The State of The City's Economy and Finances, 2007

The City of New York
Office of the Comptroller
William C. Thompson, Jr., Comptroller

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I. Executive Summary

New York City's economy is at a turning point. Turmoil in the nation's housing and mortgage markets has reverberated through the financial sector, threatening to produce a marked slowdown in local economic activity. With the October 2007 revisions to the City's financial plan, the Mayor has taken the first steps toward addressing the budgetary risks of this shift in the economic cycle. The City's revenue projections are now lower than at the time of the Adopted Budget by $148 million in FY 2008, $579 million in FY 2009, $642 million in FY 2010 and $858 million in FY 2011. Coupled with significant increases in labor costs, the Modification foresees budget gaps beginning in FY 2009 that grow to $6.459 billion by FY 2011.

Lower expected tax revenues in FY 2008 open a budget gap of $296 million for the current year, which the Modification closes by reducing the amount of FY 2009 expenses that would be paid using FY 2008 resources. These prepayments are the primary mechanism through which the City transfers surplus funds between fiscal years. Other than this change, the Modification reflects only technical spending adjustments, as the City will use the months between the release of the Modification and the Mayor's Preliminary Budget—which is typically released in late January—to develop a plan to eliminate the FY 2009 projected budget gap. This gap has grown from $1.55 billion at the time of budget adoption to $2.73 billion. The Mayor has already directed agencies to develop initiatives to achieve budgetary savings of 2.5 percent this year and 5 percent in FY 2009.

The Comptroller's review of the Modification finds that tax revenues in FY 2008 and FY 2009 are likely to be better than the City is projecting by $255 million and $170 million, respectively. However, our review identifies net expenditure risks of $105 million in FY 2008, $102 million in FY 2009, $52 million in FY 2010 and an offset of $5 million in FY 2011. As a result, the Comptroller's Office projects a $150 million surplus for FY 2008, offsets to the FY 2009 and FY 2011 gaps of $68 million and $40 million, respectively, and an addition of $187 million to the FY 2010 gap.

The Comptroller's Office generally concurs with the Mayor's expectation that the City's economic growth will be curtailed. The principal threat to both the national and local economies is the unfolding subprime mortgage debacle and its collateral effects on credit markets. The resulting financial losses and layoffs are likely to fall disproportionately on New York firms and workers. The impact on Wall Street profits has already been significant, and the earnings of the City's financial firms are likely to be down significantly from 2006 levels, as are the associated bonuses which last year reached a record $34 billion. However, the Comptroller's Office expects the slowing of the economy to occur slightly later than does the City's budget office, resulting in higher near-term revenue projections.

The Comptroller's Office expects overtime spending to be $100 million greater than the City's estimates in each year of the Financial Plan. The City is continuing its practice of underestimating overtime spending at the beginning of the fiscal year, only to find it necessary to increase overtime funding during the year. The initial low overtime budget allocation has proved to be an ineffective tool to control uniform overtime and yields misleading spending projections.

The City continues to assume Federal funding of $50 million in FY 2008 and $100 million in each of the outyears in support of the Department of Education's collective bargaining costs but has not identified sources of this funding. These risks are somewhat mitigated by the Comptroller's Office's expectation that judgment and claims expense will stabilize at $600 million per year during the Plan period rather than growing 7.8 percent annually, as is assumed in the Modification. This stabilization of expenses would result in savings starting at $35 million in FY 2008 and growing to $195 million in FY 2011. In addition, the Comptroller's Office expects savings of $10 million in baseline public assistance grants in each year of the Financial Plan.

Other significant features of the October Modification include the following:

- All-funds spending, adjusted for the impact of pre-payments, will grow at a projected annual rate of 3.8 percent, compared to a projected inflation rate of 2.1 percent.

- Collective bargaining agreements have now been reached with all unions but the Patrolmen's Benevolent Association and the Organization of Staff Analysts. Salary increases of 4 percent in each of the last two years of recent settlements with several uniform unions are being treated as the pattern for the next round of negotiations. The City has increased funding for collective bargaining accordingly, by $91 million, $436 million, $1.073 billion, and $1.609 billion for FYs 2008 through 2011. (This report includes a comprehensive guide to the City's current collective bargaining agreements.)

- Investment gains on the City's pension funds were well in excess of the actuarial investment return assumption of 8 percent in FY 2007, leading to reductions in projected pension contributions that exceed $700 million when totaled over the Plan period. Nonetheless, pension contributions are projected to grow from $4.7 billion in FY 2007 to nearly $6.3 billion in FY 2011.

- Debt service as a percent of tax revenues is projected to grow rapidly from a base of 11.8 percent in FY 2007 to 15.4 percent in FY 2011. This increase reflects average annual growth in debt service costs of 7.3 percent, outpacing projected tax revenue growth of 2.5 percent annually. The growth in debt service stems from financing of the City-funded portion of the largest capital plan on record, which totals $51.05 billion over 4 years. In the near term, however, projected FY 2008 GO borrowing is less than expected at the time of budget adoption. Together with refunding savings, this has lowered the four-year total of projected debt service by $177 million since the Adopted Budget. In recent refundings, the City has modified its practice of structuring almost all refunding savings in the current or subsequent Fiscal Year, and instead targeted budget savings to multiple fiscal years through 2012.

- The City-funded portion of the four-year Capital Plan totals $41 billion. Four major program areas—environmental protection, education, transportation, and housing and economic development—account for 62 percent of the City-fund plan.

The City has responsibly prepared for a cyclical downturn by using surpluses accumulated in recent years to prepay debt payments and other obligations. For example, in *The Comptroller's Comments on the Fiscal Year 2008 Executive Budget*, it was noted that the benefits of the FY 2007 surplus were spread across three fiscal years, FY 2008 through FY 2010. As the Comptroller has observed in previous reports, this laudable practice of using current-year surpluses to stabilize the budget in the future should be further enhanced and institutionalized through the establishment of a rainy day fund that provides a mechanism through which savings can be used only under specified conditions.

Table 1. FYs 2008-2011 Financial Plan

($ in millions)

	FY 2008	FY 2009	FY 2010	FY 2011	Changes FYs 2008 – 2011 Dollar	Changes FYs 2008 – 2011 Percent
Revenues						
Taxes:						
General Property Tax	$13,143	$14,258	$15,343	$16,327	$3,185	24.2%
Other Taxes	$22,692	$21,831	$22,544	$23,388	$695	3.1%
Tax Audit Revenues	$659	$559	$560	$560	($99)	(15.0%)
Miscellaneous Revenues	$6,063	$5,084	$5,101	$5,134	($929)	(15.3%)
Unrestricted Intergovernmental Aid	$340	$340	$340	$340	$0	0.0%
Less: Intra-City Revenues	($1,457)	($1,367)	($1,368)	($1,368)	$89	(6.1%)
Disallowances Against Categorical Grants	($15)	($15)	($15)	($15)	$0	0.0%
Subtotal: City Funds	$41,425	$40,690	$42,505	$44,366	$2,941	7.1%
Other Categorical Grants	$1,067	$1,007	$1,012	$1,014	($53)	(5.0%)
Inter-Fund Revenues	$436	$411	$403	$398	($38)	(8.7%)
Total City & Inter-Fund Revenues	$42,928	$42,108	$43,920	$45,778	$2,850	6.6%
Federal Categorical Grants	$5,606	$5,373	$5,358	$5,344	($262)	(4.7%)
State Categorical Grants	$10,958	$11,424	$12,289	$12,733	$1,775	16.2%
Total Revenues	$59,492	$58,905	$61,567	$63,855	$4,363	7.3%
Expenditures						
Personal Service						
Salaries and Wages	$21,189	$22,323	$24,082	$25,353	$4,164	19.7%
Pensions	$5,728	$6,265	$6,318	$6,404	$676	11.8%
Fringe Benefits	$6,406	$6,815	$7,282	$7,795	$1,389	21.7%
Subtotal-PS	$33,323	$35,403	$37,682	$39,552	$6,229	18.7%
Other Than Personal Service						
Medical Assistance	$5,797	$5,602	$5,756	$5,916	$119	2.1%
Public Assistance	$1,187	$1,187	$1,187	$1,187	$0	0.0%
Pay-As-You-Go Capital	$100	$200	$200	$200	$100	100.0%
All Other	$18,044	$17,547	$17,971	$18,376	$332	1.8%
Subtotal-OTPS	$25,128	$24,536	$25,114	$25,679	$551	2.2%
Debt Service						
Principal	$1,765	$1,879	$1,886	$1,830	$65	3.3%
Interest & Offsets	$2,089	$2,329	$2,669	$3,172	$1,083	52.2%
Subtotal Debt Service	$3,854	$4,208	$4,555	$5,002	$1,148	29.8%
BSA	$2,255	$350	$0	$0	($2,255)	(100.0%)
Prepayments	($4,052)	($2,289)	($381)	$0	$4,052	(100.0%)
Debt Retirement						
Call 2009/2010 GO Debt	($27)	($278)	($277)	$0	$27	(100.0%)
Defease NYCTFA Debt	($33)	($363)	($382)	$0	$33	(100.0%)
Subtotal Debt Retirement	($60)	($641)	($659)	$0	$60	(100.0%)
Transfer for NYCTFA Debt Service	($562)	$0	$0	$0	$562	(100.0%)
Defeasance of certain NYCTFA Debt	($350)	$0	$0	$0	$350	(100.0%)
NYCTFA						
Principal	$463	$475	$497	$519	$56	12.0%
Interest & Offsets	$640	$660	$648	$630	($10)	(1.5%)
Subtotal NYCTFA	$1,103	$1,135	$1,145	$1,149	$46	4.2%
MAC Administrative Expenses	$10	$0	$0	$0	($10)	(100.0%)
General Reserve	$300	$300	$300	$300	$0	0.0%
	$60,949	$63,002	$67,756	$71,682	$10,733	17.6%
Less: Intra-City Expenses	($1,457)	($1,367)	($1,368)	($1,368)	$89	(6.1%)
Total Expenditures	$59,492	$61,635	$66,388	$70,314	$10,822	18.2%
Gap To Be Closed	**$0**	**($2,730)**	**($4,821)**	**($6,459)**	**($6,459)**	**N/A**

Table 2. Plan-to-Plan Changes
October 2007 Plan vs. June 2007 Plan

($ in millions)

	FY 2008	FY 2009	FY 2010	FY 2011
Revenues				
Taxes:				
General Property Tax	$0	$0	$0	$0
Other Taxes	($248)	($579)	($642)	($858)
Tax Audit Revenues	$100	$0	$0	$0
Miscellaneous Revenues	$66	$4	$4	$3
Unrestricted Intergovernmental Aid	$0	$0	$0	$0
Less: Intra-City Revenues	($64)	($3)	($3)	($3)
Disallowances Against Categorical Grants	$0	$0	$0	$0
Subtotal: City Funds	($146)	($578)	($641)	($858)
Other Categorical Grants	$61	$0	$0	$0
Inter-Fund Revenues	$0	$0	$0	$0
Total City & Inter-Fund Revenues	($85)	($578)	($641)	($858)
Federal Categorical Grants	$311	($7)	($6)	($7)
State Categorical Grants	$134	$14	$14	$15
Total Revenues	$360	($571)	($633)	($850)
Expenditures				
Personal Service				
Salaries and Wages	$210	$345	$750	$910
Pensions	$0	($125)	($191)	($115)
Fringe Benefits	$32	$134	$317	$507
Subtotal-PS	$242	$354	$876	$1,302
Other Than Personal Service				
Medical Assistance	$83	($1)	$0	$0
Public Assistance	$0	$0	$0	$0
Pay-As-You-Go Capital	$0	$0	$0	$0
All Other	$403	($2)	($3)	($3)
Subtotal-OTPS	$486	($3)	($3)	($3)
Debt Service				
Principal	$0	$31	$14	$7
Interest & Offsets	$2	($64)	($89)	($58)
Subtotal Debt Service	$2	($33)	($75)	($51)
BSA	($297)	$0	$0	$0
Prepayments	$0	$297	$0	$0
Debt Retirement				
Call 2009/2010 GO Debt	$0	$0	$0	$0
Defease NYCTFA Debt	$0	$0	$0	$0
Subtotal Debt Retirement	$0	$0	$0	$0
Transfer for NYCTFA Debt Service	$0	$0	$0	$0
Defeasance of certain NYCTFA Debt	$0	$0	$0	$0
NYCTFA				
Principal	$0	$0	$0	$0
Interest & Offsets	($9)	($3)	($4)	($5)
Subtotal NYCTFA	($9)	($3)	($4)	($5)
MAC Debt Service/Administrative Expenses	$0	$0	$0	$0
General Reserve	$0	$0	$0	$0
	$424	$612	$794	$1,243
Less: Intra-City Expenses	($64)	($3)	($3)	($3)
Total Expenditures	$360	$609	$791	$1,240
Gap To Be Closed	**$0**	**($1,180)**	**($1,424)**	**($2,090)**

Table 3. FYs 2008-2011 Risks and Offsets

($ in millions)

	FY 2008	FY 2009	FY 2010	FY 2011
City Stated Gap	**$0**	**($2,730)**	**($4,821)**	**($6,459)**
Tax Revenue Assumptions				
Property Tax	$0	($60)	($130)	$10
Personal Income Tax	$75	$70	($30)	($30)
Business Taxes	$160	$80	($15)	($45)
Sales Tax	$40	$80	$25	$0
Real-Estate-Related Taxes	($20)	$0	$15	$100
Subtotal	**$255**	**$170**	**($135)**	**$35**
Expenditure Projections				
Judgments and Claims	$35	$88	$138	$195
Public Assistance	$10	$10	$10	$10
Overtime	($100)	($100)	($100)	($100)
Department of Education	($50)	($100)	($100)	($100)
Subtotal	**($105)**	**($102)**	**($52)**	**$5**
Total Risk/Offsets	**$150**	**$68**	**($187)**	**$40**
Restated (Gap)/Surplus	**$150**	**($2,662)**	**($5,008)**	**($6,419)**

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II. State of the City's Economy

The City's economy remained strong during the first three quarters of 2007, but by mid-year economic pressures were mounting. Due to the deepening problems in the subprime mortgage market, Wall Street firms and commercial banks were forced to write down assets and some reported weak or nonexistent earnings in the third quarter of 2007. Many of these earnings reports have been followed by announcements of job cuts, which could undermine the City's economic expansion. The Federal Reserve has responded with several interest rate cuts, but it is unclear whether the relaxed monetary policy will be sufficient to reassure credit markets and offset the housing market's drag on the nation's economy.

A. NYC'S ECONOMIC PERFORMANCE IN 2007

The City's economy was strong during the first three quarters of 2007. Real GCP grew at an annualized rate of 3.4 percent, compared with a national rate of 3.1 percent. Despite the local economy's solid performance, its rate of growth was slightly below the 3.7 percent rate of expansion during the first three quarters of 2006.

The City's businesses added 55,500 jobs during the first ten months of 2007, compared with 69,300 in the first ten months of 2006. Chart 1 on page 6 compares the change in City and U.S. payroll jobs during the two periods. The City's rate of job creation surpassed the nation's in every sector except manufacturing, information, education and health services, leisure and hospitality, and government.

The City's unemployment rate has held steady during the first ten months of 2007, averaging 5.1 percent, slightly above the five percent for the first ten months of 2006. However, changes in households' labor force status were dramatically different than during the same months of 2006, as shown in Table 4.

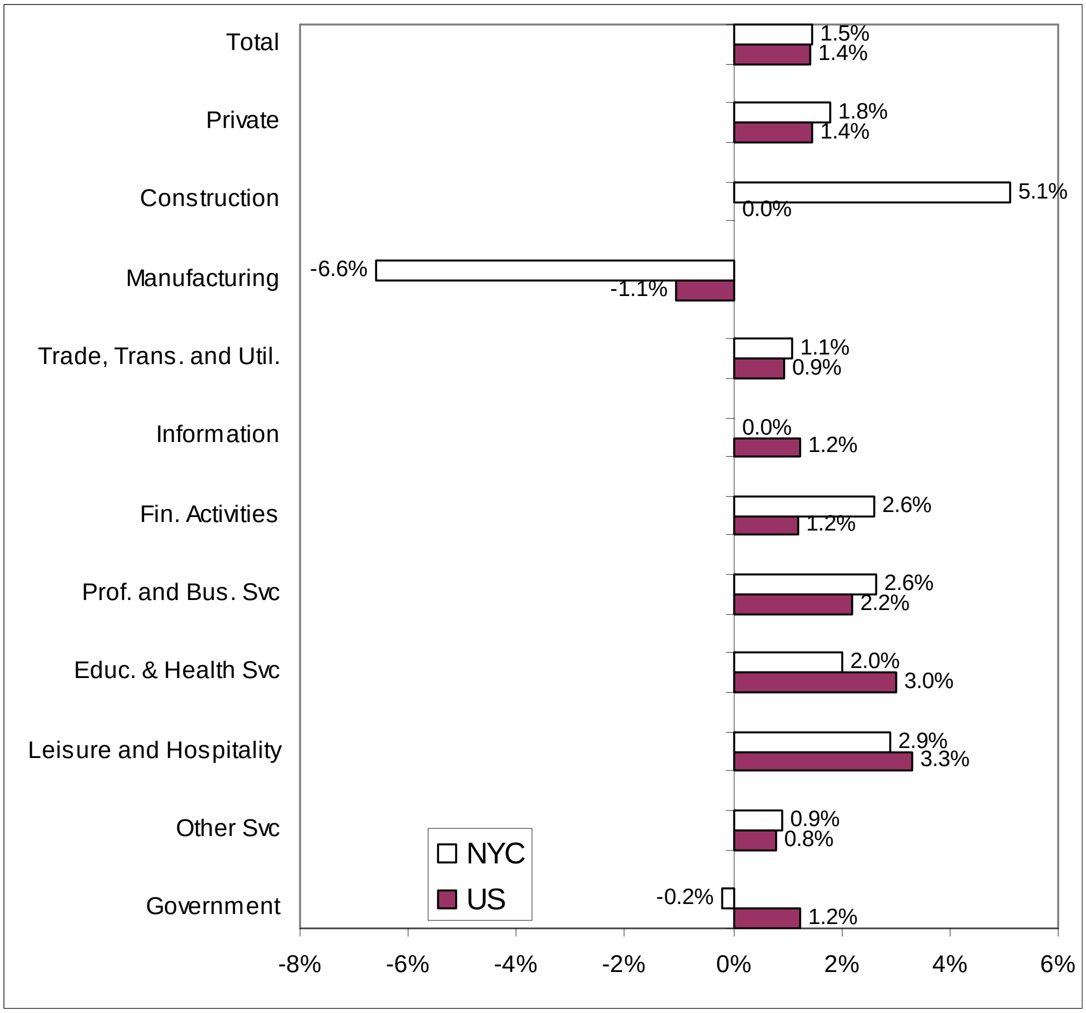
Table 4. Change in Civilian Employment, Unemployment, and Labor Force, NYC, First 10 Months of 2006 vs. First 10 months of 2007

	1st 10 months of 2006	1st 10 months of 2007
Civilian Employment	71,900	7,800
Unemployment	(24,900)	2,800
Labor Force	47,000	10,600

SOURCE: NYC Comptroller's Office based on NYS Department of Labor.

Year-to-year changes in the household-level labor force data indicate a tightening in the City's labor markets. A much smaller decrease in the number of unemployed residents indicates that the most easily employable job seekers have been absorbed, while growth in the resident labor force has also slowed significantly. The smaller change in civilian employment, relative to the number of payroll jobs created, suggests a cyclical slowdown in the growth of the self-employed workforce as salaried jobs became easier to find.

***Chart 1.* Change in NYC and U.S. Payroll Jobs, First 10 Months of 2007 vs. First 10 Months of 2006**



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

The City's commercial real estate market continues to do well. According to Cushman and Wakefield, Manhattan's commercial real estate vacancy rate averaged 5.6 percent during the first three quarters of 2007 compared with 7.7 percent in the first three quarters of 2006. According to the real estate firm, about 5.5 million square feet of Manhattan office space was absorbed during the first three quarters of the year.

Manhattan's residential market also remains strong. According to Prudential Douglas Elliman, on a year-over-year basis, the average sales prices per square foot for Manhattan apartments rose 9 percent, while the number of sales rose 65.6 percent, during the third quarter of 2007 compared to the third quarter of the previous year. The Manhattan residential market is being driven by financial-sector employee bonuses and rising demand from foreign investors. Wall Street bonuses for calendar year 2006, many of which were paid out early in 2007, rose an estimated 47 percent to $33.6 billion.

Residential markets in the other boroughs, however, have begun to soften. According to Prudential Douglas Elliman's third quarter report, the number of homes sold in Queens dropped over 20 percent from the second quarter, and average sales prices were down by 2.9 percent from the previous year. For the New York City metro area, the Office of Federal Housing Enterprise Oversight (OFHEO) index, which measures price appreciation of homes qualifying for conforming mortgages, shows a 2.7 percent increase for the second quarter of 2007 compared to the second quarter of 2006, while Freddie Mac's Conventional Home Price Index shows a 1 percent year-over-year change.

Despite the slowing residential market outside of Manhattan, residential construction activity remained strong through the first nine months of 2007. New residential building permits were actually up slightly from the equivalent period of 2006, and appear headed for a third consecutive year exceeding 30,000 housing units. Although some of the new building permit filings may be motivated by developer attempts to beat the effective date of the new 421-a tax exemption law, it appears that the industry remains optimistic about the market's ability to absorb new units. Construction employment is up sharply in 2007, indicating that many projects are proceeding.

Tourism has been another strong sector during 2007. The average daily hotel occupancy rate was 85.6 percent during the first nine months of 2007, compared with 84.7 percent in the first nine months of 2006. The City has been increasing its share of international visitors to the United States for the past decade, and the declining dollar makes it an even more attractive vacation destination for international travelers.

The City's critical economic engines—the financial sector and professional and business services—showed strong gains during the first three quarters of the year. Employment growth in both sectors outpaced the national rates, and by September, employment in the City's securities industry reached its highest level since August 2001. Wall Street appeared headed for another banner year with profits, as measured by the pre-tax profits of NYSE member firms, of $8.9 billion in the first half of 2007, compared with $9.2 billion in the first half of 2006. During the third quarter, however, problems in the subprime sector of the mortgage market erupted into a general credit crisis that is affecting a wide range of mortgage products and securities. Financial firms have been forced to write down billions of dollars of assets and to curtail many types of underwriting activities. The financial turmoil has introduced significant new risks into the City's economic outlook.

B. ECONOMIC OUTLOOK

After four years of healthy economic growth, the City's economy is expected to slow down in 2008 and 2009. Several negative factors have been exerting downward pressure on the economy for the past year and the risks they pose are mounting. Although these risk factors are affecting the national economy as well, New York's role as the nation's financial center makes it a particularly sensitive to these risks.

The principal threat to both the national and local economies is the unfolding subprime mortgage debacle and its collateral effects on credit markets. The implosion of the market for securities backed by subprime mortgages has already caused financial firms to write down billions of dollars in assets and to announce thousands of job cuts. These financial losses and layoffs are likely to fall disproportionately on New York firms and workers, and the process has not yet fully resolved.

Potentially as damaging to the local economy are the spillover effects to a range of other financial activities. The subprime problems have soured the market for a host of other mortgage-backed securities, thereby curtailing a formerly important segment of financial firms' business. The extent to which the spillover will continue to impair other credit markets, such as those for short-term commercial paper or for corporate bonds to finance leveraged buy-outs, remains to be seen. However, the impact on Wall Street profits has already been significant, and the earnings of the City's financial firms are likely to be down significantly from 2006 levels. That will translate into lower employment levels and a smaller Wall Street bonus pool.

The turmoil in the mortgage market is also deepening and possibly prolonging the national housing slump. New single-family home sales were at an annual rate of 770,000 in September of 2007, a decline of 39 percent from September of 2005. Existing home sales in 2007, according to the National Association of Realtors, will be off by about 12 percent from 2006 levels. The slowdown in home sales, which adversely affects a range of consumer products industries as well as the construction industry, is due to purchaser caution regarding the direction of home prices, as well as to a tightening of mortgage underwriting standards.

Thus far, actual housing price declines have not been widespread. According to OFHEO, although the national rate of home price appreciation slowed to just 0.3 percent in the second quarter of the year, only five states experienced year-over-year price declines. Even if home prices do not fall outright, however, the slowing of home equity growth will constrain consumer spending, probably for several years. According to estimates constructed by Alan Greenspan and James Kennedy, household extraction of home equity (primarily through mortgage refinancings and home equity loans) peaked at $226 billion in the third quarter of 2004, equivalent to 10.4 percent of disposable income. By the second quarter of 2007, net home equity extraction had fallen to $140 billion, or 5.5 percent of disposable income. This source of support for consumer spending is likely to diminish further as home prices stabilize, or in some markets, decline.

Consumer spending is also being squeezed by the rise in oil prices and high debt burdens. Oil prices recently neared $100 per barrel and gas prices are expected to hover above $3.00 per gallon through 2008. According to the Federal Reserve Board, the household debt service ratio ─ an estimate of the ratio of debt payments, which consist of the estimated required payments on outstanding mortgage and consumer debt, to disposable personal income ─ was 14.29 percent in the second quarter of 2007, a historically high figure, although slightly below 14.31 percent in the second quarter of 2006.

With increased pressures on household budgets, consumer spending is expected to slow, no longer providing the boost to the overall economy that it has in recent years. Job growth also seems to be weakening. Businesses added an average of 125,400 jobs per month in the first ten months of 2007 compared to 184,100 jobs per month in the first ten months of 2006.

One of the few bright spots in the national economy is the export sector. After five consecutive years of a worsening trade balance, the gap between US exports and imports of goods and services has begun to dwindle, making the foreign trade sector a positive contributor to US economic growth. This is primarily due to the erosion of the dollar's value; since the beginning of 2007, the dollar has depreciated 10.7 percent against the basket of major currencies and 9.2 percent against Euro. The weaker dollar will also provide some boost to the local economy, attracting more foreign tourists and real estate investment. However, a weaker dollar traditionally does not have as favorable an impact on New York City as it does in more manufacturing-oriented regional economies.

The leadership of the Federal Reserve has recently stated that it sees mounting risks to continued economic growth, and has responded with several actions, most importantly a 75 basis-point reduction of the federal funds rate. While the Fed has tried to tamp down expectations of further rate cuts, its recent actions indicate that it is willing to take measured and reasonable steps to avoid a recession.

In his report on the Adopted Budget, the Comptroller forecast a slowing of the City's economy during the second half of 2007. Although the first half of the year was slightly stronger than expected, the financial turbulence experienced during the third quarter suggests that the local slowdown may be more abrupt than previously anticipated. The net result is a forecast for calendar year 2007 economic growth that is only slightly reduced from the earlier projection. Table 5 compares the Comptroller's national economic forecast for 2006 and 2007 with the City's forecast and with the Blue Chip Economic Indicators, a monthly report of top analysts' forecasts for the U.S. economy for the year ahead.

Table 5. Percent Change in Real GDP, Inflation Rate, and Unemployment Rate, Projections, 2007 and 2008

	GDP Growth		Unemployment Rate		Change in CPI	
	2007	**2008**	**2007**	**2008**	**2007**	**2008**
1. NYC Comptroller's Office	2.2	1.9	4.6	5.0	2.5	2.5
2. City	2.0	2.0	4.6	5.0	2.7	1.8
3. Blue Chip Consensus	2.1	2.4	4.6	4.9	2.8	2.6

SOURCE: OMB, NYC Comptroller's Office and Blue Chip Economic Indicators, November 10, 2007.
CPI=Consumer Price Index.

Table 6 on page 10 provides summary projections for seven U.S. indicators in 2007 and 2008.

Table 6. Seven U.S. Indicators, Actual 2006, and Comptroller's Projections, 2007-2008

	Actual 2006	Projected 2007	Projected 2008
Real GDP Growth, (2000 $)	2.9	2.2	1.9
Payroll Jobs, Percent Change	1.9	1.3	1.1
Consumer Price Index (1982=100), % Change	3.2	2.5	2.5
Wage-Rate Growth	4.2	3.0	3.0
Unemployment Rate	4.6	4.6	5.0
Fed Funds Rate	5.0	5.0	4.3
10-Yr T-Notes	4.8	4.7	4.6

SOURCE: NYC Comptroller's Office and data from BLS, BEA, and the Federal Reserve Board of Governors. Actual data are shown in the 2006 column. The Comptroller's projections (averages for the year) are in the 2007 and 2008 columns.

Table 7 provides a summary projection for five NYC indicators in 2007 and 2008.

Table 7. Selected City Indicators, Actual 2006 and Comptroller's Forecasts, 2007-2008

	2006	2007	2008
Real GCP, (2000 $), % Change	3.6	3.1	1.9
Payroll Jobs (Annual Change), '000s	62.0	55.0	40.0
Wage-Rate Growth, %	8.2	3.9	3.0
Consumer Price Index (1982=100), % Change	3.8	2.6	2.8
Unemployment Rate, %	4.9	5.1	5.3

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

III. The City's Fiscal Outl00k

Since the City adopted its FY 2008 budget in June, the fiscal outlook for FY 2008 and the outyears of the FYs 2008 – 2011 Financial Plan has weakened considerably. As a result, the City has lowered its FY 2008 tax revenue estimate in the October Modification to the Financial Plan by $148 million.[1] At the same, the City's expenditure estimates have increased $214 million since the Adopted Budget. This mainly reflects the City-wide incremental cost of collective bargaining (patterned after the settlements reached with the uniformed agencies after budget adoption), revisions to overtime estimates, and adjustments to energy cost estimates.[2] The sum of all these adjustments results in a shortfall of $296 million in the FY 2008 budget. To address this shortfall, the City has reduced the FY 2008 Budget Stabilization Account (BSA) by $296 million to balance FY 2008, as shown in Table 8.[3]

Table 8. Changes to the City's Estimates

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

	FY 2008	FY 2009	FY 2010	FY 2011
June 2007 Gap	**0**	**($1,550)**	**($3,397)**	**($4,369)**
Revenues				
Tax Revenues	($148)	($579)	($642)	($858)
Non-Tax Revenues	66	4	4	3
Subtotal	($82)	($575)	($638)	($855)
Expenditures				
Collective Bargaining	($91)	($436)	($1,073)	($1,609)
Overtime	(78)	(30)	(34)	(39)
Energy	(17)	(17)	(17)	(17)
Pension	0	125	240	350
Debt Service	5	35	79	55
Agency Expenses	(33)	14	19	25
Subtotal	($214)	($309)	($786)	($1,235)
BSA/Prepayments	**$296**	**($296)**	**$0**	**$0**
October 2007 Gap	**$0**	**($2,730)**	**($4,821)**	**($6,459)**

NOTE: Tax revenues include that portion of Personal Income Tax (PIT) retained for New York City Transitional Finance Authority (NYCTFA) debt service and expenditures include NYCTFA debt service.

Tax revenue projections in the outyears are lower than the Adopted Budget projections by $579 million in FY 2009, $642 million in FY 2010 and $858 million in

[1] Tax revenue estimates include the portion of personal income tax (PIT) revenue retained for New York City Transitional Finance Authority (NYCTFA) debt service.

[2] Expenditures include NYCTFA debt service.

[3] The FY 2008 BSA in the October Modification totals $2.26 billion of which $1.91 billion will be used to prepay FY 2009 debt service and $350 million will be used to prepay FY 2010 debt service.

FY 2011, reflecting the City's expectation of continuing weakness in the economy. Current expenditure estimates are higher than the Adopted Budget's by $605 million in FY 2009, $786 million in FY 2010, and $1.235 billion in FY 2011.[4] The increases in outyear expenditure estimates mainly reflect the net impact of increases in collective bargaining costs and the phase-in of the impact of FY 2007 pension investment gains on pension contributions beginning in FY 2009.[5]

As a result of the reduced revenue forecasts and increased expenditure projections, the outyear gaps in the October 2007 Financial Plan have widened to $2.73 billion in FY 2009, $4.821 billion in FY 2010, and $6.459 billion in FY 2011. These projected gaps include the effect of prepayments and early debt retirements which reduce debt service significantly in FYs 2009 and 2010. As Table 9 shows, prepayments and early debt retirements are estimated to reduce debt service by $2.58 billion in FY 2009 and $1.04 billion in FY 2010.

Table 9. FY 2009 and FY 2010 Net Prepayments

($ in millions)

	FY 2009	FY 2010
Prepayment of Debt Service	($2,289)	($381)
Debt Retirement		
Call 2009/2010 G.O. Debt	($278)	($277)
Defease NYCTFA Debt	(363)	(382)
Subtotal	($641)	($659)
BSA	$350	$0
Net Prepayment	**($2,580)**	**($1,040)**

While the City's projected gaps for the next fiscal year in the first quarter modifications over the last four years had averaged $2 billion, surpluses from significantly higher-than expected revenues helped the City close those gaps. However, closing the $2.7 billion FY 2009 gap against a backdrop of economic uncertainty presents a greater challenge. The City cannot rely on greater-than-expected tax revenues to generate the surplus necessary to provide budget relief in FY 2009. Recognizing this, the City recently instructed all agencies to submit proposals to reduce expenditures by 2.5 percent in FY 2008 and 5 percent in FY 2009. These reductions are expected to reduce expenditures by $500 million in FY 2008 and $1 billion in FY 2009 and provide a head start in addressing the FY 2009 gap.

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[4] The increase in FY 2009 expenditure estimates includes the reduction of $296 million of pre-payment of FY 2009 debt service as a result of the reduction in the FY 2008 BSA.

[5] Recognition of pension investment gains/losses above/below the actuarial investment return assumption of 8 percent in a given year are phased in over the next seven years beginning with zero percent recognition in year one, 15 percent in year two, 30 percent cumulative in year three, 45 percent cumulative in year four, 60 percent in year five, 80 percent in year 6 and 100 percent by year seven.

A. RISKS AND OFFSETS

The Comptroller's Office projects that after prepaying debt service the City may end FY 2008 with a surplus of $150 million. For the outyears, the Comptroller's Office projects that the City could have additional resources of $68 million in FY 2009 and $40 million in FY 2011 and a risk of $187 million in FY 2010.

The surpluses identified by the Comptroller's Office stem mainly from higher tax revenue forecasts. As discussed in "Tax Revenues" beginning on page 14, the Comptroller's Office projects that tax revenues will be $255 million, $170 million and $35 million greater than the City's forecasts in FYs 2008, 2009, and FY 2011, respectively, but $135 million less in FY 2010. However, the Comptroller's Office expects expenditures to be higher than the City's projections in each of FYs 2008 through 2010, partially offsetting the gains from the higher revenue forecasts.

The Comptroller's Office projects that expenditures could exceed the City's projections by $105 million in FY 2008, $102 million in FY 2009, and $52 million in FY 2010, but could be $5 million less in FY 2011. As discussed in "Overtime" beginning on page 21, the Comptroller's Office expects overtime spending to be $100 million greater than the City's estimates in each year of the Financial Plan. In addition, the City continues to assume Federal funding of $50 million in FY 2008 and $100 million in each of the outyears towards the Department of Education's collective bargaining costs. However, the City has yet to identify the sources of this funding. These risks are mitigated by the Comptroller's Office's expectation of lower costs for judgments and claims (J&C). 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. The Comptroller's Office expects J&C costs to hover around $600 million over the Financial Plan period, compared with the City's projections of $635 million in FY 2008, $688 million in FY 2009, $738 million in FY 2010, and $795 million in FY 2011. As such, the City could realize savings from lower J&C costs of $35 million in FY 2008, $88 million in FY 2009, $138 million in FY 2010, and $195 million in FY 2011. In addition, the City may achieve further savings of $10 million from lower grant spending in each year of the Financial Plan, as discussed in "Public Assistance" beginning on page 23.

B. REVENUE ASSUMPTIONS

Projected City-fund revenues in the October Modification decline $85 million in FY 2008, with reductions growing to $858 million in FY 2011. As Table 10 on page 14 shows, lower revenue projections are the result of more pessimistic forecasts for tax revenues, particularly non-property tax revenues. The expected drop in non-property tax collections is largely based on expectations of lower Wall Street profits and bonuses and a decline in real-estate transactions stemming from the subprime mortgage crisis. In FY 2008, an increase in other categorical grants partially offsets the decline in the tax revenues. Projections for miscellaneous revenues are virtually unchanged from the previous plan.

Table 10. Changes to the FYs 2008-2011 Revenue Projections

($ in millions)

	FY 2008	FY 2009	FY 2010	FY 2011
Tax Revenue	$(148)	$(579)	$(642)	$(858)
Miscellaneous Revenue	2	1	1	0
Other	61	0	0	0
Total	**($85)**	**$(578)**	**$(641)**	**$(858)**

Tax Revenues

The City has reduced its tax revenue projection in the October Modification for FY 2008 by $148 million, or 0.4 percent, from $36.64 billion to $36.49 billion, as detailed in Table 11.[6] The changes in the tax revenue forecasts are due to an anticipated decline in non-property tax revenues. The downward revisions are the result of a less optimistic forecast of the City's economy stemming from the subprime mortgage crisis and its associated effects on the real estate and financial sectors. Forecasts for FYs 2009, 2010, and 2011 are reduced by $579 million, $641 million, and $858 million, respectively. The tax revenue forecast included in the October Modification reflects $1.6 billion in foregone revenues in FY 2008 resulting from a number of tax reduction initiatives proposed in previous plans. Most of these initiatives have been enacted and only $68 million, from a few remaining initiatives, still requires legislative approval. In the outyears, foregone revenues are expected to total $1.9 billion in FY 2009, $2.1 billion in FY 2010 and $2.2 billion in FY 2011.

Table 11. Revisions to the City's Tax Revenue Assumptions

($ in millions)

	FY 2008	FY 2009	FY 2010	FY 2011
Adopted Budget – Total	**$36,643**	**$37,227**	**$39,089**	**$41,133**
Revisions:				
Property	0	0	0	0
Personal Income (PIT)	(59)	(303)	(313)	(462)
Business	(47)	(114)	(76)	(59)
Sales	92	(6)	(52)	(58)
Real-Estate Related	(256)	(181)	(226)	(306)
All Other	22	25	26	27
Audit	100			
Revisions -Total	**(148)**	**(579)**	**(641)**	**(858)**
Revisions-Percent	**(0.4%)**	**(1.6%)**	**(1.6%)**	**(2.1%)**

SOURCE: NYC Office of Management and Budget.

[6] The definition of real property tax revenues used in this section includes State reimbursement for the School Tax Relief (STAR) Program and net lien sales. Personal income tax (PIT) revenue includes revenues retained for the New York City Transitional Finance Authority (NYCTFA) debt service and STAR. Tax revenues exclude refunds and audit revenues.

The City’s Forecast of Tax Revenues

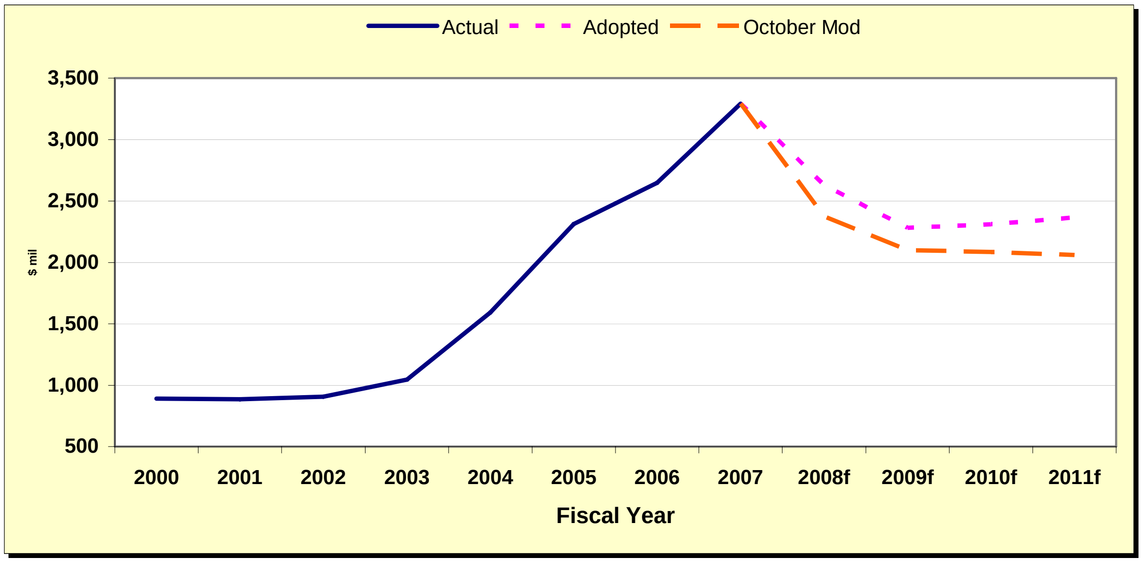
The FY 2008 personal income tax (PIT) revenue forecast has been lowered $59 million in the October Modification, as a result of decreases in expected final returns and State offsets, and higher expected refunds. PIT collection forecasts have been reduced $303 million, $313 million, and $462 million for FY 2009, 2010, and 2011, respectively. The downward revisions reflect an expected decline in Wall Street bonuses and slow growth of the national and local economies. Growth in PIT revenues is expected to average 1.1 percent per year over the financial plan period. Net PIT collections in the first four months of FY 2008, before the New York City Transitional Finance Authority (NYCTFA) retention, were $220 million above the level anticipated in the Adopted Budget and $228 million greater than the same period in FY 2007.

Business tax revenue forecasts have been reduced by an average of $74 million per year from FY 2008 to FY 2011, reflecting the expected Wall Street contraction and economic slowdown. The FY 2008 forecast decreased $47 million, from $5.46 billion in the Adopted Budget to $5.41 billion in the October Modification, reflecting a decline in anticipated collections in the second half of FY 2008. The forecast for the general corporation tax (GCT) is lower compared to the Adopted Budget estimate, while the forecasts for the banking corporation tax (BCT) and the unincorporated business tax (UBT) are higher in FY 2008. Estimated net collections for the GCT and the BCT have been reduced by an average of $78 million and $11 million, respectively, and the UBT has been raised an average of $15 million, for each year in the Plan. Overall, business tax revenues are expected to grow at an average rate of 0.78 percent per year from FY 2008 to FY 2011.

Sales tax revenue is estimated at $4.62 billion for FY 2008, $92 million higher than the Adopted Budget estimate of $4.53 billion. Collection forecasts during the plan period have been revised downward slightly, by an average of $6 million annually. Sales tax revenues are expected to grow at an annual average rate of 3.1 percent during the financial plan period.

Forecasts for real-estate-related taxes, which comprises the real property transfer tax (RPTT) and the mortgage recording tax (MRT), have been revised downward significantly since the Adopted Budget, by an annual average of $242 million over the plan period, as shown on Chart 2 on page 16. For FY 2008, revenue forecasts for the MRT and the RPTT are reduced by $174 million and $82 million, respectively. These decreases reflect a slowdown in residential transactions and a decrease in sales prices in the residential real estate market, as well as the impact of a tighter credit market and higher lending standards on large commercial transactions. Real-estate-related tax revenues are expected to decline 27.9 percent in FY 2008, 11.5 percent in FY 2009, and an average of 1.0 percent annually in FY 2010 and 2011.

***Chart 2*. Real Estate-Related Tax Revenues, Actual and Forecast, FYs 2000-2010**



SOURCE: NYC Office of Management and Budget.

Risks and Offsets to the City's Tax Revenues Assumptions

Based on current developments in the national and local economies and considering the uncertainty involved, the Comptroller's Office has lowered its economic growth projections since its July forecast. The Comptroller's estimates for PIT and business tax revenues are higher than the City's in FY 2008 and 2009, and lower than the City's in FY 2010 and 2011. The forecast for property tax revenues is the same as the City's projection for FY 2008. In FYs 2009-2010 the Comptroller forecasts more moderate growth, resulting in downward adjustments of $60 million and $130 million respectively to the City's estimates for those years. The difference from the City's estimates reflects primarily a different projection of how properties will transition to higher assessments determined by market value changes that have already occurred. For FY 2011, the forecast is virtually the same as the City's. The Comptroller's revised estimates of total tax revenues are above the City's by $255 million and $170 million respectively in FYs 2008-2009, lower by $135 million in FY 2010 and $35 million higher in FY 2011, as shown in Table 12.

Table 12. Tax Revenue Risks and Offsets

($ in millions)

	FY 2008	FY 2009	FY 2010	FY 2011
Property	$0	($60)	($130)	$10
PIT	75	70	(30)	(30)
Business	160	80	(15)	(45)
Sales	40	80	25	0
Real Estate-Related	(20)	0	15	100
Total	**$255**	**$170**	**($135)**	**$35**

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

Compared to the July 2007 report, both the City's and the Comptroller's projections of real property tax revenues are unchanged. Real property tax revenues, excluding the tax rate reduction, are estimated to grow at an average annual rate of 7.5 percent from FY 2008 through FY 2011.

As a result of a slightly different scenario for the cyclical pattern of economic growth, the Comptroller's forecasts of PIT and business tax revenues for FYs 2008 and 2009 exceed the City's by $235 million and $150 million, respectively. For FYs 2010 and 2011, the Comptroller projects a total risk of $120 million against the City's estimates of the PIT and business tax revenues, reflecting the Comptroller's expectation of a more moderate pace of economic growth in the outyears. In light of the mortgage credit crisis and its likely effect on real estate transactions volume, the Comptroller's forecasts of real estate-related tax revenues for FY 2008 are slightly lower than the City's. However, the Comptroller's forecasts for real estate-related tax revenues are more optimistic for FY 2010 and 2011, based on an assumption of a recovery in the real estate market in about two years.

Federal and State Aid

The October Plan projects Federal and State aid of $16.6 billion for FY 2008, an increase of $445 million from the City's assumptions in the Adopted Budget. This change is attributable mainly to the roll of unspent Federal funds from FY 2007 into the current year, part of the normal budget process in the first quarter of a fiscal year. The additional funds are reflected mostly in social services, health, and homeland security programs. Federal and State aid projections are virtually unchanged in the outyears, showing expected growth from $16.8 billion in FY 2009 to $18.1 billion in FY 2011. On average, Federal and State grants would constitute about 28.5 percent of the City's overall revenue budget over the course of the October Plan.

In October, the State released its Mid-Year Fiscal Update that showed a projected gap of $4.3 billion in FY 2008-09, an increase of about $650 million from its first quarter update in July. The State attributes the more pessimistic view to recent uncertainties in the financial markets. While the October Plan assumes no additional State actions in any given year of the plan period, the Deteriorating State outlook could signal reduction in local support in the Governor's budget Proposals, expected in January 2008. In FY 2007, the State slashed its per capita aid payment to the City by $307 million. A further cut of similar magnitude was also proposed for FY 2008, but was subsequently restored during State budget adoption.

Also, the City's audited financial results for FY 2007 reflected an increase of $101.3 million to its disallowance reserve against Federal, State and other aid. Over the prior three years, this reserve has more than tripled from $277 million in FY 2004 to $1 billion in FY 2007, primarily due to provisions set aside to address pending Federal Medicaid audits on the City's schools. The audits found that the Department of Education improperly submitted $532 million in Medicaid reimbursement claims for special education speech therapy and transportation services during FYs 1993-2001. The audits are still under review by the Federal government; hence no disallowance has been imposed on the City thus far.

C. EXPENDITURE ESTIMATES

All-fund FY 2008 expenditures in the October Modification total $59.49 billion, $101 million or 0.2 percent more than FY 2007 spending.[7] However, the estimated FY 2008 expenditures include a net prepayment of $3.37 billion. After adjusting for prepayments, FY 2008 expenditures are expected to be $62.86 billion, an increase of $5.3 billion from adjusted FY 2007 spending.

Expenditures, after adjusting for prepayments and prior-year actions, are projected to grow 11.9 percent over the plan period, an annual growth of 3.8 percent. As shown in Table 13, 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 20 percent, or 6.3 percent annually, three times the projected average annual inflation rate for this period of 2.1 percent. Spending in all other areas is projected to grow 9.4 percent over the Financial Plan period, an annual growth rate of 3.0 percent.

Table 13. FY 2008 –FY 2011 Expenditures
Adjusted for Prepayments and Other Prior Year Actions

($ in millions)

	FY 2008	FY 2009	FY 2010	FY 2011	Growth FY 08-11	Annual Growth
Pensions	$5,603	$6,141	$6,194	$6,280	12.1%	3.9%
Health Insurance	3,290	3,612	3,893	4,168	26.7%	8.2%
Debt Service	4,968	5,343	5,700	6,151	23.8%	7.4%
Judgments and Claims	635	688	738	795	25.3%	7.8%
Subtotal	$14,496	$15,784	$16,525	$17,393	20.0%	6.3%
Wages and Salaries	20,193	20,581	21,232	22,018	9.0%	2.9%
CFE Supported Expenditures	723	1,476	2,256	2,302	218.4%	47.1%
City-Fund New Education Initiatives	0	0	326	767	N/A	N/A
Other Fringe Benefits	3,616	3,202	3,389	3,627	0.3%	0.1%
Public Assistance	1,187	1,187	1,187	1,187	0.0%	0.0%
Medicaid[a]	5,797	5,602	5,756	5,916	2.1%	0.7%
Other OTPS	16,849	16,384	16,756	17,103	1.5%	0.5%
Subtotal	$48,365	$48,432	$50,903	$52,920	9.4%	3.0%
Total Expenditure	**$62,861**	**$64,215**	**$67,428**	**$70,314**	**11.9%**	**3.8%**

SOURCE: NYC Office of the Comptroller
NOTE: Expenditures are total-fund expenditures and include NYCTFA debt service.
[a] Medicaid growth in the table reflects a one-time transaction for HHC in FY 2008. After adjusting for non-City funds and the one-time transaction, Medicaid outlay shows annual growth of 3.0 percent in FYs 2008 through 2011, reflecting the State cap on local Medicaid spending growth.

[7] Expenditures include NYCTFA debt service.

Pensions

The October Financial Plan projects that pension expenditures will grow from $5.6 billion in FY 2008 to $6.3 billion by FY 2011. As shown in Table 14, the October Plan includes transfers from the labor reserve to the pension budget of $49 million in FY 2010 and $235 million in FY 2011 to fund the costs associated with recent contract settlements. These increases were more than offset by the phase-in of savings, associated with the FY 2007 investment gains, of $125 million in FY 2009, $240 million in FY 2010, and $350 million in FY 2011.

Table 14. FY 2008 October Plan Projections of the City's Pension Contributions

($ in millions)

	FY 2007 Actual	FY 2008	FY 2009	FY 2010	FY 2011
FY 2008 Adopted Budget	$4,732	$5,604	$6,266	$6,385	$6,395
Collective Bargaining Transfers	0	0	1	49	235
Less FY 2007 Investment Gains	0	0	(125)	(240)	(350)
TOTAL FY 2008 October Plan	$4,732	$5,604	$6,142	$6,194	$6,280
Net Increase/(Decrease)	$0	$0	($124)	($191)	($115)

Note: Pension expenditures do not include intra-City expenses of $124 million annually.

The pension projections include $200 million per year beginning in FY 2009 to fund additional costs that may result from changes in actuarial assumptions and methods. The Chief Actuary of the pension systems is currently reviewing potential changes in actuarial assumptions and methods recommended by the Segal Company (Segal).[8]

The City and the United Federation of Teachers (UFT) recently announced a bonus payment program as discussed in greater detail in the "Department of Education" beginning on page 23. As part of the bonus payment program, the City and the UFT reached an agreement to reduce the number of years of service required for teachers to earn full pension. The City will support State legislation that would reduce the service retirement requirements for certain members of the Teachers' Retirement System (TRS) and certain members of the Board of Education Retirement System (BERS) from thirty years to twenty-five years, provided members increase their pension contribution rate by 1.85 percent. For future members, years of service required for retirement will be reduced to twenty-seven years from thirty years. The minimum age of retirement will remain at fifty-five years. Future members will also be required to increase their pension contribution rate by 1.85 percent.

In addition, the City has agreed to compensate approximately 40,000 retirees and active teachers to resolve a dispute regarding crediting of interest on member

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[8] Segal's actuarial audit findings and recommendations are discussed in "Pensions" in the December 14, 2006 Comptroller's report "The State of the City's Economy and Finances, 2006." Segal's reports, in their entirety, are available on the Comptroller's website http://comptroller.nyc.gov/bureaus/bud/all_budget_reports.shtm under "Miscellaneous Reports."

contributions. The UFT filed a lawsuit in March 2005 contending that TRS miscalculated interest earned on pension contributions made by members in Tiers I and II who had more than twenty years of service. The City has estimated the cost of this settlement at $160 million. This settlement is subject to court approval. Upon approval, the City's pension contributions will increase by approximately $16 million annually.

Labor

Since budget adoption on June 22, 2007, contract agreements have been established and ratified between the City and the Sergeant's Benevolent Association (SBA), the Uniformed Sanitationmen's Association (USA), the Uniformed Fire Officers Association (UFOA), the Lieutenants Benevolent Association (LBA), the Captains' Endowment Association (CEA), the Sanitation Officers Association (SOA), the Detectives' Endowment Association (DEA), the Communications Workers of America (CWA-1180), the Correction Officers' Benevolent Association (COBA),the Correction Captains Association (CCA) and the New York State Nurses Association (NYSNA), which represents 6,500 registered nurses who work at City hospitals, clinics, and agencies (See Appendix II for details of these contracts). In addition, the City reached a tentative agreement with the Assistant Deputy Warden/Deputy Wardens Association (ADW/DWA) on November 21, 2007 (See Appendix II for details of the tentative agreement). With the exception of the LBA and COBA agreements, the terms of the contracts with the other unions representing uniformed agencies exceed other contracts for the current round of collective bargaining by about two years, with wage increases of 4 percent in each of the final two years of the contracts.

The City has increased funding for collective bargaining in the October 2007 Financial Plan by $90 million for FY 2008, $435 million for FY 2009, $1.07 billion for FY 2010, and $1.61 billion for FY 2011. These increases reflect both the incremental cost of the recent settlements as well as the assumption that the next round of collective bargaining will reflect the increases of the uniformed settlements. Table 15 below shows the net impact on the labor reserve from the additional funding and the transfers to the individual agencies to fund settled contracts.

Table 15. October 2007 Projections of the City's Labor Reserve

($ in millions)

	FY 2008	FY 2009	FY 2010	FY 2011
June 2007	$611	$948	$1,399	$1,760
Transfer to Agencies	(166)	(294)	(433)	(741)
Funds Added for Wage Increases	91	436	1,073	1,609
October 2007	$536	$1,090	$2,039	$2,628

With the recent settlements, the Patrolmen's Benevolent Association (PBA) and the Organization of Staff Analysts (OSA) remain the only two unions that have not reached agreements with the City. OSA has filed a petition with the Office of Collective

Bargaining in an attempt to resolve the current impasse while the PBA contract continues to be in arbitration with the Public Employment Relations Board. The status of the City's labor contracts is shown in Table 16.

Table 16. Status of City's Labor Contracts

	Beginning of Contract	End of Contract	Wage Increase*	Duration of Contract
Civilian				
District Council 37 (DC37)	July 1, 2005	March 2, 2008	9.42%	32 months,2 days
Organization of Staff Analysts (OSA)	Not Settled			
Communications Workers of America (CWA)	September 6, 2006	October 5, 2008	7.10%	25 months
United Federation of Teachers(UFT)	October 13, 2007	October 31, 2009	7.10%	24 months, 19 days
New York State Nurses Association (NYSNA)	December 1, 2007	January 20, 2010	7.10%	25 months, 20 days
Council of School Supervisors & Administrators (CSA)	July 1, 2003	March 5, 2010	23.16%	80 months, 5 days
Uniformed				
Police				
Patrolmen's Benevolent Association (PBA)	Not Settled			
Detectives Endowment Association (DEA)	April 1, 2008	March 31, 2012	16.99%	48 months
Sergeants Benevolent Association (SBA)	June 1, 2005	July 31, 2011	24.29%	74 months
Lieutenants Benevolent Association (LBA)	September 1,2007	October 31, 2009	8.16%	26 months
Captains Endowment Association (CEA)	November 1, 2003	March 31, 2012	37.03%	101 months
Corrections				
Correction Officers' Benevolent Association (COBA)	August 1, 2007	October 31, 2009	8.16%	27 months
Correction Captains' Association (CCA)	December 16, 2007	June 30, 2012	16.99%	54 months, 15 days
Assistant Deputy Wardens/Deputy Wardens Association (ADW/DWA)**	March 1, 2008	June 20, 2012	16.99%	52 months
Fire				
Uniformed Firefighters Association (UFA)	August 1,2006	July 31, 2008	8.16%	24 months
Uniformed Fire Officers Association (UFOA)	March 20, 2007	March 19, 2011	16.99%	48 months
Sanitation				
Uniformed Sanitationmen's Association (USA)	March 2, 2007	September 20, 2011	16.99%	54 months, 19 days
Sanitation Officers Association (SOA)	November 13, 2007	July 1, 2012	16.99%	55 months, 19 days

*Approximate
**The union and the City reached a tentative agreement on November 21, 2007. The contract has not yet been ratified by union members.

Overtime

The FY 2008 overtime budget in the October Plan totals $832 million, an increase of about $78 million from the FY 2008 Adopted Budget. The increase results primarily from an upward revision of $73 million in overtime spending for the uniformed agencies. The City added approximately $63 million to the budget to fund an increase in overtime projections of $41 million in the Department of Correction (DOC) and $22 million in the Fire Department (FDNY). The remaining increase stems primarily from the transfer of funds from the labor reserve to the individual agencies to fund overtime costs associated with recently settled contracts.

The $41 million increase in DOC overtime funding in the October Plan reflects an expected rise in overtime in response to an increase in the inmate population and continuing difficulties in recruiting new officers. The daily inmate population, which averaged 13,987 inmates in FY 2007, increased steadily in the first four months of FY 2008 to 14,479 inmates by the end of October.[9] The current uniformed overtime projection of $96 million is approximately the same amount that was spent in FY 2007. The recruitment initiatives being implemented by the DOC and the recent contract settlement will likely result in higher recruitment levels, which should help alleviate the pressure on overtime spending. The settlement increased the starting salary to $35,000 from $26,667 by September 1, 2008 and provides for enhanced salary benefits for officers hired between January 1, 2006 and September 1, 2008. (See Appendix II for details on the settlement.) Should FY 2008 overtime spending, which was $25 million for the first quarter, continue at the same pace, the City could face a small risk of $4 million this fiscal year as shown in Table 17.

Table 17. Projected Overtime Spending, FY 2008

($ in millions)

	City's Projection	Comptroller's Projection	Risk
Uniformed Forces			
Police	$278	$374	($96)
Fire	160	160	0
Correction	96	100	(4)
Sanitation	63	63	0
Total Uniformed Forces	$597	$697	($100)
Others			
Police-Civilian	$40	$40	$0
Admin for Child Svcs	20	20	0
Environmental Protection	23	23	0
Transportation	31	31	0
All Other Agencies	121	121	0
Total Civilians	$235	$235	$0
Total City	**$832**	**$932**	**($100)**

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

In the Fire Department, the uniformed overtime budget was increased by $8 million to $160 million, consistent with the year-to-date spending trend. Civilian overtime for the FDNY was increased by $14 million, including $11 million for Emergency Medical Service (EMS). EMS is experiencing higher overtime usage in order to maintain the same level of tours after some tours were discontinued by voluntary ambulances.

The Comptroller's Office estimates that police uniformed overtime spending will be approximately $374 million in FY 2008, about $10 million higher than actual expenditures for FY 2007. The City projects overtime spending for police officers at $278 million for FY 2008. As it has done in past fiscal years, the City is expected to

[9] Average daily inmate population for the first months of FY 2008 was 14,034 inmates in July, 14,123 inmates in August, 14, 236 inmates in September, and 14,479 inmates in October.

revise the forecast in the latter half of FY 2008 to address actual expenditures. At this time there is a risk to the budget of $96 million.

Public Assistance

The City's public assistance caseload continues to drift down to recent lows during the first half of FY 2008. Through October, the welfare caseload has fallen by about 5,200 recipients to 355,510. Thus far in FY 2008, the City's welfare caseload has declined about 1.5 percent, comparable to a drop of 1.7 percent during the same period in FY 2007. More noteworthy is the decline in the City's share of monthly grant expenditures, which has averaged about $38 million to date in FY 2008. Over the July-October period in FY 2007, monthly grants averaged about $40.7 million or about 6.9 percent higher than the same period in FY 2008.

The City's public assistance caseload and grant projections remain the same as in the June Plan. The October Plan projects caseload to remain flat at 368,892 over the course of the plan period. Meanwhile, baseline grants spending is projected at $471 million annually for FYs 2008-2012. Both actual caseload and grant expenditures are currently below levels projected in the October Plan. Barring significant changes, the City could realize an underspending of $10 million annually in its public assistance budget during FYs 2008-2011.

Department of Education

The October Modification reflects a nominal increase of $5 million for the Department of Education (DOE), bringing estimated spending to nearly $17 billion in FY 2008. Projections in the outyears of the plan remain the same as in the June Plan, which would grow at a rate of slightly more than $1 billion each year. Compared with actual spending of $15.7 billion in FY 2007, the October Plan contains a growth of about 28 percent in education spending, reaching $20.2 billion in FY 2011. The funding sources constituting this growth include $2.8 billion in State funds, $1.5 billion in City funds, and $160 million in Federal grants.

Following months of negotiations, in November the State Education Department finally granted approval to the Department's Contracts for Excellence (CFE) plan. Beginning in the current school year, school districts must conform to guidelines under the new CFE mandate that require each district to designate a portion of its education aid increase towards certain targeted purposes. Targeted usages allowable under CFE guidelines include class size reduction, longer school days, improved teacher and principal quality, middle and high school restructuring, and full-day pre-kindergarten and kindergarten programs. To this end, the finalized plan reflects $258 million in State aid to be allocated in the following manner: $153 million for class size reduction, $48 million for extended day measures, $40 million for professional development of teachers and principals, $17 million for middle and high school restructurings, and less than $1 million for full-day pre-kindergarten. While the size of the overall plan is the same as the Department's initial proposal, the final plan shows an increase of $12 million for class size reduction and declines of $9 million and $2 million for extended day and school restructurings, respectively.

The Department also announced in October that high needs schools will be eligible to receive average bonus pay of $3,000 per teacher for improvements in student performance and standardized test scores. The incentive, targeting low-performing schools with high concentrations of poor students, English language learners, and special education pupils, will be extended to 200 of the City's highest needs schools during FY 2008. The incentive program would cost $20 million in its first year and is expected to be wholly funded with private grants. By next year, the Department seeks to expand the number of schools to 400 through the use of public funds. The City expects the Department to identify funding sources internally to maintain this program in the outyears.

Debt Service

As shown in Table 18 below, total debt service, after adjusting for the impact of prepayments, totals $5.06 billion in FY 2008, $5.43 billion in FY 2009, $5.79 billion in FY 2010, and $6.24 billion in FY 2011.[10] These represent decreases from the June 2007 Financial Plan of $6 million in FY 2008, $36 million in FY 2009, $79 million in FY 2010, and $56 million in FY 2011. From FY 2008 to FY 2011, total debt service is projected to increase $1.19 billion, or 23.5 percent.

Table 18. October 2007 Financial Plan Debt Service Estimates

($ in millions)

Debt Service Category	FY 2008	FY 2009	FY 2010	FY 2011	Change FY 2008 to FY 2011
G.O.[a]	$3,584	$3,893	$4,243	$4,686	$1,102
NYCTFA [b]	1,103	1,135	1,145	1,149	46
Lease-Purchase Debt	271	315	312	316	45
TSASC, Inc.	88	89	90	91	3
Municipal Assistance Corp.	10	0	0	0	(10)
Total	**$5,056**	**$5,432**	**$5,790**	**$6,242**	**$1,186**

SOURCE: October 2007 Financial Plan, October 2007.
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.

The decreases in FYs 2009-2011 debt service from the June 2007 Plan are due primarily to reductions in planned GO borrowing ($235 million in FY 2008, and $120 million in FY 2009) coupled with interest savings from FY 2007 transactions. In

[10] Includes debt service on GO, TFA, and TSASC bonds as well as lease-purchase debt and interest on short-term notes.

addition, there are significant savings in FYs 2010 and 2011 from GO refunding actions resulting in debt service savings of $36.8 million in each of these years.

Hudson Yards Infrastructure Corporation

The Hudson Yards Infrastructure Corporation (HYIC) is a local development corporation organized by The City of New York under the Not-for Profit Corporation Law of the State of New York. The HYIC is an instrumentality of, but separate and apart from the City. The purpose of the HYIC is to serve as a financing vehicle to encourage and facilitate the development of the Hudson Yards Financing District.[11] Its primary capital project is the extension of the #7 subway line from 41st street and 7th avenue to W. 34th street and 11th avenue in Manhattan. These major construction contracts are registered with the Metropolitan Transit Authority and are not included in the City's Capital Commitment Plan.

The HYIC issued $2 billion of bonds in December of 2006. The City has no obligation to pay principal but has agreed to pay interest until such time the HYIC generates sufficient revenues to cover its debt service costs. The October Plan contains $29.2 million in FY 2008, and $97.5 million in each of FYs 2009-2011 for HYIC interest costs in the lease-purchase unit of appropriation within the City's debt service budget.

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. In FY 2007, debt service as a percent of local tax revenues was 11.8 percent. In FY 2008, it is projected to consume 13.3 percent of local tax revenues and is estimated to increase to 14.6 percent in FY 2009, 14.8 percent in FY 2010, and to 15.4 percent in FY 2011, as shown in Chart 3 on page 26. The average debt service growth of 7.3 percent per year between FYs 2008 and 2011 is significantly above estimated annual tax revenue growth of 2.5 percent over the same period.

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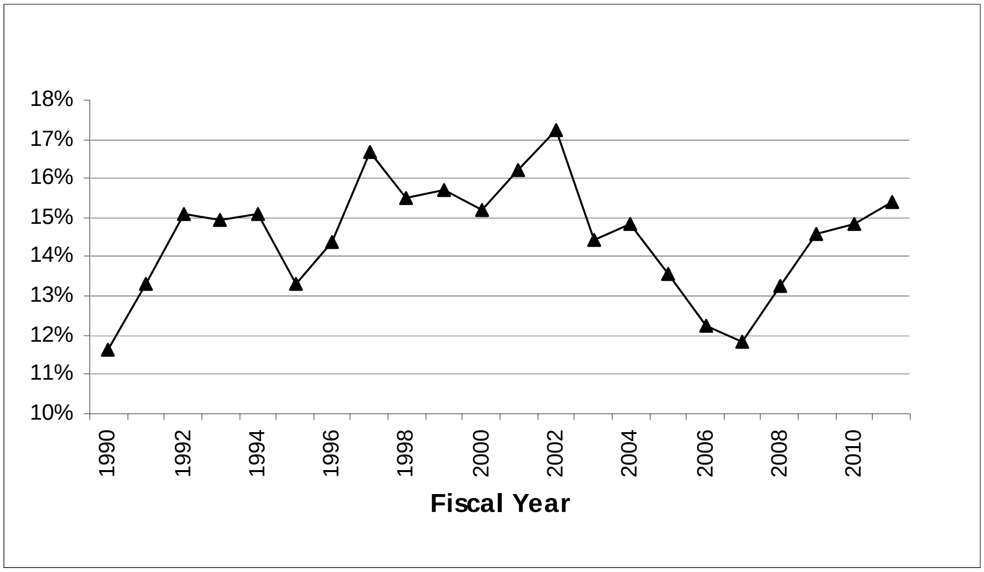
[11] The Hudson Yards Financing District refers to the 45 square block area generally bounded by 7th & 8th avenues on the east, West 43rd street on the north, 11th and 12th avenues on the west, and 29th & 30th streets on the south.

***Chart 3*. Debt Service as a Percent of Tax Revenues, 1990 -- 2011**



Source: Office of Management and Budget, City of New York, October 2007 Financial Plan.

Financing Program

The October 2007 Financial Plan contains $34.8 billion of planned borrowing in FYs 2008-2011 from combined City and State sources along with a projected $700 million pay-as-you-go capital allocation as shown below on Table 19.

Table 19. FY 2008 October Plan, FYs 2008-2011

($ millions)

Description:	Estimated Borrowing and Funding Sources FYs 2008-2011	Percent of Total
General Obligation Bonds	$21,785	61.3%
NYC Water Finance Authority	8,512	24.0%
NYC TFA – BARBs	3,486	9.8%
DASNY – EXCEL Bonds	1,045	2.9%
NYC TFA – General Purposes	0	0.0%
Pay- As- You Go Capital	700	2.0%
Total	**$35,528**	**100.0%**

SOURCE: October 2007 Financial Plan, Office of Management and Budget.

GO bonds top the list with $21.79 billion of expected borrowing over the period, or 61.3 percent of the total. NYC Water Finance Authority borrowing is expected to account for $8.51 billion, or 24 percent, of capital resources. Just less than 13 percent of capital borrowing will come from NYCTFA Building Aid Revenue Bonds (BARBs) and Dormitory Authority of the State of New York (DASNY) Expanding our Children's Education and Learning (EXCEL) bonds with $4.53 billion of capital support to the

Department of Education planned over FYs 2008-2011. Over the Financial Plan period, total borrowing is estimated to increase by $361 million from the estimates in the June 2007 Financial Plan.

Capital Plan

The FY 2008 Adopted Capital Plan for FYs 2008-2011 is the largest four-year plan on record with $51.05 billion in authorized all-fund commitments, averaging $12.76 billion per year. City-fund commitments are expected to average $10.25 billion per year. After adjusting for the reserve for unattained commitments, the Capital Plan over FYs 2008-2011 totals $47.09 billion in all-funds commitments, and $37.04 billion in City-funds commitments. The plan is front-loaded with all-fund commitments totaling $14.63 billion in FY 2008, decreasing to $14.0 billion in FY 2009, $9.60 billion in FY 2010, and $8.87 billion in FY 2011.

The Department of Education (DOE) and City University of New York (CUNY), at 23.5 percent, account for the largest share of the plan, followed by the Department of Environmental Protection (DEP) at 22.5 percent, Department of Transportation (DOT) and Mass Transit at 13.3 percent, and Housing and Economic Development at 9.2 percent.[12] These four major program areas constitute $35 billion of the plan, or 69 percent, as shown in Table 20.

Table 20. FYs 2008 – 2011 Capital Commitments, All-Funds

($ in millions)

Project Category	FY 2008 Adopted Commitment Plan	Percent of Total
Education & CUNY	$12,002	23.5%
Environmental Protection	11,503	22.5
Dept. of Transportation & Mass Transit	6,772	13.3
Housing and Economic Development	4,714	9.2
Administration of Justice	3,793	7.4
Technology and Citywide Equipment	2,927	5.7
Parks Department	2,560	5.0
Hospitals	906	1.8
Other City Operations and Facilities	5,877	11.6
Total	**$51,054**	**100.0%**
Reserve for Unattained Commitments	($3,961)	n/a
Adjusted Total	**$47,093**	**n/a**

SOURCE: Office of Management and Budget, FY 2008 Adopted Capital Commitment Plan, October 2007

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

The City-funded portion of the Plan totals $41 billion over FYs 2008-2011.[13] DEP's capital projects account for the largest share of the City-fund Plan at 27.5 percent, followed by DOE and CUNY at 13 percent, DOT and Mass Transit at 11.7 percent, and Housing and Economic Development at 9.5 percent. These four major program areas constitute 62 percent of the City-funds plan as shown in Table 21 below. The significant difference between the DOE's 13 percent share of the City-funded capital plan and its 23.5 percent of all-funds capital plan reflects the State-supported commitments of $6.5 billion in FYs 2008-2011.

Table 21. FYs 2008 – 2011 Capital Commitment, City-Funds

($ in millions)

Project Category	FY 2008 Adopted Commitment Plan, FYs 2008-2011	Percent of Total
Environmental Protection	$11,281	27.5%
Education & CUNY	5,345	13.0
Dept. of Transportation & Mass Transit	4,810	11.7
Housing and Economic Development	3,913	9.5
Administration of Justice	3,789	9.2
Technology and Citywide Equipment	2,915	7.1
Parks Department	2,322	5.7
Hospitals	906	2.2
Other City Operations and Facilities	5,721	14.1
Total	**$41,002**	**100.0%**
Reserve for Unattained Commitments	($3,961)	n/a
Adjusted Total	**$37,041**	**n/a**

SOURCE: Office of Management and Budget, FY 2008 Adopted Capital Commitment Plan, October 2007

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

Appendix I – Revenue and Expenditure Details

Table A1. *FYs 2008-2011 Financial Plan Revenue Detail*

($ in millions)

	FY 2008	FY 2009	FY 2010	FY 2011	Changes FYs 2008-11 Percent	Changes FYs 2008-11 Dollars
Taxes:						
Real Property	$13,143	$14,258	$15,343	$16,327	24.2%	$3,185
Personal Income Tax	$8,503	$8,170	$8,492	$8,792	3.4%	$289
General Corporation Tax	$2,983	$2,939	$3,022	$3,165	6.1%	$182
Banking Corporation Tax	$830	$597	$693	$729	(12.2%)	($101)
Unincorporated Business Tax	$1,597	$1,549	$1,546	$1,644	2.9%	$47
Sale and Use	$4,624	$4,640	$4,822	$5,064	9.5%	$440
Commercial Rent	$550	$566	$583	$601	9.3%	$51
Real Property Transfer	$1,299	$1,135	$1,127	$1,114	(14.2%)	($185)
Mortgage Recording Tax	$1,075	$965	$957	$946	(12.0%)	($129)
Utility	$355	$370	$385	$401	13.0%	$46
Cigarette	$139	$136	$132	$129	(7.2%)	($10)
Hotel	$357	$374	$389	$404	13.2%	$47
All Other	$381	$390	$397	$399	4.7%	$18
Tax Audit Revenue	$659	$559	$560	$560	(15.0%)	($99)
Total Taxes	**$36,495**	**$36,648**	**$38,448**	**$40,275**	**10.4%**	**$3,780**
Miscellaneous Revenue:						
Licenses, Franchises, Etc.	$419	$420	$423	$427	1.9%	$8
Interest Income	$387	$137	$144	$144	(62.8%)	($243)
Charges for Services	$563	$549	$547	$548	(2.7%)	($15)
Water and Sewer Charges	$1,195	$1,193	$1,197	$1,225	2.5%	$30
Rental Income	$194	$193	$192	$192	(1.0%)	($2)
Fines and Forfeitures	$724	$723	$724	$724	0.0%	$0
Miscellaneous	$1,124	$502	$506	$506	(55.0%)	($618)
Intra-City Revenue	$1,457	$1,367	$1,368	$1,368	(6.1%)	($89)
Total Miscellaneous	**$6,063**	**$5,084**	**$5,101**	**$5,134**	**(15.3%)**	**($929)**
Unrestricted Intergovernmental Aid:						
N.Y. State Per Capital Aid	$327	$327	$327	$327	0.0%	$0
Other Federal and State Aid	$13	$13	$13	$13	0.0%	$0
Total Unrestricted Intergovernmental Aid	**$340**	**$340**	**$340**	**$340**	**0.0%**	**$0**
Other Categorical Grants	**$1,067**	**$1,007**	**$1,012**	**$1,014**	**(5.0%)**	**($53)**
Inter Fund Agreements	**$436**	**$411**	**$403**	**$398**	**(8.7%)**	**($38)**
Reserve for Disallowance of Categorical Grants	**($15)**	**($15)**	**($15)**	**($15)**	**0.0%**	**$0**
Less: Intra-City Revenue	**($1,457)**	**($1,367)**	**($1,368)**	**($1,368)**	**(6.1%)**	**$89**
TOTAL CITY FUNDS	**$42,929**	**$42,108**	**$43,921**	**$45,778**	**6.6%**	**$2,849**

Table A2 (Cont'd). *FYs 2008-2011 Financial Plan Revenue Detail*

($ in millions)

					Changes FYs 2008-11	
	FY 2008	**FY 2009**	**FY 2010**	**FY 2011**	**Percent**	**Dollars**
Federal Categorical Grants:						
Community Development	$277	$277	$262	$259	(6.5%)	($18)
Welfare	$2,364	$2,399	$2,392	$2,392	1.2%	$28
Education	$1,851	$1,898	$1,899	$1,900	2.6%	$49
Other	$1,114	$799	$805	$793	(28.8%)	($321)
Total Federal Grants	**$5,606**	**$5,373**	**$5,358**	**$5,344**	**(4.7%)**	**($262)**
State Categorical Grants						
Social Services	$1,980	$1,803	$1,803	$1,803	(8.9%)	($177)
Education	$7,872	$8,628	$9,494	$9,932	26.2%	$2,060
Higher Education	$195	$195	$195	$195	0.0%	$0
Department of Health and Mental Hygiene	$477	$438	$437	$443	(7.1%)	($34)
Other	$434	$360	$360	$360	(17.1%)	($74)
Total State Grants	**$10,958**	**$11,424**	**$12,289**	**$12,733**	**16.2%**	**$1,775**
TOTAL REVENUES	**$59,493**	**$58,905**	**$61,568**	**$63,855**	**7.3%**	**$4,362**

Table A2. *FYs 2008-2011 Financial Plan Expenditure Detail*

($ in thousands)

	FY 2008	FY 2009	FY 2010	FY 2011	Changes FYs 2008 - 11 Percent	Changes FYs 2008 - 11 Dollars
Mayoralty	$88,757	$85,974	$85,644	$85,659	(3.5%)	($3,098)
Board of Elections	$100,864	$82,819	$75,769	$75,769	(24.9%)	($25,095)
Campaign Finance Board	$9,806	$8,664	$8,664	$8,664	(11.6%)	($1,142)
Office of the Actuary	$6,005	$5,905	$5,905	$5,905	(1.7%)	($100)
President, Borough of Manhattan	$5,837	$3,483	$3,483	$3,483	(40.3%)	($2,354)
President, Borough of Bronx	$7,831	$4,961	$4,961	$4,961	(36.6%)	($2,870)
President, Borough of Brooklyn	$8,142	$4,371	$4,371	$4,371	(46.3%)	($3,771)
President, Borough of Queens	$6,971	$3,988	$3,988	$3,988	(42.8%)	($2,983)
President, Borough of Staten Island	$4,942	$3,465	$3,465	$3,465	(29.9%)	($1,477)
Office of the Comptroller	$76,152	$75,677	$74,352	$74,352	(2.4%)	($1,800)
Dept. of Emergency Management	$24,438	$8,970	$8,970	$8,970	(63.3%)	($15,468)
Tax Commission	$2,584	$2,584	$2,584	$2,584	0.0%	$0
Law Dept.	$121,838	$119,570	$119,391	$119,391	(2.0%)	($2,447)
Dept. of City Planning	$30,337	$23,729	$23,729	$23,729	(21.8%)	($6,608)
Dept. of Investigation	$19,054	$18,984	$18,985	$18,875	(0.9%)	($179)
NY Public Library - Research	$25,086	$25,366	$25,366	$25,366	1.1%	$280
New York Public Library	$119,955	$121,310	$121,310	$121,310	1.1%	$1,355
Brooklyn Public Library	$88,288	$89,250	$89,250	$89,250	1.1%	$962
Queens Borough Public Library	$86,800	$87,704	$87,704	$87,704	1.0%	$904
Dept. of Education	$16,979,847	$18,037,249	$19,274,827	$20,199,690	19.0%	$3,219,843
City University	$628,456	$575,905	$578,591	$581,847	(7.4%)	($46,609)
Civilian Complaint Review Board	$11,959	$11,896	$11,896	$11,896	(0.5%)	($63)
Police Dept.	$3,861,528	$3,826,994	$3,886,691	$3,961,704	2.6%	$100,176
Fire Dept.	$1,540,108	$1,498,419	$1,506,418	$1,520,048	(1.3%)	($20,060)
Admin. for Children Services	$2,782,631	$2,721,780	$2,721,786	$2,721,877	(2.2%)	($60,754)
Dept. of Social Services	$8,653,695	$8,416,027	$8,569,881	$8,729,550	0.9%	$75,855
Dept. of Homeless Services	$656,951	$638,684	$637,903	$637,903	(2.9%)	($19,048)
Dept. of Correction	$979,642	$970,196	$977,110	$978,996	(0.1%)	($646)
Board of Correction	$925	$925	$925	$925	0.0%	$0
Citywide Pension Contribution	$5,603,272	$6,140,995	$6,193,820	$6,279,655	12.1%	$676,383
Miscellaneous	$6,042,962	$7,060,931	$8,323,434	$9,341,107	54.6%	$3,298,145
Debt Service	$3,854,421	$4,208,140	$4,554,082	$5,001,802	29.8%	$1,147,381
M.A.C. Debt Service	$10,000	$0	$0	$0	(100.0%)	($10,000)
N.Y.C.T.F.A. Debt Service	$1,103,000	$1,135,000	$1,145,000	$1,149,000	4.2%	$46,000
Pre-Payments	($4,052,621)	($2,289,135)	($380,865)	$0	(100.0%)	$4,052,621
Budget Stabilization Account	$2,255,230	$350,000	$0	$0	(100.0%)	($2,255,230)
Transfer for N.Y.C.T.F.A. Debt Service.	($562,000)	$0	$0	$0	(100.0%)	$562,000
Defeasance of N.Y.C.T.F.A. Debt	($383,000)	($363,000)	($382,000)	$0	(100.0%)	$383,000
Call 2009/2010 G.O. Debt	($26,935)	($278,334)	($276,634)	$0	(100.0%)	$26,935
Public Advocate	$3,152	$2,191	$2,191	$2,191	(30.5%)	($961)
City Council	$54,608	$54,608	$54,608	$54,608	0.0%	$0
City Clerk	$3,934	$3,934	$3,934	$3,934	0.0%	$0
Dept. for the Aging	$284,612	$248,510	$248,510	$247,510	(13.0%)	($37,102)
Dept. of Cultural Affairs	$168,834	$154,140	$154,140	$154,140	(8.7%)	($14,694)
Financial Information Services. Agency	$59,161	$53,360	$47,366	$47,366	(19.9%)	($11,795)
Dept. of Juvenile Justice	$127,431	$124,589	$124,589	$124,589	(2.2%)	($2,842)
Office of Payroll Admin.	$14,531	$12,956	$11,507	$11,507	(20.8%)	($3,024)
Independent Budget Office	$3,161	$3,151	$3,121	$3,121	(1.3%)	($40)
Equal Employment Practices Comm.	$772	$773	$773	$773	0.1%	$1

Table A2 (Cont'd). *FYs 2008-2011 Financial Plan Expenditure Detail*

($ in thousands)

	FY 2008	FY 2009	FY 2010	FY 2011	Changes FYs 2008 - 11 Percent	Changes FYs 2008 - 11 Dollars
Civil Service Commission	$611	$636	$636	$636	4.1%	$25
Landmarks Preservation Comm.	$4,664	$4,324	$4,324	$4,324	(7.3%)	($340)
Taxi & Limousine Commission	$32,157	$28,966	$28,966	$28,966	(9.9%)	($3,191)
Commission on Human Rights	$7,246	$7,180	$7,180	$7,180	(0.9%)	($66)
Youth & Community Development	$391,763	$275,912	$275,912	$275,912	(29.6%)	($115,851)
Conflicts of Interest Board	$1,917	$1,912	$1,912	$1,912	(0.3%)	($5)
Office of Collective Bargain	$1,862	$1,862	$1,862	$1,862	0.0%	$0
Community Boards (All)	$14,606	$14,347	$14,349	$14,351	(1.7%)	($255)
Dept. of Probation	$81,320	$80,740	$80,740	$80,740	(0.7%)	($580)
Dept. Small Business Services	$177,814	$108,396	$103,805	$96,846	(45.5%)	($80,968)
Housing Preservat'n & Developm'nt	$561,675	$511,942	$491,356	$487,979	(13.1%)	($73,696)
Dept. of Buildings	$99,294	$88,505	$88,402	$88,147	(11.2%)	($11,147)
Dept. of Health & Mental Hygiene	$1,659,759	$1,566,356	$1,583,289	$1,592,254	(4.1%)	($67,505)
Health and Hospitals Corp.	$131,432	$89,771	$92,382	$91,979	(30.0%)	($39,453)
Dept. of Environmental Protection	$971,989	$943,080	$923,063	$921,289	(5.2%)	($50,700)
Dept. of Sanitation	$1,277,888	$1,325,966	$1,370,162	$1,450,184	13.5%	$172,296
Business Integrity Commission	$5,874	$5,774	$5,630	$5,630	(4.2%)	($244)
Dept. of Finance	$215,048	$212,818	$211,788	$211,788	(1.5%)	($3,260)
Dept. of Transportation	$712,841	$612,674	$610,764	$610,693	(14.3%)	($102,148)
Dept. of Parks and Recreation	$328,499	$305,345	$304,844	$301,943	(8.1%)	($26,556)
Dept. of Design & Construction	$106,573	$96,005	$96,005	$96,005	(9.9%)	($10,568)
Dept. of Citywide Admin. Services	$346,624	$312,388	$312,388	$312,388	(9.9%)	($34,236)
D.O.I.T.T.	$241,003	$239,629	$238,521	$238,647	(1.0%)	($2,356)
Dept. of Record & Info. Services	$7,004	$4,687	$4,687	$4,687	(33.1%)	($2,317)
Dept. of Consumer Affairs	$18,156	$15,677	$15,560	$15,345	(15.5%)	($2,811)
District Attorney – N.Y.	$88,184	$76,672	$76,672	$76,672	(13.1%)	($11,512)
District Attorney – Bronx	$47,875	$45,543	$45,543	$45,543	(4.9%)	($2,332)
District Attorney – Kings	$76,581	$75,617	$75,617	$75,617	(1.3%)	($964)
District Attorney - Queens	$42,234	$45,152	$45,152	$45,152	6.9%	$2,918
District Attorney - Richmond	$7,978	$7,479	$7,479	$7,479	(6.3%)	($499)
Office of Prosecut'n. & Spec. Narc.	$17,229	$16,139	$16,139	$16,139	(6.3%)	($1,090)
Public Administrator - N.Y.	$1,238	$1,185	$1,185	$1,185	(4.3%)	($53)
Public Administrator - Bronx	$501	$427	$427	$427	(14.8%)	($74)
Public Administrator - Brooklyn	$582	$528	$528	$528	(9.3%)	($54)
Public Administrator - Queens	$455	$402	$402	$402	(11.6%)	($53)
Public Administrator - Richmond	$366	$313	$313	$313	(14.5%)	($53)
General Reserve	$300,000	$300,000	$300,000	$300,000	0.0%	$0
Energy Adjustment	$17,257	$37,727	$36,705	$40,785	136.3%	$23,528
Lease Adjustment	$0	$20,010	$40,620	$61,848	N/A	$61,848
OTPS Inflation Adjustment	$0	$55,519	$111,038	$166,557	N/A	$166,557
City-Wide Total	**$59,492,053**	**$61,635,263**	**$66,387,842**	**$70,313,869**	**18.2%**	**$10,821,816**

Appendix II – Contract Agreements Since FY 2008 Adopted Budget

1. *SBA tentative agreement covering the period from June 1, 2005 through July 31, 2011:*

    - *Wage Increases*
        - 3.0 percent effective June 1, 2005
        - 3.15 percent, compounded, effective June 1, 2006
        - 4.0 percent, compounded, effective June 1, 2007
        - 4.0 percent, compounded, effective June 1, 2008
        - 4.0 percent, compounded, effective August 1, 2009
        - 4.0 percent, compounded, effective August 1, 2010
    - *Health and Welfare Contributions* – Effective July 1, 2008, the City will increase health and welfare contributions by $170 per retired member. These contributions will increase by an additional $80 per retired member effective September 1, 2010.
    - *Longevity Payments* – Effective July 1, 2008, longevity payments at the 5, 10, 15 and 20 year steps will increase by $460. Effective September 1, 2010, longevity payments at the 5 and 10 year steps will increase by $600 and at the 15 and 20 year steps by $1,000.
    - *Annuity Fund* – Effective September 1, 2010, contributions to the Annuity Fund will increase by $261 per active member.

2. *USA tentative agreement covering the period from March 2, 2007 through September 20, 2011:*

- *Wage increases*

  - ❖ 4.0 percent effective March 2, 2007
  - ❖ 4.0 percent, compounded, effective March 2, 2008
  - ❖ 4.0 percent, compounded, effective August 21, 2009
  - ❖ 4.0 percent, compounded, effective August 21, 2010

- *Enhanced Salary Schedule* – Effective March 2, 2007, the starting salary for new hires will be increased by nearly $3,000 to $30,000. With the subsequent wage increases provided for in the contract, the starting salary will reach $33,746 by the end of the contract period.

- *Welfare Funds* – Effective March 2, 2007 the City will increase its contributions to the active employee welfare fund by a pro rata amount of $100 per employee and to the retiree welfare fund by pro rata amount of $300 per employee.

- *Annuity Fund* – Effective July 1, 2007, the City will increase its contributions to the Annuity Fund by $3 per day per employee. Effective April 2, 2008, the City will increase its contribution by an additional $2 per day for each employee with 15 or more years of service.

- *Additional Paid Holiday* – Effective January 2008, Martin Luther King, Jr's birthday will be a paid holiday.

- *Other Available Funds* – Effective September 21, 2010 and August 21, 2011, the bargaining unit will have available funds of 1.59 percent and 0.4 percent, respectively, to purchase mutually agreed upon recurring benefits.

- *Special Assignment Pay* – Upon ratification of the contract, sanitation workers on "special assignment" in the Citywide Transportation Unit shall be paid an assignment differential of up to 12 percent above the basic maximum salary.

3. *UFOA tentative agreement covering the period from March 20, 2007 through March 19, 2011:*

- *Wage increases*

  ❖ 4.0 percent effective March 20, 2007

  ❖ 4.0 percent, compounded, effective March 20, 2008

  ❖ 4.0 percent, compounded, effective March 20, 2009

  ❖ 4.0 percent, compounded, effective March 20, 2010

- *Enhanced Salary Schedule* – Effective March 20, 2008, the salary schedule for new promotions to the position of lieutenants and supervising fire marshals will be revised as follows:

  <u>Lieutenants</u>

  ❖ Step 1 $75,000

  ❖ Step 2 $75,500

  ❖ Step 3 $76,000

  ❖ Step 4 $77,120

  ❖ Basic maximum $87,798

  <u>Supervising Fire Marshals</u>

  ❖ Step 1 $87,400

  ❖ Step 2 $88,900

  ❖ Step 3 $90,000

  ❖ Step 4 $92,120

  ❖ Basic maximum $96,016

- *Family Protection Plan Fund* – Effective March 20, 2008 the City will increase its contribution to this fund by $60 per year per retiree. Effective April 20, 2010 this contribution will be increased by an additional $60 per retiree and $50 per active employee.

- *Annuity Fund* – Effective March 20, 2008 and April 20, 2010, respectively, the City will increase its contributions to the Annuity Fund by $261 per year.

- *Longevity Schedule* – Effective April 20, 2010, the longevity schedule will be increased by $1,000 at all steps.

- *Assignment Differential* – Effective September 1, 2007, Deputy Chiefs designated as "Division Commanders" will be paid an annualized assignment differential of $2,500 and Battalion Chiefs designated as "Battalion Commanders" will be paid an annualized assignment differential of $1,500. Effective March 20, 2008, the eight-hour Battalion Chief/Deputy Chief training day will be compensated at a rate of time and a half instead of straight time.

- *Certified First Responder-Defibrillation (CFR-D) Refresher* – Effective April 20, 2010, the 40 hours of CFR-D training will be compensated at a rate of time and a half instead of straight time.

- *Special Assignment Pay* – Effective September 1, 2007, there will be assignment differentials payable to lieutenants, captains, and battalion chiefs on "special assignments" in certain specific companies.

4. *CEA agreement covering the period from November 1, 2003 through March 31, 2012:*

- *Wage increases*

  - 5.0 percent effective November 1, 2003
  - 5.0 percent, compounded, effective November 1, 2004
  - 3.0 percent, compounded, effective February 1, 2006
  - 3.15 percent, compounded, effective February 1, 2007
  - 4.0 percent, compounded, effective February 1, 2008
  - 4.0 percent, compounded, effective February 1, 2009
  - 4.0 percent, compounded, effective April 1, 2010
  - 4.0 percent, compounded, effective April 1,2011

- *Welfare Fund* – Effective October 31, 2009 the City will increase its contribution to the fund by $100 per year per for active members and retirees.

- *Annuity Fund* – Effective March 1, 2009 and May 11, 2011 the City will increase its contributions to the Annuity Fund by $168 and $380 per year, respectively.

- *Longevity Schedule* – Effective May 1, 2011, the longevity schedule will be increased by $1,500 at all steps.

- *Savings Incentive Plan* – Effective March 1, 2009, the City will contribute $168 to the plan for each active member who invests a minimum of one percent of salary per year in the 457 Plan. This will be increased by $380 per year beginning May 1, 2011.

5. *LBA agreement covering the period from September 1, 2007 through October 31, 2009:*

- *Wage increases*

    - ❖ 4.0 percent, effective September 1, 2007

    - ❖ 4.0 percent, compounded, effective September 1, 2008

- *Welfare Fund* – Effective October 31, 2009 the City will increase its contribution to the funds by $100 per year per for active members and retirees.

- *Annuity Fund* – Effective October 31, 2009, the City will make a lump sum payment of $1,000 on behalf of each active member.

- *Longevity Schedule* **–** Effective October 1, 2008, the longevity schedule will be increased by $1,000 at all steps. This will be further increased by $500 effective October 31, 2009.

- *Savings Incentive Plan* – Effective October 31, 2009, the City will make a $3,000 lump sum payment to the plan for each active eligible member of the savings incentive program.

6. *SOA agreement covering the period from November 13, 2007 through July 1, 2012:*

- *Wage increases*

    - ❖ 4.0 percent, effective November 13, 2007
    - ❖ 4.0 percent, compounded, effective November 13, 2008
    - ❖ 4.0 percent, compounded, effective May 2, 2010
    - ❖ 4.0 percent, compounded, effective May 2, 2011

- *Additional Paid Holiday* – Effective January 2008, Martin Luther King, Jr's Birthday will be a paid holiday.

- *Annuity Fund* – Effective December 13, 2008, the City will make a lump-sum payment to the fund of $2,150 for each employee at basic maximum salary. Effective November 13, 2009, the contribution to the fund will be increased by a pro rata amount of $1,044 annually per employee. Additionally, effective February 13, 2010, a lump-sum payment of $580.34 per active employee will be used to establish a supplemental annuity fund to provide supplemental benefits to officers who have attained a normal service retirement after twenty years of service. The annual lump-sum payment will be adjusted, thereafter, by any future wage increases.

- *Additional Compensation* – Effective June 2, 2011 and May 2, 2012, there will be available funds of 1.48 percent and 0.81 percent, respectively, for recurring benefits to be agreed to by the City and the union.

7. *CWA agreement covering the period from September 6, 2006 through October 5, 2008:*

- *Wage increases*

  - 2.0 percent, effective October 6, 2006

  - 5.0 percent, compounded, effective April 6, 2007

  - 0.5 percent, productivity raise retroactive to July 2004

- *Welfare Fund* – Effective January 6, 2007, the City will make a one-time payment of $167 per member to the fund. Effective June 6, 2008 the annual contribution to the fund per member will increase by $35.

- *Additional Compensation* – Effective October 5, 2008, members who have completed ten years of City service will receive a seniority raise of $600.

8. *COBA agreement covering the period from August 1, 2007 through October 31, 2009:*

- *Wage increases*
    - ❖ 4.0 percent effective August 1, 2007
    - ❖ 4.0 percent, compounded, effective August 1, 2008

- *Enhanced Salary Schedule* – Effective September 1, 2008, the salaries of Correction Officers hired on or after January 1, 2006 and prior to September 1, 2008 will be as follows:
    - ❖ First Year $37,577
    - ❖ Second Year $39,071
    - ❖ Third Year $43,668
    - ❖ Fourth Year $47,689
    - ❖ Fifth Year $50,677
    - ❖ Basic maximum $68,475

  For Correction Officers hired on or after September 1, 2008 salaries will be as follows:
    - ❖ First Year $35,000
    - ❖ Second Year $38,850
    - ❖ Third Year $41,900
    - ❖ Fourth Year $46,250
    - ❖ Fifth Year $50,000
    - ❖ Basic maximum $68,475

- *Welfare Fund* – Effective November 1, 2007, the City will increase its contribution to this fund by $200 per year per employee.

- *Annuity Fund* – Effective August 1, 2009, the City will increase its contributions to the annuity fund by $370 per year per employee.

- *Longevity Schedule* – Effective November 1, 2007, the longevity schedule will be increased by $314 at all steps.

9. *DEA agreement covering the period from April 1, 2008 through March 31, 2012:*

- *Wage increases*
  - ❖ 4.0 percent, effective April 1, 2008
  - ❖ 4.0 percent, compounded, effective April 1, 2009
  - ❖ 4.0 percent, compounded, effective April 1, 2010
  - ❖ 4.0 percent, compounded, effective April 1, 2011
- *Welfare Fund* – Effective May 1, 2009, the City will increase its contribution to this fund by $100 per employee on behalf of retirees. Effective May 1, 2011, there will be a $100 increase per employee to the fund on behalf of active employees.
- *Annuity Fund* – Effective May 1, 2009, the City will increase its contributions to the fund so that all grades are equalized at the level of $5 per day per employee. Effective May 1, 2011, a one-time lump sum of $4,515 will be made to the fund for each employee.
- *Longevity Schedule* – Effective November 1, 2008, the longevity schedules for fifteen-year and twenty-year steps will be increased by $1,000. Effective April 1, 2010, there will be an additional increase of $1,500 for these steps.

10. *CCA agreement covering the period from December 16, 2007 through June 30, 2012:*

- *Wage increases*

  - 4.0 percent, effective December 16, 2007
  - 4.0 percent, compounded, effective December 16, 2008
  - 4.0 percent, compounded, effective May 1, 2010
  - 4.0 percent, compounded, effective May 1, 2011

- *Welfare Fund* – Effective June 1, 2011, the City will increase its contribution to this fund by $50 per year on behalf of employees and retirees. Effective May 1, 2012, there will be another $50 increase per year for employees and retirees.

- *Annuity Fund* – Effective December 16, 2009, a one-time lump sum payment to the annuity fund of $1,000 per employee will be made. Effective June 1, 2011, the City's pro rata annual contribution to the annuity fund will be increased by $261 per year per employee.

- *Longevity Schedule* – Over the term of the contract, the longevity schedule will be increased by $1,139 on each step of the schedule.

- *Night Differential* – Effective June 1, 2011, the current provision for paying 55 percent of the night shift differential, instead of the full amount, will apply during an employee's first five years in title instead of the present six years. The full amount will be paid thereafter.

11. *NYSNA agreement covering the period from December 1, 2007 through January 20, 2010:*

- *Wage increases*

  - 2.0 percent, effective January 1, 2008

  - 5.0 percent, compounded, July 1, 2008

- *Welfare Fund* – Effective December 1, 2007, the City will increase its contribution to this fund by $100 per year on behalf of employees. Effective April 1, 2008, there will be another $166.67 lump sum payment to the fund per employee.

- *Longevity Schedule* – Effective January 1, 2008, an additional step of $1,000 per year for twenty-two years of service will be added to the experience schedule.

- *Certification Differential* – Effective December 1, 2007, this differential will be increased to $1,378 per year per employee.

12. *ADW/DWA agreement covering the period from March 1, 2008 through June 30, 2012:*

- *Wage increases*

    - ❖ 4.0 percent, effective March 1, 2008
    - ❖ 4.0 percent, compounded, effective March 1, 2009
    - ❖ 4.0 percent, compounded, effective July 1, 2010
    - ❖ 4.0 percent, compounded, effective July 1, 2011

- *Welfare Fund* – Effective April 1, 2009, the City will increase its contribution to the welfare fund by $200 per year per retiree. Effective August 1, 2011, the City will increase its contribution to the welfare fund by $75 per year per active employee.

- *Annuity Fund* – Effective April 1, 2009, the City will make a one-time lump sum payment to the annuity fund of $5,000 per employee will be made.

- *Longevity Schedule* – Effective March 1, 2009, each step of the longevity schedule will be increased by $405. There will be an additional increase of $500 on the twenty-year step of the schedule. Effective August 1, 2011, each step of the longevity schedule for Assistant Deputy Wardens will be increased by $700.

- *Legal Support Fund* – Effective April 1, 2009, the City will make a one-time lump sum payment of $500 per employee to this fund.

Salary Schedule Enhancements – Effective April 1, 2009, Deputy Wardens promoted after July 1, 2006 will reach a basic maximum salary after three years instead of four years. Effective December 31, 2009, the City will remove the step before basic maximum salary on the salary schedule for Assistant Deputy Wardens promoted between July 1, 2006 and July 31, 2008.

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Glossary of Acronyms

BSA	Budget Stabilization Account
CSA	Council of School Supervisors and Administrators
CFE	Campaign for Fiscal Equity
DASNY	Dormitory Authority of the State of New York
DOE	Department of Education
EXCEL	Expanding our Children's Education & Learning Bonds
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
HHC	Health and Hospitals Corporation
HYIC	Hudson Yards Infrastructure Corporation
IRS	Internal Revenue Service
J&C	Judgments and Claims

MAC	Municipal Assistance Corporation
NYC	New York City
NYCTFA	New York City Transitional Finance Authority
NYS	New York State
OPEB	Other Post-employment Benefits
OMB	Office of Management and Budget
OTPS	Other than Personal Services
PIT	Personal Income Tax
PS	Personal Services
RHBTF	Retiree Health Benefits Trust Fund
SBA	Sergeant Benevolent Association
TSASC	Tobacco Settlement Asset Securitization Corporation
UFA	Uniformed Firefighters Association
UFOA	Uniformed Fire Officers Association
UFT	United Federation of Teachers
U.S.	United States
USA	Uniformed Sanitationmen's Association