



**THE COUNCIL
THE CITY OF NEW YORK
FINANCE DIVISION
250 BROADWAY, 15TH FLOOR
NEW YORK, N.Y. 10007-2594
(212) 788-6921**

TO: Honorable Christine Quinn
Speaker

Honorable Domenic M. Recchia
Chairman, Finance Committee

FROM: Preston Niblack, Director
Jeffrey Rodus, First Deputy Director
Raymond Majewski, Deputy Director/Chief Economist
Finance Division

DATE: June 28, 2011

SUBJECT: A Preconsidered Budget Modification (MN-3) for Fiscal 2011 that will appropriate \$1.350 billion in new revenues.

INITIATION: By letter dated June 28, 2011, the Director of the Office of Management and Budget submitted to the Council, pursuant to section 107(e) of the New York City Charter, a request to appropriate \$1.350 billion in new revenues combined with \$2.388 billion in expense reductions from the City's November, February and Executive Financial Plan modifications as well as Fiscal 2012 Adopted Budget changes, to use to prepay \$3.738 billion in Fiscal 2012 expenses.

BACKGROUND: This modification (MN-3) seeks to recognize \$1.350 billion in new revenues combined with expense reductions of \$2.388 billion to make prepayments of \$164.1 million and \$3.574 billion to the Budget Stabilization account to prepay debt service.

FISCAL IMPACT: This modification represents a net increase in the Fiscal 2011 budget of \$1.350 billion.

Preconsidered Res. No. _____

RESOLUTION APPROVING A MODIFICATION PURSUANT TO SECTION 107(E)
OF THE CHARTER OF THE CITY OF NEW YORK.

By Council Member Recchia

Whereas, on June 28, 2011, the Committee on Finance of the City Council received a communication, dated June 28, 2011 from the Mayor's Office of Management and Budget, of a proposed request to recognize a net increase in revenue pursuant to Section 107(e) of the Charter of the City of New York, attached hereto as Exhibit A (the "Request to Appropriate"); and

Whereas, Section 107(e) of the Charter requires the City Council and the Mayor to follow the procedures and required approvals pursuant to Sections 254, 255, and 256 of the Charter, without regard to the dates specified therein, in the case of the proposed appropriation of any new revenues and the creation of new units of appropriation; and

Whereas, Section 107(e) of the Charter requires that any request by the Mayor respecting an amendment of the budget that involves an increase in the budget shall be accompanied by a statement of the source of current revenues or other identifiable and currently available funds required for the payment of such additional amounts, attached hereto as Exhibit B (together with the Request to Appropriate, the "Revenue Modification");

NOW, THEREFORE, the Council of the City of New York hereby resolves as follows:

1. Approval of Modification. The City Council hereby approves the Revenue Modification pursuant to Section 107(e) of the Charter.

2. Further Actions. The City Council directs the City Clerk to forward a certified copy of this resolution to the Mayor and the Comptroller as soon as practicable so that the Mayor, the Comptroller and the City Clerk may certify the Fiscal 2011 Expense Budget as amended by this resolution as the budget for the remainder of the fiscal year.

3. Effective Date. This resolution shall take effect as of the date hereof.

I hereby certify that the foregoing is a true and complete copy of a resolution adopted by the Council of the City of New York on _____ on file in this office.

**Clerk of The Council of The City
of New York**

THE COUNCIL

REPORT OF THE COMMITTEE ON FINANCE

RESOLUTION APPROVING A MODIFICATION PURSUANT TO SECTION 107(E) OF THE CHARTER OF THE CITY OF NEW YORK

The Committee on Finance, to which was referred the above-captioned resolution, respectfully submits to The Council of the City of New York the following

REPORT

Introduction. At the meeting of the Committee on Finance of the City Council on June 28, 2011, the Council received a communication, from the Office of Management and Budget of the Mayor, dated June 28, 2011, of a proposed request to modify, pursuant to Section 107(e) of the Charter of the City of New York, the Fiscal 2011 Expense Budget, and the revenue estimate related thereto prepared by the Mayor as of June 28th, 2010.

Analysis. The Council annually adopts the City's budget covering expenditures pursuant to Section 254 of the Charter. On June 29, 2010, the Council adopted the expense budget for fiscal year 2011 (the "Fiscal 2011 Expense Budget"). On June 29, 2010, the Mayor submitted to the Council a revenue estimate related to the Fiscal 2011 Expense Budget. On November 17th 2011, the Council adopted MN-1 modifying the Fiscal 2011 Expense Budget. Circumstances have changed since the Council last amended the Fiscal 2011 Expense Budget.

Section 107(e) provides one mechanism for the Mayor and the Council to amend the expense budget and related revenue estimate to reflect changes in circumstances that occur after adoption of a budget. Section 107(e) permits the modification of the budget in order to create new units of appropriation, to appropriate new revenues from any source other than categorical federal, state and private funding or to use previously unappropriated funds received from any source.

Discussion of Above-captioned Resolution. The above-captioned resolution would authorize the modifications to the Fiscal 2011 Expense Budget and related revenue estimate requested in the Communication.

This modification (MN-3) seeks to increase revenues in the net amount of \$ 1.350 billion from the Fiscal 2011 Adopted budget. This represents an increase in City funds of approximately 3.1%. The bulk of these changes are in tax revenues, especially the banking corporation, unincorporated business, sales and real property transfer taxes. Changes in the volatile and difficult to forecast banking corporation tax explain 36% of the revenue increases in this modification. The sales tax represents another 28% of the

increase. Audits are commonly underestimated in the Adopted budget and here they represent 25 percent of the additional City funds.

This is the first revenue modification for Fiscal 2011 and it incorporates changes from the November, February and Executive budget plans as well as new changes not proposed in the earlier plan. OMB's Fiscal 2011 Adopted Budget forecast, took a pessimistic view of the economy with City tax revenue rising by only 4.3 percent in Fiscal 2011. The City economy performed better than expected in the first half of fiscal 2011 and OMB revised this view in the February plan, increasing City funds by \$930 million in that plan.

This modification combines these revenues with extra resources from \$2.388 billion in expense reductions.

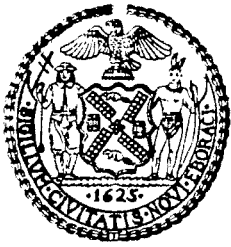
Among the larger expense reductions are a \$600 million reduction in actuarial pension contributions due to delays in changing actuarial assumptions. Continued low interest rates saved the city \$197 million from variable rate interest debt, which contributed to a savings of \$344 million in debt service. Changing in the timing of Medicaid FMAP assistance from the federal stimulus (ARRA) contributed an extra \$408 million in savings. In general education and leadership there a net reduction of \$131.9 million primarily due to shifts in funding, with some unexpected Federal dollars making up for some State cuts.

The extra revenue and expense reductions are used to prepay Fiscal 2012 expenses. The library systems receive prepayments of \$164.1 million. The prepayments are divided among the three library systems. A payment of \$3.573 billion is made to the Budget Stabilization account to prepay Fiscal 2012 debt service.

The total prepayments of \$3.738 billion are \$521 million more than were expected in the Executive budget. About \$228 million of this is tax revenue. Revenues came in better than the Finance division forecast of \$66 million over Executive Budget. But note that Finance Division were the only forecasters over OMB in their Executive budget forecast. A lot of this is June collections, which for the bank tax and the real property tax were stronger than expected. There is also \$89 million more in audits – mostly business tax audits; this started to appear in May. About \$36 million of the extra money was in miscellaneous revenue mostly charges for services. About \$37 million extra is unrestricted federal aid, mostly FEMA reimbursements. The remaining \$222 million is due to expense reductions greater in than in the Executive Budget plan. About \$52 million of this was in debt service mostly related to interest rate assumptions and another \$37 million was in the miscellaneous budget.

The resolution would also direct the City Clerk to forward a certified copy thereof to the Mayor and the Comptroller so that the Mayor, the Comptroller and the City Clerk may certify the Fiscal 2011 Expense Budget as amended thereby as the budget for the remainder of the fiscal year. The above-captioned resolution would take effect as of the date adopted.

EXHIBIT A



The City of New York
Office of Management and Budget
75 Park Place • New York, New York 10007-2146
Telephone: (212) 788-5900 • Fax: (212) 788-6300

Mark Page
Director

June 28, 2011

TO THE CITY COUNCIL

Dear Council Members:

In accordance with Section 107(e) of the New York City Charter, I seek your approval to appropriate new revenues of \$1.350 billion in fiscal year 2011.

The \$1.350 billion of new revenues combined with \$2.388 billion of expense reductions from the City's November, February and Executive Financial Plan modifications as well as changes included in the fiscal year 2012 Budget Adoption will be used to prepay \$3.738 billion of expenses in fiscal year 2012. This includes prepayments of \$164.1 million to the Library Systems and \$3.574 billion to the Budget Stabilization Account to prepay debt service.

Your approval of modification MN-3 is respectfully requested.

Yours truly,


Mark Page

Fiscal Year 2011 Modification
MN-3

035	New York Public Library – Research 001 Lump Sum Appropriation	\$10,794,583
037	New York Public Library 003 Lump Sum – Borough of Manhattan 004 Lump Sum – Borough of the Bronx 005 Lump Sum – Borough of Staten Island 006 Systemwide Services 007 Consultant and Advisory Services	17,073,639 16,731,473 7,165,921 19,127,636 1,021,596
038	Brooklyn Public Library 001 Lump Sum	46,769,668
039	Queens Borough Public Library 001 Lump Sum	45,457,513
099	Debt Service 004 Budget Stabilization Account	<u>3,573,890,074</u>
		<u>\$3,738,032,103</u>

Exhibit B
Changes in Revenue by Revenue Source

Agency	Source	Description	Fiscal 2011
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SUMMARY

TAX AND AUDIT REVENUE CHANGES

Real Estate	\$76,839,000
Sales	382,600,000
Mortgage Recording	(41,000,000)
Personal Income	50,500,000
General Corporation	(178,000,000)
Banking Corporation	497,300,000
Unincorporated Business	87,000,000
Utility	10,000,000
Hotel	51,100,000
Commercial Rent	37,000,000
Real Property Transfer	160,000,000
Cigarette	(21,800,000)
All Other	40,149,000
Audit	335,000,000
Tax Program	12,400,000
STAR	(230,351,000)
TAX AND AUDIT REVENUE TOTAL	\$1,268,737,000

UNRESTRICTED AID	\$36,996,882
UNRESTRICTED AID TOTAL	\$36,996,882

MISCELLANEOUS

<i>Licenses, Franchises, Etc.</i>	\$41,651,544
<i>Charges for Services</i>	24,954,990
<i>Water and Sewage Charges</i>	(41,647,000)
<i>Fines and Forfeitures</i>	(41,446,561)
<i>Rental Income</i>	9,231,000
<i>Interest</i>	(25,575,000)
<i>Other Miscellaneous</i>	76,723,264
MISCELLANEOUS TOTAL	\$43,892,237

GRAND TOTAL	\$1,349,626,119
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Exhibit B

Changes in Revenue by Revenue Source

Agency	Source	Description	Fiscal 2011
TAX AND AUDIT REVENUE CHANGES			
Mayoral	00001	Real Prop Tax 1st Quarter	(\$70,848,000)
Mayoral	00002	Real Prop Tax 2nd Quarter	46,868,000
Mayoral	00003	Real Prop Tax 3rd Quarter	(46,325,000)
Mayoral	00004	Real Prop Tax 4th Quarter	5,144,000
Mayoral	00021	Real Estate Tax Refunds	160,000,000
Mayoral	00026	State Aid School Tax Relief	9,649,000
Mayoral	00033	Interest on Tax Receivable	(4,000,000)
Mayoral	00034	Real Property Tax Lein Sales	(25,000,000)
Mayoral	00036	Defective Lein Refunds	(10,000,000)
Mayoral	00049	Accrued Real Estate Tax Revenue	21,000,000
Mayoral	00050	General Sales Tax	382,600,000
Mayoral	00070	Cigarette Tax	(21,800,000)
Mayoral	00077	Mortgage Tax	(41,000,000)
Mayoral	00088	State Aid PIT Relief Schoolaid	(240,000,000)
Mayoral	00090	Personal Income Tax	260,100,000
Mayoral	00091	Refunds of Personal Income Tax	(209,600,000)
Mayoral	00093	General Corporation Tax	(175,000,000)
Mayoral	00094	Refunds of General Corp Tax	(3,000,000)
Mayoral	00095	Financial Corporation Tax	392,300,000
Mayoral	00096	Refunds of Financial Corporation Tax	105,000,000
Mayoral	00099	Unincorporated Business Tax	68,000,000
Mayoral	00100	Refunds of Unicorp Busn Tax	19,000,000
Mayoral	00102	Pers Inc Tax Cty Emp Non-Res	17,000,000
Mayoral	00103	Utility Tax	10,000,000
Mayoral	00110	Payment in Lieu of Taxes	19,164,000
Mayoral	00112	Tax on Occupancy of Hotel Room	51,100,000
Mayoral	00113	Tx On Commercial Rents - Occup	37,000,000
Mayoral	00114	Refunds on All Other Taxes	6,000,000
Mayoral	00115	Tax on Horse Race Admissions	(15,000)
Mayoral	00121	Off Track Betting - Surtax	(3,000,000)
Mayoral	00122	Conveyance of Real Property Tx	160,000,000
Mayoral	00125	Taxi Medalion Transfer Tax	3,000,000
Mayoral	00130	Pen & Int-Gen Prop Tax	(2,000,000)
Mayoral	00135	Tax Audit Revenue	335,000,000
Mayoral	99990	Tax Program	12,400,000
TAX AND AUDIT REVENUE TOTAL			\$1,268,737,000
 UNRESTRICTED AID			
Mayoral	55025	Federal Cash Adjustments	\$11,601,367
Mayoral	55036	FEMA Reimbursements	25,395,515
UNRESTRICTED AID TOTAL			\$36,996,882

Exhibit B

Changes in Revenue by Revenue Source

Agency	Source	Description	Fiscal 2011
MISCELLANEOUS			
<i>Licenses, Franchises, Etc.</i>			
NYPD	00200	Licenses- General	(\$1,400,000)
Taxi and Limousine	00200	Licenses- General	703,000
Business Integrity	00200	Licenses- General	1,081,120
DCAS	00200	Licenses- General	(30,000)
SBS	00250	Permits-General	(390,850)
DOB	00250	Permits-General	5,770,000
DOHMH	00250	Permits-General	511,000
DEP	00250	Permits-General	(109,000)
DOT	00250	Permits-General	705,000
DPR	00250	Permits-General	1,362,000
DOITT	00250	Permits-General	651,850
DOB	00251	Construction Permits	20,375,000
DOITT	00320	Franchises - Other	14,082,000
Consumer Aff	00320	Franchises - Other	5,098,424
Dept Sanit	00325	Privileges - Other	(3,053,000)
DOT	00325	Privileges - Other	650,000
DPR	00325	Privileges - Other	(4,255,000)
Consumer Aff	00325	Privileges - Other	(100,000)
<i>Licenses, Franchises, Etc. Subtotal</i>			\$41,651,544
 <i>Charges for Services</i>			
DOF	00410	Highways & Street Service/Fees	(\$4,500,000)
DOT	00410	Highways & Street Service/Fees	(180,000)
DOHMH	00430	Health Services/Fees	(1,300,000)
CUNY	00461	Higher Educ Ser/Fees Comm Coll	15,000,000
Mayoral	00470	Other Services and Fees	(2,011,000)
Tax Commission	00470	Other Services and Fees	(350,000)
DCP	00470	Other Services and Fees	(64,000)
DOI	00470	Other Services and Fees	108,000
NYPD	00470	Other Services and Fees	396,000
NYFD	00470	Other Services and Fees	1,025,852
Taxi and Limousine	00470	Other Services and Fees	1,325,000
Dept of Probation	00470	Other Services and Fees	(447,200)
HPD	00470	Other Services and Fees	34,114,000
DOB	00470	Other Services and Fees	(1,742,700)
DEP	00470	Other Services and Fees	2,703,000
Dept Sanit	00470	Other Services and Fees	(211,000)
Business Integrity	00470	Other Services and Fees	125,250
DOF	00470	Other Services and Fees	(7,863,000)
DPR	00470	Other Services and Fees	68,000
DCAS	00470	Other Services and Fees	(168,000)
Consumer Aff	00470	Other Services and Fees	(110,000)
PA New York	00470	Other Services and Fees	(830,000)
PA Bronx	00470	Other Services and Fees	342,000

Exhibit B
Changes in Revenue by Revenue Source

Agency	Source	Description	Fiscal 2011
PA Kings	00470	Other Services and Fees	665,000
PA Queens	00470	Other Services and Fees	527,000
PA Staten Island	00470	Other Services and Fees	59,000
DOT	00472	Parking Meter Revenues	(9,256,212)
Mayoral	00476	Administrative Serv to Public	1,400,000
DCP	00476	Administrative Serv to Public	(1,024,000)
Financial Info Servs	00476	Administrative Serv to Public	(1,000,000)
Payroll Admin	00476	Administrative Serv to Public	(442,000)
DOB	00476	Administrative Serv to Public	1,670,000
DOHMH	00476	Administrative Serv to Public	(1,399,000)
Dept Sanit	00476	Adminstrative Serv to Public	25,000
DPR	00476	Adminstrative Serv to Public	(1,700,000)
DCAS	00476	Adminstrative Serv to Public	(800,000)
Dept Correct	00482	Commisary Funds	800,000
Charges for Services Subtotal			\$24,954,990
Water and Sewage Charges			
Mayoral	00521	Reimbursement From Water Board	(\$21,635,000)
Mayoral	00522	Payment from Water Board	(19,922,000)
HPD	00551	Administrative Charges	(90,000)
Water and Sewage Charges Subtotal			(\$41,647,000)
Fines and Forfeitures			
Mayoral	00600	Fines-General	\$1,115,000
Campaign Finance Bd	00600	Fines-General	782,168
Taxi and Limousine	00600	Fines-General	200,000
DOB	00600	Fines-General	8,790,000
Business Integrity	00600	Fines-General	278,000
DOF	00600	Fines-General	(20,000,000)
Consumer Aff	00600	Fines - General	2,021,000
DOF	00602	Fines - PVB	(44,418,729)
Ad Trials & Hearings	00603	Fines - ECB	8,051,000
DOF	00603	Fines - ECB	2,000,000
DOF	00650	Forfeitures - General	(700,000)
DA Kings	00650	Forfeitures - General	325,000
DA Queens	00650	Forfeitures - General	110,000
Fines and Forfeitures Subtotal			(\$41,446,561)
Rental Income			
Mayoral	00752	Rentals: Airport-Port NY Auth	\$3,625,000
Board of Education	00760	Rentals: Other	7,000,000
SBS	00760	Rentals: Other	(7,938,000)
HPD	00760	Rentals: Other	6,365,000
DCAS	00760	Rentals: Other	41,000
DOITT	00760	Rentals: Other	138,000
Rental Income Subtotal			\$9,231,000

Exhibit B
Changes in Revenue by Revenue Source

Agency	Source	Description	Fiscal 2011
Interest			
Comptroller	56001	Interest Income - Other	(\$17,930,000)
DOF	56001	Interest Income - Other	(425,000)
DOF	56002	Interest Income - Sales Tax	(1,000,000)
Comptroller	56003	Interest-Debt Service Fund	(6,220,000)
Interest Subtotal			(\$25,575,000)
Other Miscellaneous			
HPD	00815	Sales of In Rem Property	\$5,700,000
DCAS	00817	Mortgage Payments	108,000
Law Dept	00820	Sales of City Real Property	178,200
DCAS	00820	Sales of City Real Property	45,000
Dept Sanit	00822	Minor Sales	2,517,196
DCAS	00822	Minor Sales	6,957,000
Mayoral	00846	Awards from Litigation	(8,477,329)
Law Dept	00846	Awards from Litigation	13,410,648
NYPD	00847	E-911 Surcharges	(2,000,000)
NYPD	00848	Wireless/Cell Phone Surcharges	(700,000)
NYPD	00849	Wireless/E911 Surcharges-Voip	5,800,000
Mayoral	00859	Sundries	40,404,696
Law Dept	00859	Sundries	1,948,000
DOI	00859	Sundries	4,166,392
NYPD	00859	Sundries	(3,652,000)
Dept Correct	00859	Sundries	2,300,000
Dept Aging	00859	Sundries	1,300,000
Payroll Admin	00859	Sundries	1,121,461
Landmarks	00859	Sundries	(998,000)
SBS	00859	Sundries	3,222,000
HPD	00859	Sundries	3,735,000
DOHMH	00859	Sundries	2,311,000
Dept Sanit	00859	Sundries	(445,000)
DOF	00859	Sundries	225,000
DPR	00859	Sundries	(3,991,000)
DCAS	00859	Sundries	2,866,000
DOITT	00859	Sundries	(1,329,000)
Other Miscellaneous Subtotal			\$76,723,264
MISCELLANEOUS TOTAL			\$43,892,237
GRAND TOTAL			\$1,349,626,119

