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Comments on New York City's Fiscal Year 2017 Adopted Budget

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TABLE OF CONTENTS

I. EXECUTIVE SUMMARY	v
II. THE FY 2017 ADOPTED BUDGET.....	5
BUDGET CUSHION	6
CITYWIDE SAVINGS PROGRAM.....	6
<i>Risks and Offsets</i>	7
III. THE STATE OF THE CITY'S ECONOMY	11
COMPTROLLER'S ECONOMIC FORECAST, 2016-2020	11
IV. REVENUE ASSUMPTIONS	13
<i>Tax Revenues</i>	13
<i>Miscellaneous Revenues</i>	17
V. EXPENDITURE ASSUMPTIONS	21
<i>Pensions</i>	21
<i>Headcount</i>	22
<i>Overtime</i>	25
<i>Department of Education</i>	26
<i>Debt Service</i>	26
VI. APPENDIX.....	29

LIST OF TABLES

TABLE 1.	FYs 2017– 2020 FINANCIAL PLAN	1
TABLE 2.	PLAN-TO-PLAN CHANGES JUNE 2016 PLAN VS. APRIL 2016 PLAN	2
TABLE 3.	PLAN-TO-PLAN CHANGES JUNE 2016 PLAN VS. JUNE 2015 PLAN.....	3
TABLE 4.	RISKS AND OFFSETS.....	4
TABLE 5.	FY 2017 CHANGES FROM THE EXECUTIVE BUDGET	5
TABLE 6.	RISKS AND OFFSETS.....	8
TABLE 7.	SELECTED NYC AND THE U.S. ECONOMIC INDICATORS, ANNUAL AVERAGES, COMPTROLLER AND MAYOR’S FORECASTS, 2016-2020	12
TABLE 8.	TAX REVENUE FORECAST, GROWTH RATES, FY 2016 – FY 2020.....	14
TABLE 9.	RISKS AND OFFSETS TO THE PLAN’S TAX REVENUE PROJECTIONS	17
TABLE 10.	MISCELLANEOUS REVENUE PROJECTIONS.....	18
TABLE 11.	FYs 2017 – 2020 EXPENDITURE GROWTH	21
TABLE 12.	FY 2017 JUNE PLAN PROJECTIONS OF THE CITY’S PENSION EXPENDITURES	22
TABLE 13.	TOTAL FUNDED FULL-TIME YEAR-END HEADCOUNT PROJECTIONS – ADOPTED BUDGET AND JUNE 2016 FINANCIAL PLAN	23
TABLE 14.	MAY 31, 2016 HEADCOUNT VS. PLANNED JUNE 30, 2016 HEADCOUNT	24
TABLE 15.	PROJECTED OVERTIME SPENDING, FY 2017.....	25
TABLE 16.	FYs 2016 – 2020 DEBT SERVICE ESTIMATES	27
TABLE A1.	FY 2017 ADOPTED BUDGET REVENUE DETAIL.....	29
TABLE A2.	FY 2017 ADOPTED BUDGET EXPENDITURE DETAIL.....	31

LIST OF CHARTS

CHART 1.	TOTAL DEBT SERVICE AS A PERCENTAGE OF LOCAL TAX REVENUES, FYs 1992-2020.....	28
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I. Executive Summary

Netting out the impact of prepayments and reserves, expenditures in the FY 2017 Adopted Budget totals \$84.6 billion, 3.2 percent more than the adjusted FY 2016 expenditures. The adjusted City-funds portion of the FY 2017 budget totals \$61.8 billion, an increase of 5.4 percent from the FY 2016 budget. Since the Executive Budget in April, City-funds expenditures have increased by \$543 million. Funding for City Council priorities accounts for \$473 million of the increase including additional recurring funding over the Plan period of \$21 million to improve access to libraries and \$38.5 million for Summer Youth Employment Program.

The increase in adjusted spending is well above assumed growth in tax revenues of 1.6 percent in FY 2017. The gap between budgeted revenues and expenditures in FY 2017 is closed with the help of a \$4 billion prepayment at the end of FY 2016. If tax revenues proceed as forecast by the Comptroller's Office, revenue growth will be higher. However, the rate of growth has recently declined. In FY 2016, tax revenues are projected to have grown only 3.6 percent, significantly less than average growth of 6.5 percent over the prior four years. The U.S. economy is expected to continue its tepid recovery in the remainder of 2016, leaving the nation more vulnerable to external shocks. The unexpected Brexit vote has added a further layer of uncertainty to the economic forecast as the United Kingdom faces negotiation of the terms of the exit and other European nations weigh its political ramifications.

The increased uncertainty in the economy has heightened the importance of implementing spending efficiencies and bolstering the City's budget cushion against a downturn. Unfortunately, the Administration's actions to safeguard against economic uncertainties fall short. The FY 2017 Adopted Budget includes an additional \$135 million in savings from a new round of Citywide Savings Program, bringing the total savings to \$1.1 billion in FY 2017 and \$2.8 billion for FYs 2016 and 2017 combined. However, efficiency initiatives account for only a small part of the savings program. Only 7.4 percent of the combined FYs 2016 and 2017 savings are from efficiency initiatives. The remaining savings reflect mainly expenditure re-estimates, debt service savings, and funding switch – reductions which previously, in the absence of a Citywide Savings Program, were reflected as budget adjustments. Of the \$135 million in additional FY 2017 savings, only \$391,000 is due to efficiency savings. The remaining savings are from debt service savings and the spillover headcount shortfall from FY 2016. The June 2016 Headcount Plan calls for FY 2016 year-end total-funds full-time headcount to be at 294,018. However, with one month left in the fiscal year, full-time headcount on May 31st was 285,964. Eleven months into the fiscal year, the City has managed to achieve only 52 percent of the planned increase for FY 2016. Because of this shortfall, headcount will be below the level assumed in the Plan for most of FY 2017.

Last year, the Comptroller's Office determined the City should maintain a budget cushion in the range of 12 percent to 18 percent of adjusted expenditures to mitigate the need for austere actions such as service cuts, layoffs, and tax increases during an economic downturn. While it is encouraging to see that the City has been adding to its

budgetary cushion since FY 2013, it is still short of the lower threshold of the optimal cushion range. The City will begin FY 2017 with a cushion of \$9.4 billion, an increase of \$900 million from the cushion at the beginning of FY 2016. The \$9.4 billion cushion is only 11.1 percent of adjusted FY 2017 expenditures, \$762 million short of 12 percent of adjusted expenditures. It is critical that the City build up its cushion when tax revenue collections are strong.

The Comptroller's Office's evaluation of FY 2017 Adopted Budget and Financial Plan also projects larger outyear gaps than forecast by the Administration. The Comptroller's Office finds additional resources of \$104 million in FY 2017 and net risks of \$762 million in FY 2018, \$1.0 billion in FY 2019 and \$1.1 billion in FY 2020. As a result, the Comptroller's Office projects outyear gaps of \$3.6 billion in FY 2018, \$4.0 billion in FY 2019, and \$3.4 billion in FY 2020. The greatest risk is the City's estimates of subsidies to Health + Hospitals (H + H). A significant portion of H + H revenue actions in its deficit reduction plan relies on Federal and State approval which is not certain. As a result, the City will likely have to increase its subsidy to H + H to make up for any shortfall in the deficit reduction plan. In addition, the City will likely have to pay for H + H's medical malpractice and fringe benefits cost as H + H has reimbursed the City for these expenses in only one out of the four years spanning FYs 2013 through 2016. Altogether, the risks posed by H + H total \$365 million in FY 2017 and grow to \$515 million by FY 2020.

Consistent with past practices, the City continues to under-budget overtime spending in the Adopted Budget, creating a risk of \$302 million in FY 2017 and \$250 million annually thereafter. The Comptroller's Office has also identified risks of \$30 million in FY 2017 and \$80 million annually in the outyears in the City's assumption of Federal Medicaid reimbursement for special education students in the Department of Education. In addition, the Comptroller's Office estimates that beginning in FY 2018, expenditures for homeless shelters could be above the Plan estimates by \$130 million annually and spending on students in shelters could exceed Plan estimates by \$10 million annually. Furthermore, the June Plan does not reflect additional pension contributions resulting from a shortfall in pension investment returns against the actuarial interest rate assumption. The Comptroller's Office estimates the shortfall will result in additional pension contributions of \$122 million in FY 2018, \$244 million in FY 2019, and \$366 million in FY 2020. Offsetting some of the expenditure risks is the Comptroller's Office's revenue projections which are above the Plan forecast by \$601 million in FY 2017, \$158 million in FY 2018, \$53 million in FY 2019, and \$208 million in FY 2020.

Table 1. FYs 2017– 2020 Financial Plan

(\$ in millions)

	FY 2017	FY 2018	FY 2019	FY 2020	Changes FYs 2017 – 2020	
					Dollar	Percent
<u>Revenues</u>						
Taxes:						
General Property Tax	\$24,229	\$25,612	\$27,120	\$28,389	\$4,160	17.2%
Other Taxes	\$29,700	\$30,890	\$31,881	\$32,984	\$3,284	11.1%
Tax Audit Revenues	\$714	\$714	\$714	\$714	\$0	0.0%
Subtotal: Taxes	\$54,643	\$57,216	\$59,715	\$62,087	\$7,444	13.6%
Miscellaneous Revenues	\$6,407	\$6,434	\$6,678	\$6,777	\$370	5.8%
Less: Intra-City Revenues	(\$1,764)	(\$1,764)	(\$1,759)	(\$1,765)	(\$1)	0.1%
Disallowances Against Categorical Grants	(\$15)	(\$15)	(\$15)	(\$15)	\$0	0.0%
Subtotal: City Funds	\$59,271	\$61,871	\$64,619	\$67,084	\$7,813	13.2%
Other Categorical Grants	\$853	\$837	\$835	\$831	(\$22)	(2.6%)
Inter-Fund Revenues	\$646	\$644	\$582	\$581	(\$65)	(10.1%)
Federal Categorical Grants	\$7,673	\$6,811	\$6,680	\$6,618	(\$1,055)	(13.7%)
State Categorical Grants	\$13,673	\$14,293	\$14,763	\$15,249	\$1,576	11.5%
Total Revenues	\$82,116	\$84,456	\$87,479	\$90,363	\$8,247	10.0%
<u>Expenditures</u>						
Personal Service						
Salaries and Wages	\$25,745	\$27,213	\$28,749	\$29,582	\$3,837	14.9%
Pensions	\$9,422	\$9,710	\$9,852	\$9,783	\$361	3.8%
Fringe Benefits	\$9,679	\$10,254	\$10,932	\$11,879	\$2,200	22.7%
Subtotal-PS	\$44,846	\$47,177	\$49,533	\$51,244	\$6,398	14.3%
Other Than Personal Service						
Medical Assistance	\$5,915	\$5,915	\$5,915	\$5,915	\$0	0.0%
Public Assistance	\$1,584	\$1,602	\$1,613	\$1,624	\$40	2.5%
All Other	\$27,450	\$26,393	\$26,666	\$26,556	(\$894)	(3.3%)
Subtotal-OTPS	\$34,949	\$33,910	\$34,194	\$34,095	(\$854)	(2.4%)
Debt Service						
Principal	\$2,175	\$2,216	\$2,139	\$2,270	\$95	4.4%
Interest & Offsets	\$2,181	\$2,244	\$2,416	\$2,671	\$490	22.5%
Subtotal Debt Service	\$4,356	\$4,460	\$4,555	\$4,941	\$585	13.4%
FY 2016 BSA	(\$3,994)	\$0	\$0	\$0	\$3,994	(100.0%)
TFA						
Principal	\$829	\$971	\$1,252	\$1,259	\$430	51.9%
Interest & Offsets	\$1,394	\$1,518	\$1,649	\$1,915	\$521	37.4%
Subtotal TFA	\$2,223	\$2,489	\$2,901	\$3,174	\$951	42.8%
Capital Stabilization Reserve	\$500	\$0	\$0	\$0	(\$500)	(100.0%)
General Reserve	\$1,000	\$1,000	\$1,000	\$1,000	\$0	0.0%
	\$83,880	\$89,036	\$92,183	\$94,454	\$10,574	12.6%
Less: Intra-City Expenses	(\$1,764)	(\$1,764)	(\$1,759)	(\$1,765)	(\$1)	0.1%
Total Expenditures	\$82,116	\$87,272	\$90,424	\$92,689	\$10,573	12.9%
Gap To Be Closed	\$0	(\$2,816)	(\$2,945)	(\$2,326)	(\$2,326)	

Table 2. Plan-to-Plan Changes
June 2016 Plan vs. April 2016 Plan

(\$ in millions)

	FY 2017	FY 2018	FY 2019	FY 2020
Revenues				
Taxes:				
General Property Tax	\$38	\$0	\$0	\$0
Other Taxes	(\$38)	\$0	\$0	\$0
Tax Audit Revenues	\$0	\$0	\$0	\$0
Subtotal: Taxes	\$0	\$0	\$0	\$0
Miscellaneous Revenues	(\$93)	\$2	\$101	\$0
Less: Intra-City Revenues	(\$1)	\$0	(\$1)	\$0
Disallowances Against Categorical Grants	\$0	\$0	\$0	\$0
Subtotal: City Funds	(\$94)	\$2	\$100	\$0
Other Categorical Grants	\$2	\$3	\$3	\$3
Inter-Fund Revenues	\$1	\$1	\$0	\$0
Federal Categorical Grants	(\$4)	\$0	\$0	\$0
State Categorical Grants	(\$9)	\$2	\$2	\$2
Total Revenues	(\$104)	\$8	\$105	\$5
Expenditures				
Personal Service				
Salaries and Wages	(\$408)	(\$342)	(\$337)	(\$8)
Pensions	\$0	\$0	(\$1)	(\$2)
Fringe Benefits	(\$183)	(\$157)	(\$156)	\$5
Subtotal-PS	(\$591)	(\$499)	(\$494)	(\$5)
Other Than Personal Service				
Medical Assistance	\$0	\$0	\$0	\$0
Public Assistance	\$0	\$0	\$0	\$0
All Other	\$1,175	\$635	\$616	\$116
Subtotal-OTPS	\$1,175	\$635	\$616	\$116
Debt Service				
Principal	(\$22)	(\$34)	(\$36)	(\$39)
Interest & Offsets	(\$24)	(\$7)	(\$5)	(\$3)
Subtotal Debt Service	(\$46)	(\$41)	(\$41)	(\$42)
FY 2016 BSA	(\$638)	\$0	\$0	\$0
TFA				
Principal	\$0	\$0	\$0	\$0
Interest & Offsets	(\$3)	(\$6)	(\$7)	(\$7)
Subtotal TFA	(\$3)	(\$6)	(\$7)	(\$7)
Capital Stabilization Reserve	\$0	\$0	\$0	\$0
General Reserve	\$0	\$0	\$0	\$0
Less: Intra-City Expenses	(\$1)	\$0	(\$1)	\$0
Total Expenditures	(\$104)	\$89	\$73	\$62
Gap to be Closed	\$0	(\$81)	\$32	(\$57)

Table 3. Plan-to-Plan Changes
June 2016 Plan vs. June 2015 Plan

(\$ in millions)

	FY 2017	FY 2018	FY 2019
Revenues			
Taxes:			
General Property Tax	\$532	\$907	\$1,351
Other Taxes	(\$96)	\$232	\$261
Tax Audit Revenues	\$3	\$3	\$3
Subtotal: Taxes	\$439	\$1,142	\$1,615
Miscellaneous Revenues	(\$277)	(\$351)	(\$166)
Less: Intra-City Revenues	(\$1)	\$10	\$10
Disallowances Against Categorical Grants	\$0	\$0	\$0
Subtotal: City Funds	\$161	\$801	\$1,459
Other Categorical Grants	\$7	(\$14)	(\$13)
Inter-Fund Revenues	\$100	\$96	\$33
Federal Categorical Grants	\$795	\$336	\$305
State Categorical Grants	\$324	\$538	\$680
Total Revenues	\$1,387	\$1,757	\$2,464
Expenditures			
Personal Service			
Salaries and Wages	\$302	\$422	\$442
Pensions	\$703	\$940	\$984
Fringe Benefits	(\$79)	(\$73)	(\$190)
Subtotal-PS	\$926	\$1,289	\$1,236
Other Than Personal Service			
Medical Assistance	(\$509)	(\$509)	(\$509)
Public Assistance	\$120	\$138	\$149
All Other	\$3,134	\$1,980	\$1,939
Subtotal-OTPS	\$2,745	\$1,609	\$1,579
Debt Service			
Principal	(\$135)	(\$67)	(\$88)
Interest & Offsets	(\$127)	(\$221)	(\$213)
Subtotal Debt Service	(\$262)	(\$288)	(\$301)
FY 2016 BSA	(\$3,994)	\$0	\$0
TFA			
Principal	(\$42)	\$82	\$81
Interest & Offsets	\$50	(\$36)	(\$49)
Subtotal TFA	\$8	\$46	\$32
Capital Stabilization Reserve	\$500	\$0	\$0
General Reserve	\$0	\$0	\$0
Less: Intra-City Expenses	(\$1)	\$10	\$10
Total Expenditures	(\$78)	\$2,666	\$2,556
Gap to be Closed	\$1,465	(\$909)	(\$92)

Table 4. Risks and Offsets

(\$ in millions, positive numbers reduce the gap and negative numbers increase the gap)

	FY 2016	FY 2017	FY 2018	FY 2019	FY 2020
City Stated Gap	\$0	\$0	(\$2,816)	(\$2,945)	(\$2,326)
Tax Revenues					
Property Tax	\$0	\$0	\$46	\$128	\$312
Personal Income Tax	\$0	\$280	\$321	\$291	\$140
Business Taxes	\$0	\$60	(\$122)	(\$12)	\$47
Sales Tax	\$0	\$155	\$192	\$180	\$150
Sales Tax Intercept	\$0	(\$50)	(\$200)	(\$150)	\$0
Real-Estate-Related Taxes	<u>\$0</u>	<u>\$119</u>	<u>\$0</u>	<u>(\$165)</u>	<u>(\$116)</u>
Subtotal Tax Revenues	\$0	\$564	\$237	\$272	\$533
Non-Tax Revenues					
Bus Lane Camera Fines	\$0	\$3	\$2	\$4	\$3
Speed Camera Fines	\$0	\$20	\$12	\$20	\$25
ECB Fines	\$0	\$7	\$7	\$7	\$7
Late Filing/No Permit Penalties (Department of Buildings)	\$0	\$7	\$7	\$7	\$7
Taxi Medallion Sales	<u>\$0</u>	<u>\$0</u>	<u>(\$107)</u>	<u>(\$257)</u>	<u>(\$367)</u>
Subtotal Non-Tax Revenues	\$0	\$37	(\$79)	(\$219)	(\$325)
Total Revenues	\$0	\$601	\$158	\$53	\$208
Expenditures					
Overtime	\$0	(\$302)	(\$250)	(\$250)	(\$250)
Pension Contributions	\$0	\$0	(\$122)	(\$244)	(\$366)
DOE Medicaid Reimbursement	\$0	(\$30)	(\$80)	(\$80)	(\$80)
Homeless Shelters	\$0	\$0	(\$130)	(\$130)	(\$130)
DOE Students in Shelter	\$0	\$0	(\$10)	(\$10)	(\$10)
NYC Health + Hospitals	\$0	(\$365)	(\$415)	(\$465)	(\$515)
VRDB Rate Savings	\$0	\$125	\$87	\$87	\$87
Short-term Borrowing Elimination	\$0	\$75	\$0	\$0	\$0
General Reserve	<u>\$20</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
Subtotal	\$20	(\$497)	(\$920)	(\$1,092)	(\$1,264)
Total (Risks)/Offsets	\$20	\$104	(\$762)	(\$1,039)	(\$1,056)
Restated (Gap)/Surplus	\$20	\$104	(\$3,578)	(\$3,984)	(\$3,382)

II. The FY 2017 Adopted Budget

The FY 2017 Adopted Budget totals \$82.1 billion, \$248 million less than the modified FY 2016 budget. After netting out the impact of prepayments and reserves, the FY 2017 budget totals \$84.61 billion, 3.2 percent more than the adjusted FY 2016 budget of \$81.98 billion.¹ Both the FYs 2017 and 2016 budgets reflect the effect of prepayments. The level of general reserves in these fiscal years also differ — \$1 billion in FY 2017 compared to the remaining \$20 million in FY 2016. In addition, the FY 2017 budget includes a \$500 million Capital Stabilization Reserve (CSR) which is not in the FY 2016 budget. The City-funds portion of the FY 2017 Adopted Budget, after netting out prepayments and reserves, totals \$61.8 billion, an increase of 5.4 percent from the adjusted FY 2016 budget.

City-funds expenditures in the FY 2017 Adopted Budget, prior to the net reductions from prepayments, totals \$63.27 billion, an increase of \$543 million from the FY 2017 Executive Budget. As Table 5 shows, funding for City Council priorities totaling \$473 million account for the largest increase, including \$352 million for directly funding City Council initiatives and \$121 million for enhanced administrative support within relevant agencies. Five agencies — the Department of Youth and Community Development (DYCD), the Department of Health and Mental Hygiene (DOHMH), the Department of Cultural Affairs (DCLA), the Department of Social Services (DSS), and the Department for the Aging (DFTA) account for \$310 million of the allocation.

Table 5. FY 2017 Changes from the Executive Budget

(\$ in millions, positive numbers decrease the gap and negative numbers increase the gap)

April 2016 Gap	\$0
Revenue Changes	
Non-Tax Revenues	(\$94)
Subtotal Revenue Changes	(\$94)
Expenditure Changes	
City Council Initiatives	(\$352)
Additional Support for Council Initiatives	(121)
Subtotal Council Priorities	(\$473)
Agency Expenses	(\$64)
Push Out of FY 2016 Expenses	(128)
Miscellaneous Expenses	(13)
Citywide Savings Program	135
Subtotal Expenditure Changes	(\$543)
Remaining Gap to be Closed	(\$637)
Prepayment of FY 2017 Expenses	\$637
June 2016 Gap	\$0

¹ The FY 2016 budget is also reduced by \$500 million from the adjustment of prior-year accruals. However, this reduction is completely offset by a \$500 million deposit to the Retiree Health Benefits Trust.

City-funds expenditures in FY 2017 are also increased by the delay of \$128 million in expenses previously anticipated in FY 2016. In total, the City is moving \$159 million of FY 2016 expenses into the outyears, of which \$128 million is expected to be spent in FY 2017, \$24 million in FY 2018 and \$7 million in FY 2019. The increase in expenditures from City Council priorities, additional agency expenses and the delay of FY 2016 expenses into FY 2017 are partially offset by savings of \$135 million from a new round of Citywide Savings Program. However, as discussed in “Citywide Savings Program” below, all but \$391,000 of the savings are from debt service, and anticipated savings from lower than planned headcount levels for most of FY 2017, a result of headcount shortfall in FY 2016. Headcount as of May 31st indicates that headcount will be significantly below planned year-end level.

City-funds revenues in the FY 2017 Adopted Budget are \$94 million less than the Executive Budget. The reduction is due to the push out of \$100 million of anticipated revenue from Housing Preservation and Development (HPD) mortgage sales in FY 2017 to FY 2019. A \$6 million upward revision in estimated Water Board operations and maintenance payment to the City results in a net reduction of \$94 million in non-tax revenues. Total tax revenue estimate remains unchanged from the Executive Budget.

The \$94 million reduction in City-funds revenues and net increase of \$543 million in City-funds expenditures result in a gap of \$637 million. This gap is closed with an increase of \$637 million in the prepayment of FY 2017 expenses. The additional prepayment brings the total prepayment of FY 2017 expenditures to \$3.994 billion consisting of prepayments of \$1.76 billion of general obligation (GO) debt service, \$1.734 billion of Transition Finance Authority (TFA) debt service, \$100 million of lease-purchase debt service and \$400 million of advance subsidy to Health + Hospitals (H + H), the largest on record.

BUDGET CUSHION

The \$3.994 billion prepayment together with the \$500 million deposit to the RHBT and the \$1.5 billion in the FY 2017 General and Capital Stabilization Reserve increases the City’s budget cushion at the start of the FY 2017 to \$9.4 billion. The cushion is \$900 million more than at this point last fiscal year. This is the third consecutive year in which the City has added to the cushion. While it is encouraging to see the City continuing to increase the cushion, the \$9.4 billion falls below the minimum level identified to mitigate the need for austere measures such as service cuts, layoffs, and tax increases while weathering an economic downturn. Based on historical experience and guidelines from the rating agencies, the Comptroller’s Office determined the optimal cushion range is 12 percent to 18 percent of adjusted expenditures. The current cushion represents only 11.1 percent of adjusted FY 2017 expenditures, \$762 million shy of the lower threshold and \$5.8 billion short of the upper threshold.

CITYWIDE SAVINGS PROGRAM

The FY 2017 Adopted Budget Financial Plan includes additional Citywide savings initiatives which are expected to generate savings of \$315 million in FY 2016,

\$135 million in FY 2017, \$48 million in FY 2018, \$49 million in FY 2019, and \$50 million in FY 2020. Approximately \$224 million of the FY 2016 savings are from re-estimates of expenditures to reflect FY 2016 under-spending compared to the April Plan estimate. The remaining \$92 million is due to debt service savings.

Of the \$135 million of savings in FY 2017, \$49 million is due to outyear savings from FY 2016 debt service initiatives. Except for \$391,000 from an initiative to insource information technology at the Department of Correction, the remaining savings are from PS accrual savings from lower than planned headcount levels for most of FY 2017. Although the pace of headcount increase to date has been significantly below that needed to meet the fiscal year-end target, the City has not adjusted its FY 2016 projection in the current Plan to reflect this shortfall. Full-time headcount as of May 31st is 8,054 below fiscal year-end plan level and it is clear that the City will fall significantly short of its planned year-end level. As a consequence, monthly headcount levels for most of FY 2017 will be below that assumed in the Plan. The City is recognizing the savings from lower headcount levels in the savings program.

Combined with the savings programs proposed in the January and April Financial Plans, savings are expected to total \$2.77 billion over FYs 2016 and 2017. Only 28.9 percent of the combined FYs 2016 and 2017 savings are from agency spending reductions. Within the agency spending reductions, efficiency and productivity initiatives account for \$206 million or 7.4 percent of the total savings program. The remaining spending reductions are from accrual savings from delays in hiring and spending, shortfalls in year-to-date spending and re-estimates of service needs. These savings would have been reflected in the budget as budget adjustments in the absence of a savings program.

Risks and Offsets

The FY 2017 Adopted Budget Financial Plan projects outyear gaps of \$2.8 billion in FY 2018, \$2.9 billion in FY 2019, and \$2.3 billion in FY 2020. However, the Comptroller's Office projects larger outyear gaps of \$3.6 billion in FY 2018, \$4.0 billion in FY 2019, and \$3.4 billion in FY 2020, as shown in Table 6. The larger gaps result from the Comptroller's Office's estimate of higher expenditures. While the Comptroller's Office projects higher revenues than the Plan, these additional revenues are not sufficient to offset the expenditure risks identified by the Office.

Table 6. Risks and Offsets

(\$ in millions, positive numbers reduce the gap and negative numbers increase the gap)

	FY 2016	FY 2017	FY 2018	FY 2019	FY 2020
City Stated Gap	\$0	\$0	(\$2,816)	(\$2,945)	(\$2,326)
Tax Revenues					
Property Tax	\$0	\$0	\$46	\$128	\$312
Personal Income Tax	\$0	\$280	\$321	\$291	\$140
Business Taxes	\$0	\$60	(\$122)	(\$12)	\$47
Sales Tax	\$0	\$155	\$192	\$180	\$150
Sales Tax Intercept	\$0	(\$50)	(\$200)	(\$150)	\$0
Real-Estate-Related Taxes	<u>\$0</u>	<u>\$119</u>	<u>\$0</u>	<u>(\$165)</u>	<u>(\$116)</u>
Subtotal Tax Revenues	\$0	\$564	\$237	\$272	\$533
Non-Tax Revenues					
Bus Lane Camera Fines	\$0	\$3	\$2	\$4	\$3
Speed Camera Fines	\$0	\$20	\$12	\$20	\$25
ECB Fines	\$0	\$7	\$7	\$7	\$7
Late Filing/No Permit Penalties (Department of Buildings)	\$0	\$7	\$7	\$7	\$7
Taxi Medallion Sales	<u>\$0</u>	<u>\$0</u>	<u>(\$107)</u>	<u>(\$257)</u>	<u>(\$367)</u>
Subtotal Non-Tax Revenues	\$0	\$37	(\$79)	(\$219)	(\$325)
Total Revenues	\$0	\$601	\$158	\$53	\$208
Expenditures					
Overtime	\$0	(\$302)	(\$250)	(\$250)	(\$250)
Pension Contributions	\$0	\$0	(\$122)	(\$244)	(\$366)
DOE Medicaid Reimbursement	\$0	(\$30)	(\$80)	(\$80)	(\$80)
Homeless Shelters	\$0	\$0	(\$130)	(\$130)	(\$130)
DOE Students in Shelter	\$0	\$0	(\$10)	(\$10)	(\$10)
NYC Health + Hospitals	\$0	(\$365)	(\$415)	(\$465)	(\$515)
VRDB Rate Savings	\$0	\$125	\$87	\$87	\$87
Short-term Borrowing Elimination	\$0	\$75	\$0	\$0	\$0
General Reserve	<u>\$20</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
Subtotal	\$20	(\$497)	(\$920)	(\$1,092)	(\$1,264)
Total (Risks)/Offsets	\$20	\$104	(\$762)	(\$1,039)	(\$1,056)
Restated (Gap)/Surplus	\$20	\$104	(\$3,578)	(\$3,984)	(\$3,382)

The Comptroller's Office projects that tax revenues will be significantly higher than the City's projections in each of FYs 2017 through 2020. Higher projections for property taxes, personal income taxes, and sales taxes in each year of the Plan are offset by lower business taxes in FY 2018 and FY 2019 and lower real-estate-related taxes in FY 2019 and FY 2020. Tax revenues will also be reduced by a planned sales tax revenue intercept from the State to recapture savings from refinancing the State-backed STAR-C bonds. A provision in the State budget for State fiscal year 2017 provides legal authority for the State to intercept \$600 million in City sales tax revenue over three years. However, the City has only recognized the first State fiscal year's impact of \$200 million, creating a risk of \$400 million.

Additional revenue is projected to be generated from bus lane and speed camera fines, "quality-of-life" fines adjudicated by the City's Environmental Control Board, and

Department of Building penalties for late permit filing or lack of permits. However, beginning in FY 2018, these additional revenues are more than offset by risks to the City's assumption of taxi medallion sales revenues. The Comptroller's Office projects the City will not sell additional taxi medallions during the Financial Plan, given the disruption in the yellow taxi industry from mobile ride-hailing companies. Overall, the Comptroller's Office projects that revenues will be above the City's projections by \$601 million in FY 2017, \$158 million in FY 2018, \$53 million in FY 2019, and \$208 million in FY 2020.

Risks to the City's expenditure projections for FYs 2017 through 2020 remain largely unchanged from our risks in May. The largest risk is the City's projection of subsidies to H + H. The Comptroller's Office estimates that subsidies to H + H will likely exceed projections by \$365 million in FY 2017 growing to \$515 million by FY 2020. The City will likely have to cover H + H's medical malpractice claims and fringe benefits costs projected at \$165 million annually as it has reimbursed the City for these expenses in only one out of the four years spanning FY 2013 to FY 2016. In addition, because a significant portion of H + H's revenue actions in its deficit reduction plan requires Federal and State approvals which are not certain and require a city funding match, it is likely that the City will need to increase its subsidy by \$200 million in FY 2017 growing to \$350 million by FY 2020.

The next largest risk is overtime. The City has budgeted \$1.3 billion for overtime spending in FY 2017, \$435 million below the FY 2016 overtime spending through June. If overtime remains at the FY 2016 level, City expenses would be higher by \$302 million in FY 2017. In the outyears, the Comptroller's Office estimates that overtime spending could be above Plan by \$250 million annually.

Preliminary estimates indicate that pension investments will earn a combined return, net of fees, of 1.46 percent in FY 2016 against the actuarial interest rate assumption (AIRA) of 7.0 percent. The preliminary shortfall against the AIRA would require estimated additional pension contributions of \$122 million in FY 2018, \$244 million in FY 2019, and \$366 million in FY 2020.

Other risks include the DOE's assumption of Federal Medicaid reimbursement for special education services, funding of homeless shelters and DOE students in shelters. The DOE's assumption of Federal Medicaid reimbursement is significantly above actual collections over the prior two years. While the DOE plans to improve and upgrade the reporting/tracking capabilities in its Special Education Student Information System, until the DOE can demonstrate that the improvements can accelerate the pace of Medicaid revenue collection, the Comptroller's Office is projecting risks of \$30 million in FY 2017, and \$80 million in each of FYs 2018 – 2020.

The FY 2017 shelter expense budget includes the addition of \$160 million in the Executive Budget to meet prior funding shortfall. However, the additional funding did not extend to the outyears and the current Plan has left the funding unchanged. Therefore, the Comptroller's Office projects a risk of \$130 million annually beginning in FY 2018. Similarly, DOE budgeted \$10 million in FY 2017 to provide enhanced support to students living in homeless shelters, but did not extend the funding to the outyears of the Plan, thereby posing a risk of \$10 million in each of FYs 2018 through 2020 as the

support is expected to continue in the outyears. These expenditure risks are somewhat offset by anticipated savings from low interest rates on variable rate debt bonds (VRDB) if rates remain historically low. Overall, the Comptroller projects expenditures could be higher than the City's Plan by \$497 million in FY 2017, \$920 million in FY 2018, \$1.1 billion in FY 2019, and \$1.3 billion in FY 2020.

III. The State of the City's Economy

COMPTROLLER'S ECONOMIC FORECAST, 2016-2020

There are no significant changes to our economic forecast since our last report, the Comptroller's *Comments on New York City Fiscal Year 2017 Executive Budget*, released in May 2016. Both the U.S. and the City's economies are expected to grow at a slow to moderate pace in 2017. Although the chance of a near term recession is low, the anticipated slow growth makes the economy vulnerable to shocks.

The Bureau of Economic Analysis revised their first quarter 2016 GDP estimate to 1.1 percent, higher than the initial estimate of 0.5 percent. The U.S. economy in 2016 seems poised to repeat its pattern of 2014 and 2015; a weak first quarter followed by a rebound in the following quarters. The Comptroller's Office expects the U.S. economy to grow 2.0 percent for calendar year 2016, below the 2.4 percent growth achieved in 2015, and then improve slightly in 2017. At its June meeting, the Federal Reserve lowered its 2016 GDP forecast to 2.0 percent, from their March projection of 2.2 percent.

The U.S. economy added an average of 172,000 jobs per month in the first six months of 2016, slower than the 229,000 average monthly gain in all of 2015, but higher than the approximately 100,000 jobs needed to keep up with growth in the labor force. Wage growth has also been weak. Seasonally adjusted average hourly earnings for total private employees rose 0.9 percent on an annualized basis in June, much lower than the 2.4 percent average monthly growth since data became available in March 2006 and the lowest monthly increase since 0.5 percent in February 2016.

The City's economy is expected to grow more slowly in 2016 than in 2015, but still faster than the nation's. The City's economy grew 3.7 percent in the first quarter of 2016. Total jobs grew at an annual average of 3.3 percent per month compared with the 1.4 percent national average during the first six months of 2016.

Although the chance of a near term recession is low, the Comptroller's Office expects structural problems in the national economy, including insufficient aggregate demand and a slowdown in productivity growth, to continue dragging down the pace of economic growth in 2017. The Comptroller's Office does not expect U.S. economic growth to exceed 2.3 percent in any year of the City's current Financial Plan.

Economic growth could further be impeded by the continued erosion of corporate profits and the Federal Reserve's intention to normalize interest rates. Corporate profits have declined 10.9 percent in the first quarter of 2016 from its peak in the third quarter of 2014. Lower profitability could translate into continued weakness in investments in plants and equipment, which has already been weak during this expansion.

Additionally, there is the uncertainty surrounding the impact of Brexit on the U.S. economy. While the immediate disruption in the financial markets was brief, there are larger uncertainties surrounding the exit and the impact on consumer spending, private

investment and trade. The Brexit vote has also raised uncertainties over its political implications for other European countries and the ongoing viability of the European Union.

The long-term impacts will not be known for some time and will depend on negotiations between the UK and the European Union over the next several years. Although the biggest impact would be on the UK and the European Union economies, the U.S. economy will not be totally immune. Brexit has contributed to the expectation that the Federal Reserve continues to delay its next interest rate increase. Long-term interest rates have also fallen due to the increased uncertainty about the future of Europe and continued migration to lower risk assets. The global economic weakness will continue to pressure the dollar to appreciate resulting in an increase to the trade deficit. Given the limitations of the current monetary policy to stimulate the economy, sound fiscal policy remains critical.

In conclusion, we believe the economy will continue on its path of slow to moderate growth. Table 7 shows the Comptroller's and the Mayor's forecast of five economic indicators for 2016 to 2020.

Table 7. Selected NYC and the U.S. Economic Indicators, Annual Averages, Comptroller and Mayor's Forecasts, 2016-2020

Selected NYC Economic Indicators, Annual Averages						
		2016	2017	2018	2019	2020
Real GCP, (2009 \$),	Comptroller	2.7	2.6	2.4	2.2	2.3
% Change	Mayor	0.2	1.9	1.9	1.7	0.9
Payroll Jobs,	Comptroller	86	59	59	59	59
Change in Thousands	Mayor	53	48	32	34	33
Inflation Rate,	Comptroller	1.3	2.2	2.4	2.5	2.5
Percent	Mayor	1.0	2.5	2.8	2.8	2.8
Wage-Rate Growth,	Comptroller	1.4	2.3	2.3	2.5	2.4
Percent	Mayor	1.4	2.8	3.7	3.3	2.7
Unemployment Rate,	Comptroller	5.3	5.3	5.3	5.3	5.3
Percent	Mayor	NA	NA	NA	NA	NA
Selected U.S. Economic Indicators, Annual Averages						
		2016	2017	2018	2019	2020
Real GDP, (2009 \$),	Comptroller	2.0	2.3	2.3	2.1	2.1
% Change	Mayor	2.3	2.7	2.6	2.4	2.4
Payroll Jobs,	Comptroller	2.5	2.1	2.0	2.0	2.0
Change in Millions	Mayor	2.5	1.9	1.3	1.4	1.6
Inflation Rate,	Comptroller	1.3	1.9	2.2	2.3	2.3
Percent	Mayor	0.8	2.3	2.7	2.7	2.6
Fed Funds Rate,	Comptroller	0.4	1.0	1.7	2.4	3.0
Percent	Mayor	0.6	1.4	2.4	3.0	3.0
10-Year Treasury Notes,	Comptroller	1.9	2.6	3.0	3.5	4.2
Percent	Mayor	2.3	2.9	3.3	3.6	3.6

SOURCE: Comptroller=forecast by the NYC Comptroller's Office. Mayor=forecast by the NYC Office of Management and Budget in the June 2016 Financial Plan. GCP=Gross City Product. NA=not available.

IV. Revenue Assumptions

The FY 2017 Adopted Budget and Financial Plan projects total revenues will grow by \$8 billion, from \$82.36 billion in FY 2016 to \$90.36 billion in FY 2020. City fund revenues are projected to grow from \$59 billion in FY 2016 to \$67.08 billion in FY 2020. Tax revenues are expected to comprise 65 percent of total revenues in FY 2016, and are projected to increase to 69 percent of total revenues in FY 2020. Property tax revenue is expected to grow from \$23.12 billion in FY 2016 to \$28.39 billion by FY 2020, an average growth rate of 5.3 percent, while non-property tax revenues are forecast to grow from \$30.67 billion in FY 2016 to \$33.70 billion in FY 2020, an average growth rate of 2.4 percent. The City's tax revenue projections assume moderate pace of economic growth and stable financial market conditions.²

Miscellaneous revenues, excluding intra-City revenue, are expected to decline 15 percent in FY 2016 to \$5.22 billion due to a drop in non-recurring revenues. For FY 2017, the Plan anticipates miscellaneous revenues to further decline by 11.0 percent to \$4.64 billion. Between FYs 2017 and 2020 growth in miscellaneous revenues is expected to average 2.6 percent annually from \$4.64 billion in FY 2017 to \$5.01 billion in FY 2020.

The June 2016 Plan projects total Federal and State aid of \$21.35 billion in FY 2017. The current forecast reflects a modest decline of \$13 million from the Executive Budget because of reduced support in the social services agencies. Federal and State aid are expected to decline by \$242 million in FY 2018 as Hurricane Sandy-related reimbursement tapers off. Federal and State aid is then projected to increase to \$21.44 billion in FY 2019 and \$21.87 billion in FY 2020. This rising trend mainly reflects the City's expectation of education aid increases from the State.

Tax Revenues

The FY 2017 Adopted Budget and Financial Plan keeps the total tax revenue forecasts for FYs 2017 – 2020 unchanged from the April Plan projections. The Adopted Budget projects total tax revenue growth of just 1.6 percent in FY 2017 to \$54.64 billion. The slowdown in tax revenue growth is driven by the Administration's assumption of a 0.8 percent decline in non-property tax revenues in FY 2017.

Changes to the Tax Revenue Forecast

Although total tax revenue projections are unchanged from the April Plan for the Four-Year Financial Plan, the Administration revised its tax revenue projection for FY 2016 and made offsetting adjustments to individual tax revenue projections in FYs 2017 – 2020. Total tax revenue projection for FY 2016 increased by a net \$41 million. For FY 2017, the June Plan increases the property tax forecast by

² If not indicated specifically, throughout this section, Personal Income Tax (PIT) and Property tax revenues include School Tax Relief (STAR) reimbursement.

\$44 million and decreases State aid School Tax Relief (STAR) forecast by \$6 million. Projected Real Property Transfer Tax (RPTT) decreases by \$44 million and the Mortgage Recording Tax (MRT) increases by \$6 million. In addition, the current Plan increases the Personal Income Tax (PIT) forecast by \$235 million and decreases the PIT STAR aid by the same amount. This adjustment reflects changes to the STAR program included in the State's Enacted Budget which includes a conversion of the City's PIT STAR credit for New York City residents into a New York State PIT STAR credit, eliminating the need to reimburse the City. Revisions to reflect the change in the STAR program are the only changes to tax revenue projections in the outyears.

Projected Tax Revenue Growth, FYs 2016 – 2020

The June Financial Plan projects that total tax revenues will grow from \$53.79 billion in FY 2016 to \$62.09 billion in FY 2020, an average annual growth rate of 3.7 percent. However, as shown in Table 8, the Plan assumes tax revenues will grow by a modest 1.6 percent in FY 2017, down from a projected 3.6 percent in FY 2016. The current projections shows tax revenue growth has slowed since the 7.4 percent registered in FY 2015, with the 3.6 percent growth projection for FY 2016 representing only 55 percent of the four-year average growth of 6.5 percent.

Table 8. Tax Revenue Forecast, Growth Rates, FY 2016 – FY 2020

	FY 2016	FY 2017	FY 2018	FY 2019	FY 2020	Average Annual Growth
Property						
Mayor	7.4%	4.8%	5.7%	6.0%	4.7%	5.3%
Comptroller	7.4%	4.8%	5.9%	6.2%	5.3%	5.6%
PIT						
Mayor	1.3%	1.5%	2.7%	3.5%	3.8%	2.9%
Comptroller	1.3%	3.9%	3.0%	3.2%	2.5%	3.1%
Business						
Mayor	(1.5%)	0.8%	5.6%	1.5%	2.4%	2.6%
Comptroller	(1.5%)	1.8%	2.5%	3.3%	3.3%	2.7%
Sales						
Mayor	3.0%	2.4%	6.2%	4.3%	4.3%	4.3%
Comptroller	3.0%	3.9%	4.5%	4.8%	5.8%	4.8%
Real-Estate-Related						
Mayor	0.1%	(9.6%)	1.3%	3.1%	2.8%	(0.8%)
Comptroller	0.3%	(5.7%)	(3.0%)	(3.1%)	4.8%	(1.8%)
All Other						
Mayor	2.2%	(0.5%)	2.9%	2.9%	2.9%	2.1%
Comptroller	2.2%	(0.5%)	2.9%	2.9%	2.9%	2.1%
Total Tax with Audit						
Mayor	3.6%	1.6%	4.7%	4.4%	4.0%	3.7%
Comptroller	3.6%	2.6%	4.1%	4.4%	4.4%	3.9%

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

NOTE: Sales tax revenue growth rates reflects the impact of the State Intercept of \$50 million in FY 2016 and \$150 million in FY 2017 as recognized in the April 2016 Financial Plan.

The projected slowdown in tax revenue growth in FY 2017 is attributed mainly to an anticipated decline in revenues from the real-estate-related taxes (RPTT and MRT), and an expected decline in tax audit revenues in FY 2017. The projected drop in audit revenues is a reflection of unusually large payments from sales tax audits in FY 2016.

Total tax revenues are expected to grow at a more robust 4.7 percent rate in FY 2018 as collections from non-property taxes begin to rebound.

The Comptroller's Office projects total tax revenue to grow 2.6 percent in FY 2017. Between FYs 2016 and 2020, the Comptroller's Office projects growth in tax revenues to average 3.9 percent annually, two-tenths of one percentage point above the Administration's 3.7 percent growth forecast. This difference is mostly driven by the Comptroller's higher projections for property tax, PIT and sales tax revenues. The Comptroller's outlook for local employment and economic growth is slightly better than the Administration's. The Comptroller's Office estimates non-property tax revenues will grow at an average rate of 2.5 percent annually over the forecast period while growth in property tax revenues will average an annual rate of 5.6 percent.

The FY 2017 Adopted Budget projects property tax revenue will grow 4.8 percent in FY 2017 down from an estimated 7.4 percent in FY 2016. Net collections from property tax are projected at \$24.23 billion. The property tax levy is expected to increase by \$1.6 billion based on the FY 2017 final assessment roll. Billable assessed value on the final roll grew by 6.9 percent. Much of the growth resulted from strong gains in values for commercial and large residential properties. From FYs 2016 – 2020, property tax revenue growth is expected to average 5.3 percent annually, reflecting steady growth in billable assessed value, and the phase-in of the pipeline of assessed value growth from prior years.

Following the FY 2017 final tax assessment roll, the Comptroller's Office revised its property tax revenue projections for the outyears of the Plan period. The Comptroller's Office anticipates additional revenues of \$46 million in FY 2018, \$128 million in FY 2019 and \$317 million in FY 2020. The Comptroller's Office offsets result from slightly higher projections for market values in the outyears.

The June Plan projects PIT revenue at \$11.58 billion in FY 2017. After growing by 11 percent in FY 2015, PIT revenue growth is estimated to slow to 1.3 percent in FY 2016 and 1.5 percent in FY 2017. The Plan assumes withholding to increase 5.3 percent in FY 2017 as job growth and wage income continue to support withholding collections. In contrast, estimated payments are expected to decline 2.2 percent as taxpayers recognize a decline in liability. Over the forecast period, PIT revenue growth is forecast to average 2.9 percent annually.

The Comptroller's Office expects continued growth in employment and wages sufficient to produce a 3.1 percent average annual increase in PIT collections from FY 2016 to FY 2020. PIT collections weakened considerably in the first half of calendar 2016, due in part to a drop in Wall Street bonus payments and to financial market volatility that impacted investors' capital gains realizations. The Comptroller's Office projects withholding collections to be above the Plan's forecasts in FYs 2017-2020. Consequently, the Office anticipates PIT offsets averaging about \$300 million in FYs 2017 through 2019, falling to \$140 million in FY 2020.

The current Plan projects business income tax revenues to decline 1.5 percent in FY 2016, and then grow by just 0.8 percent in FY 2017 to \$6 billion. Revenue from the business corporation tax is estimated to decline 4.5 percent in FY 2016, reflecting lower levels of finance sector payments resulting from lower Wall Street profits in the second half of CY 2015. Revenue from the unincorporated business tax (UBT) is estimated to grow by 4.8 percent in FY 2016 due in part to the high level of assets under management in the hedge fund industry. In FY 2017, growth in UBT revenues is projected to be nearly flat at 0.1 percent due to a projected slowdown in the growth of finance sector tax payments. Business corporation tax revenue is projected to grow by 1.2 percent, as tax payments from finance sector firms remain constrained. Growth in the combined business income tax revenues is forecast to average 2.6 percent annually in FYs 2016 through 2020.

As shown in Table 9, the Comptroller's Office business tax revenue projections show a more moderate and consistent growth than the Plan's. As a result of the difference in growth projections, the Comptroller's Office's forecast of net business tax collections is slightly higher than the Plan by \$60 million in FY 2017 and \$60 million in FY 2020. In FYs 2018 and 2019, the Comptroller's Office projects risks of \$122 million and \$12 million, respectively.

Sales tax revenue in the June Plan is projected to increase by 3.0 percent in FY 2016, but to slow to a 2.4 percent growth rate in FY 2017, after adjusting for the State revenue intercept of \$50 million in FY 2016 and \$150 million in FY 2017.³ The Plan assumes sales tax revenue will rise to \$7.12 billion in FY 2017 net of the anticipated \$150 million State intercept. Taxable consumption is projected to rise following employment gains and a projected increase in wage earnings. The Plan also assumes tourism spending will continue to support sales tax revenue, although weakness in the global economy and the strength in the dollar are projected to slow down international tourism. Over the forecast period, revenues from the sales tax are projected to grow at an average rate of 4.3 percent annually.

While the Plan's sales tax forecast assumes a total State intercept of \$200 million over the Plan period, the State plans to recoup a total of \$600 million over three years. The Comptroller's Office believes the unrecognized intercept represents a risk to the Administration's forecast. However, the Comptroller's Office projection of employment and local economic growth are slightly better than the Plan's forecasts. Therefore, despite the intercept risk, the Comptroller's Office projects sales tax revenue to be higher than the Plan's forecast by a net \$105 million in FY 2017, \$30 million in FY 2019 and \$150 million in FY 2020.

The June Plan projects a decline of 0.1 percent in the combined revenues from the real-estate-related taxes in FY 2016 and a sharper decline of 9.6 percent in FY 2017, to

³ In the April Plan the Administration recognized reductions in sales tax revenues of \$50 million in FY 2016 and \$150 million in FY 2017 to account for revenue intercept by New York State associated with the Sales Tax Asset Receivable Corporation (STAR-C) refinancing from which the City generated \$650 million in savings.

\$2.64 billion. In FY 2017, revenues from RPTT and MRT are projected to decline by 8.1 percent and 11.6 percent, respectively. Lack of inventory is expected to put downward pressure on revenues from residential transactions in FY 2017 while higher interest rates and a strong dollar are expected to lower tax collections from commercial transactions. Aggregate real-estate-related-tax revenues average a negative 0.8 percent growth annually over the forecast period.

The Comptroller's Office anticipates that the current rapid growth in commercial property values and sales will moderate in coming years and that a continued strengthening in the residential market will not fully offset a decline in transaction tax collections from the commercial sector. However, pricing of both commercial and residential properties remained strong through the first half of calendar year 2016, and that market momentum is expected to produce an offset in real-estate-related taxes in FY 2017.

As illustrated in Table 9, the Comptroller's Office projects tax revenue offsets of \$564 million in FY 2017, \$237 million in FY 2018, \$272 million in FY 2019 and \$538 million in FY 2020. The Comptroller's Office's projections of risks and offsets to the June Plan's tax revenue assumptions are based on current collections and the Office's latest economic projections.

Table 9. Risks and Offsets to the Plan's Tax Revenue Projections

(\$ in millions)

	FY 2017	FY 2018	FY 2019	FY 2020
Property	\$0	\$46	\$128	\$317
PIT	280	321	291	140
Business	60	(122)	(12)	47
Sales	155	192	180	150
Sales Intercept	(50)	(200)	(150)	0
Real-Estate-Related	119	0	(165)	(116)
Total	\$564	\$237	\$272	\$538

Miscellaneous Revenues

Excluding intra-City revenues, the FY 2017 Adopted Budget and Financial Plan projects miscellaneous revenues will decrease by \$575 million or 11 percent on a year-over-year basis, to \$4.64 billion in FY 2017. More than half of the decline is due to a lower forecast for "other miscellaneous" category, specifically, lower projected non-recurring revenues from asset sales and settlement and restitutions. In addition, the City expects revenues from the remaining categories of miscellaneous revenues to decline slightly in FY 2017. In the June 2016 Plan, the City lowered the FY 2017 miscellaneous revenues forecast by a net \$94 million to reflect a delay in the planned sale of HPD mortgage from FY 2017 to FY 2019. This sale is expected to generate \$100 million.

The Plan's FY 2016 miscellaneous revenue forecast of \$5.22 billion reflects a net increase of \$131 million compared with the April Plan forecast. The revised FY 2016 forecast increases revenues from licenses franchises and permits by \$25 million including \$6 million in taxi licenses, \$7 million in construction permits, \$5 million in sidewalk

interruption and street opening permits and \$5 million in parks concessions. The FY 2016 forecast for rental income and fines and forfeitures increased by \$20 million and \$56 million respectively. Rental income from extended school use and commercial rents increased by \$9 million and \$11 million, respectively. Projected revenues from parking violation fines and Environmental Control Board (ECB) fines increased by \$31 million and \$17 million respectively.⁴

Table 10. Miscellaneous Revenue Projections

(\$ in millions)

	FY 2016	FY 2017	FY 2018	FY 2019	FY 2020
Licenses, Franchises, Etc.	\$715	\$656	\$640	\$637	\$642
Interest Income	64	61	105	138	142
Charges for Services	997	973	967	967	967
Water and Sewer Charges	1,461	1,426	1,384	1,365	1,350
Rental Income	277	217	216	216	216
Fines and Forfeitures	993	905	894	882	872
Other Miscellaneous	711	405	464	714	823
Total	\$5,218	\$4,643	\$4,670	\$4,919	\$5,012

Source: NYC Office of Management and Budget.

After declining by 11 percent in FY 2017, the Administration projects total miscellaneous revenues will increase slightly, to \$4.67 billion in FY 2018, before growing by 5.3 percent and 1.9 percent in each of FYs 2019 and 2020.

The current Financial Plan includes a total of \$731 million in estimated proceeds from medallion sales over FYs 2018 – 2020. The Comptroller’s Office believes that given the uncertainty surrounding future taxi medallion auctions, the entire \$731 million in anticipated revenues from medallion sales represents a risk to the City’s Financial Plan.

Although the City’s April Plan increased its projections for speed camera fine revenues in FY 2016 and beyond, the Comptroller’s Office continues to expect revenues to be above the City’s forecast in each of FYs 2017 – 2020, by \$20 million in FY 2017, \$12 million in FY 2018, \$20 million in FY 2019 and \$25 million in FY 2020. Bus lane camera fines are also projected to be slightly above the City’s forecast based on revenue collections per route, by \$3 million in FY 2017, \$2 million in FY 2018, \$4 million in FY 2019 and \$3 million in FY 2020.⁵

⁴ Water and sewer revenues are excluded from the analysis because these revenues represent reimbursement for operation and maintenance (O&M) of the water delivery and sewer systems and therefore are not available for general operating purposes.

⁵ The City plans to install an additional 100 cameras in the existing 140 school zone locations for a total of 240 cameras by FY 2018.

Furthermore, the Comptroller's Office believes revenues from ECB fines and the Department of Buildings (DOB) penalties combined could generate an additional \$14 million annually beginning in FY 2017. The City assumes revenues from penalties for late filing or lack of permits in the DOB and ECB fines will decline in FY 2017 and continue to decline or remain flat in the outyears of the Financial Plan. Based on recent trends these assumptions are unrealistic.

V. Expenditure Assumptions

Total-funds expenditures, adjusted for prepayments and reserves, are projected to increase at an annual average growth rate of 2.7 percent to \$91.7 billion by FY 2020, as shown in Table 11. Growth in salaries and wages, debt service, health insurance, and other fringe benefits account for most of this growth. Together, these expenses, which account for about half of the adjusted FY 2017 spending, excluding reserves, are projected to grow at an average annual growth rate of 5.7 percent, more than twice the total expenditure growth rate. Spending in other expenditures, excluding reserves, is projected to decline at an annual rate of 0.4 percent over the same period.

Table 11. FYs 2017 – 2020 Expenditure Growth

(\$ in millions)

	FY 2017	FY 2018	FY 2019	FY 2020	Growth FYs 17 – 20	Annual Growth
Salaries and Wages	\$25,386	\$26,848	\$28,382	\$29,216	15.1%	4.8%
Debt Service	6,579	6,949	7,456	8,115	23.3%	7.2%
Health Insurance	6,060	6,479	6,919	7,477	23.4%	7.3%
Other Fringe Benefits	<u>3,521</u>	<u>3,671</u>	<u>3,903</u>	<u>4,286</u>	<u>21.7%</u>	<u>6.8%</u>
Subtotal	\$41,546	\$43,946	\$46,661	\$49,094	18.2%	5.7%
Pensions	\$9,310	\$9,598	\$9,740	\$9,671	3.9%	1.3%
Medicaid	5,915	5,915	5,915	5,915	0.0%	0.0%
Public Assistance	1,584	1,602	1,613	1,624	2.5%	0.8%
J & C	676	692	707	725	7.2%	2.3%
Other OTPS	<u>25,578</u>	<u>24,520</u>	<u>24,790</u>	<u>24,661</u>	<u>(3.6%)</u>	<u>(1.2%)</u>
Subtotal	\$43,064	\$42,325	\$42,764	\$42,595	(1.1%)	(0.4%)
Expenditures Before CSR	\$84,610	\$86,272	\$89,424	\$91,689	8.4%	2.7%
General Reserve	\$1,000	\$1,000	\$1,000	\$1,000	0.0%	0.0%
CSR	\$500	\$0	\$0	\$0	(100.0%)	(100.0%)
Total Expenditure	\$86,110	\$87,272	\$90,424	\$92,689	7.6%	2.5%

Pensions

After increasing annually at an average rate of 10 percent from \$3.2 billion in FY 2005 to \$8.5 billion in FY 2015, pension expenditures are expected to increase by 8.0 percent annually to \$9.2 billion in FY 2016. As shown in Table 12, the growth in pension expenditures is then expected to remain relatively flat, increasing at a rate of 1.3 percent annually to \$9.7 billion by FY 2019 and FY 2020.

Table 12. FY 2017 June Plan Projections of the City's Pension Expenditures

(\$ in millions)

	FY 2016	FY 2017	FY 2018	FY 2019	FY 2020
Five Actuarial Systems	\$9,140	\$9,241	\$9,421	\$9,549	\$9,474
Reserve	0	26	122	131	134
Other Systems	144	155	166	172	175
Less: Intra City-Expense	(112)	(112)	(112)	(112)	(112)
Net Pension Expense June Plan	\$9,172	\$9,310	\$9,597	\$9,740	\$9,671

NOTE: Totals may not add due to rounding.

The City pension contributions as a percentage of personal service expenditures have averaged about 21 percent in recent fiscal years up from an average of 16 percent between FY 2005 and FY 2011. In FY 2012, pension contributions increased to 21 percent of personal service costs from 19 percent in the previous fiscal year. After declining slightly to 20 percent of personal service costs in FY 2014, it is expected that pension contributions will again increase to 21 percent of personal service costs for FY 2016. Between FYs 2017 and 2020, pension expenditures as a percentage of personal service expenditures are projected to decline slightly, averaging 20 percent.

Following two fiscal years of investment gains that were higher than the actuarial interest rate assumption (AIRA) of 7.0 percent, the pension investment returns fell below the AIRA in FY 2015. Preliminary estimates indicate that FY 2016 pension investments, net of fees, experienced a gain of 1.46 percent. The Comptroller's Office projects that the estimated shortfall in earnings against the AIRA will result in additional pension contributions of approximately \$122 million in FY 2018, \$244 million in FY 2019, and \$366 million in FY 2020.

Headcount

The Adopted Budget and June 2016 Financial Plan projects total-funded full-time headcount to be 294,018 by the end of FY 2016. Headcount is projected to rise modestly to a peak of 297,502 in FY 2019 before declining slightly to 297,340 by 2020, as shown in Table 13.

**Table 13. Total Funded Full-Time Year-End Headcount Projections –
Adopted Budget and June 2016 Financial Plan**

	FY 2016	FY 2017	FY 2018	FY 2019	FY 2020
Pedagogical					
Dept. of Education	115,397	116,140	116,815	117,410	117,292
City University	<u>4,407</u>	<u>4,441</u>	<u>4,441</u>	<u>4,441</u>	<u>4,441</u>
Subtotal	119,804	120,581	121,256	121,851	121,733
Uniformed					
Police	35,780	35,780	35,780	35,780	35,780
Fire	10,820	10,884	10,910	10,938	10,938
Correction	10,242	10,336	10,374	10,413	10,429
Sanitation	<u>7,427</u>	<u>7,490</u>	<u>7,569</u>	<u>7,569</u>	<u>7,569</u>
Subtotal	64,269	64,490	64,633	64,700	64,716
Civilian					
Dept. of Education	10,961	11,216	11,400	11,579	11,572
City University	1,886	1,907	1,924	1,941	1,945
Police	15,956	16,014	16,014	16,014	16,014
Fire	5,653	5,969	5,969	5,969	5,969
Correction	2,172	2,182	2,167	2,167	2,167
Sanitation	2,265	2,276	2,308	2,308	2,308
Admin. for Children's Services	7,227	7,115	7,111	7,111	7,110
Social Services	14,733	15,010	14,638	14,643	14,647
Homeless Services	2,449	2,236	2,235	2,235	2,235
Health and Mental Hygiene	5,387	5,511	5,462	5,459	5,455
Finance	2,107	2,166	2,161	2,161	2,161
Transportation	5,094	5,060	5,069	5,052	5,063
Parks and Recreation	4,195	4,188	4,188	4,188	4,188
All Other Civilians	<u>29,860</u>	<u>30,567</u>	<u>30,232</u>	<u>30,124</u>	<u>30,069</u>
Subtotal	109,945	111,417	110,878	110,951	110,891
Total	294,018	296,488	296,767	297,502	297,340

As of May 31, 2016, 11 months into the fiscal year, headcount has increased by only 8,791 from FY 2015 year-end level. This increase is only about 52 percent of the increase required to reach the FY 2016 year-end target. It is clear that the City will fall significantly short of its fiscal year-end target.

However, not all agencies will fall short of their year-end headcount target. In fact, as of May 2016, the Department of Education (DOE) has exceeded its pedagogical year-end target; the Police and Sanitation Departments have exceeded their uniformed year-end targets; and the Fire Department has exceeded its year-end civilian target, as shown in Table 14.

Table 14. May 31, 2016 Headcount vs. Planned June 30, 2016 Headcount

	6/30/2015 Actuals	5/31/2016 Actuals	6/30/2016 Plan	Change 6/30/2015 to 5/31/2016	Planned Change 6/30/2015 to 6/30/2016	Percent of Planned Change Achieved
Pedagogical						
Dept. of Education	112,272	115,919	115,397	3,647	3,125	116.70%
City University	<u>4,023</u>	<u>4,234</u>	<u>4,407</u>	<u>211</u>	<u>384</u>	<u>54.95%</u>
Subtotal	116,295	120,153	119,804	3,858	3,509	109.95%
Uniformed						
Police	34,618	36,199	35,780	1,581	1,162	136.06%
Fire	10,777	10,671	10,820	(106)	43	(246.51%)
Correction	8,756	9,175	10,242	419	1,486	28.20%
Sanitation	<u>7,381</u>	<u>7,498</u>	<u>7,427</u>	<u>117</u>	<u>46</u>	<u>254.35%</u>
Subtotal	61,532	63,543	64,269	2,011	2,737	73.47%
Civilian						
Dept. of Education	11,693	12,184	10,961	491	(732)	(67.08%)
City University	1,916	1,909	1,886	(7)	(30)	23.33%
Police	14,535	14,381	15,956	(154)	1,421	(10.84%)
Fire	5,438	5,847	5,653	409	215	190.23%
Correction	1,418	1,555	2,172	137	754	18.17%
Sanitation	2,005	2,107	2,265	102	260	39.23%
Admin. for Children's Services	5,921	5,900	7,227	(21)	1,306	(1.61%)
Social Services	13,487	13,263	14,733	(224)	1,246	(17.98%)
Homeless Services	1,976	2,367	2,449	391	473	82.66%
Health and Mental Hygiene	4,349	4,465	5,387	116	1,038	11.18%
Finance	1,856	1,872	2,107	16	251	6.37%
Transportation	4,452	4,620	5,094	168	642	26.17%
Parks and Recreation	3,862	4,001	4,195	139	333	41.74%
All Other Civilians	<u>26,438</u>	<u>27,797</u>	<u>29,860</u>	<u>1,359</u>	<u>3,422</u>	<u>39.71%</u>
Subtotal	99,346	102,268	109,945	2,922	10,599	27.57%
Total	277,173	285,964	294,018	8,791	16,845	52.19%

Some agencies with planned increases to their staffing levels in FY 2016 were below the FY 2015 year-end levels as of May 31, 2016, as shown in Table 14. Such staff include uniformed headcount in the Fire Department and civilian headcounts in the Police Department, the Administration for Children's Services, and the Department of Social Services. In contrast, over the same period, non-pedagogical headcount in the DOE was planned to be below its FY 2015 year-end staffing levels but have instead increased their headcount.

Because of the shortfall in hiring in FY 2016, headcount which is projected to grow by 0.8 percent in FY 2017 will have to grow by about 3.4 percent to meet its FY 2017 year-end target. Based on the May 31st headcount, headcount will likely grow by 3.5 percent in FY 2016. While the growth needed to meet FY 2017 year-end target is similar to the estimated FY 2016 growth, the City may still fall short of the current Plan because some agencies will need to significantly outpace addition in FY 2016 to meet their target. The Fire Department will need to increase uniformed headcount by 2.4 percent after an estimated 1.4 percent decline and civilian headcount will need to grow by 8.7 percent compared to 3.2 percent for FY 2016.

Overtime

The FY 2017 Adopted Budget includes \$1.3 billion for overtime expenditures. The overtime budget is significantly below the trend of annual expenditures. From FYs 2011 through 2015, overtime spending averaged \$1.4 billion. Spending on overtime in FY 2016 through June is \$435 million above the FY 2017 overtime budget. The Comptroller's Office estimates that overtime spending could be even higher than budgeted for FY 2017 by at least \$302 million, as shown in Table 15.

Table 15. Projected Overtime Spending, FY 2017

(\$ in millions)

	Comptroller's Projection Overtime FY 2017	Planned Overtime FY 2017	FY 2017 Risk
Uniform			
Police	\$600	\$499	(\$101)
Fire	210	210	0
Corrections	231	131	(100)
Sanitation	104	104	0
Total Uniformed	\$1,145	\$944	(\$201)
Others			
Police-Civilian	\$96	\$85	(\$11)
Admin for Children's Svcs.	25	18	(7)
Environmental Protection	39	23	(16)
Transportation	62	41	(21)
All Other Agencies	198	152	(46)
Total Civilians	\$420	\$319	(\$101)
Total City	\$1,565	\$1,263	(\$302)

For FY 2016, the City has spent \$574 million through June for police uniformed overtime, \$52 million above the estimate at budget adoption last June. The FY 2017 Adopted Budget includes \$499 million for police uniformed overtime, about 13.0 percent below the overtime spending for FY 2016 through June. The Comptroller's Office estimates that police uniformed overtime for FY 2017 will total \$600 million, posing a risk to the budget of \$101 million.

Through June, the DOC has spent approximately \$277 million for overtime expenses. Although the DOC has increased its uniformed headcount level to 9,175 through May compared with 8,756 as of June 30, 2015, the Comptroller's Office expects uniformed overtime spending to be higher than budgeted, posing a risk to the budget of \$100 million.

The Comptroller's Office is also projecting higher overtime spending for civilian overtime. After increasing at an average annual rate of 5.5 percent from FY 2003 to FY 2013, civilian overtime spending increased by 15.9 percent in FY 2014 and 11.1 percent in FY 2015. Through June, the City has spent \$507 million on civilian

overtime. Based on the current trend, civilian overtime spending will likely be above the Plan estimates by about \$100 million in FY 2017.

Department of Education

The FY 2017 Adopted Budget includes \$23.18 billion for the Department of Education's operating budget, an increase of nearly \$1 billion over the agency's FY 2016 estimated budget of \$22.19 billion. The June Plan reduces the FY 2016 DOE budget by a net of \$130 million that comprises \$110 million in City funds and other categorical grants and \$20 million in State funds. The City funds reduction includes \$40 million of spending originally budgeted for FY 2016 that will be pushed out into FY 2017, raising the total amount to \$80 million in DOE's baseline budget for the upcoming school year.

The Department's Adopted FY 2017 budget reflects a net increase of about \$117 million in funding over the Executive Budget projection of \$23.06 billion. The new funding provided in the Adopted Budget is entirely in City funds, mainly consisting of \$30 million in City Council initiatives, \$40 million in surplus funding recognized from FY 2016, and a \$42 million transfer from the labor reserve to cover costs arising from the restructuring of the school custodial structure. The main components of the City Council initiatives are \$12.7 million for Support for Educators, \$3.5 million for Urban Advantage, \$3 million in consolidated education programs targeting mainly middle schools, and \$1.1 million for physical education and fitness programs.

Over the remainder of the Plan, the Department's budget is expected to rise to \$24.23 billion in FY 2018 and \$25.08 billion in FY 2019, before increasing to \$25.61 billion in FY 2020. The trend reflects annual funding increases averaging about \$811 million (3.4 percent) during this span. The Plan projects that the Department's operating budget will remain relatively stable in composition over the outyears, with about 48 percent of funding provided by the City and 45 percent provided by the State.

Our assessment of the Department's Medicaid revenue assumptions remains negative. The DOE continues to assume Medicaid revenue of \$41 million in FY 2017 and \$97 million annually in FYs 2018 – 2020 in the Adopted Budget. However, given DOE's lackluster Medicaid collections in recent years, generating a total of only \$23 million in FYs 2013 – 2015, it appears the Department will likely fall short of its Medicaid revenue targets. These assumptions will likely pose risks of \$30 million in FY 2017 and \$80 million in each of FYs 2018 – 2020. In addition, the City allocated \$10 million in the Executive Budget for enhanced support services to shelter students in FY 2017 only, leading to risks of \$10 million in each of FYs 2018 – 2020 should the program continue beyond the current fiscal year.

Debt Service

Debt service for General Obligation (GO), Transitional Finance Authority (TFA), TSASC, and lease-purchase debt, after adjusting for prepayments, totals \$6.65 billion in the FY 2017 Adopted Budget. This represents an increase of \$601 million from FY 2016 and comes primarily from \$270 million in higher estimated variable rate interest costs,

along with a \$60 million increase in lease-purchase debt service, a \$75 million increase in planned short-term interest costs associated with a forecasted cash flow borrowing, and \$30 million in increased letter of credit & remarketing fees. The Comptroller's Office does not expect any short-term cash flow borrowing need in FY 2017. By FY 2020, debt service is projected to grow an additional \$2.15 billion to \$8.20 billion, or 35.4 percent more than the FY 2016 total of \$6.05 billion.

As shown in Table 16, GO debt service is estimated to increase by \$674 million, or 17 percent, from FY 2016 to FY 2020. This increase is driven primarily by planned new GO borrowing of \$14.06 billion during FYs 2017 through 2020. New borrowing will increase annual debt service by approximately \$645 million by FY 2020. In addition, conservative budgeting for variable interest rates well above the levels experienced in FY 2016 will add another \$265 million to the forecasted annual variable rate demand bond (VRDB) interest costs by FY 2020. Partially offsetting these increases, debt service from existing GO debt outstanding declines by just below \$300 million by FY 2020.

TFA debt service is expected to grow by \$1.39 billion, or 77.8 percent from FY 2016 to FY 2020. Planned TFA borrowing of \$15.19 billion over FYs 2017 – 2020 accounts for \$785 million of the increase. The remaining increase is primarily the result of higher principal payments due in FY 2020 compared to FY 2016.

Table 16. FYs 2016 – 2020 Debt Service Estimates

(\$ in millions)

Debt Service Category	FY 2016	FY 2017	FY 2018	FY 2019	FY 2020	Change FYs 2016 – 2020
GO ^a	\$3,971	\$4,138	\$4,249	\$4,323	\$4,645	\$674
TFA ^b	1,785	2,222	2,489	2,901	3,174	1,389
Lease-Purchase Debt	158	218	211	232	297	139
TSASC, Inc.	139	74	82	82	82	(57)
Total	\$6,052	\$6,653	\$7,031	\$7,538	\$8,197	\$2,145

SOURCE: June 2016 Financial Plan.

NOTE: Debt Service is adjusted to net out the impact of prepayments.

^a Includes long-term GO debt service and interest on short-term notes.

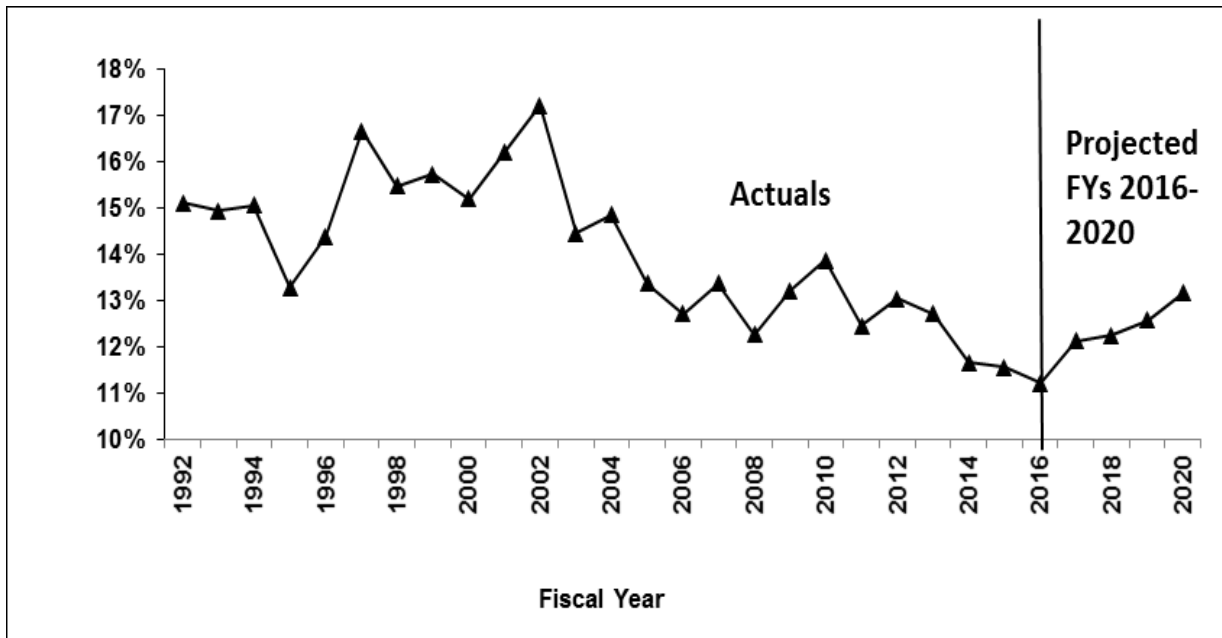
^b Amounts do not include TFA Building Aid Revenue Bonds debt service.

The Financial Plan does not assume savings from refunding activities in the outyears. However, the continued monitoring of market conditions by the Comptroller's Office and the NYC Office of Management and Budget (OMB) oftentimes leads to refunding opportunities that are only reflected in the budget after the transaction is completed. Based on the coupons on outstanding bonds that exceed current interest rates, it is likely that there will be refunding opportunities over the Plan period. The underlying interest rate assumptions for long-term fixed-rate and variable rate borrowing in the June Financial Plan are still conservative and do provide a buffer against sudden rises in market rates. If VRDB interest rates and their resulting costs were to continue at their current historically low levels, there would be at least \$125 million in savings in FY 2017.

Debt Burden

As shown in Chart 1, debt service as a percentage of local tax revenues is projected to rise from 11.2 percent in FY 2016 to 13.2 percent by FY 2020. This is the result of projected debt service growth outpacing estimated growth in local tax revenues. Between FY 2016 and FY 2020, local tax revenues are projected to grow at an annual rate of 3.7 percent while debt service is estimated to grow at an annual pace of 7.9 percent, reflecting both additional debt issuance and conservative interest rate assumptions. Although this is manageable in the near-term, the Comptroller's Office will continue to monitor this disparity in projected growth rates.

Chart 1. Total Debt Service as a Percentage of Local Tax Revenues, FYs 1992-2020



SOURCE: June 2016 Financial Plan for FYs 2017 – 2020, Office of Management & Budget, June 2016.

VI. Appendix

Table A1. FY 2017 Adopted Budget Revenue Detail

(\$ in millions)

	FY 2017	FY 2018	FY 2019	FY 2020	Change FYs 2017 – 2020		Annual Percent Change
					Dollars	Percent	
Taxes:							
Real Property	\$24,229	\$25,612	\$27,120	\$28,389	\$4,160	17.2%	5.4%
Personal Income Tax	\$11,577	\$11,886	\$12,304	\$12,769	\$1,192	10.3%	3.3%
General Corporation Tax	\$3,949	\$4,194	\$4,196	\$4,242	\$293	7.4%	2.4%
Unincorporated Business Tax	\$2,060	\$2,150	\$2,246	\$2,354	\$294	14.3%	4.5%
Sale and Use Tax	\$7,116	\$7,557	\$7,880	\$8,216	\$1,100	15.5%	4.9%
Real Property Transfer	\$1,558	\$1,603	\$1,656	\$1,705	\$147	9.4%	3.1%
Mortgage Recording Tax	\$1,085	\$1,075	\$1,104	\$1,131	\$46	4.2%	1.4%
Commercial Rent	\$805	\$840	\$875	\$910	\$105	13.0%	4.2%
Utility	\$381	\$394	\$407	\$419	\$38	10.0%	3.2%
Hotel	\$541	\$563	\$587	\$613	\$72	13.3%	4.3%
Cigarette	\$43	\$42	\$41	\$40	(\$3)	(7.0%)	(2.4%)
All Other	\$585	\$586	\$586	\$586	\$1	0.2%	0.1%
Tax Audit Revenue	\$714	\$714	\$714	\$714	\$0	0.0%	0.0%
Total Taxes	\$54,643	\$57,215	\$59,716	\$62,088	\$7,445	13.6%	4.3%
Miscellaneous Revenue:							
Licenses, Franchises, Etc.	\$656	\$640	\$637	\$642	(\$14)	(2.1%)	(0.7%)
Interest Income	\$61	\$105	\$138	\$142	\$81	132.8%	32.5%
Charges for Services	\$973	\$967	\$967	\$967	(\$6)	(0.6%)	(0.2%)
Water and Sewer Charges	\$1,426	\$1,384	\$1,365	\$1,350	(\$76)	(5.3%)	(1.8%)
Rental Income	\$217	\$216	\$216	\$216	(\$1)	(0.5%)	(0.2%)
Fines and Forfeitures	\$905	\$894	\$882	\$872	(\$33)	(3.6%)	(1.2%)
Miscellaneous	\$405	\$464	\$713	\$822	\$417	103.0%	26.6%
Intra-City Revenue	\$1,764	\$1,764	\$1,759	\$1,765	\$1	0.1%	0.0%
Total Miscellaneous	\$6,407	\$6,434	\$6,677	\$6,776	\$369	5.8%	1.9%
Reserve for Disallowance of Categorical Grants	(\$15)	(\$15)	(\$15)	(\$15)	\$0	0.0%	0.0%
Less: Intra-City Revenue	(\$1,764)	(\$1,764)	(\$1,759)	(\$1,765)	(\$1)	0.1%	0.0%
TOTAL CITY-FUNDS	\$59,271	\$61,870	\$64,619	\$67,084	\$7,813	13.2%	4.2%
Other Categorical Grants	\$853	\$837	\$835	\$831	(\$22)	(2.6%)	(0.9%)
Inter-Fund Agreements	\$646	\$644	\$582	\$581	(\$65)	(10.1%)	(3.5%)

Table A1 (Con't). FY 2017 Adopted Budget Revenue Detail

(\$ in millions)

	FY 2017	FY 2018	FY 2019	FY 2020	Change FYs 2017 – 2020		Annual Percent Change
					Dollars	Percent	
Federal Categorical Grants:							
Community Development	\$1,275	\$417	\$299	\$244	(\$1,031)	(80.9%)	(42.4%)
Welfare	\$3,330	\$3,324	\$3,316	\$3,316	(\$14)	(0.4%)	(0.1%)
Education	\$1,702	\$1,776	\$1,776	\$1,776	\$74	4.3%	1.4%
Other	\$1,366	\$1,294	\$1,289	\$1,282	(\$84)	(6.1%)	(2.1%)
Total Federal Grants	\$7,673	\$6,811	\$6,680	\$6,618	(\$1,055)	(13.7%)	(4.8%)
State Categorical Grants							
Social Services	\$1,612	\$1,645	\$1,658	\$1,664	\$52	3.2%	1.1%
Education	\$10,244	\$10,742	\$11,174	\$11,606	\$1,362	13.3%	4.2%
Higher Education	\$286	\$286	\$286	\$286	\$0	0.0%	0.0%
Department of Health and Mental Hygiene	\$532	\$531	\$515	\$515	(\$17)	(3.2%)	(1.1%)
Other	\$999	\$1,089	\$1,130	\$1,178	\$179	17.9%	5.6%
Total State Grants	\$13,673	\$14,293	\$14,763	\$15,249	\$1,576	11.5%	3.7%
TOTAL REVENUES	\$82,116	\$84,455	\$87,479	\$90,363	\$8,247	10.0%	3.2%

Table A2. FY 2017 Adopted Budget Expenditure Detail

(\$ in thousands)

	FY 2017	FY 2018	FY 2019	FY 2020	Change FYs 2017 - 2020		Annual Percent Change
					Dollars	Percent	
Mayoralty	\$135,831	\$127,404	\$132,580	\$128,499	(\$7,332)	(5.4%)	(1.8%)
Board of Elections	\$123,747	\$90,481	\$90,481	\$89,738	(\$34,009)	(27.5%)	(10.2%)
Campaign Finance Board	\$16,176	\$14,014	\$14,015	\$14,015	(\$2,161)	(13.4%)	(4.7%)
Office of the Actuary	\$7,244	\$7,428	\$7,428	\$7,428	\$184	2.5%	0.8%
President, Borough of Manhattan	\$4,834	\$4,583	\$4,583	\$4,583	(\$251)	(5.2%)	(1.8%)
President, Borough of Bronx	\$5,781	\$5,450	\$5,450	\$5,450	(\$331)	(5.7%)	(1.9%)
President, Borough of Brooklyn	\$6,262	\$5,610	\$5,610	\$5,610	(\$652)	(10.4%)	(3.6%)
President, Borough of Queens	\$5,274	\$4,743	\$4,743	\$4,743	(\$531)	(10.1%)	(3.5%)
President, Borough of Staten Island	\$4,429	\$4,243	\$4,243	\$4,243	(\$186)	(4.2%)	(1.4%)
Office of the Comptroller	\$104,788	\$105,391	\$105,398	\$105,398	\$610	0.6%	0.2%
Dept. of Emergency Management	\$59,654	\$22,855	\$23,055	\$23,438	(\$36,216)	(60.7%)	(26.8%)
Office of Administrative Tax Appeals	\$5,022	\$5,112	\$5,112	\$5,112	\$90	1.8%	0.6%
Law Dept.	\$207,910	\$201,967	\$200,321	\$200,321	(\$7,589)	(3.7%)	(1.2%)
Dept. of City Planning	\$46,272	\$41,288	\$39,261	\$39,328	(\$6,944)	(15.0%)	(5.3%)
Dept. of Investigation	\$40,054	\$35,842	\$35,553	\$32,956	(\$7,098)	(17.7%)	(6.3%)
NY Public Library — Research	\$27,463	\$27,559	\$27,559	\$27,559	\$96	0.3%	0.1%
New York Public Library	\$135,072	\$135,388	\$135,388	\$135,388	\$316	0.2%	0.1%
Brooklyn Public Library	\$100,366	\$100,719	\$100,720	\$100,720	\$354	0.4%	0.1%
Queens Borough Public Library	\$102,204	\$102,430	\$102,431	\$102,431	\$227	0.2%	0.1%
Dept. of Education	\$23,179,314	\$24,233,475	\$25,078,967	\$25,612,533	\$2,433,219	10.5%	3.4%
City University	\$1,041,364	\$1,037,677	\$1,065,723	\$1,076,622	\$35,258	3.4%	1.1%
Civilian Complaint Review Board	\$16,257	\$16,734	\$16,734	\$16,734	\$477	2.9%	1.0%
Police Dept.	\$4,891,932	\$4,942,952	\$4,997,874	\$5,008,615	\$116,683	2.4%	0.8%
Fire Dept.	\$1,946,148	\$1,902,294	\$1,907,575	\$1,909,874	(\$36,274)	(1.9%)	(0.6%)
Dept. of Veterans' Services	\$3,843	\$3,634	\$3,634	\$3,634	(\$209)	(5.4%)	(1.8%)
Admin. for Children Services	\$2,901,328	\$2,945,373	\$2,966,316	\$2,966,254	\$64,926	2.2%	0.7%
Dept. of Social Services	\$9,752,087	\$9,807,987	\$9,845,045	\$9,900,227	\$148,140	1.5%	0.5%
Dept. of Homeless Services	\$1,297,072	\$1,143,969	\$1,133,093	\$1,121,920	(\$175,152)	(13.5%)	(4.7%)
Dept. of Correction	\$1,392,189	\$1,385,279	\$1,406,928	\$1,410,885	\$18,696	1.3%	0.4%
Board of Correction	\$3,061	\$3,074	\$3,074	\$3,074	\$13	0.4%	0.1%
Citywide Pension Contribution	\$9,309,981	\$9,597,698	\$9,739,876	\$9,670,556	\$360,575	3.9%	1.3%
Miscellaneous	\$9,605,777	\$10,320,045	\$11,891,842	\$12,823,904	\$3,218,127	33.5%	10.1%
Debt Service	\$4,356,647	\$4,459,913	\$4,554,915	\$4,941,656	\$585,009	13.4%	4.3%
T.F.A. Debt Service	\$2,222,350	\$2,489,070	\$2,901,460	\$3,173,690	\$951,340	42.8%	12.6%
FY 2016 BSA and Discretionary Transfers	(\$3,993,505)	\$0	\$0	\$0	\$3,993,505	(100.0%)	(100.0%)
Public Advocate	\$3,600	\$3,619	\$3,619	\$3,619	\$19	0.5%	0.2%
City Council	\$64,077	\$54,200	\$54,200	\$54,200	(\$9,877)	(15.4%)	(5.4%)
City Clerk	\$5,741	\$5,624	\$5,624	\$5,624	(\$117)	(2.0%)	(0.7%)
Dept. for the Aging	\$330,518	\$297,446	\$298,208	\$298,208	(\$32,310)	(9.8%)	(3.4%)
Dept. of Cultural Affairs	\$181,594	\$143,423	\$143,423	\$143,423	(\$38,171)	(21.0%)	(7.6%)
Financial Info. Serv. Agency	\$105,724	\$112,017	\$112,662	\$113,306	\$7,582	7.2%	2.3%
Office of Payroll Admin.	\$16,407	\$17,692	\$17,693	\$17,693	\$1,286	7.8%	2.5%
Independent Budget Office	\$6,871	\$6,020	\$6,565	\$6,565	(\$306)	(4.5%)	(1.5%)
Equal Employment Practices Commission	\$1,017	\$1,101	\$1,101	\$1,101	\$84	8.3%	2.7%

Table A2 (Con't). FY 2017 Adopted Budget Expenditure Detail

(\$ in thousands)

	FY 2017	FY 2018	FY 2019	FY 2020	Change FYs 2017 - 2020		Annual Percent Change
					Dollars	Percent	
Civil Service Commission	\$1,086	\$1,105	\$1,103	\$1,103	\$17	1.6%	0.5%
Landmarks Preservation Comm.	\$6,314	\$6,148	\$6,159	\$6,158	(\$156)	(2.5%)	(0.8%)
Taxi & Limousine Commission	\$70,613	\$58,582	\$58,466	\$51,458	(\$19,155)	(27.1%)	(10.0%)
Commission on Human Rights	\$11,558	\$10,852	\$10,853	\$10,853	(\$705)	(6.1%)	(2.1%)
Youth & Community Development	\$559,284	\$435,465	\$440,703	\$440,703	(\$118,581)	(21.2%)	(7.6%)
Conflicts of Interest Board	\$2,561	\$2,580	\$2,581	\$2,581	\$20	0.8%	0.3%
Office of Collective Bargaining	\$2,421	\$2,325	\$2,325	\$2,325	(\$96)	(4.0%)	(1.3%)
Community Boards (All)	\$17,776	\$17,331	\$17,331	\$17,331	(\$445)	(2.5%)	(0.8%)
Dept. of Probation	\$94,335	\$92,814	\$92,788	\$92,813	(\$1,522)	(1.6%)	(0.5%)
Dept. Small Business Services	\$220,504	\$200,255	\$172,337	\$124,582	(\$95,922)	(43.5%)	(17.3%)
Housing Preservation & Development	\$1,269,882	\$874,859	\$732,758	\$732,556	(\$537,326)	(42.3%)	(16.8%)
Dept. of Buildings	\$172,072	\$155,363	\$151,767	\$150,480	(\$21,592)	(12.5%)	(4.4%)
Dept. of Health & Mental Hygiene	\$1,521,588	\$1,491,266	\$1,501,223	\$1,499,067	(\$22,521)	(1.5%)	(0.5%)
NYC Health + Hospitals	\$691,342	\$761,261	\$782,240	\$885,518	\$194,176	28.1%	8.6%
Office of Administrative Trials & Hearings	\$39,537	\$41,124	\$41,623	\$41,623	\$2,086	5.3%	1.7%
Dept. of Environmental Protection	\$1,448,746	\$1,225,191	\$1,201,335	\$1,186,776	(\$261,970)	(18.1%)	(6.4%)
Dept. of Sanitation	\$1,666,632	\$1,670,696	\$1,674,918	\$1,677,259	\$10,627	0.6%	0.2%
Business Integrity Commission	\$9,125	\$8,218	\$8,218	\$8,218	(\$907)	(9.9%)	(3.4%)
Dept. of Finance	\$272,049	\$279,080	\$277,355	\$277,569	\$5,520	2.0%	0.7%
Dept. of Transportation	\$943,386	\$937,392	\$884,317	\$885,248	(\$58,138)	(6.2%)	(2.1%)
Dept. of Parks and Recreation	\$456,355	\$428,238	\$428,377	\$426,411	(\$29,944)	(6.6%)	(2.2%)
Dept. of Design & Construction	\$478,721	\$134,996	\$142,353	\$130,683	(\$348,038)	(72.7%)	(35.1%)
Dept. of Citywide Admin. Services	\$464,556	\$417,700	\$406,210	\$406,749	(\$57,807)	(12.4%)	(4.3%)
D.O.I.T.T.	\$498,312	\$477,613	\$471,608	\$469,509	(\$28,803)	(5.8%)	(2.0%)
Dept. of Record & Info. Services	\$7,370	\$6,600	\$6,600	\$6,600	(\$770)	(10.4%)	(3.6%)
Dept. of Consumer Affairs	\$38,556	\$39,467	\$39,383	\$39,383	\$827	2.1%	0.7%
District Attorney - N.Y.	\$101,357	\$102,413	\$102,728	\$102,732	\$1,375	1.4%	0.5%
District Attorney – Bronx	\$70,662	\$71,170	\$71,290	\$71,288	\$626	0.9%	0.3%
District Attorney – Kings	\$96,223	\$96,901	\$97,149	\$97,139	\$916	1.0%	0.3%
District Attorney -Queens	\$62,783	\$63,373	\$63,607	\$63,615	\$832	1.3%	0.4%
District Attorney - Richmond	\$13,691	\$13,754	\$13,789	\$13,790	\$99	0.7%	0.2%
Office of Prosec. & Spec. Narc.	\$22,121	\$22,353	\$22,453	\$22,458	\$337	1.5%	0.5%
Public Administrator - N.Y.	\$1,786	\$1,718	\$1,731	\$1,731	(\$55)	(3.1%)	(1.0%)
Public Administrator - Bronx	\$728	\$692	\$704	\$704	(\$24)	(3.3%)	(1.1%)
Public Administrator - Brooklyn	\$859	\$823	\$835	\$835	(\$24)	(2.8%)	(0.9%)
Public Administrator - Queens	\$612	\$620	\$632	\$632	\$20	3.3%	1.1%
Public Administrator - Richmond	\$514	\$518	\$530	\$530	\$16	3.1%	1.0%
General Reserve	\$1,000,000	\$1,000,000	\$1,000,000	\$1,000,000	\$0	0.0%	0.0%
Energy Adjustment	\$0	\$60,320	\$117,561	\$152,647	\$152,647	N/A	N/A
Lease Adjustment	\$0	\$32,217	\$65,400	\$99,579	\$99,579	N/A	N/A
OTPS Inflation Adjustment	\$0	\$55,519	\$111,038	\$166,557	\$166,557	N/A	N/A
TOTAL EXPENDITURES	\$82,115,794	\$87,271,735	\$90,424,460	\$92,688,670	\$10,572,876	12.9%	4.1%



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