.

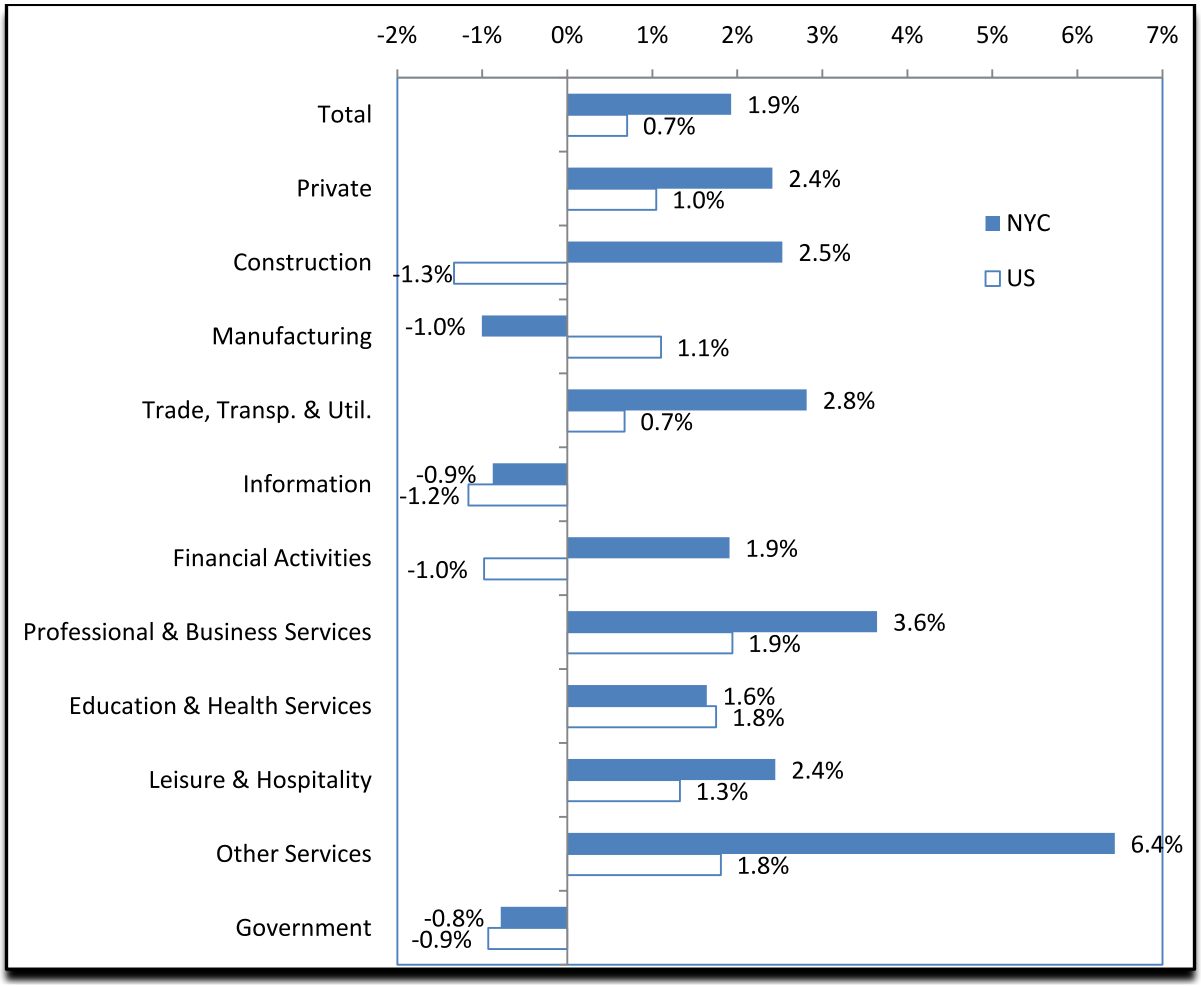
A. NYC'S ECONOMIC PERFORMANCE IN 2010

New York City's economy lapsed into recession later than did the nation's, declined less severely, and has recovered more steadily. That performance is particularly impressive considering that its most economically dominant industry, financial services, suffered severe employment losses and steep income declines. However, other key sectors, such as professional and business services, information, educational and health services, and tourism-related activities, proved much less vulnerable to the liquidity crisis that triggered the recession. Furthermore, many industries that are highly sensitive to credit conditions, such as construction, manufacturing and transportation, have relatively small footprints in New York, lessening the city's exposure to financial sector disruptions.

The city's economy grew at an annual average rate of 2.6 percent in the first three quarters of 2010, after a 3.0 percent decline in Gross City Product (GCP) in 2009, a rate slightly lower than the US Gross Domestic Product (GDP) growth of 2.7 percent during the same three quarters of 2010. However, the city's private sector added about 74,000 jobs during the first ten months of the year, representing 6.6 percent of all private-sector jobs created nationally during that time. The relatively rapid job creation contrasts favorably with the pattern experienced after the two previous national recessions, when the city's job growth lagged significantly the national job recovery.

Chart 1 shows the breakdown of the job gains/losses by different sectors for both the U.S. and the city during the first ten months of 2010.

Chart 1. **Change in NYC and U.S. Payroll Jobs, First 10 Months of 2010**



SOURCE: Monthly Data from U.S. Department of Labor and NYC Comptroller's Office.

Because the financial sector generates a disproportionate share of its private wages, the city actually experienced a comparatively severe loss of income during the recession. In 2009, total wages paid to workers in the five boroughs declined 10.8 percent, compared to a 4.6 percent decline in wages nationally. The City's steeper decline was primarily attributable to declining employment and lower compensation in the financial sector, in which total wages (including salaries and bonuses) declined 24.4 percent. However, the financial sector's rapid return to profitability reversed that trend, and in the first quarter of 2010 private wages increased by 8.1 percent, greater than the fourth quarter of 2009. During that period, finance sector wages were up by $4.2 billion, or 14.4 percent, reflecting the higher bonus payments made on the basis of 2009 earnings. Excluding the securities sector, private wages rose only 3.6 percent.

Wall Street profits, as measured by the pre-tax net income of the New York Stock Exchange (NYSE) member firms, were a record $61.4 billion in 2009, almost three times the previous record of $21 billion in 2000. It is estimated that the city's securities industry paid $25.4 billion in cash bonuses during the last quarter of 2009 and first quarter of 2010. The astounding recovery of financial firm profitability in 2009 has been followed by a mixed year in 2010, yet total compensation in the industry is expected to be up modestly once year-end bonuses are paid.

Trends in a local economy are usually reflected in its real estate markets, which can provide an early indicator of changes in local economic conditions. For the city, recent real estate market indicators are positive. House prices in the New York metropolitan area fell less than in most cities from their 2006 peaks, and according to the Case-Shiller home price indices, gained about 1.5 percent from April 2010 through September 2010. At the borough level, Prudential Douglas Elliman reports that the number of Manhattan apartments sold in the third quarter of 2010 was 19 percent higher than the number for the same quarter of 2009, and that average selling prices per square foot were up by 9.9 percent. In Brooklyn, according to the real estate firm, sales volume of 1-to-3-family houses in the third quarter of 2010 was flat compared to a year earlier, but square-foot prices were up 4.1 percent. In Queens, sales volume of 1-to-3-family houses was up 17 percent compared to the third quarter of 2009 but prices had not yet recovered to their year-earlier level. Overall, the city's residential real estate market appears to be recovering from its three-year slump, with the Manhattan market showing the earliest and strongest signs of recovery.

While residential real estate indicators are mostly showing signs of improvement in 2010, the city's commercial real estate market indicators have been markedly mixed but are for the most part pointing in a positive direction. According to Cushman and Wakefield, the Manhattan office vacancy rate was 10.9 percent in 3Q10 (including sublet space), a small improvement over the 11.1 percent of 3Q09 but significantly down from the 11.6 percent rate in the first quarter of this year. New leasing activity was 18.8 million square feet through the first three quarters of the year, about 66 percent more than the equivalent period of 2009. On the retail side, the Real Estate Board of New York reports persistent vacancies and flat rents in many of the smaller, local shopping areas in Manhattan, but more competition for space and firming rents in most major shopping corridors. CB Richard Ellis reports that the retail space availability percentage fell in all boroughs except for Queens in the first half of the year.

Anecdotal evidence also suggests that a surprising number of the residential construction projects that were underway when the financial crisis struck have continued toward completion. Moreover, while construction permits for new housing units remain well below the levels witnessed during the 2006-2008 boom, construction-related employment in the city has actually increased somewhat during the past year, even as it has continued to decline nationally.

The city's economic outlook is clouded by a fragile national economy and a turbulent international climate. Nevertheless, absent any disastrous new shocks to the financial system, the city's economy should continue to grow in 2011.

B. ECONOMIC OUTLOOK

The most important influence on the condition of the local economy is exerted by the rate of national economic growth. Unfortunately, the pace of the national economic recovery slowed significantly in the middle of 2010. After growing at a 5.0 percent real rate in the fourth quarter of 2009 and at a 3.7 percent rate in the first quarter of this year, the nation's economic growth slowed to a 1.7 percent rate in the second quarter, improving only slightly to 2.5 percent in the third quarter. The quick exhaustion of economic momentum during the present recovery is largely due to the lingering effects of imbalances created during the pre-recession credit bubble. In particular, consumers have remained cautious in the face of heavy debt burdens and high unemployment, while the housing market remains troubled and the construction industry continues to contract. In addition to such formidable constraints, the continuing European debt crisis creates an atmosphere of uncertainty and apprehension for households and businesses alike. Those factors will suppress economic growth during 2011 and possibly beyond.

The limitations on consumer spending are possibly the defining feature of the present recovery. Since consumer spending typically accounts for about two-thirds of GDP, growth in consumption expenditures usually sets the pace for the rest of the economy. However, in the present expansion consumer spending growth has been tepid, curtailed by high levels of household indebtedness, slow wage growth, and high unemployment. From 2003 to 2006, real personal consumption expenditures grew at an average annual rate of 3.2 percent. After plunging precipitously from mid-2008 through mid-2009, it was hoped that consumer spending would rebound vigorously, assisted by the tax reductions contained in the economic stimulus legislation. Instead, over the past five quarters (through 3Q10) real personal consumption expenditures have increased at an average rate of 2.0 percent, in turn giving businesses little reason to hire new workers and invest in new productive capacity.

From 2002 through 2007, aggregate wage and salary income grew at an annual rate of 5.0 percent (in current dollars). However, households supplemented their spending power by taking on unprecedented levels of debt. During that period, total household debt increased by $5.3 trillion, mostly in the form of mortgage debt, as Americans purchased homes at ever-increasing prices and many homeowners extracted equity from their houses through cash-out refinancing or home equity loans. As a result, homeowners' financial obligations ratio—the proportion of homeowners' disposable income committed to mortgage payments, insurance, property taxes and consumer debt—increased from 15.5 percent to 17.5 percent. Once housing prices began to fall and unemployment began to rise, many households found their level of debt to be unsustainable and began to unwind their debt commitments.

Between the second quarter of 2008 and the second quarter of 2010, households reduced their aggregate indebtedness by an unprecedented $469 billion. Some of the debt reduction is attributable to loan defaults and charge-offs, but much is also due to the deleveraging efforts of still-solvent households. Overall, by the second quarter of 2010, the financial obligations ratio for homeowners had dropped to 15.5 percent, the lowest level since early 2003. The rapid deleveraging augers well for future economic stability, but in the short term it has reduced consumer spending and economic growth. Moreover, an unemployment rate above 9.0 percent and slow growth in wage and salary income provides little opportunity for households to increase their consumption spending out of current income. It is likely that households will continue to reduce their overall debt levels in 2011, although there is hope that consumer spending gain will strengthen during the year and into 2012, with spending characterized by a more healthy balance between income- and debt-financed consumption.

A prosperous economy also requires a thriving real estate market. New and existing home sales transactions generate jobs and income in the real estate and finance industries, and stimulate demand for appliances, furnishings and a variety of residential repair and remodeling services. New home construction, in particular, provides quality jobs and livable wages for millions of Americans in a range of blue-collar and skilled trade occupations. For those reasons residential construction often serves as a growth engine in the early stages of economic recoveries, as housing demand responds to the low interest rates that usually prevail in the wake of a recession.

During the first half of 2010, it appeared that the severe housing slump of 2006-2009, which was central to the financial crisis and recession, was coming to an end. Housing prices in many cities had stabilized and even begun to increase, and sales of existing homes were again approaching the levels consistent with demographic need. Many analysts cautioned that expiration of the federal home-buyer tax credit could reverse those trends, but the plunge in home sales since the expiration of the tax credit has been more severe than all but the greatest pessimists might have expected. Although renewed price deterioration is not yet evident, sales of existing homes in the four months following expiration dropped more than 25 percent from their year-earlier levels. Since house prices in many markets are at their lowest levels in a decade, and mortgage rates are at all-time lows, it is evident that the modest federal tax credit had a psychological effect on potential homebuyers disproportionate to its financial value. In the months since its expiration, an air of uncertainty and apprehension has pervaded the housing market.

The housing market has been further roiled by the scandal regarding improper foreclosure procedures and the temporary moratoriums on foreclosures declared by major lenders. Even as the banks resume foreclosure proceedings additional legal questions have emerged. Although the foreclosure debacle will surely result in remediation for some homeowners wrongly caught up in foreclosure proceedings and provide valuable time for others to recover their financial footing, it is also likely that it will continue to cast a pall over the housing market and delay its return to a healthy equilibrium.

The continued problems in the housing market have crippled the residential construction industry. In 2010 new housing starts are likely to total less than 600,000 units, more than a million fewer than are begun in a normal year. Due to rising vacancy rates and on-going financing obstacles, commercial building construction has also been falling. As a result, construction industry employment nationwide has declined by over 2 million, directly accounting for the unemployment of about 1.3 percent of the workforce, and indirectly accounting for unemployment and underemployment in associated industries.

Given the constraints on consumer spending and the obstacles to a rapid real estate revival, additional federal fiscal stimulus could help ensure the vigor of the recovery. The Congressional Budget Office estimates that the American Recovery and Reinvestment Act will add between 1.5 and 4.1 percentage points to real GDP growth in 2010, but only 0.7 to 2.2 percentage points in 2011. Moreover, over the past two years state and local governments have reduced their employment by about 390,000, offsetting some of the beneficial effects of the federal stimulus. During the week of December 6^{th}, details of a proposed tax legislation compromise between the President and the Republican leadership in Congress became public. Most of the provisions of the $844 billion proposal were anticipated by the Comptroller and already factored into his long term forecasts. However, the proposal also contained some unanticipated provisions such as a one year payroll tax reduction that would provide a modest new stimulus to the economy. If these proposals are enacted into law, the rate of GDP growth in 2011 may be slightly faster than the Comptroller's forecast currently anticipates.

In an effort to rekindle the dissipating economic momentum and to counteract deflationary pressures, the Federal Reserve's Open market Committee (FOMC) recently announced a second round of "quantitative easing" (known as "QE2"), which will involve the Fed's purchase of long-term Treasuries totaling $600 billion through second quarter of 2011. Through QE2, the Fed aims to lower long-term interest rates, at a time when short-term rates are already nearly as low as they can go (close to zero percent), and to increase expectations of future inflation. This would spur households and businesses to spend and invest rather than hold cash that may fall in value. The Fed's policy is expected to accomplish what is intended, providing a modest boost to the recovery at a time when the effects of the fiscal stimulus is waning and households and businesses are not convinced of the durability of the recovery.

The continued financial turmoil in Europe adds a virtually unpredictable risk factor to the economic picture. Already, the European Union and the IMF have fashioned emergency loan packages for Greece and Ireland, and many fear that investors will similarly lose confidence in the ability of Portugal, Spain and even Italy to meet their sovereign debt obligations. Possible scenarios range from a gradual restoration of normalcy to the eventual break-up of the European Monetary Union. While the ultimate outcome of the European debt crisis is uncertain, there is no question that it represents the biggest current threat to global financial stability.

In Asia strong economic growth has led to inflationary pressures. To fight the inflation, Asian central banks have raised or are in the process of raising interest rates. However, in order to keep their currency cheap relative to the US dollar, they will need to buy dollars, most likely investing them in US Treasury securities. Overall, the events in both Europe and Asia are expected to result in lower US interest rates and a stronger dollar, with offsetting effects on American economic growth.

While there are a number of drags on the recovery there are also reasons for cautious optimism. As discussed above, American households have already accomplished significant deleveraging and they will likely expand their consumption budgets as their confidence in the recovery builds. That confidence will be enhanced if the job market continues to improve. Since the beginning of 2010, total private payroll jobs have increased by over 1.2 million, and recent figures on job creation have been encouraging. Corporate profits reached an all-time high in the third quarter of 2010, so businesses are well-positioned to continue to create jobs if demand for their products and services grows. The Federal Reserve's attempt to drive down long-term interest rates may further encourage businesses to invest in new capacity, and may also assist in repairing damaged real estate markets.

The quick recovery of New York City's economy from the recent recession shows that it is inherently stronger than it was in past decades, when the recessions of 1974-75 and 1990-91 eliminated more than 10 percent of its job base and plunged it into deep fiscal crises. The city has shed many of its least competitive industries and regained its competitive appeal in a more globalized world economy. Its fortunes are still closely intertwined with those of the national economy, however, and the return to full employment and prosperity will happen only gradually, as the gaping holes in the American economy are slowly repaired.

Table 4 provides a comparison of the forecasts for real GDP, unemployment rate, and inflation rate by the Comptroller's Office, the Mayor, and the Blue Chip consensus.

Table 4. Percent Change in Real GDP, Inflation Rate, and Unemployment Rate, Projections, 2010 and 2011

	GDP Growth		Unemployment Rate		Change in CPI	
	2010	**2011**	**2010**	**2011**	**2010**	**2011**
1. NYC Comptroller's Office	2.7	2.2	9.6	9.4	1.6	1.0
2. Mayor	2.6	2.1	9.7	9.6	1.6	1.5
3. Blue Chip Consensus	2.7	2.5	9.6	9.4	1.6	1.5

SOURCE: OMB, NYC Comptroller's Office and Blue Chip Economic Indicators, November 10, 2010.

Table 5 provides summary projections for seven U.S. indicators in 2010 and 2011.

Table 5. Seven U.S. Indicators, Actual 2009, and Comptroller's Projections, 2010 – 2011

	Actual 2009	Projected 2010	Projected 2011
Real GDP Growth, (2005 $)	(2.6)	2.7	2.2
Payroll Jobs, Percent Change	(4.3)	(0.5)	1.1
Consumer Price Index (1982=100), % Change	(0.4)	1.6	1.0
Wage-Rate Growth	0.0	3.1	2.1
Unemployment Rate	9.3	9.6	9.4
Fed Funds Rate	0.2	0.2	0.4
10-Yr T-Notes	3.3	3.4	3.8

SOURCE: NYC Comptroller's Office and data from BLS, BEA, and the Federal Reserve Board of Governors. Actual data are shown in the 2009 column. The Comptroller's projections (averages for the year) are in the 2010 and 2011 columns.

Table 6 provides a summary projection for five NYC indicators in 2010 and 2011.

Table 6. Selected City Indicators, Actual 2009 and Comptroller's Forecasts, 2010 – 2014

	2009	2010	2011	2012	2013	2014
Real GCP, (2005 $), % Change	(3.0)	1.3	2.5	2.8	3.0	3.1
Payroll Jobs (Annual Change), '000s	(107.0)	(7.0)	35.0	35.0	42.0	57.0
Wage-Rate Growth, %	(8.1)	2.4	2.3	3.2	3.5	3.8
Consumer Price Index (1982=100), % Change	0.4	1.6	1.1	1.7	2.2	2.3
Unemployment Rate, %	9.5	9.6	9.1	8.4	7.6	6.8

SOURCE: NYC Comptroller's Office based on BLS and BEA. GCP=Gross City Product.

Table 7. Selected City Indicators, Actual 2009 and Mayor's Forecasts, 2010 – 2014

	2009	2010	2011	2012	2013	2014
Real GCP, (2005 $), % Change	(3.2)	2.5	(0.6)	2.4	2.2	2.2
Payroll Jobs (Annual Change), '000s	(107.0)	(13.0)	12.0	36.0	42.0	38.0
Wage-Rate Growth, %	(8.1)	3.0	2.1	0.5	3.3	3.1
Consumer Price Index (1982=100), % Change	0.4	1.6	1.6	1.9	2.1	2.3
Unemployment Rate, %	NA	NA	NA	NA	NA	NA

III. The City's Fiscal Outlook

The November Plan shows a budget surplus of $1.161 billion for FY 2011. The surplus results from upward revisions to the July Plan revenue forecasts, lower expenditure estimates and agency gap-closing initiatives for FY 2011. The projected surplus will be used to prepay certain FY 2012 debt service. As Table 8 shows, the prepayment along with agency gap-closing initiatives, help reduce the $3.257 billion FY 2012 gap projected in the July Plan to $2.357 billion.

Table 8. Changes to the July Plan Estimates

($ in millions, negative numbers increase the gap)

	FY 2011	FY 2012	FY 2013	FY 2014
July 2010 Plan Gap	**$0**	**($3,257)**	**($4,055)**	**($4,835)**
Changes to Revenues				
Tax Revenues	$77	($49)	($204)	($182)
Non-Tax Revenues	8	(56)	(11)	4
Total Revenue Changes	**$85**	**($105)**	**($215)**	**($178)**
Changes to Expenses				
Replace ARRA Funding for Education	$0	($853)	($853)	($853)
Fund FMAP Shortfall	(43)	(72)	0	0
HIP Rate Increase	(7)	(126)	(195)	(276)
Reserve for Changes in Pension Assumptions and Methods	600	(400)	(400)	(400)
Debt Service	23	341	(45)	(51)
Restoration of Previous Reductions	(69)	(8)	(8)	(9)
FY 2010 Asset Gains	0	45	90	130
Investment Fees	0	(102)	(106)	(111)
Other Expense Changes	(19)	9	24	82
Total Expense Changes	**$484**	**($1,166)**	**($1,493)**	**($1,488)**
Surplus/(Gap) to be Closed	**569**	**(4,528)**	**(5,763)**	**(6,501)**
Agency Gap-Closing Program[a]	**$592**	**$1,010**	**$925**	**$923**
FY 2012 BSA	**($1,161)**	**$1,161**	**$0**	**$0**
Remaining Gap -- November 2010 Plan	**$0**	**($2,357)**	**($4,838)**	**($5,578)**

[a] The agency gap-closing program presented in the November Plan includes the elimination of and downward revision to previous gap-closing initiatives. The agency gap-closing program in this table excludes the impact of these adjustments and reflects only the value of agency gap-closing initiatives introduced in this Plan.
SOURCE: NYC Office of Management and Budget.

City-funds revenues for FY 2011 have been revised upward by $85 million with tax revenues accounting for $77 million of the increase.[1] This increase reflects upward revisions to banking corporation tax (BCT), sales and real property transfer tax (RPTT) revenue forecasts, partially offset by decreases to the personal income tax (PIT), general

[1] City-funds revenues exclude other categorical grants, inter-fund revenues and Federal and State categorical grants. Because other categorical grants, inter-fund agreement revenues, and Federal and State categorical grants support corresponding other categorical, inter-fund agreement, and Federal and State categorical expenditures they do not impact the analysis of the City's budget gap.

corporation tax (GCT), and mortgage recording tax (MRT) revenue projections.[2] All other baseline FY 2011 tax revenue estimates, with the exception of payment in lieu of taxes (PILOT) and non-resident City employees PIT, remain unchanged from the July Plan.

FY 2011 City-funds expenses in the November Plan, before agency gap-closing actions, are $484 million below the July Plan estimates. The drop in estimated expenses results mainly from the removal of $600 million in the pension budget previously budgeted to fund the cost of changes to actuarial assumptions and methodology. The City now expects changes in actuarial assumptions and methodology to impact pension contributions beginning in FY 2012 rather than 2011.

Agency gap-closing actions are expected to generate an additional $58 million in revenues and $534 million in savings.[3] The combination of higher tax revenue forecasts, lower expenditure estimates and gap-closing actions result in a budget surplus of $1.161 billion. This surplus is used to fund a Budget Stabilization Account (BSA) which will be used to provide budget relief for FY 2012 through the prepayment of $1.161 billion of FY 2012 debt service.

OUTYEAR GAPS

In contrast to FY 2011, both City-funds revenue and expenditure projections in each of the outyears of the November Plan are worse than projected in the July Plan.[4] Revenue forecast are lower than the July Plan by $105 million, $215 million, and $178 million in each of FYs 2012 through 2014. Baseline expenditure estimates are above the July Plan by approximately $1.2 billion in FY 2012 and almost $1.5 billion in each of FYs 2013 and 2014. The impact of the deterioration in the Plan projections over the Plan period is mitigated by gap-closing actions proposed in the November Plan. In addition, the FY 2012 budget gap is further reduced by the prepayment of $1.161 billion of debt service. As a result, the FY 2012 gap has narrowed to $2.357 billion. However, despite the budget relief from gap-closing initiatives, the FYs 2013 and 2014 gaps are projected to widen to $4.838 billion and $5.578 billion, respectively, as shown in Chart 2.

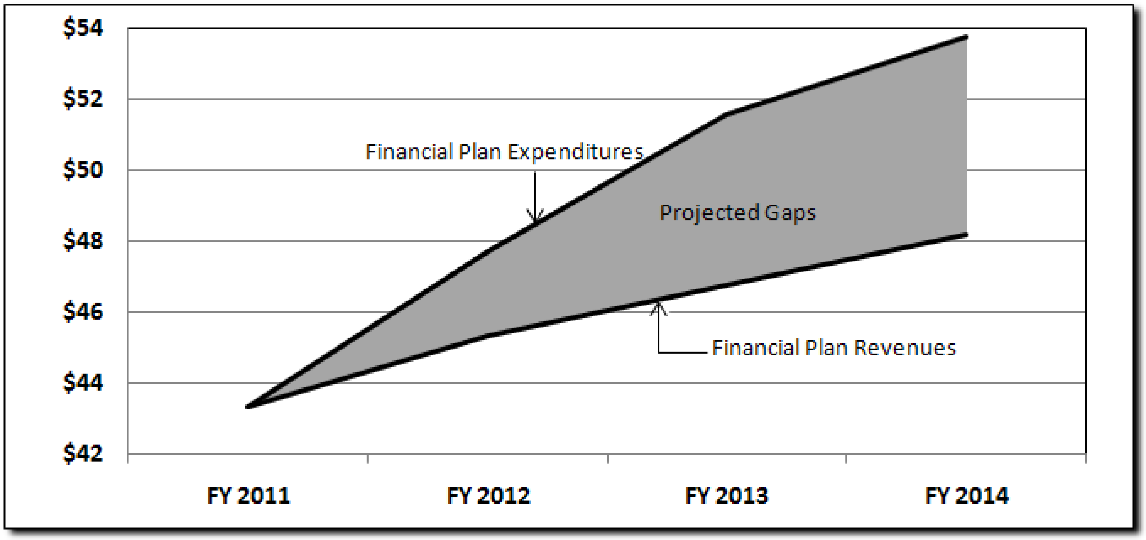
[2] Property tax and PIT in this report includes NYS reimbursement for the School Tax Relief (STAR) program.

[3] The agency gap-closing program in the November Plan includes the elimination and downward revision of previous gap-closing actions. The gap-closing program in this report excludes these adjustments and reflects the value of the program introduced in the November Plan. Additionally, several of the revenue gap-closing initiatives have implementation costs associated with them. The November Plan includes these costs in the expense gap-closing program. This report presents these initiatives as revenue initiatives net of the cost of implementation thus lowering the total value of revenue initiatives and increasing the total value of expenditure initiatives by the costs of implementation.

[4] Revenues and expenditures in this section are City-funds revenues and expenses.

***Chart 2*. Outyear Gaps**

($ in billions)



The widening budget gap over the Financial Plan period stems from the disparity in growth between expenses and revenues. Expenditure growth is projected to outpace revenue growth in each of FYs 2012 through 2014. From FYs 2012 to 2014, expenditures are projected to grow at more than twice the rate of revenues. Over this period, expenditures are expected to grow by 24 percent while revenues are projected to grow by 11 percent.

PROGRAM TO ELIMINATE THE GAP (PEG)

The November Plan contains numerous gap-closing initiatives that are expected to provide budget relief totaling $592 million in FY 2011, $1.01 billion in FY 2012 and more than $920 million in each of FYs 2013 and 2014, as shown in Table 9.[5] These initiatives include revenue enhancements (revenue PEGs) and spending reductions (expenditure PEGs) with expenditure PEGs accounting for approximately 90 percent of the total budget relief over the Plan period.

More than three quarters of the PEG initiatives in FY 2011 will have recurring benefits. Of the 239 FY 2011 initiatives, the 182 initiatives with recurring benefits are expected to generate $257 million of budget relief in FY 2011 and recurring benefits of $420 million in FY 2012, $384 million in FY 2013, and $390 million in FY 2014. The remaining $334 million of FY 2011 PEGs are non-recurring benefits.

Because of the outyear benefits of the recurring FY 2011 PEGs, less than 60 percent of the budget relief in FY 2012 is from new FY 2012 initiatives. The FY 2012

[5] Excludes elimination and downward revisions of the values of prior PEGs included in the November Plan PEGs. Reflects only the value of PEGs introduced in the November Plan.

PEGs consist of 66 initiatives totaling $590 million across different agencies. Of these, 52 initiatives are expected to generate recurring benefits of $543 million in FY 2012, $540 million in FY 2013, and $510 million in FY 2014.

Table 9. November 2010 Financial Plan PEGs

($ in thousands)

	FY 2011	FY 2012	FY 2013	FY 2014
REVENUE PEGS				
Recurring				
FY 2011 Agency PEGs	$41,610	$99,913	$86,784	$94,930
FY 2012 Agency PEGs	0	2,100	2,100	2,100
Total Recurring	$41,610	$102,013	$88,884	$97,030
Non-Recurring				
FY 2011 Agency PEGs	$16,501	$0	$0	$0
FY 2012 Agency PEGs	0	7,029	0	0
Total Non-Recurring	$16,501	$7,029	$0	$0
Total Revenue PEGs	**$58,111**	**$109,042**	**$88,884**	**$97,030**
EXPENDITURE PEGs				
Recurring				
FY 2011 Agency PEGs	$215,771	$319,753	$297,341	$295,088
FY 2012 Agency PEGs	0	540,938	537,864	508,171
FY 2013 Agency PEGs	0	0	500	500
FY 2014 Agency PEGs	0	0	0	22,000
Total Recurring	$215,771	$860,691	$835,705	$825,759
Non-Recurring				
FY 2011 Agency PEGs	$317,953	$0	$0	$0
FY 2012 Agency PEGs	0	39,945	0	0
FY 2013 Agency PEGs	0	0	184	0
Total Non-Recurring	$317,953	$39,945	$184	$0
Total Expenditure PEGs	**$533,724**	**$900,636**	**$835,889**	**$825,759**
Total PEGs	**$591,835**	**$1,009,678**	**$924,773**	**$922,789**

Two-thirds of the FY 2011 PEG benefits are from 22 initiatives that produce savings or generate revenues of $5 million or more. Hence, 9.0 percent of the proposed initiatives are expected to generate 67 percent of the benefits. These initiatives account for budget relief of $394 million in FY 2011. Of the 22 initiatives, 14 initiatives are expected to generate recurring benefits of $112 million in FY 2011, $128 million in FY 2012, $105 million in FY 2013, and $106 million in FY 2014, as shown in Table 10. The DOE accounts for $210 million, or 53 percent of the PEGs with a minimum value of $5 million in FY 2011. The DOE expects that the Education Jobs Bill and State Summer Handicapped funding will provide budget relief by mitigating the impact of City tax levy PEG on the department, as discussed in "Department of Education" beginning on page 37.

Table 10. FY 2011 PEGs with a Minimum Value of $5 million

($ in thousands)

Agency	Initiative	FY 2011	FY 2012	FY 2013	FY 2014
Recurring PEGs					
Dept. of Social Services	Medicaid Revenue for Hospitalized Inmates	$21,513	$3,800	$3,800	$3,800
Dept. of Social Services	Improved Cost Allocation	5,669	6,038	6,038	6,038
Fire Dept.	Increased Grant Reimbursement	5,000	5,000	0	0
NYPD	Civilian Headcount Reduction	13,818	29,772	30,028	30,348
Dept. of Sanitation	Supervisor Post Efficiencies - Attrition & Redeployment	9,943	21,111	21,367	21,834
Dept. of Sanitation	Waste Export Surplus	6,734	15,000	0	0
Dept. of Cultural Affairs	FY12 November Plan PEG	8,120	8,837	8,837	8,837
Dept. of Mental & Mental Hygiene	School Health Medicaid Revenue	6,430	8,211	7,902	7,745
Youth & Community Development	Reduce OST Option I School Holiday Availability	6,189	6,052	6,052	6,052
New York Public Library	FY12 November Plan PEG	6,163	7,384	7,384	7,384
DOITT	Cable Franchise Revenue	6,060	7,278	7,278	7,278
ACS	IV-E Revenue maximization	6,000	2,000	2,000	2,000
Dept. of Citywide Admin. Svc.	Citywide Lease Efficiency	5,182	1,066	4,714	4,714
Board of Elections	OTPS Reduction	5,118	6,586	0	0
Total Recurring PEGs		**$111,939**	**$128,135**	**$105,400**	**$106,030**
Non Recurring PEGs					
Dept. of Education	Education Jobs Bill Mitigation	$159,141	0	0	0
Dept. of Education	State Summer Handicapped Funding Mitigation	51,000	0	0	0
NYPD	Additional Federal Funding for NYPD Overtime	24,300	0	0	0
Dept. of Social Services	One-Time Revenue Adjustments	10,561	0	0	0
Fire Dept.	Night-time redeployment of Uniform Personnel	15,000	0	0	0
Office of Payroll Admin.	FY 2011 OTPS Surplus	8,740	0	0	0
Dept. of Transportation	Federal Funding Switch for Traffic Management Center	6,462	0	0	0
Law Dept.	Increased Revenue Collections	6,426	0	0	0
Total Non-Recurring PEGs		**$281,630**	**$0**	**$0**	**$0**
Total PEGs		**$393,569**	**$128,135**	**$105,400**	**$106,030**

SOURCE: NYC Office of Management and Budget.

Similarly, a small number of initiatives account for a significant portion of the PEG benefits in FY 2012. Of the $590 million in benefits from PEGs expected to be implemented in FY 2012, $511 million are due to 13 initiatives which are expected to generate $5 million or more of budget relief, as shown in Table 11. Thus, 20 percent of the FY 2012 initiatives are expected to generate 87 percent of the benefits. The DOE accounts for almost half the savings in FY 2012 with reductions of $246 million and $81 million from school layoffs and attrition, respectively.

Table 11. FY 2012 PEGs with a Minimum Value of $5 million

($ in thousands)

Agency	Initiative	FY 2012	FY 2013	FY 2014
Recurring PEGs				
Dept. of Education	School Cut - Layoff	$246,000	$246,000	$246,000
Dept. of Education	School Cut - Attrition	81,000	81,000	81,000
OTPS Inflation Adjustment	OTPS Inflator	55,519	55,519	55,519
Dept. of Sanitation	Landfill Closure Surplus	34,895	27,615	0
Dept. of Parks & Recreation	Reduction in Work Year - Selected Titles	17,498	17,498	17,498
Fire Dept.	1.5% Availability Increase	15,000	15,000	15,000
Fire Dept.	Voluntary Hospitals Dispatch Fee	8,678	8,678	8,678
Fire Dept.	Eliminate 100 Uniformed Admin. positions	5,864	6,403	6,948
Admin. for Children Svcs	Increase Child Care Copayments	13,000	13,000	13,000
Admin. for Children Svcs	SSI Revenue Maximization	5,174	5,174	5,174
Dept. of Parks & Recreation	15% Seasonal Reduction	5,491	5,621	5,702
Total Recurring PEGs		**$488,119**	**$481,508**	**$454,519**
Non-Recurring PEGs				
NYPD	UN Reimbursement	$12,000	0	0
NYPD	Fleet Lifecycle Maintenance Reduction	10,583	0	0
Total Non-Recurring PEGs		**$22,583**	**$0**	**$0**
Total		**$510,702**	**$481,508**	**$454,519**

SOURCE: NYC Office of Management and Budget.

RISKS AND OFFSETS

The Comptroller's Office has identified net risks of $766 million, $1.278 billion, $1.211 billion, and $1.048 billion in FYs 2011 through 2014, respectively. If realized, these risks would create a gap of $766 million in FY 2011 and increase outyear gaps to $3.635 billion in FY 2012, $6.049 billion in FY 2013, and $6.626 billion in FY 2014, as shown in Table 12 on page 19.

The greatest risk to the City's projections stems from the City's assumption that the United Federation of Teachers (UFT) and the Council of School Supervisors and Administrators (CSA) would agree to a settlement in the current round of collective bargaining that would preclude wage increases for their members in the first two years of the contract. All other major municipal unions had settled for two annual wage increases of 4.0 percent over comparable periods of their contracts. The UFT has released a statement stating their disagreement with the City's position. The Comptroller's Office estimates that the City faces risks of $898 million, $800 million, $897 million, and $900 million in each of FYs 2011 through 2014, respectively, from its labor assumptions for UFT and CSA.[6]

State budget actions could also pose additional risks to the Financial Plan. The Comptroller's Office estimates that State Aid could be $1 billion less in each of the outyears.

[6] The FY 2011 risk includes $272 million in wage increases retroactive to FY 2010.

Table 12. Risks and Offsets to the November 2010 Financial Plan

($ in millions)

	FY 2011	FY 2012	FY 2013	FY 2014
City Stated Gap	**$0**	**($2,357)**	**($4,838)**	**($5,578)**
Tax Revenues				
Property Tax	($39)	($67)	($98)	($92)
Personal Income Tax	($115)	($117)	($69)	($151)
Business Taxes	$120	$193	$171	$316
Sales Tax	$0	$99	$121	$132
Real-Estate-Related-Taxes	$233	$379	$476	$512
Subtotal	**$199**	**$487**	**$601**	**$717**
State Aid	**$0**	**($1,000)**	**($1,000)**	**($1,000)**
Expenditures				
UFT/CSA Collective Bargaining	($898)	($800)	($897)	($900)
Overtime	($152)	($100)	($100)	($100)
Judgments and Claims	$85	$135	$185	$235
Subtotal	**($965)**	**($765)**	**($812)**	**($765)**
Total Risks/Offsets	**($766)**	**($1,278)**	**($1,211)**	**($1,048)**
Restated (Gap)/Surplus	**($766)**	**($3,635)**	**($6,049)**	**($6,626)**

Overtime spending continues to pose a risk to the City's overtime estimates. The Comptroller's Office estimates that overtime spending could be $152 million more than budgeted in FY 2011 as discussed in "Overtime" beginning on page 35.

Mitigating the risks to the City's expenditure estimates is the Comptroller's Office's expectation of lower cost for judgments and claims (J&C). The City projects that J&C will grow from $687 million in FY 2011 to $838 million by FY 2014. Based on settlement trends over the past few years, the Comptroller's Office expects J&C costs to average approximately $600 million over the Financial Plan period.[7] Therefore, the City could realize savings from lower J&C costs of $85 million in FY 2011, $135 million in FY 2012, $185 million in FY 2013, and $235 million in FY 2014.

The Comptroller's higher estimates for tax revenues provide additional offsets to the expenditures risks. As discussed in "Tax Revenues" beginning on page 21, the Comptroller's Office estimates that tax revenues will be higher than the City's forecast by $199 million in FY 2011, $487 million in FY 2012, $601 million in FY 2013, and $717 million in FY 2014.

The November Plan includes $1 billion in pension costs beginning in FY 2012 to fund potential changes in actuarial assumptions and methodology. The Chief Actuary is expected to propose changes to actuarial assumptions and methodology following his

[7] After reaching a peak of $627 million in FY 2003, J&C costs dropped to $517 million in FY 2006 before rising to $564 million in FY 2007, $625 million in FY 2008, and $623 million in FY 2009, and declining to $568 million in FY 2010.

review of the Hay Group's (Hay) recommendation after the completion of the biennial audit of the actuarial system in the spring of 2011. Given the schedule of the expected release of Hay's report, it is uncertain if any recommendations by the Chief Actuary will be implemented in time to affect FY 2012 contributions. If no changes are made to the actuarial assumptions and methodology in FY 2012, the $1 billion budgeted for these changes will be available for budget relief.

IV. Revenue Assumptions

In the November Modification, the City increased its forecast of total revenue for FY 2011 by $1.4 billion over projections presented in the July Plan. The current $64.58 billion projection is $1.18 billion, or 1.8 percent, higher than actual FY 2010 revenues. The year-over-year increase reflects an increase of 4.8 percent in anticipated tax revenues, which are projected to reach nearly $39 billion in FY 2011. Tax revenues are projected to comprise 60 percent of total anticipated revenues in the current fiscal year.

Excluding intra-City revenues, FY 2011 miscellaneous revenue projections increased by $57 million from the previous Plan mainly due to an increase in non-recurring revenues anticipated in FY 2011. Anticipated Federal and State categorical grants have also been revised upward by $1.1 billion and $123 million, respectively. However, on a year-over-year basis, State categorical grants are expected to fall in FY 2011 mainly due to declining State support for education and social services. Federal categorical aid is expected to be slightly higher in FY 2011 because of the roll of unspent grants from the prior year.

Over the four years of the Financial Plan period, total revenues are projected to increase by nearly $4 billion, or 6.1 percent, to $68.5 billion in FY 2014. Tax revenues are forecast to grow 11.6 percent over the same period.

Tax Revenues

In the November Modification, the City increased its tax revenues projection for FY 2011 by just $83 million, or 0.2 percent, from $38.91 billion to $38.99 billion.[8] Most of the increase is attributable to increases in the Banking Corporation Tax (BCT) and the sales tax forecasts, offset mainly by decreases in the Personal Income Tax (PIT), and the General Corporation Tax (GCT) forecasts. The changes in the tax revenue forecasts are based on current year collections and the City's current economic forecast, as well as on the impact of the 2010-2011 NYS enacted budget.

Changes from Adopted Budget

As detailed in Table 13, the City decreased its forecast of PIT revenues by $181 million for FY 2011. Net PIT collections for the first four months of the fiscal year were lower than previously anticipated in the July Plan. The current forecast includes the impact of State budget actions discussed in "Impact of the 2010 – 2011 New York State Enacted Budget" beginning on page 22. Without the additional revenue from State budget actions, PIT forecast would have decreased by $ 211 million.

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

In contrast, the City's business tax revenue forecast increased by $85 million to account for better-than-expected collections of bank taxes. The revised BCT forecast is $256 million higher than the previous Plan, although the City reduced its GCT forecast by $171 million, in part reflecting lower than expected collections through October.

Table 13. Revisions to the City's Tax Revenue Assumptions

($ in millions)

	FY 2011	FY 2012	FY 2013	FY 2014
November Modification – Total	**$38,989**	**$40,788**	**$42,148**	**$43,507**
Revisions:				
Property	0	0	0	0
Personal Income (PIT)	(181)	56	65	196
Business	85	(58)	(162)	(203)
Sales	141	20	(11)	(54)
Real-Estate Related	1	(85)	(112)	(137)
All Other	31	18	17	16
PEGs	6	27	28	36
Revisions -Total	**83**	**(22)**	**(175)**	**(146)**
Revisions-Percent	**0.2%**	**(0.1%)**	**(0.4%)**	**(0.3%)**

The forecast for sales tax revenue increased $141 million. Actual sales tax collections were $77 million above Plan through the first four months of the fiscal year. The revised sales tax revenue forecast also includes the impact of State budget actions. The real-estate-related tax revenue forecast is virtually unchanged from the July Plan. The City's projection of real property transfer tax collections increased by $41 million, while the mortgage recording tax forecast decreased by $40 million. The forecast for property tax revenue remains unchanged from the July Plan.

For 2012, both the PIT and the sales tax revenue forecasts were increased, by $56 million and $20 million respectively, while the business and real-estate-related tax revenue forecasts were lowered by $58 million and $85 million, respectively. For FYs 2013 – 2014, the City lowered its forecasts for business, sales and real-estate-related tax revenues and increased its forecast for PIT tax revenues. The City forecasts for "other taxes" have increased throughout the Plan period.

Revenue PEGs, mostly related to increased audits by the Department of Finance (DOF), are expected to generate $6.5 million, $27.1 million, $28.2 million and $36.3 million in FYs 2011 through 2014, respectively.

Impact of the 2010-2011 New York State Enacted Budget

The tax program included in the November Modification incorporates the impact of State legislative changes included in the NYS budget enacted on August 20, 2010. Over the Financial Plan period, the City anticipates that the changes will increase overall tax revenues by $51.9 million in FY 2011, $50.7 million in FY 2012, $45.5 million in FY 2013 and $46.1 million in FY 2014.[9]

The City estimates that legislation to reduce itemized deductions for households earning a State Adjusted Gross Income (AGI) above $10 million will generate $30.5 million annually in additional PIT revenues. Without this action, the decline in the PIT forecast for FY 2011 from the July Plan would have been greater. Similarly, the City's projections for sales tax revenues include the impact of a number of legislative changes which combined, are expected to generate an additional $21.4 million in FY 2011, $20.2 million in FY 2012, $15 million in FY 2013, and $15.6 million in FY 2014.

Among the legislative changes expected to increase sales tax revenue collections are the imposition of sales tax on hotel reseller markup, which is projected to yield $11 million in FY 2011, growing to $13.7 million by FY 2014. In addition, the repeal of the bad-debt deduction for private label credit card lenders is expected to generate $3.8 million in FY 2011 and $3.9 million annually in FYs 2012 – 2014. Finally, the temporary repeal of NYS sales tax exemption on clothing priced under $110 allows the City to temporarily reduce its share of payments to the Metropolitan Commuter Transportation District (MCTD), for an expected savings of $8.6 million in FY 2011 and $5.5 million in FY 2012.

These increases are partially offset by narrowing the definition of "affiliate nexus" for sales tax purposes, which will exclude those providing accounting services, legal services, or advice to a seller, or directing the activities of a seller. The City projects this legislation will reduce sales tax revenues by $2 million annually.

Projected Tax Revenue Growth, FYs 2011-2014

The current tax revenue forecast of $38.99 billion for FY 2011 represents an increase of 4.8 percent, or $1.8 billion from FY 2010. Total tax revenues are expected to grow 4.6 percent in FY 2012, 3.3 percent in FY 2013 and 3.2 percent in FY 2014 as shown in Table 14. Growth in tax revenues is expected to be mainly driven by growth in non-property tax collections. The City anticipates non-property tax revenues to grow 15.7 percent from FYs 2011 to 2014.

Real property tax revenue is forecast to increase 3.8 percent in FY 2011 but to grow just 6.2 percent over the entire Plan period with an average annual growth of only 2.0 percent. The diminishing growth rate reflects the slowing pipeline of assessed value growth accumulated when real estate values surged prior to the recession. Personal

[9] The State budget agreement incorporates the reduction of both the PIT STAR aid for taxpayers with AGI above $500 million and the real property tax Basic STAR benefits for homeowners with AGI above $500 million. However, these actions will not have an impact on the City's budget because the reduction in State STAR aid reimbursement will be offset by a corresponding elimination of both the PIT STAR rate cut for taxpayers with AGI above $500 million and the real property Basic STAR benefit to homeowners with AGI above $500 million.

income tax revenue is forecast to rise 7.1 percent in FY 2011, and to grow 8.1 percent, 4.7 percent, and 6.0 percent in FYs 2012 through 2014 respectively. Cumulative growth of PIT revenues over the Plan period is expected to be a robust 20 percent.

Business tax revenues are projected to grow 10.8 percent in FY 2011 reflecting mainly a 17 percent growth in GCT revenues and a 13 percent growth in BCT revenues. Overall, business tax revenues over the Plan period are expected to grow 17 percent at an average annual rate of 5.4 percent. Sales tax revenue is expected to grow 4.5 percent in FY 2011. Growth is expected to slow to 1.7 percent in FY 2012. Over the Financial Plan period sales tax revenue is expected to grow 12 percent. The projected annual average growth rate in FYs 2011 to 2014 is 3.9 percent.

The City anticipates real-estate-related tax revenues will exhibit the fastest growth throughout the Plan period, reflecting the anticipated recovery in the real estate market. After falling 22 percent in FY 2010, real-estate-related tax revenues are expected to rebound in FY 2011 and grow at an average rate of 9.3 percent annually.

Table 14. Revenue Forecast, Growth Rate, FYs 2011 – 2014

	FYs 2011-2012	FYs 2012-2013	FYs 2013-2014	FYs 2011-2014
Property	3.8%	1.5%	0.8%	6.2%
PIT	8.1%	4.7%	6.0%	20.0%
Business	6.9%	5.2%	4.1%	17.1%
Sales	1.7%	5.2%	4.8%	12.1%
Real-Estate Related	7.5%	10.4%	10.2%	30.7%
All Other	(1.9%)	(0.2%)	2.0%	(0.1%)
Tax Audit	2.7%	(0.2%)	1.2%	3.7%
Total	**4.6%**	**3.3%**	**3.2%**	**11.6%**

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

Risks and Offsets to the City's Tax Revenue Assumptions

The Comptroller's projections of risks and offsets to the City's tax revenue assumptions are based on current year collections and economic growth projections. Throughout the Financial Plan period, the Comptroller's Office is projecting net offsets growing from $199 million in FY 2011 to $717 million in FY 2014 as illustrated in Table 15. In FY 2011, the net offsets are due to higher forecasts for business, and real-estate-related tax revenues somewhat dampened by lower forecasts for real property and PIT revenues. Beginning in FY 2012 higher sales tax revenue forecasts provide additional offsets to the City's projections.

The higher forecasts for business and sales tax revenues reflect the Comptroller's more optimistic outlook of the City's economy. However, within the business tax category, the Comptroller's projections of BCT revenues are lower while GCT and Unincorporated Business Tax (UBT) revenues are higher than the Mayor's. The Comptroller's forecasts of non-financial corporate profits are more favorable to tax collections. However, the Comptroller anticipates that banks will continue to make a significant volume of loan charge-offs, especially associated with commercial real estate loans, which will have adverse consequences for bank profits in coming years.

The Comptroller's Office continues to project substantially higher real-estate-related tax revenues. The Comptroller believes that there is strong domestic and international demand for New York City real estate, which will eventually manifest in a more active property transaction marketplace. To date, transactions volume has been forestalled by financing obstacles that are a legacy of the 2007 – 2008 liquidity crisis.

Risks to the PIT forecast reflects the Comptroller's belief that Wall Street cash bonuses will not return to the levels seen prior to the financial crisis and that interest income of high net worth taxpayers will remain relatively flat for an extended period. The remaining risks result from the Comptroller's slightly lower projections for the property tax revenues.

Table 15. Tax Revenue Risks and Offsets

($ in millions)

	FY 2011	FY 2012	FY 2013	FY 2014
Property	($39)	($67)	($98)	($92)
PIT	(115)	(117)	(69)	(151)
Business	120	193	171	316
Sales	0	99	121	132
Real-Estate-Related	233	379	476	512
Total	**$199**	**$487**	**$601**	**$717**

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

Miscellaneous Revenues

The City's latest FY 2011 miscellaneous revenue forecast has grown by $57 million to $4.3 billion, compared to the forecast included in the FY 2011 July Plan.[10] As Table 16 shows, the change is mostly attributable to a $65 million increase in the "other miscellaneous" category. The City has recognized $39.7 million in additional payments stemming from a claim settlement with Barclays Bank.[11] The November Modification also recognizes $11.2 million in revenues resulting from a litigation judgment against Amtrak, for approximately $9.5 million, and a $1.7 million reimbursement from the WTC Captive Insurance Company associated with the Amtrak settlement. Additional non-recurring revenues reflected in the "other miscellaneous category include $3 million in salvage revenues and $2 million in refunds from contractors.

The FY 2011 forecast for licenses and franchises reflects a net increase of $14 million resulting mainly from a $5 million annual increase in expected revenues from

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

[11] In August 2010, Barclays Bank agreed to pay the U.S. and the New York County District Attorney's Office $298 million to settle charges that the firm violated both U.S. and New York State criminal laws by engaging in illegal transactions on behalf of customers from countries facing trade and economic sanctions by the U.S. Under the agreement, New York authorities were poised to receive $149 million to be split between the City and State.

construction permits, a $6 million increase in expected cable franchise revenues and another $4 million in expected revenues from new construction fee estimation tools. Fines and forfeitures forecast for FY 2011 also increased by $10 million compared to the July estimate, in order to reflect increases in the City's projections for building fines as well as Environmental Control Board (ECB) fines among others.

Table 16. Changes in FY 2011 Estimates
Nov 2010 vs. July 2010

($ in millions)

	November	July	Change
Licenses, Franchises, Etc.	$495	$481	$14
Interest Income	21	48	(27)
Charges for Services	755	751	4
Water and Sewer Charges	1,331	1,332	(1)
Rental Income	235	243	(8)
Fines and Forfeitures	858	848	10
Other Miscellaneous	658	593	65
Total	**$4,353**	**$4,296**	**$57**

Source: NYC Office of Management and Budget.

The November Modification includes an additional $7 million in parking fee revenues in FY 2011, growing to $26.3 million by FY 2014 as a result of increased passenger and commercial parking rates throughout the City. These revenues are reflected in the charges for services category, which also includes a one-time $8.5 million increase in 421-A fee revenues the City expects to collect in FY 2011.[12] These revisions are somewhat offset by a downward revision of $9.3 million in City register fees for FY 2011.

The forecast for rental income is down by $8 million due to a revised estimate of EDC payments associated with the 42nd Street project in FY 2011. The largest decrease in miscellaneous revenues is in the interest income category. The City has lowered its forecast for interest income to reflect lower projections for short term interest rates.

Non-recurring miscellaneous revenues are expected to yield nearly $170 million in FY 2011. Although the level of non-recurring resources is expected to decline over the Plan period, total miscellaneous revenues are expected to remain fairly constant at $4.3 billion annually in fiscal years 2011 through 2014.

[12] Section 421-A is a program administered by the NYC Department of Housing Preservation and Development (HPD) to promote multi-family residential construction by providing a declining property tax exemption on the new value created by the improvement. The City collects a filing fee of 4/10 of one percent of the total project cost or total project sell-out price, if the project is a co-op or condominium.

Federal and State Aid

The November Plan projects Federal and State aid of $19.35 billion for FY 2011, an increase of $1.18 billion from the July Plan estimates. About $1.06 billion of this total is attributable to Federal grants, including an increase of $190 million in Education Jobs funding allocated under the American Recovery and Reinvestment Act (ARRA). The remainder of the Federal grant increase consists mainly of unspent funds rolled forward from FY 2010, part of a normal process in the first quarter budget modification. In addition, the City has also adjusted its expectation of savings from the extension of enhanced Federal Medical Assistance Percentage (FMAP) for two additional quarters through June 2011. The adjustment reflects the scaled-back FMAP rates covering the extension period approved by Congress in August, increasing the City's Medicaid spending by a net $180 million in the current year.[13]

The Plan includes very modest increases in Federal and State aid since the July Plan, ranging from $134 million for FY 2012 to $77 million for FY 2014. The November Plan projects Federal and State assistance to fall to $18.16 billion in FY 2012. The projected decline in FY 2012 stems mainly from the termination of ARRA funding for education, leading to a reduction of over $1 billion in Federal support for the Department of Education. In recognition of this shortfall, the City has committed to additional funding of $853 million annually in the November Plan for FYs 2012 – 2014 to partly offset the impact of the declining Federal assistance. The trend is expected to reverse in FY 2013 as Federal and State grants are projected to grow slightly to $18.24 billion before reaching $18.65 billion by FY 2014. Over the term of the November Plan, Federal and State aid would comprise, on average, 28 percent of the City's overall revenues.

The baseline assumptions of Federal and State aid in the November Plan, however, do not reflect potential risks from State actions to address its fiscal problems. With record budget gaps looming on the horizon, the likely reductions in State support will have a significant impact on the City's assumptions. In its mid-year budget update, the State revealed a budget gap of $315 million for the current fiscal year and a projected deficit of $9 billion for State FY 2012. The State Comptroller argued that the projected gaps may be significantly understated, noting that the State budget deficit could reach as high as $1 billion in the current fiscal year alone. A special legislative session was called by the Governor in late November to address the mid-year deficit but failed to reach a resolution. The Governor indicated that the lack of an action plan to deal with the current year deficit will likely push next year's gap even higher, thus implying that the State, as it has done in recent years, may again resort to delaying payments of school aids and other local assistance as a mechanism to preserve its cash position.

Given these dire forecasts, the City will likely face significant risks in its assumptions for education and revenue sharing aids, as the State has continued to target

[13] In anticipation of the FMAP shortfall, the City set aside an additional $137 million in its FY 2011 general reserve in the July Plan, offsetting the increased Medicaid spending reflected in the November Plan.

these areas in its gap-closing proposals in recent years. In the current year budget, the State enacted a combined reduction of about $800 million from these two categories. Barring a significant shift in the State's deficit reduction strategy, the City will likely face similar prospects in the upcoming State executive budget, anticipated for release on February 1st.

V. Expenditure Analysis

Total-funds spending, which includes other categorical, inter-fund agreement, and Federal and State categorical expenditures, totals $64.6 billion in FY 2011 in the November Plan, an increase of $1.8 billion from the FY 2010 level. However, both FYs 2010 and 2011 expenditure estimates reflect spending reductions prepayments and other prior-year actions. After adjusting for prepayments and prior-year actions, FY 2011 expenditures total $67.1 billion, an increase of $1.7 billion, or 2.7 percent, from the adjusted FY 2010 spending of $65.4 billion.

Over the Plan period, expenditures adjusted for prepayments and prior-year actions are projected to grow 10.4 percent, an annual average growth rate of 3.3 percent. As shown in Table 17, expenditure increases are dominated by growth in spending on pensions, health insurance, debt service, and judgments and claims (J&C). The combined growth in these areas over the Financial Plan period is projected to be 25.8 percent, or 8.0 percent annually, approximately four times the projected average annual inflation rate for this period. All other expenditures are projected to grow 3.2 percent over the Plan period, averaging 1.0 percent growth annually.

Table 17. FY 2011 – FY 2014 Expenditure Growth

($ in millions)

	FY 2011	FY 2012	FY 2013	FY 2014	Growth FYs 11-14	Annual Growth
Pension	$6,888	$8,221	$8,296	$8,317	20.7%	6.5%
Debt Service	5,389	6,219	6,694	6,956	29.1%	8.9%
Health Insurance	4,389	4,836	5,247	5,719	30.3%	9.2%
J & C	687	735	785	838	22.0%	6.8%
Subtotal	**$17,353**	**$20,011**	**$21,022**	**$21,830**	**25.8%**	**8.0%**
Salaries and Wages	$21,517	$20,903	$21,088	$21,557	0.2%	0.1%
Other Fringe Benefits	3,160	3,216	3,258	3,358	6.3%	2.0%
Medicaid	5,881	6,340	6,597	6,778	15.2%	4.8%
Public Assistance	1,558	1,590	1,578	1,578	1.3%	0.4%
Other OTPS	18,505	17,620	18,378	18,960	2.5%	0.8%
Subtotal	**$50,621**	**$49,669**	**$50,899**	**$52,232**	**3.2%**	**1.0%**
MA FMAP Increase	($483)	($321)	($426)	$0	(100.0%)	(100.0%)
Retiree Health Benefit Trust	($395)	($672)	$0	$0	(100.0%)	(100.0%)
Total	**$67,095**	**$68,688**	**$71,495**	**$74,061**	**10.4%**	**3.3%**

Pensions

Pension contributions to the City's five actuarial systems are projected to increase a little more than 20 percent from $6.8 billion in FY 2011 to $8.3 billion in FY 2014. Most of the increase is in FY 2012 when pension contributions are projected to jump by 19.4 percent to $8.2 billion. This dramatic increase is due primarily to the City's expectation that changes to actuarial assumptions and methods would impact FY 2012 pension contributions. The November Plan includes a reserve of $1 billion annually beginning FY 2012 to fund the costs associated with these changes. From FYs 2012 to 2014 pension costs is projected to remain relatively flat with growth of 1.1 percent over this period, an average annual growth of 0.6 percent.

The Chief Actuary is expected to propose changes to actuarial assumptions and methods following his review of the Hay Group's (Hay) recommendations after the completion of the biennial audit of the actuarial systems. The Comptroller's Office engaged Hay to conduct two consecutive biennial independent actuarial audits of the pension systems as required by the City Charter. Hay has completed their first audit and is in the process of conducting the second audit. Hay is expected to complete the second audit in the spring of 2011 and will issue recommendations shortly after. Given the schedule of the expected release of Hay's report, it is uncertain if any recommendations by the Chief Actuary will be implemented in time to affect FY 2012 contributions.

The relatively flat growth in pension contributions in the out-years reflects the phase-in of FY 2010 actuarial gains from pension investment in excess of the Actuarial Interest Rate Assumption (AIRA). After suffering actuarial losses of 5.4 percent in FY 2008 and 18.3 percent in FY 2009, the five actuarial pension systems experienced a combined actuarial gain of 14.2 percent for FY 2010. This gain allows the City to reduce projected pension contributions by $63 million in FY 2012, $123 million in FY 2013, and $179 million in FY 2014.[14] These reductions offset the phase-in of additional contributions related to actuarial losses in FYs 2008 and 2009.

Through October of FY 2011, the systems have earned 12 percent. Every percentage point in pension investment return on June 30, 2011 above or below the Financial Plan assumption will result in additional or reduced contributions of approximately $10 million in FY 2013, and $20 million.

Health Insurance

Pay-as-you-go health insurance expenses for employees and retirees are projected to increase from $4 billion in FY 2011 to $4.2 billion in FY 2012. The estimated FY 2011 and FY 2012 health insurance expenditures reflect the use of funds previously accumulated in the Retiree Health Benefits Trust (RHBT) to pay for retiree pay-as-you-go health insurance, which will reduce health insurance spending by $395 million and $672 million, respectively. The savings from the use of RHBT funds will be used to fund additional pension contributions to offset pension investment returns below the Actuarial Investment Rate Assumption (AIRA) in FY 2008 and FY 2009. After adjusting for these

[14] The actuarial asset valuation method used by the City to calculate employer contributions includes an actuarial interest rate assumption (AIRA) of 8.0 percent. Returns above or below the AIRA for a given fiscal year are phased in over a six-year period in conjunction with the One Year Lag Methodology (OYLM) implemented beginning in FY 2006.

payments from the RHBT, health insurance projections are $4.4 billion in FY 2011 and $4.8 billion in FY 2012 as shown in Table 18. These costs are then expected to increase to $5.2 billion in FY 2013 and to $5.7 billion in FY 2014.

Table 18. Pay-As-You-Go Health Expenditures

($ in millions)

	FY 2011	FY 2012	FY 2013	FY 2014
Department of Education	$1,698	$1,863	$1,966	$2,102
CUNY	35	44	46	47
All Other	2,261	2,257	3,235	3,570
Total Pay-As-You-Go Health Insurance Costs	$3,994	$4,164	$5,247	$5,719
Adjustment for RHBT payment	395	672	0	0
Total Adjusted for prepayments	$4,389	$4,836	$5,247	$5,719

Since the July Financial Plan, the City has adjusted its outyear projections upwards mainly to fund higher costs associated with increases in health insurance premiums. The previous Financial Plan assumed annual increases of 8.0 percent in health insurance premiums. The current projections assume rate increases of 11.5 percent for FY 2012 and increases of 9.5 percent annually in FYs 2013 and 2014. In addition, the increase projected for FY 2012 and beyond reflects the impact of the Federal Health Care Reform.

Projected increases in health insurance costs are partially offset by the removal of funds included in the July Financial Plan for autism health coverage. The autism bill, which was vetoed by the Governor, would have prevented the denial of coverage on the basis that autism treatments are educational rather than medical in their scope. The City had budgeted annual spending of $40 million in each of FYs 2011 to 2014 in anticipation of the passage of the bill.

Labor

Contract negotiations between the City and the United Federation of Teachers (UFT) remain at an impasse. Earlier this year the UFT and the City entered into mediation with the New York State Public Employment Relations Board (PERB) in an attempt to reach a contract agreement. However, the mediation process failed to achieve an agreement and PERB is now in the process of appointing a fact-finding panel that will review the positions advanced by both negotiating parties and make recommendations for a settlement. The recommendations however, are non-binding although they have served as a pattern for previous settlements. This is the fourth time since the early 1990's that contract negotiations between the UFT and City have reached the fact-finding stage. The UFT's labor contracts for 1993, 2001, and 2004 were reached after PERB fact finding panels had made recommendations.

In the July 2010 Financial Plan, the City reversed its prior plan to lay off teachers by utilizing funds previously budgeted for wage increases for UFT and Council of School Supervisors and Administrators (CSA) members to fund these positions. These funds were earmarked for wage increases of 2.0 percent on the first day of the contract and another 2.0 percent on the first day of the 13th month of the contract with a cap of

$2,828 for employees earning more than $70,000 a year. These increases were patterned after wage increases granted to managers at DOE. Since all the other municipal unions had settled for two annual wage increases of 4.0 percent over comparable periods of their contracts, the PERB fact-finding panel may not recommend terms that are significantly different. A settlement patterned after the contracts of other municipal union would cost the City approximately $898 million in FY 2011, $800 million in FY 2012, $897 million in FY 2013, and $900 million in FY 2014.[15]

The Financial Plan includes no funding for wage increases for the first two years after current municipal labor contracts expire. The City has taken the position that any wage increases granted for that period will have to be funded through productivity initiatives. The labor reserve, however, does contain funding for annual wage increases of approximately 1.25 percent for the subsequent years following that period. The contracts for District Council 37 (DC37), Patrolmen's Benevolent Association (PBA), Uniformed Firefighters' Association (UFA), Organization of Staff Analyst (OSA), and Communications Workers of America (CWA), representing almost 50 percent of the workforce, have expired. The contracts for another 8.0 percent of the workforce will expire by October 31, 2011, and the remaining contracts will expire by July 1, 2012.[16] Every one percent increase in wages for these employees will cost the City approximately $210 million annually, including pension cost.

Headcount

The City is proposing cuts in City headcount through attrition and layoff as part of the November Plan PEGs. These PEGs will reduce headcount by 1,700 positions in FY 2011, 7,667 positions in FY 2012, 6,700 positions in FY 2013 and 6,577 positions in FY 2014. Nearly one quarter of the FY 2011 headcount reduction is expected to be realized through 487 layoffs. In FY 2012, 4,776 of the reductions are expected to be achieved through layoffs, indicating that there will be additional layoffs of 4,289 positions in FY 2012.

For FY 2011, major headcount reductions include 350 civilian employees in the Police Department, 294 employees in the Administration for Children's Services (with significant reductions in the Division of Child Protection) and 200 uniformed employees in the Department of Sanitation. For FY 2012, the largest PEG headcount reduction is in the Department of Education, where cuts in the schools will result in a reduction of 5,398 positions, of which 3,898 will be layoffs. However, the November Plan has also reversed the City's previous proposal to lay off teachers due to the expiration of ARRA funding in FY 2012. The City will backfill the loss of ARRA funding with City tax levy, thus avoiding the need to lay off 14,190 teachers. These actions together with other headcount adjustments result in a net increase of 2,895 positions in FY 2012 in the DOE, relative to the July Plan.

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[15] The FY 2011 cost includes $272 million in wage increases retroactive to FY 2010.

[16] This does not include the contracts for UFT and CSA which are one round behind the other municipal employees' contracts.

The following Table gives details for proposed FY 2011 and FY 2012 PEG headcount reductions.

Table 19. November Plan PEG Headcount Reduction

	FY 2011	FY 2012
Pedagogical		
Dept. of Education	0	(5,398)
City University	(47)	(44)
Sub-total	**(47)**	**(5,442)**
Uniformed		
Fire	0	(25)
Corrections	(61)	(118)
Sanitation	(200)	(265)
Sub-total	**(261)**	**(408)**
Civilian		
City University	(45)	(55)
Police	(350)	(350)
Fire	4	(52)
Corrections	33	23
Sanitation	(2)	(4)
Admin for Children's Services	(294)	(257)
Social Services	(130)	(134)
Homeless Services	10	20
Health and Mental Hygiene	(123)	(142)
Housing Preservation and Development.	(12)	(26)
Dept. Environ. Protection	(1)	(1)
Finance	(66)	(68)
Transportation	(107)	(135)
Parks and Recreation	0	(299)
All Other Civilians	(309)	(337)
Sub-total	**(1,392)**	**(1,817)**
Total	**(1,700)**	**(7,667)**

SOURCE: Office of Management and Budget.

Year-end full-time headcount, as shown in Table 20, is expected to reach 233,196 at the end of FY 2011, dropping significantly to 224,940 in FY 2012, rising slightly to 225,999 in FY 2013 and then more significantly to 230,093 in FY 2014.

Table 20. City-Funded Full-Time Year-End Headcount Projections

	FY 2011	FY 2012	FY 2013	FY 2014
Pedagogical				
Dept. of Education	94,492	87,848	88,473	92,508
City University	3,126	3,129	3,129	3,129
Sub-total	**97,618**	**90,977**	**91,602**	**95,637**
Uniformed				
Police	34,309	34,309	34,309	34,309
Fire	10,879	10,274	10,274	10,274
Corrections	8,515	8,437	8,437	8,437
Sanitation	6,875	6,782	7,027	7,027
Sub-total	**60,578**	**59,802**	**60,047**	**60,047**
Civilian				
Dept. of Education	7,627	7,903	7,903	7,903
City University	1,556	1,525	1,525	1,525
Police	14,028	14,028	14,028	14,028
Fire	4,806	4,797	4,794	4,791
Corrections	1,671	1,661	1,661	1,661
Sanitation	1,859	1,857	1,915	1,915
Admin for Children's Services	5,653	5,456	5,456	5,456
Social Services	10,474	10,280	10,080	10,080
Homeless Services	2,054	2,022	2,023	2,023
Health and Mental Hygiene	3,614	3,561	3,561	3,561
Finance	1,975	1,955	1,955	1,955
Transportation	1,993	1,975	2,007	2,068
Parks and Recreation	2,674	2,423	2,693	2,695
All Other Civilians	15,016	14,718	14,749	14,748
Sub-total	**75,000**	**74,161**	**74,350**	**74,409**
Total	**233,196**	**224,940**	**225,999**	**230,093**

SOURCE: Office of Management and Budget.

As shown in Table 21, City-funded full-time equivalent (FTE) headcount is expected to total 26,143 in FY 2011. FTE headcount is projected to decrease by 671 in FY 2012 and then remain relatively flat for the remainder of the Plan period.

Table 21. City-Funded FTE Year-End Headcount Projections

	FY 2011	FY 2012	FY 2013	FY 2014
Pedagogical				
Dept. of Education	1,053	1,053	1,053	1,053
City University	2,053	2,005	2,005	2,005
Sub-total	**3,106**	**3,058**	**3,058**	**3,058**
Civilian				
Dept. of Education	14,641	14,641	14,641	14,641
City University	620	630	630	630
Police	1,542	1,490	1,490	1,490
Health and Mental Hygiene	1,170	1,151	1,151	1,151
Parks and Recreation	2,702	2,154	2,172	2,173
All Other Civilians	2,362	2,348	2,350	2,348
Sub-total	**23,037**	**22,414**	**22,434**	**22,433**
Total	**26,143**	**25,472**	**25,492**	**25,491**

SOURCE: Office of Management and Budget.

Overtime

The City has increased its FY 2011 projection of overtime expenditures by $52 million in the November Plan to $900 million. This increase is consistent with the City's practice of increasing its overtime estimates during the course of the fiscal year to fund actual overtime spending. The revised estimates will increase the overtime budget for uniformed employees by $9 million in the Police Department (NYPD), $26 million in the Fire Department (FDNY) and $3 million in the Department of Correction (DOC). Even with the increase, the Comptroller's Office estimates that FY 2011 overtime spending will exceed the overtime budget by $152 million as shown in Table 22.

Table 22. Projected Overtime Spending, FY 2011

($ in millions)

	City Planned Overtime FY 2011	Comptroller's Projected Overtime FY 2011	FY 2011 Risk
Uniformed Forces			
Police	$377	$470	($93)
Fire	162	190	(28)
Correction	73	90	(17)
Sanitation	55	55	0
Total Uniformed Forces	$667	$805	($138)
Others			
Police-Civilian	$46	$60	($14)
Admin for Child Svcs	7	7	0
Environmental Protection	22	22	0
Transportation	36	36	0
All Other Agencies	122	122	0
Total Civilians	$233	$247	($14)
Total City	**$900**	**$1,052**	**($152)**

NOTE: The Comptroller's overtime projection assumes that the City will be able to achieve some offsets to overtime spending from personal services savings.

Estimates for uniformed police overtime pose the largest risk to the City's overtime budget. Through November 2010, uniformed employees at the NYPD have earned $194 million in overtime pay. Based on this trend, the Comptroller's Office estimates that overtime spending will be approximately $470 million in FY 2011. Fiscal year-to-date spending for civilian overtime at the NYPD through November was $27 million and will likely total more than $60 million for FY 2011.

The recent ruling by a Federal District Court judge finding the City's FDNY recruitment practice to be discriminatory will exert pressure on overtime spending in the department. The ruling barred the City from hiring new recruits unless it revised its hiring practice. The Federal judge who ruled on the case proposed alternative approaches for hiring from the list of candidates established by the last exam, but the City has rejected all the judge's proposals. The moratorium on hiring means that the FDNY will have to increase uniformed employee overtime to make up for any shortfall in staffing. The FDNY uniformed workforce has declined from 11,633 on June 30, 2006 to 10,980 employees as of September 30, 2010. Uniformed overtime cost for FDNY increased 23 percent in FY 2010, growing from $128 million in FY 2009 to $158 million in FY 2010. Through November 2010, the FDNY monthly overtime expenditures have averaged approximately $16 million and the department is on track to spend $190 million in overtime for FY 2011.

Similarly, fiscal year-to-date overtime expenses for the DOC indicate that overtime spending for uniformed employees in the Department will exceed its overtime budget for FY 2011. The Comptroller's Office estimates the FY 2011 uniformed employees' overtime will total $90 million, $17 million above the City's estimates.

Public Assistance

For FY 2011, the City's public assistance caseload has averaged 348,134 recipients per month through October. Compared with the same period in the prior fiscal year, the average monthly caseload has actually declined by less than one percent, or 617 recipients, in FY 2011. Based on a caseload of 352,793 in October, the City's public assistance population continues to hover about 70 percent below the FY 1995 peak of 1,160,593. Meanwhile, monthly grant expenditures have averaged nearly $109 million in FY 2011, an increase of 3.5 percent from the FY 2010 monthly average of about $105 million. The higher grant expenditures in the current year are partly attributable to the State's plan of increasing basic allowances for cash assistance recipients by 10 percent annually over three years. The initiative is in the second year of its phase-in schedule, and is expected to be fully implemented by July 2011.

The City's public assistance caseload and grant projections remain basically unchanged since the July Plan. The November Plan maintains a constant caseload projection of 361,900 over the course of the Plan period. Total baseline grants expenditures are projected at about $1.37 billion for FY 2011, rising to $1.40 billion annually in FYs 2012 – 2014. To date, actual caseload in the current fiscal year is running well below expectation in the November Plan. Likewise, the City's baseline grant projection for FY 2011 likely contains a significant cushion that could weather a higher trend in welfare grant expenditures for the remainder of the fiscal year.

Department of Education

The November Plan reflects an increase of $99 million for the Department of Education (DOE) in the current year, raising its budget to $18.71 billion in FY 2011. Despite absorbing a PEG reduction target of $215 million, or 2.7 percent of City-funds, in the current year, funding for the Department still manages to rise mainly because of the recognition of Federal ARRA Education Jobs funding and the reversal of a State proposal to reduce its funding share for summer special education programs. These two changes combined represent a total of $241 million in new and restored revenues, helping to offset the impact of the PEG reduction and a cut in school aid resulting from the State's FMAP contingency plan. The remainder of the November Modification changes are comprised mainly of the roll of unspent Federal ARRA funds into FY 2011 and the recognition of additional School Construction Authority grants in the Department's budget.

Over the outyears of the Plan, the DOE budget has increased significantly since the July Plan. Funding for the DOE is projected to reach $19.08 billion in FY 2012, reflecting additional funding of $588 million in the November Plan. This increase stems mainly from the City's commitment of $853 million to the Department to offset the impact of expiring education support from the Federal Stimulus Funds. The flow of Federal ARRA funds, which have provided more than $2.3 billion in temporary assistance to the DOE budget during FYs 2010 and 2011, is expected to end after the current school year. The additional City support is offset by a $350 million savings target assigned to the Department under the Citywide PEG program, representing a 4.0 percent cut in City-funds. While the Department has been spared the higher reduction target of 8.0 percent that most other City agencies will undertake, its budget for FY 2012 will still have absorbed nearly $670 million from the two most recent rounds of PEG reductions for FY 2011 and FY 2012. The Department has outlined gap-closing actions in the November Plan that would trim pedagogical headcount by a net total of 5,398 positions beginning in FY 2012. Of this total, 3,898 personnel would be reduced through layoffs and another 1,500 positions to be reduced through attrition, generating $327 million in savings. The residual savings are expected from various centrally administered functions that aim to contain spending for supplies, travel and part-time staff. In addition to the PEG actions, the Department also projects a new need of $270 million to address growth in various mandated special education expenditures, most notably for prekindergarten tuition and Carter cases. The Department plans to divert resources from the general education area to offset this need. While this action has no net impact on the DOE budget in the November Plan, it would necessitate further headcount reduction in the general education area and exacerbate the already disproportionate burden that these programs face under the PEG program.

Moreover, the outlook for State aid remains bleak as the State grapples with a $9 billion deficit in its upcoming executive budget. School aid will be among the key components of the State's deficit reduction program. Given the magnitude of the State budget gap, the Department will likely face a cut that could eliminate an assumed increase of over $700 million in Foundation aid for FY 2012.

Debt Service

As shown in Table 23 below, debt service, after adjusting for the impact of prepayments, totals $5.46 billion in FY 2011, $6.29 billion in FY 2012, $6.77 billion in FY 2013 and $7.03 billion in FY 2014.[17] Compared to the July Financial Plan, these amounts represent no net change in FY 2011, a decrease of $75 million in FY 2012, an increase of $92 million in FY 2013, and an increase of $97 million in FY 2014. From FY 2011 to FY 2014, total debt service is projected to increase by $1.57 billion, or 28.8 percent.

Table 23. November 2010 Financial Plan Debt Service Estimates

($ in millions)

Category	FY 2011	FY 2012	FY 2013	FY 2014	Change from 2011 to 2014
G.O.[a]	$3,929	$4,258	$4,484	$4,568	$639
NYCTFA [b]	1,210	1,661	1,879	2,063	853
Lease-Purchase Debt	247	300	330	325	78
TSASC, Inc.	74	74	74	75	1
Total	**$5,460**	**$6,293**	**$6,767**	**$7,031**	**$1,571**

SOURCE: November 2010 Financial Plan.
NOTE: Debt Service is adjusted for prepayments.
[a] Includes long-term G.O. debt service and interest on short-term notes.
[b] Amounts *do not* include NYCTFA building aid bonds.

Although total debt service in FY 2011 remained virtually unchanged, several items offset one another to produce the net condition. In FY 2011, GO refunding dissavings produced $41.4 million of increased costs along with $8.2 million of increased letter of credit fees and a projected increase of $33 million in NYCTFA debt service increases. These increases are offset by $74.6 million of savings from the elimination of short-term note borrowing, and $17.9 million in lease-purchase debt savings. The decrease of $75 million in FY 2012 is due primarily to $139 million of GO refunding savings coupled with savings related to YTD borrowing of $24 million, offset by additional projected NYCTFA debt service of $46 million along with a $29.5 million increase to lease-purchase debt service, primarily from planned Hudson Yard Infrastructure Corporation (HYIC) interest costs, and over $8 million of estimated additional letter of credit fee increases. The projected increases of $92 and $97 million in FYs 2013 and 2014, respectively, come largely from estimated HYIC interest costs of $65 million in both years as well as projected increases of $42 million and $44 million respectively, in NYCTFA debt service. Both the estimated HYIC and NYCTFA increases are a result of increased borrowing.

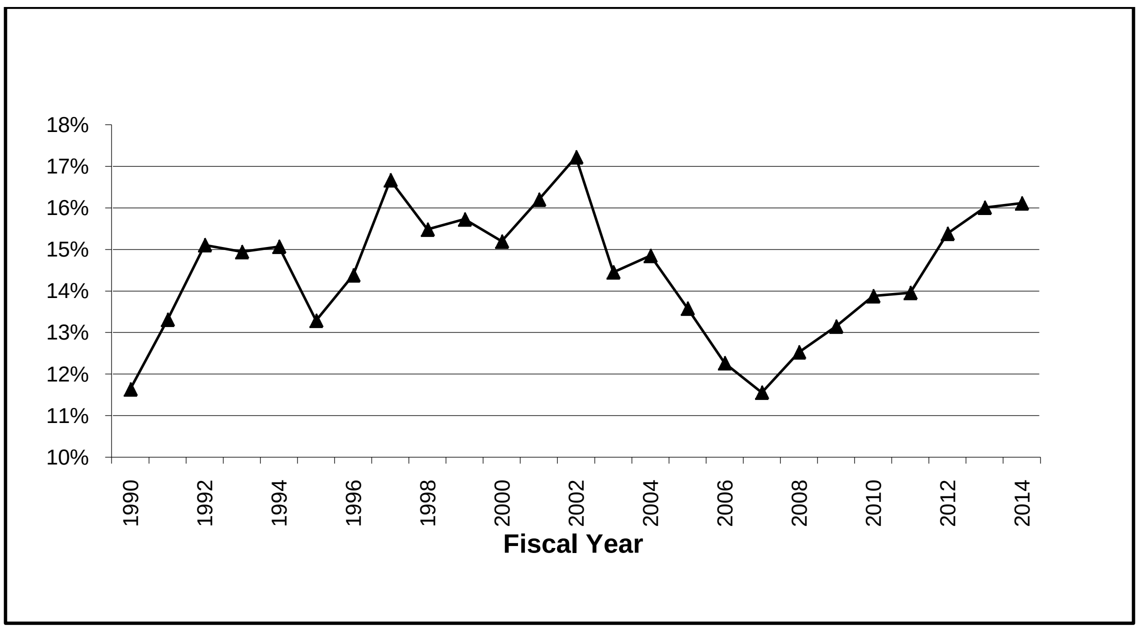
[17] Includes debt service on General Obligation (GO), NYCTFA, and TSASC bonds as well as lease purchase debt and interest on short-term notes.

GO debt service is projected to increase by $639 million, or 16.3 percent, from $3.93 billion in FY 2011 to $4.57 billion by FY 2014. Over the Plan period, NYCTFA PIT supported debt service is projected to increase by $853 million, or 70.5 percent from $1.21 billion in FY 2011 to $2.06 billion in FY 2014 (See "Financing Program" for more details on borrowing levels).

Debt Affordability

Debt service as a percent of local tax revenues is an accepted measure of affordability used by rating agencies and government officials alike.[18] In FY 2010, debt service as a percent of local tax revenues was 13.9 percent. The November Plan projects debt service will consume 14.0 percent of local tax revenues in FY 2011, 15.4 percent in FY 2012, 16.0 percent in FY 2013, and 16.1 percent in FY 2014. The increase in the debt service/tax revenue ratio reflects the disparity in debt service and tax revenue growth over the Plan period. Debt service is projected to average annual growth of 8.8 percent per year from FYs 2011 to 2014 while tax revenue growth is projected to grow an average of 3.7 percent annually.

***Chart 3*. Debt Service as a Percent of Tax Revenues, 1990 - 2014**



SOURCE: Office of Management and Budget, City of New York, November 2010 Financial Plan.

Financing Program

The November 2010 Financial Plan contains $33.47 billion of planned City and State-supported borrowing in FYs 2011-2014 as shown below in Table 24. Estimated NYCTFA PIT borrowing is $11.31 billion, or 33.8 percent of the total. This is followed by an estimated $10.39 billion of GO borrowing, a $280 million decline since the July Financial Plan. NYC Water Finance Authority (NYWFA) borrowing is expected to

[18] Debt service in this discussion is adjusted for prepayments.

account for $7.57 billion, or 22.6 percent, of capital borrowing. The remaining 12.6 percent of capital borrowing will come from NYCTFA Building Aid Revenue Bonds (BARBs).

Table 24. FY 2011 November Plan, FYs 2011-2014

($ millions)

Description:	Estimated Borrowing and Funding Sources FYs 2011-2014	Percent of Total
General Obligation Bonds	$10,385	31.0%
NYCTFA – General Purposes	11,310	33.8%
NYC Water Finance Authority	7,571	22.6%
NYCTFA – BARBs	4,208	12.6%
Total	**$33,474**	**100.0%**

SOURCE: November 2010 Financial Plan, Office of Management and Budget.

Over the period FYs 2011 – 2014, total borrowing is estimated to increase by $1.34 billion from the estimates in the July 2010 Financial Plan. Specifically, this represents an increase in planned borrowing from the July Financial Plan of $765 million in FY 2011, along with increases of $220 million in FY 2012, $162 million in FY 2013, and $193 million in FY 2014. The increase is due primarily to estimated increases of $645 million in NYCTFA borrowing and $806 million in NYWFA borrowing over the period. The increase in NYWFA borrowing results from faster than anticipated liquidation of DEP capital contracts.

Total-funds borrowing in FYs 2011 and 2012 are projected to reach $9.81 billion and $8.35 billion, respectively, before declining to an estimated $7.68 billion in FY 2013, and $7.63 billion in FY 2014. Local tax-supported borrowing (GO and NYCTFA PIT bonds) is estimated to total $6.28 billion in FY 2011 and $5.48 billion in FY 2012 before dropping to $5 billion and $4.94 billion in FYs 2013 and 2014. These high levels of local tax-supported debt are due to aggressive levels of capital commitments over FYs 2007 – 2010 which, excluding DEP commitments, averaged $5.5 billion annually.

Capital Plan

After adjusting for the reserve for unattained commitments of $2.63 billion, the FY 2011 – 2014 Capital Plan totals $32.5 billion in all-funds commitments, and $25.17 billion in City-funds commitments over the Plan period, as shown in Tables 25 and 26. The Plan is front-loaded with all-funds commitments totaling $12.06 billion in FY 2011 or 37.1 percent of the total, decreasing to $7.73 billion in FY 2012, $6.19 billion in FY 2013, and $6.52 billion in FY 2014.

Table 25. FYs 2011 – 2014 Four-Year Capital Commitments, All-Funds

($ in millions)

Project Category	FY 2011 September 2010 Commitment Plan	Percent of Total
Education & CUNY	$9,692	27.6%
Environmental Protection	6,233	17.7
Dept. of Transportation & Mass Transit	4,839	13.8
Housing and Economic Development	3,503	10.0
Administration of Justice	2,058	5.9
Technology and Citywide Equipment	2,171	6.2
Parks Department	1,817	5.2
Hospitals	450	1.3
Other City Operations and Facilities	4,370	12.4
Total	**$35,133**	**100.0%**
Reserve for Unattained Commitments	($2,633)	
Adjusted Total	**$32,500**	

SOURCE: Office of Management and Budget, FY 2011 Adopted Capital Commitment Plan, September 2010.

The Department of Education and the City University of New York (CUNY), account for $9.69 billion in planned commitments, making up 27.6 percent of the total. This is followed by the Department of Environmental Protection (DEP) at 17.7 percent, Department of Transportation (DOT) and Mass Transit at 13.8 percent, and Housing and Economic Development at 10 percent.[19] As with past plans, these four major program areas constitute a large portion of the Commitment Plan at $24.27 billion, or 69 percent of the Plan.

[19] DEP capital commitments are primarily funded through the issuance of Water Finance Authority Debt.

Table 26. FYs 2011 – 2014 Capital Commitments, City-Funds

($ in millions)

Project Category	FY 2011 September 2010 Commitment Plan	Percent of Total
Environmental Protection	$6,143	22.1%
Education & CUNY	5,158	18.6
Dept. of Transportation & Mass Transit	3,330	12.0
Housing and Economic Development	2,763	9.9
Administration of Justice	2,058	7.4
Technology and Citywide Equipment	2,127	7.6
Parks Department	1,601	5.8
Hospitals	446	1.6
Other City Operations and Facilities	4,180	15.0
Total	**$27,806**	**100.0%**
Reserve for Unattained Commitments	($2,633)	
Adjusted Total	**$25,173**	

SOURCE: Office of Management and Budget, FY 2011 September Capital Commitment Plan, September 2010.

The City-funded portion of the Plan totals $25.17 billion over FYs 2011 – 2014 after the reserve for unattained commitments. DEP's capital projects account for the largest share of the City-funds Plan at 22.1 percent, followed by DOE and CUNY at 18.6 percent, DOT and Mass Transit at 12 percent, and Housing and Economic Development at 9.9 percent. Similar to all funds commitments, these four major program areas constitute 63 percent of the City-funds Plan as shown in Table 26 above. The significant difference between the DOE's 18.6 percent share of the City-funded Capital Plan and its 27.6 percent of all-funds Capital Plan reflects the State-supported commitments of $4.5 billion over FYs 2011 – 2014. This State support for the education portion of the Commitment Plan comprises 62 percent of the total State and Federal support to the entire Commitment Plan over FYs 2011 – 2013. The planned continuation of NYCTFA BARBs borrowing of $4.2 billion over FYs 2011 – 2014 is contingent upon the State's continued support of education capital spending in New York City.

VI. Appendix ─ Revenue and Expenditure Details

Table A1. *November 2010 Financial Plan Revenue Detail*

($ in millions)

	FY 2011	FY 2012	FY 2013	FY 2014	Changes FYs 2011-14 Dollar	Changes FYs 2011-14 Percent
Taxes:						
Real Property	$16,988	$17,631	$17,901	$18,038	$1,050	6.2%
Personal Income Tax	$8,110	$8,768	$9,183	$9,730	$1,620	20.0%
General Corporation Tax	$2,307	$2,577	$2,764	$2,882	$575	3,005.0%
Banking Corporation Tax	$1,095	$1,056	$1,060	$1,068	($27)	(2.5%)
Unincorporated Business Tax	$1,588	$1,701	$1,789	$1,891	$303	19.1%
Sale and Use	$5,285	$5,375	$5,654	$5,924	$639	12.1%
Real Property Transfer	$669	$685	$724	$776	$107	16.0%
Mortgage Recording Tax	$415	$480	$562	$641	$226	54.5%
Commercial Rent	$566	$563	$572	$583	$17	3.0%
Utility	$383	$398	$412	$425	$42	11.0%
Hotel	$388	$378	$352	$356	($32)	(8.2%)
Cigarette	$75	$74	$72	$70	($5)	(6.7%)
All Other	$492	$455	$456	$468	($24)	(4.9%)
Tax Audit Revenue	$628	$647	$647	$655	$27	4.3%
Total Taxes	**$38,989**	**$40,788**	**$42,148**	**$43,507**	**$4,518**	**11.6%**
Miscellaneous Revenue:						
Licenses, Franchises, Etc.	$495	$507	$507	$510	$15	3.0%
Interest Income	$21	$34	$107	$140	$119	566.7%
Charges for Services	$755	$786	$782	$781	$26	3.4%
Water and Sewer Charges	$1,331	$1,337	$1,332	$1,360	$29	2.2%
Rental Income	$235	$250	$256	$264	$29	12.3%
Fines and Forfeitures	$858	$829	$828	$828	($30)	(3.5%)
Miscellaneous	$658	$524	$506	$500	($158)	(24.0%)
Intra-City Revenue	$1,824	$1,523	$1,519	$1,519	($305)	(16.7%)
Total Miscellaneous	**$6,177**	**$5,790**	**$5,837**	**$5,902**	**($275)**	**(4.5%)**
Unrestricted Intergovernmental Aid:						
N.Y. State Per Capital Aid	$0	$302	$302	$302	$302	N/A
Other Federal and State Aid	$14	$12	$12	$12	($2)	(14.3%)
Total Unrestricted Intergovernmental Aid	**$14**	**$314**	**$314**	**$314**	**$300**	**2,142.9%**
Other Categorical Grants	**$1,330**	**$1,160**	**$1,156**	**$1,154**	**($176)**	**(13.2%)**
Inter Fund Agreements	**$559**	**$500**	**$493**	**$493**	**($66)**	**(11.8%)**
Reserve for Disallowance of Categorical Grants	**($15)**	**($15)**	**($15)**	**($15)**	**$0**	**0.0%**
Less: Intra-City Revenue	**($1,824)**	**($1,523)**	**($1,519)**	**($1,519)**	**$305**	**(16.7%)**
TOTAL CITY-FUNDS	**$45,230**	**$47,014**	**$48,414**	**$49,836**	**$4,606**	**10.2%**

Table A1 (Con't.). *November 2010 Financial Plan Revenue Detail*

($ in millions)

	FY 2011	FY 2012	FY 2013	FY 2014	Changes FYs 2011-14 Dollar	Changes FYs 2011-14 Percent
Federal Categorical Grants:						
Community Development	$279	$241	$241	$240	($39)	(14.0%)
Welfare	$2,931	$2,728	$2,693	$2,693	($238)	(8.1%)
Education	$2,834	$1,716	$1,711	$1,710	($1,124)	(39.7%)
Other	$1,827	$1,152	$1,080	$1,069	($758)	(41.5%)
Total Federal Grants	**$7,871**	**$5,837**	**$5,725**	**$5,712**	**($2,159)**	**(27.4%)**
State Categorical Grants:						
Social Services	$2,098	$2,031	$2,003	$2,003	($95)	(4.5%)
Education	$7,981	$8,857	$9,011	$9,339	$1,358	17.0%
Higher Education	$186	$220	$220	$220	$34	18.3%
Department of Health and Mental Hygiene	$452	$437	$432	$432	($20)	(4.4%)
Other	$758	$773	$852	$941	$183	24.1%
Total State Grants	**$11,475**	**$12,318**	**$12,518**	**$12,935**	**$1,460**	**12.7%**
TOTAL REVENUES	**$64,576**	**$65,169**	**$66,657**	**$68,483**	**$3,907**	**6.1%**

Table A2. *November 2010 Financial Plan Expenditure Detail*

($ in thousands)

	FY 2011	FY 2012	FY 2013	FY 2014	Changes FYs 2011 – 14 Dollar	Percent
Mayoralty	$96,646	$89,937	$89,865	$89,846	($6,800)	(7.0%)
Board of Elections	$96,616	$69,908	$76,508	$76,508	($20,108)	(20.8%)
Campaign Finance Board	$14,510	$13,013	$13,017	$13,017	($1,493)	(10.3%)
Office of the Actuary	$5,302	$5,306	$5,310	$5,310	$8	0.2%
President, Borough of Manhattan	$4,226	$2,892	$2,902	$2,908	($1,318)	(31.2%)
President, Borough of Bronx	$5,204	$3,933	$3,947	$3,955	($1,249)	(24.0%)
President, Borough of Brooklyn	$5,551	$3,557	$3,571	$3,579	($1,972)	(35.5%)
President, Borough of Queens	$4,739	$3,329	$3,339	$3,346	($1,393)	(29.4%)
President, Borough of Staten Island	$3,761	$2,795	$2,806	$2,811	($950)	(25.3%)
Office of the Comptroller	$69,829	$69,546	$69,565	$69,586	($243)	(0.3%)
Dept. of Emergency Management	$53,086	$19,455	$7,055	$7,063	($46,023)	(86.7%)
Tax Commission	$3,775	$3,779	$3,783	$3,783	$8	0.2%
Law Dept.	$131,126	$128,269	$127,964	$127,814	($3,312)	(2.5%)
Dept. of City Planning	$26,617	$22,325	$21,988	$21,988	($4,629)	(17.4%)
Dept. of Investigation	$16,128	$15,715	$15,715	$15,715	($413)	(2.6%)
NY Public Library – Research	$21,758	$17,452	$17,452	$17,452	($4,306)	(19.8%)
New York Public Library	$109,110	$84,832	$84,832	$84,832	($24,278)	(22.3%)
Brooklyn Public Library	$81,324	$62,978	$62,978	$62,978	($18,346)	(22.6%)
Queens Borough Public Library	$79,648	$60,992	$60,992	$60,992	($18,656)	(23.4%)
Dept. of Education	$18,682,371	$19,060,457	$19,461,238	$20,127,616	$1,445,245	7.7%
City University	$745,027	$704,287	$706,501	$707,613	($37,414)	(5.0%)
Civilian Complaint Review Board	$9,970	$9,600	$9,608	$9,611	($359)	(3.6%)
Police Dept.	$4,414,709	$4,200,869	$4,186,517	$4,183,390	($231,319)	(5.2%)
Fire Dept.	$1,723,717	$1,574,212	$1,556,983	$1,555,333	($168,384)	(9.8%)
Admin. for Children Services	$2,678,533	$2,518,161	$2,519,842	$2,519,842	($158,691)	(5.9%)
Dept. of Social Services	$8,682,615	$9,261,103	$9,390,484	$9,997,693	$1,315,078	15.1%
Dept. of Homeless Services	$834,570	$783,265	$779,069	$779,116	($55,454)	(6.6%)
Dept. of Correction	$1,023,371	$1,015,853	$1,012,642	$1,012,642	($10,729)	(1.0%)
Board of Correction	$999	$999	$999	$999	$0	0.0%
Citywide Pension Contribution	$6,887,680	$8,221,214	$8,296,451	$8,316,628	$1,428,948	20.7%
Miscellaneous	$6,228,743	$6,287,770	$7,881,115	$8,710,143	$2,481,400	39.8%
Debt Service	$4,180,040	$4,558,375	$4,814,629	$4,893,065	$713,025	17.1%
N.Y.C.T.F.A. Debt Service	$1,209,014	$1,660,680	$1,879,250	$2,062,820	$853,806	70.6%
FY 2010 BSA	($3,646,142)	$0	$0	$0	$3,646,142	(100.0%)
FY 2011 BSA	$1,161,259	($1,161,259)	$0	$0	($1,161,259)	(100.0%)
Redemption of N.Y.C.T.F.A. Debt Service	($35,000)	$0	$0	$0	$35,000	(100.0%)
Public Advocate	$2,256	$1,797	$1,803	$1,807	($449)	(19.9%)
City Council	$52,883	$52,883	$52,883	$52,883	$0	0.0%
City Clerk	$4,743	$4,602	$4,629	$4,632	($111)	(2.3%)
Dept. for the Aging	$263,877	$216,739	$216,162	$216,162	($47,715)	(18.1%)
Dept. of Cultural Affairs	$142,018	$101,043	$101,043	$101,043	($40,975)	(28.9%)
Financial Info. Serv. Agency	$60,809	$63,241	$59,435	$59,445	($1,364)	(2.2%)
Dept. of Juvenile Justice	$147,339	$132,535	$132,545	$129,340	($17,999)	(12.2%)
Office of Payroll Admin.	$62,580	$65,426	$52,484	$36,427	($26,153)	(41.8%)
Independent Budget Office	$4,463	$4,407	$4,407	$4,407	($56)	(1.3%)
Equal Employment Practices Comm.	$744	$744	$745	$745	$1	0.1%

Table A2 (Con't). *November 2010 Financial Plan Expenditure Detail*

($ in thousands)

	FY 2011	FY 2012	FY 2013	FY 2014	Changes FYs 2011 - 14 Dollar	Percent
Civil Service Commission	$652	$653	$653	$653	$1	0.2%
Landmarks Preservation Comm.	$5,272	$4,800	$4,825	$4,831	($441)	(8.4%)
Taxi & Limousine Commission	$31,260	$32,174	$32,174	$32,174	$914	2.9%
Commission on Human Rights	$7,300	$7,366	$7,366	$7,366	$66	0.9%
Youth & Community Development	$329,251	$220,611	$220,628	$220,628	($108,623)	(33.0%)
Conflicts of Interest Board	$2,023	$1,988	$1,988	$1,988	($35)	(1.7%)
Office of Collective Bargain	$2,101	$2,102	$2,103	$2,103	$2	0.1%
Community Boards (All)	$14,979	$14,570	$14,570	$14,570	($409)	(2.7%)
Dept. of Probation	$77,818	$71,872	$71,461	$71,557	($6,261)	(8.0%)
Dept. Small Business Services	$133,630	$106,427	$100,297	$94,785	($38,845)	(29.1%)
Housing Preservation & Development	$727,883	$562,419	$561,508	$561,323	($166,560)	(22.9%)
Dept. of Buildings	$98,618	$89,665	$89,665	$89,683	($8,935)	(9.1%)
Dept. of Health & Mental Hygiene	$1,650,720	$1,538,886	$1,529,467	$1,529,330	($121,390)	(7.4%)
Health and Hospitals Corp.	$68,026	$89,671	$89,742	$89,742	$21,716	31.9%
Office of Administrative Trials & Hearings	$26,566	$26,567	$26,566	$26,566	$0	0.0%
Dept. of Environmental Protection	$1,032,012	$984,248	$979,990	$979,990	($52,022)	(5.0%)
Dept. of Sanitation	$1,320,646	$1,290,165	$1,336,768	$1,420,387	$99,741	7.6%
Business Integrity Commission	$7,287	$7,232	$7,232	$7,232	($55)	(0.8%)
Dept. of Finance	$216,556	$216,637	$215,748	$215,754	($802)	(0.4%)
Dept. of Transportation	$796,679	$664,155	$674,860	$674,861	($121,818)	(15.3%)
Dept. of Parks and Recreation	$295,123	$238,113	$246,503	$246,756	($48,367)	(16.4%)
Dept. of Design & Construction	$106,238	$105,971	$106,547	$106,571	$333	0.3%
Dept. of Citywide Admin. Services	$396,508	$334,902	$340,284	$340,284	($56,224)	(14.2%)
D.O.I.T.T.	$270,938	$239,637	$231,396	$231,402	($39,536)	(14.6%)
Dept. of Record & Info. Services	$5,360	$4,898	$5,237	$5,237	($123)	(2.3%)
Dept. of Consumer Affairs	$21,805	$19,940	$19,430	$19,430	($2,375)	(10.9%)
District Attorney - N.Y.	$80,690	$75,304	$75,304	$75,304	($5,386)	(6.7%)
District Attorney - Bronx	$47,604	$44,804	$44,473	$44,362	($3,242)	(6.8%)
District Attorney - Kings	$78,786	$74,335	$74,335	$74,335	($4,451)	(5.6%)
District Attorney - Queens	$46,971	$44,246	$43,786	$43,786	($3,185)	(6.8%)
District Attorney - Richmond	$7,632	$7,357	$7,208	$7,208	($424)	(5.6%)
Office of Prosec. & Spec. Narc.	$17,624	$16,328	$16,328	$16,328	($1,296)	(7.4%)
Public Administrator - N.Y.	$1,268	$1,156	$1,156	$1,156	($112)	(8.8%)
Public Administrator - Bronx	$499	$425	$425	$425	($74)	(14.8%)
Public Administrator - Brooklyn	$605	$526	$526	$526	($79)	(13.1%)
Public Administrator - Queens	$473	$400	$400	$400	($73)	(15.4%)
Public Administrator - Richmond	$376	$307	$307	$307	($69)	(18.4%)
General Reserve	$300,000	$300,000	$300,000	$300,000	$0	0.0%
IT Efficiency Savings	($4,407)	($8,294)	($8,794)	($8,794)	($4,387)	99.5%
Energy Adjustment	$0	$51,108	$87,056	$105,704	$105,704	N/A
Lease Adjustment	$0	$23,642	$85,344	$136,982	$136,982	N/A
OTPS Inflation Adjustment	$0	$0	$55,519	$111,038	$111,038	N/A
TOTAL EXPENDITURE	**$64,575,515**	**$67,526,329**	**$71,495,434**	**$74,061,155**	**$9,485,640**	**14.7%**

Glossary of Acronyms

AGI	Adjusted Gross Income
AIRA	Actuarial Interest Rate Assumption
ARRA	American Recovery and Reinvestment Act
BARB	Building Aid Revenue Bond
BCT	Banking Corporation Tax
BSA	Budget Stabilization Account
CSA	Council of School Supervisors and Administrators
CUNY	City University of New York
CWA	Communications Workers of America
DC37	District Council 37
DEP	Department of Environmental Protection
DOC	Department of Correction
DOE	Department of Education
DOF	Department of Finance
DOT	Department of Transportation
ECB	Environmental Control Board

EDC	Economic Development Corporation
FDNY	Fire Department
FMAP	Federal Medical Assistance Percentages
FTE	Full-Time Equivalent
FY	Fiscal Year
GCP	Gross City Product
GCT	General Corporation Tax
GDP	Gross Domestic Product
G.O. Debt	General Obligation Debt
HPD	Housing Preservation Development
HYIC	Hudson Yard Infrastructure Corporation
J&C	Judgments and Claims
MCTD	Metropolitan Commuter Transportation District
MRT	Mortgage Recording Tax
NYC	New York City
NYCTFA	New York City Transitional Finance Authority
NYPD	New York City Police Department

NYS	New York State
NYSE	New York Stock Exchange
NYWFA	New York City Municipal Water Finance Authority
OSA	Organization of Staff Analyst
OMB	Office of Management and Budget
OTPS	Other than Personal Services
PEG	Program to Eliminate the Gap
PERB	Public Employment Relations Board
PILOT	Payment in lieu of Taxes
PIT	Personal Income Tax
PS	Personal Services
RHBT	Retiree Health Benefit Trust
RPTT	Real Property Transfer Tax
STAR	School Tax Relief Program
UFA	United Firefighters' Association
UFT	United Federation of Teachers
U.S.	United States