THE COUNCIL OF THE CITY OF NEW YORK

Hon. Melissa Mark-Viverito
Speaker of the Council

Hon. Julissa Ferreras-Copeland
Chair, Committee on Finance

Report on the Mayor's 2018 Executive Budget
Financial Plan Overview, Economy, Revenue, Pensions, Capital and Debt Service

May 4, 2017

Finance Division

Latonia McKinney, Director

Counsel

Eric Bernstein, Counsel
Rebecca Chasan, Counsel

Revenue and Economics Unit

Raymond Majewski, Deputy Director, Chief Economist
Emre Edev, Assistant Director
Paul Sturm, Supervising Economist
Maria Enache, Senior Economist
William Kyeremateng, Economist
Kendall Stephenson, Economist
Davis Winslow, Economist

Budget Unit

Regina Poreda Ryan, Deputy Director
Nathan Toth, Deputy Director
Crilhien Francisco, Unit Head
Chima Obichere, Unit Head
John Russell, Unit Head
Dohini Sompura, Unit Head
Eisha Wright, Unit Head
Jessica Ackerman, Senior Financial Analyst
Aliya Ali, Senior Financial Analyst
Sarah Gastelum, Senior Financial Analyst
Kenneth Grace, Financial Analyst
Zachary Harris, Financial Analyst
Elizabeth Hoffman, Principal Financial Analyst
Sheila Johnson, Financial Analyst
Jin Lee, Financial Analyst
Jeanette Merrill, Financial Analyst
Nameera Nuzhat, Financial Analyst
Kaitlyn O'Hagan, Financial Analyst
Steve Riester, Senior Financial Analyst
Jonathan Seltzer, Senior Financial Analyst
Brandon West, Senior Financial Analyst

Discretionary Funding and Data Support Unit

Paul Scimone, Deputy Director
James Reyes, Senior Financial Analyst
Prince Mensah, Legislative Assistant

Administrative Support Unit

Nicole Anderson, Legislative Coordinator
Maria Pagan, Legislative Coordinator
Roberta Caturano, Administrative Assistant

Table of Contents

Introduction

On April 26th, Mayor de Blasio released an $84.8 billion Fiscal 2018 Executive Budget. The Mayor characterized his program as making "smart targeted investments" in the face of continued fiscal uncertainty. This uncertainty includes both slower tax revenue growth and the erratic policies of the Trump Administration. Some of the key new investments include air conditioners for every classroom, providing anti-eviction legal services, funding façade repairs at NYCHA, the start of a universal pre-K program for 3 year olds, funding for legal services for immigrants and an effort to increase the number of affordable apartments to households making less than $40,000.

Fiscal 2018 Executive Financial Plan Summary
Dollars in Millions

	FY17	FY18	FY19	FY20	FY21	Avg. Annual Change
REVENUES						
Taxes	$54,846	$56,468	$59,250	$61,792	$64,335	4.1%
Misc. Revenues	7,011	6,480	6,640	6,854	6,841	(0.6%)
Unrestricted Intergovernmental Aid	57					
Less: Intra-City and Disallowances	(1,452)	(1,830)	(1,752)	(1,754)	(1,759)	4.9%
Subtotal, City Funds	**$60,462**	**$61,118**	**$64,138**	**$66,892**	**$69,417**	**3.5%**
State Aid	14,437	14,396	14,849	15,347	15,702	2.1%
Federal Aid	8,937	7,799	7,002	6,897	6,879	(6.3%)
Other Categorical Grants	976	880	868	859	856	(3.2%)
Capital Funds (IFA)	641	667	662	599	597	(1.8%)
TOTAL REVENUES	**$85,453**	**$84,860**	**$87,519**	**$90,594**	**$93,451**	**2.3%**
EXPENDITURES						
Personal Services	$44,610	$46,997	$49,286	$51,055	$52,548	4.2%
Other Than Personal Services (OTPS)	36,637	35,627	35,085	35,103	35,321	(0.9%)
Debt Service	6,282	6,528	7,225	7,908	8,396	7.5%
General Reserve	300	1,000	1,000	1,000	1,000	35.1%
Capital Stabilization Reserve	0	250	250	250	250	
Less: Intra-City	(2,065)	(1,815)	(1,737)	(1,739)	(1,744)	(4.1%)
Spending Before Adjustments	85,764	88,587	91,109	93,577	95,771	2.8%
Surplus Roll Adjustment (Net)	(311)	(3,727)				
TOTAL EXPENDITURES	**$85,453**	**$84,860**	**$91,109**	**$93,577**	**$95,771**	**2.9%**
Gap to be Closed	**$-**	**$-**	**(3,590)**	**(2,983)**	**(2,320)**	

Source: *OMB Fiscal 2018 Executive Financial Plan*

In the face of this fiscal uncertainty, the changes since the Fiscal 2018 Preliminary Budget are modest with only $631 million in new City-funded needs and $165 million in other City-funded adjustments in Fiscal 2018. However, the year over year growth of the budget is less modest. Between Fiscal 2017 and Fiscal 2018 the adjusted City funds spending grows at the rate of 5.2 percent, a little bit under the average growth rate during the de Blasio years.[1] This is a bit faster than the Finance Division expects the City's economy to grow, with nominal gross city product (GCP) growing at 4.7 percent and nominal personal income growing at 4.8

[1] City funds spending is adjusted for the net use of prior year resources and for the current year general reserve and capital stabilization reserve. City funds are used because of the way in which Federal aid grows over the course of the year, this makes comparisons of all funds spending at different times of the year an unreliable way of viewing growth.

percent during Fiscal 2018.[2] Growth of spending at this pace is fine in the short run but could be hard to sustain in the long run. Outyear budget gaps, which range from $3.6 billion to $2.3 billion are manageable but the fact that they have grown since the Fiscal 2018 Preliminary Budget is troubling.

Both OMB and the Finance Division believe the national economy will continue to expand at a slow pace with a low rate of unemployment. The Finance Division believes the chance of recession is low, around 20 percent. OMB and Council Finance agree that the City economy will slow down but will continue to grow and that the City's labor market will tighten. Real wages will grow, though OMB is more optimistic on this than the Finance Division. Tax revenue growth remains disappointing, a 2.3 percent increase in Fiscal 2017, and 3.0 percent in 2018. This is a far cry from the dynamic years of Fiscal 2011 – Fiscal 2015, when tax revenues grew at an average annual rate of 6.8 percent. Indeed, without the solid performance of the City's property tax, Fiscal 2017 and Fiscal 2018 would be difficult years.

The 2018-2027 Ten-Year Capital Strategy totals $95.8 billion (all funds), representing an increase of $6.2 billion or 6.9 percent when compared to the Preliminary Strategy. The Executive Capital Commitment Plan for Fiscal 2017 through 2021 totals $69.8 billion (City and non-City funds, excluding IFA) and reflects an increase of $4.6 billion, from the Fiscal 2018 Preliminary Capital Commitment Plan. The City Council supports and encourages the improvements to the City's infrastructure scheduled in the Capital Commitment Plan and in the Ten-Year Strategy. However, there remains a genuine concern that the City may not be able to execute all of these projects within the planned timeframe

Council Preliminary Budget Response

The Fiscal 2018 Executive Budget is the fourth step in the public part of the creation of the City budget. That process started with the release of the Fiscal 2018 Preliminary Budget on January 24th, City Council hearings which began on March 2nd, and the release of the City Council's Response to the Mayor's Fiscal 2018 Preliminary Budget on April 3rd.

These recommendations included 63 proposals totaling $431.5 million in expense and $409 million in capital across six broad areas:

1. Strengthening Communities in Uncertain Times;
2. Building the City's Infrastructure;
3. Tackling Inequality and Advancing Fairness in our City;
4. Protecting and Investing in Vulnerable New Yorkers;
5. Promoting Excellence and Facilitating Efficiency in Agency Operations; and
6. Sustaining and Improving Essential City Services.

The Council's Response also called for the Administration to baseline $133 million to provide continued support for a range of vital services.

The Response included a financial plan on how to adjust the City's budget to reflect these priorities, and a discussion of how to manage the fiscal uncertainty caused by the Trump

[2] Nominal means not corrected for inflation. Normally one sees real GCP, which is corrected for inflation. However, the city funds growth rate is not corrected for inflation so this makes for a better comparison.

Administration. The financial plan included program agency efficiencies as well as cost re-estimates and a revenue forecast.

Along with its budget priorities the Council called for continued reform of the City capital plan, to increase transparency and improve oversight. The City's Capital Commitment plan vastly exceeds the ability of the City to execute capital projects. In many cases the level of excess appropriations is so large that the Administration can make significant mid-year changes without seeking capital modifications from the Council. The Administration has made a significant effort to rectify this situation by reducing excess appropriations by $3.2 billion in the Executive Budget. The Council is encouraged by this and looks forward to OMB's continued monitoring of excess appropriations moving forward. The completion of too many capital projects has become a frustratingly slow process. The Office of Management and Budget has agreed that much work is needed to begin moving capital projects at a reasonable pace and has agreed to establish a task force with Council representatives, as well as key stakeholders at capital intensive City agencies, to address the myriad issues that are delaying the City's capital projects. In the meantime, the Council had called for a more accurate planning timeline in the Executive Capital Commitment Plan. Unfortunately, the Executive Capital Commitment Plan offers more of the same as $4.6 billion in planned commitments have been added to an already record breaking Preliminary Capital Commitment Plan. The Council looks forward to working with the Office of Management and Budget to deliver a more accurate and transparent Adopted Capital Commitment Plan, that will rectify this issue.

Listed below are Council recommendations that were included in the Fiscal 2018 Executive Budget:

- **Enhance Services for Immigrant New Yorkers.** The Council called for a comprehensive package of immigrant services, including baselined funding for the New York Immigrant Family Unity Project (NYIFUP), complex legal cases and the Unaccompanied Minors and Families Initiative. The Council also called for the creation of family resource centers for immigrants, and launch of a citywide Know Your Rights campaign. The Fiscal 2018 Executive Budget partially answered these calls by adding approximately $18.1 million in the Human Resource Administration's (HRA) budget for legal defense for immigrants and expansion of Action NYC.

- **Bolster the Administration for Children's Services (ACS).** The Council called on the Administration to bolster funding for key ACS child welfare services. The Fiscal 2018 Executive Budget includes $24.1 million in new needs for ACS, which will provide training coaches to all Child Protection Supervisors as an effort to address attrition rates and strengthen management, additional resources for preventive services referral and case conferencing to expedite referrals to preventive services and transition families from preventive services who no longer are in need of the service, and increase staffing at Children's Center to meet the need.

- **Department of Correction.** The Council called on the administration to scuttle its plan to build a new jail on Rikers Island, to fund construction of a training academy and to move adolescents off Rikers Island. The Fiscal 2018 Executive Budget answers these calls and adds a new jail facilities project, with a budget of $1.1 billion for borough-based jails, transfers the $170 million adolescent project facility to ACS' capital budget and adds $100 million for new training academy.

- **Air Condition Public Schools.** The Council called upon the Administration to air condition all New York City public schools. The Fiscal 2018 Executive Budget commits $5 million in Fiscal 2018, growing to $6 million in the outyears, to provide for the installation of air conditioners in every instructional space that is currently without one by 2022. This work will begin in 2018 in 2,000 classrooms at 114 buildings. Each year the DOE plans to provide at least 2,200 classrooms with air conditioners.
- **Animal Care Centers.** The Council called on the Administration to fund construction of new animal care centers. The Administration responded with a significant investment in animal welfare. The Executive Capital Commitment Plan includes $79.2 million for the construction and renovation of the City's animal care centers, including $7.1 million in Fiscal 2018; $44.6 million in Fiscal 2019; and $27.5 million in Fiscal 2020. The increased capital funding will enable the City to site, build and outfit new centers, and make improvements and renovations to existing animal care centers.
- **Reduction of Excess Appropriations.** In the Preliminary Budget Response the Council called upon OMB to reduce excess appropriations in budget lines that had no plan to commit those dollars. These excess appropriations in some cases allowed the Administration to add new projects to the capital plan without coming to the City Council for approval. The Administration recognized this fact and has reduced excess appropriations by $3.2 billion in the Executive Capital Budget.
- **Establishment of a Capital Task Force.** The Council has repeatedly expressed its frustration with the pace of capital projects. In an effort to increase the speed and efficiency of capital projects OMB has agreed to the Council's request to establish an oversight task force consisting of OMB and capital intensive City agencies to eliminate unnecessary delays and establish best practices moving forward.

Other major recommendations in the Council's Fiscal 2018 Preliminary Budget Response that were overlooked by the Administration include the following:

- **Year of the Senior.** The Council called for a $60 million budget increase for core senior services for the City's growing senior population which the Administration did not include in the Executive Budget.
- **Summer Youth Employment**. Recognizing the critical importance of the Summer Youth Employment Program, as well as the gap between the supply of and demand for positions, the Council called upon the Administration to expand the program above the 65,000 slots funded to offer 80,000 jobs in Fiscal 2018 with an enhancement of $27.9 million above the baselined amount.
- **Expand Work, Learn, Grow (WLG).** The Council called on the Administration to baseline and increase the total budget for WLG to support 12,000 year-round jobs for youth. The Executive Budget does not include any funding for WLG in Fiscal 2018.
- **Restore SONYC Summer Programming.** The Fiscal 2018 Preliminary Budget added $15 million to support a total of 22,800 summer programming slots in School's Out

NYC (SONYC), the City's after-school program for middle school students, for one year. The Council called on the Administration to baseline and restore funding to bring the number of slots to 34,000. This would bring the program to its original Fiscal 2015 budget of $27.7 million. The Executive Budget does not include any additional funding for SONYC Summer in Fiscal 2018.

Financial Plan

Balancing the Budget

Even with slowing non-property tax revenue growth and proposed new agency spending, the Mayor's Executive Budget manages to keep Fiscals 2017 and 2018 balanced as required by the City's Charter.

Closing the Gap, City Funds
Dollars in Millions

	FY17	FY18
Gap as of Preliminary Financial Plan	**$0**	**$0**
Gap Openers		
Non-Property Tax Revenues	*($453)*	*($567)*
Agency New Needs Spending	*(235)*	*(631)*
Agency Other Adjustments Spending	*50*	*(165)*
SUBTOTAL	**($638)**	**($1,363)**
Gap Closers		
Property Tax Revenues	*$206*	*$0*
Audit Revenues	*210*	*0*
Miscellaneous Revenue	*150*	*89*
Pension Adjustment by Actuary	*18*	*247*
Drawdown of Disallowance of Categorical Grants Fund	*413*	
Savings Program - Agency Expense	*254*	*301*
Savings Program - Debt Service	*60*	*53*
SUBTOTAL	**$1,311**	**$690**
TOTAL: Gap Opening & Closing Actions	**$673**	**($673)**
Offset by increase of FY17 Prepayments to FY18 - RHBT	*($400)*	*$400*
Offset by increase of FY17 Prepayments to FY18 - Debt Service	*(273)*	*273*
NEW GAP in Preliminary Financial Plan	**$0**	**$0**

Source: *OMB Fiscal 2018 Executive Budget*

The new Financial Plan sees weakening of non-property tax revenues with $453 million and $567 million less than was expected at the Preliminary Budget for Fiscal 2017 and 2018 respectively. In addition, the Administration adds a net cost of city-funded agency spending of $235 million Fiscal 2017 and $631 million in Fiscal 2018. This is in addition to adjustments of current agency spending that offset by a net $50 million in Fiscal 2017, but adds $165 million Fiscal 2018. Altogether, these actions create budget gaps in Fiscals 2017 and 2018 of $638 million and $1,363 million, respectively.

These gaps are offset by the citywide savings program (discussed later in this report), a reduction in the current year's property tax reserve that typically occurs at this point, recognition of new audit revenue, and several one-time actions. These actions include:

- A miscellaneous revenue increase which is largely driven by two one-off actions; $30 million from the sale of the Brooklyn Heights Library Branch site as part of its redevelopment, and $80 million in DOE bank accounts that are recognized in the City's budget for the first time (and therefore show up as revenues).
- A pension cost adjustment by the actuary, resulting in a reduction of pension costs by $18 million in Fiscal 2017 and $247 million in Fiscal 2018.
- A further draw down of a reserve fund to cover any disallowance of State or federal categorical grants. The Preliminary Budget had already drawn down $200 million, and the Executive Budget draws down a further $413 million, leaving around $500 million in that account.

All together these actions create new resources of $1.3 billion and $690 million in Fiscal 2017 and 2018 respectively.

This increase in Fiscal 2017 resources more than covers the new $638 million gap, and so the remaining $673 million is rolled into Fiscal 2018, helping to balance that year. This roll is achieved by prepaying $400 million in Fiscal 2018 payments to the Retiree's Health Benefit Trust and $273 million in Fiscal 2018 debt service payments.

Agency Changes

The City's $86.7 billion Fiscal 2018 Executive Budget is $4.6 billion greater than the $82.1 billion Fiscal 2017 Adopted Budget. City funds (City tax and non-tax revenues) total $61.1 billion, up $1.8 billion from the $59.3 billion in the Fiscal 2017 Adopted Budget. The Plan increases projected spending by adding $244 million for new needs in Fiscal 2017 and $737.2 million in new needs for Fiscal 2018. Other adjustments add $420.5 billion in Fiscal 2017 and save $516.3 million in Fiscal 2018. Other adjustments include savings, as well as spending re-estimates, unit of appropriation realignments, and technical changes. Some of the major adjustments include a $222.7 million increase to the Police Department's budget for collectively bargained wage increases, a $44 million loss of State aid for foster care that is replaced with City funding in the Administration for Children's Services budget, and an overall reduction of $129.9 million in State Aid in the Department of Education's Fiscal 2018 Budget. A driver of the overall reduction associated with other adjustments is the $246.9 million reduction in the pension budget for Fiscal 2018.

Spending Changes Included in the Fiscal 2018 Executive Budget
Dollars

	Fiscal 2017		Fiscal 2018	
	Headcount	**Funding**	**Headcount**	**Funding**
City Funds				
New Needs	220	$235,012,567	1,136	$631,382,119
Other Adjustments	229	290,348,767	29	(1,109,564,119)
City Funds Total	**449**	**$525,361,334**	**1,165**	**($478,182,000)**
Non-City Funds				
New Needs	5	$9,034,504	108	$105,775,320
Other Adjustments	136	130,138,683	77	593,259,187
Non-City Funds Total	**141**	**$139,173,187**	**185**	**$699,034,507**
All Funds				
New Needs	225	$244,047,071	1,244	$737,157,439
Other Adjustments	365	420,487,450	106	(516,304,932)
All Funds Total	**590**	**$664,534,521**	**1,350**	**$220,852,507**

The total changes introduced in the Executive budget by City-funding and non-City funding are displayed in the table above. Also shown are headcount changes. The new needs in the Fiscal 2018 Executive Budget increase citywide headcount by 1,244 full time positions. The combined total value of new needs included in the November 2016 Financial Plan, the Preliminary 2017 Financial Plan and the Executive 2017 Financial Plan were $1.3 billion for Fiscal 2018. The headcount increase accompanying these new needs was 2,208 full-time positions. Last year, $1.95 million in new needs funding was added to the budget along with an increase of 6,963 full-time positions. The table below shows the total value of new needs added to each agency's budget for Fiscal 2017 and 2018.

New Needs by Agency
Dollars

Agency	Fiscal 2017	Fiscal 2018
Homeless Services	$59,978,346	$167,478,609
Department of Education	45,529,559	103,537,588
Campaign Finance Board	-	42,642,070
Board of Elections	-	42,527,625
Social Services	1,323,802	38,722,605
Citywide Administrative Services	4,213,912	33,869,298
Environmental Protection	(288,119)	31,828,386
Fire	15,063,714	31,675,846
Youth and Community Development	-	26,325,623
Sanitation	8,900,450	25,452,949
Administration for Children's Services	-	25,159,131
Miscellaneous	41,071,859	21,876,303
Police	18,163,551	19,958,018
Department of Buildings	-	14,826,500
Health and Mental Hygiene	1,588,125	11,949,389
Department of Info, Tech, and Telecomm	7,534,248	10,731,578
Department of Finance	596,169	10,676,265
City Council	-	9,877,634
Health and Hospitals	1,838,973	9,851,343
Housing Preservation and Development	-	9,624,675
Transportation	2,063,298	9,479,526
Small Business Services	31,591,374	7,811,701
Office of Administrative Trials and Hearings	601,851	5,811,297
Parks and Recreation	3,319,644	4,908,807
ALL OTHER	956,315	20,554,673
Total New Needs	**$244,047,071**	**$737,157,439**

The majority of new needs funding goes to right-size the budget for homeless shelters and to support education initiatives, legal services for vulnerable New Yorkers, and the 2017 elections. Those and other significant initiatives are described below:

Homeless Shelter Spending. The Fiscal 2018 Executive Budget increases the Department of Homeless Services (DHS) shelter budget by $54 million in Fiscal 2017, and $120.9 million in Fiscal 2018. Since the Adoption of the Fiscal 2017 Budget, $259.7 million has been added for Fiscal 2017 and $255.6 for Fiscal 2018. The shelter budget now totals $1.3 billion in Fiscal 2018, or approximately or 83 percent of DHS' overall budget of $1.6 billion. The Plan adds another $111 million in Fiscal 2018, increasing to $146 million by 2020, to both increase the rates DHS pays to shelter providers and to convert of non-contracted facilities to contract. This is expected to rationalize reimbursement rates across programs and providers and thereby improve the quality of shelters and services, as well as increase accountability.

Education New Needs. The Fiscal 2018 Executive Budget for the Department of Education (DOE) adds a total of $103.5 million ($92.3 million in City funding) for new needs in Fiscal 2018.

- **3-K for All.** Beginning in the Fall of 2017, New York City will offer free preschool to three year olds in School Districts 7 (South Bronx) and 23 (Brownsville Brooklyn). The total cost in Fiscal 2018 for this program is $16.5 million in City funds; it grows to $156.8 million by 2021 and operating in eight districts.
- **EarlyLearn Transfer- Quality Enhancements.** The Administration plans to transfer ACS' early childhood care and education program, Early Learn to DOE. The budget transfers $510.9 million beginning in Fiscal 2019: $240.9 million in City funds, $10.4 million in State funds, and $259.6 million in federal funds to DOE. In addition, the Fiscal 2018 Executive Budget includes $20.1 million for DOE to provide operational support and professional development to Early Learn providers and prepare for the program transfer.
- **Pre-K for All.** The Fiscal 2018 Executive Budget adds $11.2 million in City funds in Fiscal 2018 and in the outyears, and $9.2 million in federal funds in Fiscal 2018 only for Pre-K.
- **Students in Shelters.** This program was first funded in the Fiscal 2017 Executive Plan at $10.3 million and continues in the Fiscal 2018 plan. However, once again this is for one year only and not baselined. This is especially concerning since there is a headcount increase associated with this. This funding supports several programs aimed at supporting schools with the highest concentrations of students in shelters, including placing social workers in elementary schools, literacy coaches in shelters to prove support after school and health and mental health services in schools.
- **Air Conditioners.** The Fiscal 2018 Executive Plan commits $5 million in Fiscal 2018, growing to $6 million in the outyears, to provide for the installation of air conditioners in all classrooms and auditoriums used as classrooms by 2022. This work will begin in 2018 in 2,000 classrooms at 114 buildings. Each year the DOE plans to provide at least 2,200 classrooms with air conditioners.

Anti-Eviction Legal Services. The Executive Plan adds $15.1 million in Fiscal 2018, increasing to $71 million in Fiscal 2021 to the Human Resources Administration (HRA) to provide legal representation or advice to tenants facing eviction in Housing Court, making the City of New York the first city in the United States to do so.

Legal Services for Immigrants. Beginning in 2018, baselined funding of $18.1 million in HRA will be provided for legal counsel for immigrants. This funding will cover representation for New Yorkers facing deportation and other pressing immigration challenges, including those who are in detention, unaccompanied children and asylum seekers.

Campaign Matching Funds. The Campaign Finance Board's (CFB) Fiscal 2018 Executive Budget adds $43 million to provide matching funds for participating candidates for the 2017 election cycle. In 2013, the last mayoral election cycle, $38.3 million in public matching funds were issued to candidates for city office.

Election Funding The 2018 Executive Budget provides additional $42.5 million for the 2017 election cycle which includes the Mayoral election and many city Council races. Because the Board is budgeted on a year-to-year basis, it is common for anticipated budget shortfalls to be addressed in the Executive Budget.

HealingNYC - Combating the Opioid Epidemic. The Fiscal 2018 Executive Budget includes $38 million in baselined funding for the City's comprehensive plan to reduce opioid overdose deaths by 35 percent over the next five years. Of the total, $18 million is allocated to the NYPD, $9.85 million to H+H; $8.2 million to DOHMH; and $1.6 million to OCME.

Jails to Jobs. The Fiscal 2018 Executive Budget includes baselined funding of $10 million for the Administration's recently announced jails to jobs initiative. The program will provide every person in the Department of Correction's custody re-entry services to help connect them with jobs and opportunities outside jail, as well as vocational, educational, and therapeutic programming.

Green Jobs. The Executive Plan provides $12.8 million over the next three fiscal years for SBS to prepare 3,000 workers to take on environmentally friendly jobs in construction, building operation and solar installation. Funding for this initiative totals $2.8 million in Fiscal 2018, $4.6 million in Fiscal 2019 and $5.4 million in Fiscal 2020.

SYEP Minimum Wage Increase. The Fiscal 2018 Executive Budget includes $15.6 million to support minimum wage increases of $2 per hour for 60,000 participants in the Summer Youth Employment Program (SYEP), reflecting the minimum wage increase for workers in New York City from $9 per hour to $11 per hour on December 31, 2016. While these funds have only been added for one year, it is anticipated that the Administration will add funds for the program's outyears after the release of its next request for proposals.

SONYC Expansion. The Fiscal 2018 Executive Budget includes $10.7 million to add 3,600 program slots to School's Out NYC (SONYC), the City's afterschool program for middle school students. New slots are expected to be available by Fall 2017 and will support programming during the school year.

Private School Security Initiative. The Executive Plan includes $19.8 million to provide security guards for an estimated 299 non-public schools. Funding is provided for Fiscal 2018 only. This initiative is the result of Local Law 2 of 2015 passed by the Council in December of 2016.

School Bus Program. The Executive Plan includes $31.5 million in Fiscal 2017 for the School Bus Grant Program. The program supports the employment of bus workers who were impacted by changes in DOE's contracts for school bus transportation. The funding will be used to support the worker salaries. The new funding for Fiscal 2017 ($31.5 million) is in addition to the $1.6 million already budgeted for Fiscal 2017 – bringing the program's total budget for Fiscal 2017 to over $33 million.

FDNY Technology Upgrades. In the Executive Plan, the Fire Department receives additional funding of $20 million in fiscal 2018 for technology upgrades and equipment. The Department's 2018 Executive Budget includes $3.4 million for upgrades to the computer aided dispatch system, $7.9 million for replacement radios, and $4.1 million for a replacement electronic Patient Care Report system.

Additional EMS Tours. The Executive Plan adds nine replacement ambulance tours previously run by Montefiore Medical Center. The additional tours are projected to cost $2.2 million in Fiscal 2018, increasing to $2.4 million by 2020 and would require staffing of 38 full-time positions.

Citywide Savings Program

Included in the 2018 Executive Financial Plan is a Five-Year Citywide Savings Program totaling $1.97 billion. Proposed savings for Fiscal 2017 total $330 million and $370 million for Fiscal 2018. The majority of the savings in the plan is re-occurring, something for which the Council has strongly advocated. Savings increase to over $400 million in Fiscal Year 2019-2021 as citywide savings initiatives will be implemented beginning in Fiscal 2019. These initiatives include staff management, space management, procurement reform. This is the third Savings Plan introduced since Adoption of the Fiscal 2017 Budget. Combined, savings from the three plans total $1.53 billion in Fiscal 2017 and $1.26 billion in Fiscal 2018.

The program addresses several cost savings proposals recommended by the Council in its Response to the Executive Budget most notably in the areas of Debt Service, citywide staffing, technology and education. Additionally, the Council further called on the Administration to re-evaluate current vacant positions citywide to determine if permanent savings can be generated through the reduction of vacancies. As part of the Executive Plan release, the Mayor announced that the City would implement a partial hiring freeze on some administrative and managerial positions citywide, which will provide additional savings not yet recognized in the Financial Plan.

Vacant Headcount. The Executive Plan recognizes over $100 million in savings across Fiscal 2017 and 2018 related to vacant headcount and delays in hiring. Of the total, $31 million comes from lower costs for fringe benefits. Agencies with significant PS accruals in the current fiscal year include, Department of Sanitation – ($18 million), HRA ($7.8 million), DOHMH ($5 million) and the Law Department ($5 million). Savings resulting from hiring delays in Fiscal 2018 include Department of Correction ($10 million), Department of Sanitation ($5 million, DOHMH ($4.5 million).

Headcount Reductions. In addition to savings from vacant headcount, the Executive Savings Program eliminates 206 city-funded vacant positions with expected annual savings of $10.4 million. The eliminations of 150 NYPD civilian positions with annual savings of $7.3 million comprises the majority of these savings. This is in addition to the 150 civilian positions eliminated in the Preliminary Financial Plan that generated $5 million in savings.

Fringe Benefits Savings. Savings from lower projected costs for employee fringe benefits accounts for approximately 47 percent of the entire cost savings program. By adjusting citywide staffing assumptions to better reflect actual conditions, the City will realize fringe benefits savings of $128 million in Fiscal 2017, increasing to $223 million by Fiscal 2021. The largest component of this savings comes from lower health insurance costs of $90 million in Fiscals 2017 and 2018 increasing to $100 million by Fiscal 2019.

Debt Service Savings. A re-estimate of the City's Debt expenses will generate debt service savings totaling $60 million for Fiscal 2017, and $53.4 million in Fiscal 2018 with additional savings in the outyears.

Education Savings. The Department of Education (DOE) has proposed $69.5 million in savings in the Fiscal 2018 Executive Plan. The largest portion is $30 million due to lower than expected price increases for pupil transportation. Additional savings listed in the Executive Plan arise from insourcing work that previously had been contracted out, including $4.7 million from insourcing professional services work, $1 million from insourcing IT consultants and $1.4 million from insourcing some professional development and training. Additionally, there is $11 million in savings in Fiscal 2018 by permanently placing teachers who were previously provisional staff and $5.7 million by reducing per diem costs and incorporating more work during regular hours.

Sanitation Re-Estimates. The Department of Sanitation will realize Fiscal 2018 budget savings of $18 million from lower than expected costs for waste export contracts and closure of the Fresh Kills landfill

IT and Consultant Savings. The Department of Information Technology and Telecommunications will generate annual savings of $6 million through transitioning to less expensive digital tools and eliminating redundant services and contracts.

Reserves

The Executive Plan expects Fiscal 2018 to start with $672 million more in reserves compared to the Preliminary Plan. This brings the total reserves to $9.3 billion, the largest component of which is $4.04 billion in the Retiree's Health Benefit Trust (RHBT). The ratio of reserves to adjusted total spending however, is only up 0.7 percent, to a total ratio of 10.7 percent. Even with the additional $672 million in the cushion, the City is below the recommended ratio of 12 to 18 percent. Most of the additional reserves come from $400 million in prepayments of the Fiscal 2018 RHBT expenses.

Fiscal 2018 Reserves *Dollars in Millions*			
	January 2017 Financial Plan	**April 2017 Executive Budget**	**Change**
FY 2017 Budget Stabilization[3]	$3,055	$3,727	$672
RHBT	4,035	4,035	0
Capital Stabilization Reserve	250	250	0
General Reserve	1,000	1,000	0
General Reserve remaining	300	300	0
Total reserves:	$8,640	$9,312	$672
Adjusted spending:	$86,473	$87,337	$864
Reserve ratio:	**10.0%**	**10.7%**	-

Reserves are intended to be used in an economic downturn. We know such a downturn will occur, but we can't be sure when. Additionally, the City is showing signs of a slightly slowing economy with decelerating job growth that is expected to continue. Additionally, using reserves to cover upcoming Federal policy changes may be necessary, and it will make meeting the goal of ensuring adequate reserves for the next downturn even more difficult.

Federal and State Aid

Federal Risks

The new President and Congress pose significant threats to the federal aid received by New York City. The three main proposals from the Trump Administration – "America First: a Budget Blue print to Make America Great Again", the American Health Care Act and the President's tax proposal will have consequences for the people of the City and the City's budget. However, at this time, it remains unclear which policy proposals are likely to be enacted.

The de Blasio Administration, like the City Council, has responded vigorously, working with the public and our Congressional delegation to resist any threats. However, no overt measures have been taken in the Executive Budget to address potential changes in federal spending and taxation.

State Budget

The Governor's 2017-2018 New York State Executive Budget would have imposed several burdensome costs on the City that could have drawn $471 million in resources. The State Fiscal 2017-2018 Enacted Budget reduced those burdens, but still fell short by $350 million of the City's expectations in its Fiscal 2018 Preliminary Budget. These shortfalls are recognized in the City's Fiscal 2018 Executive Budget.

The financial risks to the City are derived primarily from the Sales Tax Asset Receivable Corporation (STARC). Beginning in SFY 2016-17, New York State has set about taking $600 million of New York City sales tax revenue over three years, to recoup the savings realized by the City when bonds issued by STARC were refinanced. The initial $200 million was

[3] Fiscal Year 2017 Budget Stabilization and Discretionary Transfers total $3.727 billion, including GO of $1.418 billion, TFA-PIT of $1.909 billion and Retiree Health Benefits of $400 million.

claimed by the State for SFY 2016-17. The current New York State Adopted Budget continues the recoupment for the remaining $400 million in SFY 2017-18 and 2018-19. This recoupment will reduce the City's sales tax revenue by an additional $50 million in Fiscal 2017, $200 million in Fiscal 2018, and the remaining $150 million in Fiscal 2019. However, the City's Fiscal 2018 Executive budget only recognizes a loss of $50 million in Fiscal 2017 and $150 million in Fiscal 2018. It is assumed that the State will change its mind and not take the additional $200 million in SFY 2018-2019.

Overall, state categorical grants are up $20 million in Fiscal 2017, and down $149 million in Fiscal 2018, compared to the Preliminary Budget. State categorical grants estimates from Fiscals 2018-2021 were drawn down by a total of $382 million. Among the major shortfalls were:

- **Education.** State Foundation Aid drops by $7.8 million in Fiscal 2017, and $165.6 million in Fiscal 2018. DOE intended to use the projected increase in State Aid to continue to raise the funding floor for all schools. In the Fiscal 2017 Executive Budget, DOE raised the Fair Student Funding (FSF) base level floor so that all schools are operating with at least 87 percent of their FSF entitlement and all Renewal and Community Schools were raised to 100 percent. With continued increases in State Aid, the DOE planned to raise the FSF funding floor in Fiscal 2018 to 90 percent for all schools with the goal of reaching 100 percent by Fiscal 2021. Due to lower than projected State Aid in the Fiscal 2018 Enacted State Budget, DOE is unable to raise the FSF funding floor and schools will remain at their Fiscal 2017 FSF funding level. There is no current plan to raise the FSF funding floor to get to 100 percent.
- **Social Services.** In Fiscal 2017, City funds will offset $22 million from the reduction in the Foster Care Block Grant and $10 million from the elimination of State funding for the care of children with special needs placed in residential schools. In Fiscal 2018, City funds will offset $20 million and $44 million, respectively.

Additionally, the Enacted Budget fails to extend Design-Build authority to the City, denying the City the ability to expedite the construction process while decreasing costs substantially.

The Council's State Budget and Legislative Agenda, released on March 15th, outlined important budget and legislative priorities that we aim to achieve. The following items from our Agenda were successfully included in the State Enacted Budget:

- Raise the Age of Criminal Responsibility
- Increase Unrestricted State Formula Aid and Local Services Aid for Library Operating Budgets
- Oppose Raising Cap on Charter Schools
- Oppose Reduction of General Public Health Work (GPHW) Program Reimbursement to New York City
- Excelsior Scholarship
- Oppose Reduction of Title XX Funding

The following items, however, were left out of the State Enacted Budget:

- Homeless Services Funding
- Provide State Operating Subsidies to NYCHA
- Rental Assistance for the HASA Expansion
- Design-Build Authority
- NYS Dream Act
- STARC Savings

Labor and Pensions

Labor Agreements

The de Blasio Administration reached an agreement with the City's largest union representing police officers, the Patrolmen's Benevolent Association (PBA).[4] The contract includes a nine percent raise over the years 2012 to 2017, matching what was agreed to by the City's other uniformed unions. This includes a one percent raise retroactive to both August 1, 2012 and August 1, 2013, 1.5 percent as of August 1, 2014, 2.5 percent effective August 1, 2015, and three percent effective August 1, 2016. On top of this retroactive pay increase, members will also receive a 2.25 percent pay hike, referred to as a "neighborhood policing differential," paid for by the following reduced salary schedule for employees hired after March 15, 2017:

- First 1.5 years → $42,500
- After 1.5 years → $45,000
- After 2.5 years → $46,000
- After 3.5 years → $47,000
- After 4.5 years → $51,000
- After 5.5 years → $85,292

The union's contract expired on August 1, 2012 meaning the nine percent raise is past due. Back pay is expected to exceed $15,000 for Police Officers who are at maximum salary, while the average retroactive payout will be $12,235.[5] As for the issue of accidental disability pensions – all cops will now receive 75 percent of salary, putting them in line with the other uniformed services, who negotiated this benefit gain last spring. Employees will contribute one percent of salary for this benefit enhancement, with the City picking up the rest of the cost. The benefit for Police Officers was ultimately approved with the passage of the State's Fiscal 2018 Executive Budget. It was done without a home rule from the City Council.

[4] "2012-2017 Memorandum of Understanding Between The City of New York and The Patrolmen's Benevolent Association." January 31, 2017. http://www1.nyc.gov/assets/olr/downloads/pdf/collectivebargaining/pba-nyc-moa-2012-2017.pdf

[5] Steier, Richard. "Pact Give PBA 2.5% Hike Beyond 'Pattern' But Reduces Pay Scale for 'Unborn' to Cover Cost." The Chief Leader. February 3, 2017. http://thechiefleader.com/pact-gives-pba-hike-beyond-pattern-but-reduces-pay-scale/article_5f525c28-d2b4-11e6-a311-db7ec0245ba1.html

As part of the deal, the PBA agreed to drop a lawsuit regarding body cameras and all 22,000 patrol officers will now be required to wear them by the end of 2019. Additionally, the PBA agreed to withdraw litigation related to the 2014 and 2016 letter agreements regarding health savings and welfare fund contributions between the City and the Municipal Labor Committee (MLC). PBA now participants in the goal of reaching $3.4 billion in health care savings, which the MLC agreed to in May 2014. All in all, this agreement reduces the labor reserve by $194 million in Fiscal 2017, $223 million in Fiscal 2018, and an average of roughly $188 million annually in Fiscal 2019-2021.

There are other smaller reductions from the labor reserve regarding collective bargaining, including over $1.5 million annually, on average, for an agreement reached with the City's skilled trade workers (220 titles), an average of $1.3 million annually for an agreement reached with the Uniformed Fire Alarm Dispatchers Benevolent Association (IAFF Local 4959), and over $2.6 million annually, on average, for cost of living adjustments in the contract with the Council of School Supervisors and Administrators (CSA Local 1). In total, the labor reserve is being reduced by $202.5 million in Fiscal 2017, $268.3 million in Fiscal 2018, and an average of $319.4 million annually in Fiscal 2019-2021. A total of 96 percent of this is attributable to the contract reached with the PBA. The reserve once again grows through the Plan, reaching over $2.4 billion in Fiscal 2021. This includes funding for wage increases assumed to be one percent per year following the expiration of the contracts in the 2010-2017 round of collective bargaining.

Wages and Collective Bargaining
Dollars in Millions

Fiscal Year	FY17	FY18	FY19	FY20	FY21	Total
Salaries & Wages	$25,759	$27,306	$28,625	$29,425	$30,064	$141,179
Pensions	9,395	9,572	9,866	9,936	10,001	48,770
Other Fringe Benefits	9,456	10,119	10,795	11,694	12,483	54,547
Reserve for Collective Bargaining	59	677	1,591	1,935	2,409	6,671
Total	**$44,610**	**$46,997**	**$49,286**	**$51,055**	**$52,548**	**$244,496**

Source*: Council Finance. OMB data*

Pensions

Required contributions to the City's five pension systems have decreased since the Fiscal 2018 Preliminary budget by over $882 million between Fiscal 2017 and Fiscal 2021. This includes an $18 million decrease in Fiscal 2017 and an average decrease in Fiscal 2018-2021 of $216 million annually. These decreases from January are largely due to updated valuations from the City's Office of the Actuary. In total, pension contributions will come to roughly $9.7 million annually in Fiscal 2017 through Fiscal 2021, as shown below.

Pension Expenses
Dollars in Millions

Fiscal Year	FY17	FY18	FY19	FY20	FY21
Pension Expenses	$9,395	$9,572	$9,866	$9,936	$10,001
Percent of City Funds	15.5%	15.7%	15.4%	14.9%	14.4%
Percent of Total Revenue	11.0%	11.3%	11.3%	11.0%	10.7%

Source*: Council Finance. OMB data*

One notable pension change in the Plan relates to the New York State Special Accidental Death Benefit (SADB).[6] As opposed to paying for this benefit on a pay-as-you-go basis, the City has begun to actuarially pre-fund this benefit. Pre-funding increases the probability of being able to make payments in the future, meaning the benefit will now be considered more actuarially sound.

Following weak performance in 2016, yields on investment returns to date in Fiscal 2017 have been above expectations. As of February, the Teacher's Retirement System (TRS), the New York City Employees' Retirement System (NYCERS), and the Board of Education Retirement System (BERS) have yielded 8.4, 8.8, and 10.4 percent respectively. The New York City Police Pension Fund (POLICE) and the New York Fire Department Pension Fund (FIRE) have yielded 9.1 and 8.6 percent, respectively. Considering the assumed actuarial rate of return is seven percent, returns above this are always welcoming.

Other Fringe Benefits

From the Preliminary to Executive Plan the City has reduced what it anticipates as spending on fringe benefits, largely due to re-estimates. Reflecting a lower estimate of the number of eligible actives and eligible retirees, the Executive Plan brings down health insurance costs by $90 million annually in Fiscal 2017 and 2018, and $100 million annually in Fiscal 2019 through 2021. Overall, the City anticipates spending $4.0 billion on health insurance in Fiscal 2017 and nearly $3.6 billion in Fiscal 2018, a decrease of 10 percent. This is largely due to the Retiree Health Benefits Trust (RHBT), which funds the health and welfare benefits of retired city employees and their dependents. The Fiscal 2018 Executive Plan increases the RHBT by $400 million in this year, but reduces anticipated costs in Fiscal 2018 by $400 million, paying for $400 million in retiree health and welfare benefits by running down the balance of the RHBT in Fiscal 2018. In Fiscal 2019 health insurance will cost the City $4.3 billion – a 20 percent increase from the previous year. It will then climb an average of seven percent annually, reaching over $4.9 billion in Fiscal 2021.

Another reduction in spending comes from a re-estimate of Workers' Compensation expenses based on trend. The City will contribute $18 million less in Fiscal 2018, $45 million less in Fiscal 2019, $80 million less in Fiscal 2020, and $85 million less in Fiscal 2021. Additionally, the Social Security taxes (FICA) the City contributes for the workforce will go down by $20 million in Fiscal 2017 and $30 million in each of the outyears due to lower actuals.

Financing and Debt Service

The Fiscal 2018 Executive Plan estimates $39.8 billion in long-term borrowing between Fiscal 2017 and 2021 to pay for the Five-Year Capital Plan. The City's borrowing strategy is a function of numerous factors, including, but not limited to, the conditions of the financial

[6] Certain uniformed workers who die under circumstances that permit payment of an accidental death benefit may also be eligible for a special accidental death benefit. This benefit, paid to a widow, widower, or deceased member's children, consists of a pension which is equal to the salary of the deceased member, reduced by the City-paid accidental disability pension, and further reduced by Social Security benefits. See https://www.nysenate.gov/legislation/laws/GMU/208-F

market, the City's project schedule, and cash flow considerations. A summary of the financing plan can be seen in the table below.

Summary of Capital Financing Plan - Fiscal 2018 Executive Financial Plan
Dollars in Millions

	FY17	FY18	FY19	FY20	FY21
Financing Plan					
General Obligation Bonds	$2,281	$3,250	$4,500	$4,730	$4,610
Transitional Finance Authority Bonds(1)	3,300	3,250	4,500	4,730	4,610
Water Authority Bonds	1,767	1,418	1,868	1,913	1,890
Total	**$7,348**	**$7,918**	**$10,868**	**$11,373**	**$11,110**
Debt Outstanding					
GO Bonds	$38,020	$39,076	$41,413	$43,801	$46,048
TFA Bonds(1)	31,714	33,984	37,155	40,529	43,667
Other Debt(2)	2,455	2,355	2,259	2,144	2,026
Total	**$72,189**	**$75,415**	**$80,827**	**$86,474**	**$91,741**
Water Authority Bonds	30,930	32,240	33,783	35,313	36,798
Debt Financing Burden (excludes Water Debt)					
Debt Outstanding/NYC Personal Income	12.5%	12.6%	13.0%	13.4%	13.7%

Source: *OMB Fiscal 2018 Executive Financial Plan*

1) TFA Bonds do not include Building Aid Revenue Bonds issued for education capital purposes which are secured by Building Aid revenues from the State

2) Includes Conduit Debt and the Tobacco Settlement Asset Securitization Corporation (TSASC).

The City's debt issuance remains well below the City's constitutional debt limit of $90.2 billion, with the margin between debt service and debt outstanding the highest it has been in a decade. The debt limit is forecasted to grow sufficiently to accommodate new borrowing in the Capital Financing Plan.[7] The City's bonds continue to be well received by the markets, and all of its issuing authorities have maintained AA ratings or better by Moody's, Standard & Poor's, and Fitch.

While the City enjoys a strong cushion on its debt limit and favorable credit ratings on its bonds, there are factors to keep an eye on. The City's debt service is rising as a percentage of City revenues. The City also has an above-average debt burden per capita.[8]

The City's ability to service the debt issued for its capital plan is strong, which is expected from an issuer with highly rated bonds. Under the Executive Plan, the City expects to service $36.7 billion throughout the Financial Plan (not including water debt).

[7] New York City Comptroller, Fiscal Year 2017 Annual Report on Capital Debt and Obligations, December 2016.

[8] Ibid.

Summary of Debt Service Payments - Fiscal 2018 Executive Plan *Dollars in Millions; Before Prepayments*					
	FY17	**FY18**	**FY19**	**FY20**	**FY21**
Debt Service					
GO Bonds	$3,893	$4,103	$4,177	$4,520	$4,707
TFA Bonds(1)	2,181	2,201	2,830	3,122	3,405
Other Debt(2)	272	297	290	349	366
Total	**$6,346**	**$6,601**	**$7,297**	**$7,991**	**$8,478**
Debt Service Burden					
Debt Service/Total Revenue	7.4%	7.7%	8.3%	8.7%	9.0%

Source: *OMB Fiscal 2018 Executive Financial Plan*
1) TFA Bonds do not include BARBs
2) Includes Conduit Debt and the Tobacco Settlement Asset Securitization Corporation (TSASC).

The Executive Plan includes $60.0 million in debt service savings for Fiscal 2017, primarily from re-estimates of debt service costs related to general obligation (GO) bonds and the retention of state building aid revenues by the Transitional Finance Authority (TFA). The Plan reflects $53.4 million in savings for Fiscal 2018, also related to GO debt service costs and TFA retention. These savings are in addition to savings found in the November and Preliminary Plans, which for Fiscal 2017 included a combined $235.4 million.

The City's surplus roll, held in the Budget Stabilization Account for the prepayment of future years' debt service costs, is more than $3.7 billion for Fiscal 2017. In Fiscal 2016, the surplus roll was $4 billion.

Capital

The 2018-2027 Ten Year Capital Strategy

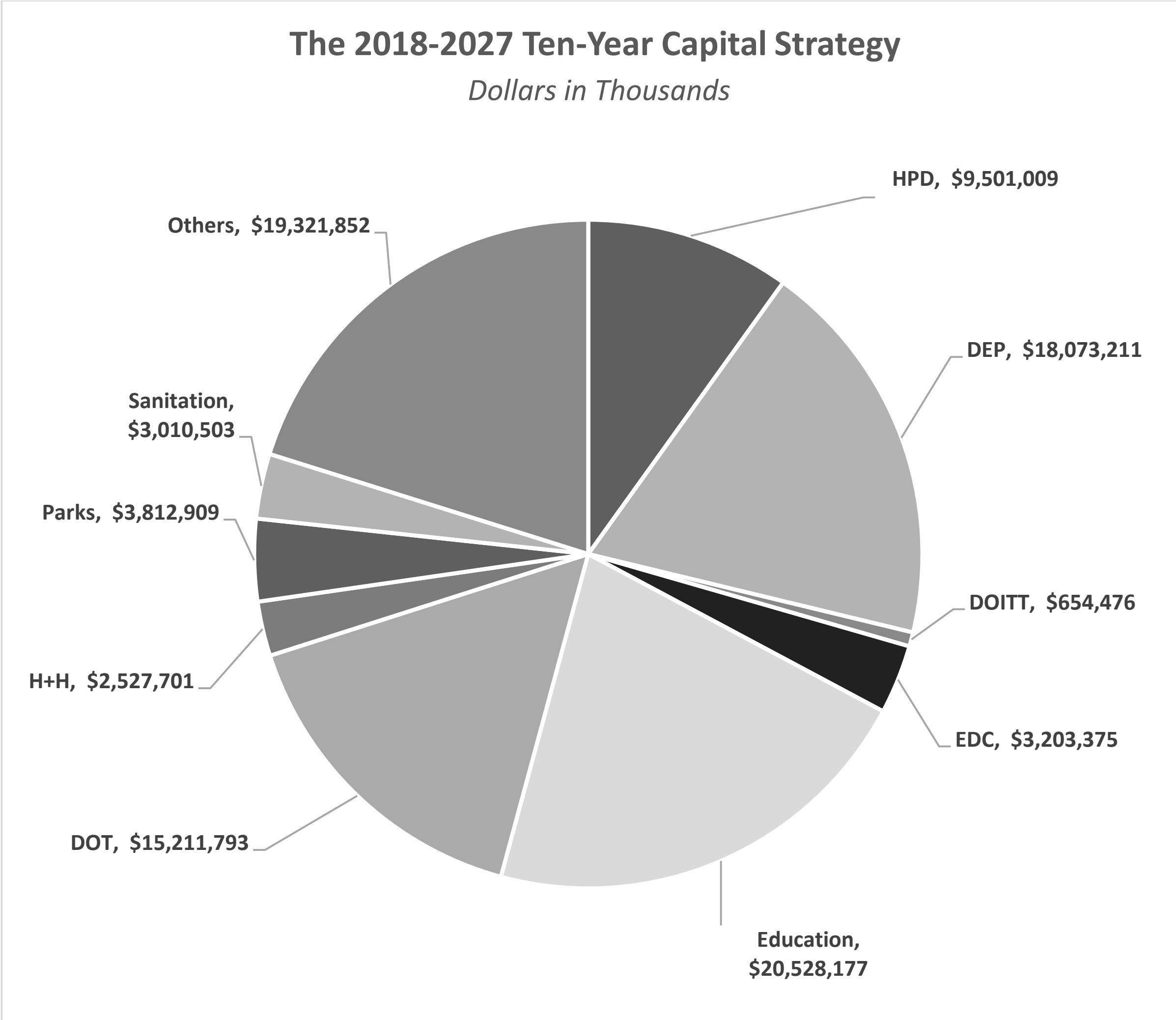
The Ten-Year Capital Strategy (the Strategy), which is released every other year as mandated by the City Charter, is the City's long term capital planning document that in principal provides the general framework for capital spending by City agencies.

As of the Fiscal 2018 Executive Plan, the 2018-2027 Ten-Year Capital Strategy totals $95.8 billion (all funds), representing an increase of $6.2 billion or 6.9 percent when compared to the $89.6 billion (all funds) included in the Preliminary Strategy. Of the increase in funding, $2.8 billion is reflected in Fiscal 2018 and $1.2 billion in Fiscal 2019 with the remainder spread across the remaining eight years of the Strategy. The proposed Ten-Year Capital Strategy is the largest in the City's history and includes $88.9 billion in City funds. The majority (53 percent) of the additional planned capital spending is in five key agencies: the Department of Housing Preservation and Development (HPD) ($1.6 billion); the Department of Transportation ($561 million); the Department of Parks and Recreation ($506 million); the Department of Environmental Protection ($422 million); and the Economic Development Corporation ($257 million). Some highlights of the additional spending in the Strategy include the following:

- An increase funding of more than $993 million for housing preservation and $651 million to support new housing construction by the Department of Housing Preservation and Development.

- Additional commitments of more than $500 million in the Department of Parks and Recreation's budget to support open spaces including $100 million to construct a new esplanade along the East River between East 53rd and East 61st Streets to help bring to completion a contiguous 32-mile waterfront pedestrian promenade and bicycling path around Manhattan and $163.4 million for various playgrounds citywide.
- An increase to the Department of Transportation of $561 million, of which the majority is for bridge related work including $218 million for the Manhattan Bridge resiliency project and $100 million for rehabilitation of the West 33rd Street Bridge. The new DOT funding, also includes $132 million for ADA compliance pedestrian ramp rehabilitation work.
- An increase of $422 million to the Department of Environmental Protection to improve wastewater treatment plants. Of that amount, $97.9 million is for water mains, $122.6 million is for water pollution control, $22.6 million is for water supply, and $135.2 million is for DEP Equipment.
- A NYCHA funding increase of $355 million to repair facades at 150 NYCHA buildings. This funding is in addition to $1 billion included in the Preliminary Capital Commitment Plan to fund the repair of roofs at NYCHA buildings throughout the City.

The below chart depicts the breakdown in all-funds of the 2018-2027 Ten-Year Capital Strategy by key agencies:



The Fiscal 2018 Executive Capital Commitment Plan

The Executive Capital Commitment Plan (the Plan) for Fiscal 2017 through 2021 totals $69.8 billion (City and non-City funds, excluding IFA) and reflects an increase of $4.6 billion, or seven percent, from the $65.1 billion Fiscal 2018 Preliminary Capital Commitment Plan. All years of the Commitment Plan, except the current year, Fiscal 2017, are also included in the Capital Strategy. The below table compares the four year totals of the Executive Commitment Plan to the Preliminary Commitment Plan:

Dollars in Thousands	FY17	FY18	FY19	FY20	FY21	FY17-FY21
Executive Plan	$16,724,742	$18,350,619	$13,273,994	$12,547,028	$8,881,643	$69,778,026
Preliminary Plan	17,053,669	15,756,026	12,386,524	12,093,105	7,848,272	65,137,596
Change	($328,927)	$2,594,593	$887,470	$453,923	$1,033,371	$4,640,430

As illustrated in the above table, Fiscal 2017 planned commitments total $16.7 billion. However, because not all of that is expected to be committed in the current fiscal year, much of the Fiscal 2017 planned commitment will likely be rolled into subsequent fiscal years in the Fiscal 2018 Adopted Commitment Plan.

The City Council supports and encourages the improvements to the City's infrastructure scheduled in the Capital Commitment Plan and in the Ten-Year Strategy. However, there remains a genuine concern that the City may not be able to execute all of these projects within the planned timeframe. Currently, the only modification done to the capital budget is at Adoption, while there are multiple modifications to the expense budget voted on by the Council. The main reason for this imbalance, is the existence of excess capital appropriations in majority of the City agencies capital budgets. This negates the need for the Administration to request a capital modification since it can act without input from the Council in areas with excess appropriations, leaving out areas without excess appropriation to wait until Adoption to move forward. For this reason, the Council is concerned with the practice of making capital appropriations that far exceed planned commitments for projects in the Capital Plan.

The Council looks forward to being a true partner with the Administration in not just the reauthorization and approval of the capital budget at Adoption, but with its execution during the fiscal year. As such, to promote transparency and ensure that the Administration acts in tandem with the Council when there is a need to increase funding for capital projects, as is currently done for the expense budget, through a budget modification, in its March budget response to the Mayor's Preliminary Budget, the Council urged the Administration to consider reducing the excess capital appropriations in the majority of City agencies so that the available appropriations are aligned with each agency's capital budget. The Council is encouraged that the Administration has taken steps in the Executive Budget to reduce the current available capital appropriations by $3.2 billion and urges that additional steps be taken to ensure that capital projects are carried out timely and efficiently going forward.

The majority of the spending increases in the Executive Plan for Fiscal 2017-2021 are distributed among the following City agencies.

Capital Commitment Plan: Executive Plan Compared to Preliminary Plan
Dollars in Thousands

Agency	Exec. Plan	Prelim. Plan	Increase
Admin for Children's Services	$470,731	$294,697	$176,034
Environmental Protection	13,270,597	12,881,379	389,218
Economic Development	3,654,416	3,215,791	438,625
Education	12,314,186	12,118,784	195,402
DOT	10,890,959	10,162,233	728,726
Health & Hospital Corp	1,544,433	1,143,888	400,545
Homeless Services	517,903	284,122	233,781
Housing Preservation & Dev	5,211,780	3,862,211	1,349,569
Housing Authority	995,816	919,814	76,002
Police	1,988,280	1,878,635	109,645
Public Buildings	1,480,910	1,265,278	215,632
Sanitation	2,208,462	2,071,776	136,686
Total	**$54,548,473**	**$50,098,608**	**$4,449,865**

Some of the major projects and changes introduced in the Executive Plan include the following.

- The addition of $170 million in the Administration for Children's Services budget for adolescent facilities construction.

- The Department of Correction Commitment Plan includes $1.1 billion in Fiscal 2018 for the design and construction of new jail facilities.
- Funding of $8.7 million in HRA to develop the Landlord Management System to better serve landlords and reduce payment errors. This will allow the Department to pay landlords via electronic funds transfer (EFT); offer a public facing portal for landlords and clients; reduce lost and missed payments; ensure that all landlord information and client addresses are updated and consistent across the Department's systems; and simplify functions for Department staff.
- Additional funding of $147 million in the Health + Hospital capital plan for EPIC Revenue Cycle Implementation—a claiming system that tracks patient registration and medical billing.
- The Council Preliminary Budget response called on the Administration to "Ensure Funding for the Full Construction of New Animal Centers." The capital plan includes $79.2 million for animal care centers, including $7 million in Fiscal 2018; $45 million in Fiscal 2019; and $28 million in Fiscal 2020.
- Planned commitment of over $423 million for homeless shelter projects including $123 million for the development of 90 new shelter sites and $300 million for critical upgrades at family and adult shelter facilities citywide.
- Planned commitment of $1.3 billion in the Department of Housing Preservation and Development capital plan including more than $823 million for supportive housing initiatives and $153 million to rehabilitate city-owned housing units and return them to responsible private ownership.
- Additional funding of $142 million in EDC's budget for the Bush Terminal - Made in New York Campus.
- Planned commitment of $217 million in DOT's budget for hazard mitigation projects across the East river Bridges.
- Additional funding total $280 million for highway bridges including $28 million for the Henry Hudson Parkway and 72nd Street viaduct, $75.8 million for 33rd Street West of 11th Avenue (Hudson Yards), and $141 million for East 174th Street/ Sheridan Expressway.

Economy and Tax Revenue

National Economy

The national economy continues to grow at a lackluster pace. There are potential rewards and risks to President Trump's economic policies, but at this point, major impacts have yet to materialize. Looking at certain economic indicators, however, proves useful in estimating the national economic outlook.

In its advanced estimate, the Bureau of Economic Advisers (BEA) announced that real gross domestic product (GDP) increased at an annual rate of 0.7 percent in the first quarter of

2017.[9] This is the weakest performance since the second quarter of 2014, and follows a modest 2.1 percent growth in fourth quarter 2016. The especially weak first quarter can be largely attributed to an unusually warm winter and spike in energy prices, which sharply reduced consumer spending on fuel and winter clothing.

Following real GDP growth of 2.6 percent in 2015 and 1.6 percent in 2016, Wells Fargo is forecasting growth of 2.1 percent in 2017 and 2.5 percent in 2018.[10] Similarly, IHS Markit forecasts growth of 2.4 percent in 2017, increasing to 2.6 percent in 2018. Growth in the outyears (2019-2022) will average 2.2 percent.[11] Gone is the long-term trend of three percent annual growth experienced in previous decades. Undergirding today's tepid growth is the chronically meager labor productivity, which grew by only one percent in the fourth quarter of 2016 year-over-year.

On the bright side, consumer spending continues to drive growth, driven by positive job and income growth. Median weekly wages and salaries were 4.2 percent higher than a year earlier, and above the 2.5 percent growth in the Consumer Price Index for All Urban Consumers (CPI-U) over the same period. This means that households have more purchasing power, as evidenced in consumers' appraisal of current conditions. In fact, consumer confidence increased in March to its highest level since December 2000, according to The Conference Board's Consumer Confidence Survey.[12]

The unemployment rate declined to 4.5 percent in March while total nonfarm employment increased by only 98,000 – much less than predicted.[13] Although the number of unemployed persons has declined over the year, the labor force participation rate remained at 63 percent in March. The rate's precipitous drop from 66 percent at the eve of the recession, suggests stubborn structural unemployment, and not entirely the aging of the population.

With the potential for simulative government policies, it is likely that the Federal Reserve will continue to gradually raise interest rates in the year ahead. Having just raised the federal funds rate to a target range of 0.75 percent to one percent in March, the median forecast of the top federal officials calls for two additional hikes this year – a sign that perceived risks to the economic outlook are subdued.[14]

OMB's national economic forecast broadly resembles the national forecast being used by the Finance Division. Of particular interest are wages and profits. With a tightening labor market,

[9] Bureau of Economic Advisers. News Release: Gross Domestic Product. April 28, 2017. https://www.bea.gov/newsreleases/national/gdp/2017/gdp1q17_adv.htm
[10] Wells Fargo Securities US Economic Forecast. April 12, 2017. https://www08.wellsfargomedia.com/assets/pdf/commercial/insights/economics/monthly-outlook/monthly-20170412.pdf
[11] IHS Economics US Executive Summary. April 2017. Pg. 11. Web.
[12] The Consumer Conference Index. The Conference Board. March 28, 2017. https://www.conference-board.org/press/pressdetail.cfm?pressid=7022
[13] The Employment Situation March 2017. Bureau of Labor Statistics. April 17, 2017. https://www.bls.gov/news.release/pdf/empsit.pdf
[14] Economic Projections of Federal Reserve Board Members and Federal Reserve Presidents Under their Individual Assessments of Projected Appropriate Monetary Policy, March 2017. https://www.federalreserve.gov/monetarypolicy/files/fomcprojtabl20170315.pdf

wage growth accelerates a bit in 2018, growing at four percent - about two percent faster than their inflation forecast. Inflation starts to catch up, but wages stay ahead of inflation for the forecast period. Corporate profits also do well in 2018, growing 5.8 percent. This follows what OMB believes will be an excellent 2017 - growth of 6.8 percent. Profit growth then slows down dramatically in 2019 to 1.6 percent, and stays slow for the rest of the forecast period.

City Economy

The City's economy continues to show signs of slowing. In 2016 total payroll employment in the City increased by 86,100 compared to 2015. This is a far cry from 2015 and 2014, when year-over-year job growth averaged 125,000 and 131,200 respectively. The number of jobs added in the first quarter 2017 compared to the first quarter 2016, was 69,000. This was stronger than the fourth quarter 2016, which added 54,000 positions year-over-year, but was considerably weaker than first quarter 2016, which added 105,000 more jobs.[15] Major City sectors have reflected the slower employment growth, including finance, business services, information, and leisure and hospitality. Retail has been losing jobs since the beginning of 2015. Health care and social assistance, on the other hand, are maintaining healthy payroll growth.

The City's unemployment rate has proven to be a bright spot, having declined to 4.0 percent in March 2017 from 5.2 percent a year ago. However, the City's labor-force participation rate, still at a weak 60.2 as of February 2017, has hardly budged from a year ago.

Private sector average wages are estimated to have grown by only 1.2 percent in 2016. The low wage growth in 2016 was largely attributed to the securities industry, where average wages dived 2.5 percent in 2016, due to the turmoil in markets. The average wage is expected to rebound by 4.0 percent in 2017, as Wall Street bonuses rise again from a profitable 2016, and wage pressures finally materialize across sectors.

The City's real estate market remains mostly vibrant in the first quarter 2017. New office leasing in Manhattan was at a decent volume of 7.6 million square feet, 16 percent higher than the same quarter a year ago. Net absorption - the change in occupied office space - increased by 876,284 square feet in the first quarter 2017, compared to a loss of 805,770 a year before. The vacancy rate rose to 9.4 percent in the first quarter compared to 9.2 percent the previous quarter, but this was driven by a 27.8 percent increase in available sublease space. Office rents have increased moderately by only 1.3 percent year-over-year to $73.37 per square foot.[16]

Like the commercial sector, residential real estate is still going strong, with double-digit growth in prices and sales. As of the first quarter 2017, median home prices in Brooklyn have soared 16.2 percent year-over-year to $770,000, while those in Queens have risen 21.3 percent to $485,000. The jaw-dropping median price of Manhattan co-ops and condos finally edged-down 0.8 percent to $1,144,500. The number of total home sales throughout the five boroughs, have risen 14.0 percent over the year.[17] Rents have risen more moderately over

---

[15] NYS Department of Labor, Current Employment Statistics (CES), March 2017.

[16] Cushman & Wakefield, 'Marketbeat: Manhattan Office,' Q1, 2017.

[17] Miller Samuel, 'New York City Real Estate Market Residential Brief: Co-ops, Condos & 1-3 Family Sales,' Q1 2017.

the year, due to zero rent increases for one-year leases on rent stabilized apartments. The median rent increases for Manhattan and Brooklyn were 3.0 percent and 2.6 percent respectively.[18]

In 2016 visitors to the City numbered 60.3 million, the seventh consecutive record-breaking year. While 21 percent of visitors come from abroad, their average spending is about four times that of domestic travelers. Between October 2016 and February 2017 - before and after the national election, NYC & Co. dramatically revised its forecast of foreign tourists to the City in 2017. It went from an additional 400,000 compared to 2016 to 300,000 fewer visitors. This has been attributed to the perceived hostility of the Trump Administration towards foreign visitors, and their more rigorous treatment upon entering the U.S.

Looking ahead, the Council's Finance Division expects the slowdown in job growth to continue, with jobs growing at 1.4 percent in 2017 and slowing to one percent by 2021, similar to OMB's projection. The Finance Division expects the private average wage to bounce back – rebounding by 4.0 percent in 2017 and averaging three percent from 2018 through 2021. This is slightly weaker than OMB's projection.

Economic Risks

The Finance Division continues to forecast slow growth for the City, with a low likelihood of a recession. There are, however, significant downward risks, most of which would filter down from the national level or global events:

- The Trump Administration's under-developed policies and its volatile policy making are the most important risk to the forecast. Both OMB and Council Finance assume a fiscal stimulus from tax cuts early enough to effect the economy in 2018. Finance Division expects our trading partners and the financial markets to remain patient with the erratic bluster of the Administration's trade policy. If either of these assumptions are wrong, slower growth is likely.
- The Finance Division assumes there is still significant slack in the labor market. If this is not the case as economy surpasses full employment, it will be characterized by rising unit labor costs, accelerating inflation, which the Federal Reserve will try to slow down with increasing interest rates,

  IHS Markit gives a 20 percent probability of a two-quarter recession in the middle two quarters of 2018.

There are upward risks as well.

- GDP may grow faster than anticipated, partially from the new administration's tax cuts, rolling-back of regulations, and infrastructure spending. On the supply-side, the lower corporate rates may incentivize more capital investment, leading to innovations and higher productivity. On the demand-side, the lower income tax rates would increase disposable income and consumer activity.

[18] DouglasElliman, Elliman Report: Manhattan, Brooklyn & Queens Rentals,' March 2017.

- Struggling global markets, such as Europe and China may recover more quickly, increasing net exports, and lowering the relative position of the dollar.

IHS gives a 20 percent probability of the economy doing better than expected.

Tax Revenue Forecast

OMB forecasts a 2.3 percent increase in tax revenue collections - including audits in Fiscal 2017, and 3.0 percent in 2018. This is a downward revision from the Preliminary Budget forecast, where 2017 and 2018 grew by 2.6 percent and 3.6 percent respectively. Fiscal 2017 is also the second consecutive year of slower revenue growth, with 2016 having slowed to 3.0 percent from 7.5 percent in 2015. OMB projects stronger average growth of 4.2 percent in the outyears. This is still a far cry from the dynamic years of Fiscal 2011 – 2015, when tax revenues grew at an average annual rate of 6.8 percent.

Real property tax collections are expected to grow by a healthy 6.2 percent in Fiscal 2017, driven by rising billable assessed values. Average annual growth will then soften between 2018 and 2021 to a little over five percent, as higher long-term interest rates reduce the climb of market values. Non-property tax collections, on-the-other-hand, are forecasted to decline by one percent in Fiscal 2017, driven primarily by weak personal income tax collections. Already, year-to-date collections through March show a 1.1 percent decline from a year ago.

Personal income tax collections, after adjusting for administrative changes of STAR by New York State, are expected to show flat growth in 2017, with decent growth in withholdings being fully offset by falling estimated payments.[19] Withholdings are benefiting from rising employment, wage pressures, and a better-than-expected bonus season. Estimated payments, however, have been pulled down by declining capital gains realizations. Estimated payments are expected to return to growth by Fiscal 2018.

Business corporation tax collections for Fiscal 2017 show year-to-date collections through March diving 15.6 percent from the previous year. OMB explains that this massive decline was mostly due to overpayments for tax year 2015, since there was a great degree of uncertainty in adjusting to the City's new business tax reform. OMB expects a dramatic recovery in the last quarter of the fiscal year - after the tax overpayments have been fully applied, reflecting a steadier Wall Street and stronger corporate profits.

OMB expect sales tax collections of 3.4 percent in Fiscal 2017, excluding the STARC payments (see below), and averaging a little over five percent in the outyears. Collections are being supported by local employment growth, strong consumer confidence and tourism

The two transaction taxes - real property transfer and mortgage recording, are both expected to show double-digit declines in 2017, due to a huge decline in commercial transactions and only a slight increase in residential purchases.

[19] The State's School Tax Relief (STAR) has provided a credit on the New York City personal income tax. New York State reimbursed for the cost of the credit. Starting in tax year 2017 it will become a credit for New York City residence on the New York State personal income tax. This change will have no net effect on the City's budget or on taxes paid by City residents. However, it will up the amount of personal income tax received by the City and decrease the STAR aid received by the City,

Council Finance will release its revenue forecast on May 25th, but its advanced estimate projects a milder decline in employment growth through the Plan year than projected by OMB, directly impacting PIT withholdings, and indirectly business and sales taxes.

The tax revenue forecast is subject to its own risks. These revenue projections rest upon stable global financial markets, the dollar continuing its fall, stable energy prices, the maintenance of confidence among consumers and firms, and continued employment growth.

One policy-related risk is OMB's assumption that the City can renegotiate the reimbursement to New York State for savings from refinancing the Sales Tax Asset Receivable Corporation (STARC) found in New York States Fiscal 2018-2019 Adopted Budget. The City's Executive Budget, only acknowledges a $50 million repayment in Fiscal 2017 and a $150 million repayment in Fiscal 2018. It does not recognize the remaining payments of $50 million more for the fourth quarter of Fiscal 2018, and $150 million in 2019.

There is an upside risk from tax audits. Between 2010 and 2016, additional revenue from tax audits has been averaging around $950 million per year. OMB projects roughly $1.3 billion in audits in Fiscal 2017. Between Fiscal 2018 and 2021, however, OMB forecasts more conservative audits averaging $750 million per year. The City may very likely garner at least an additional $100 million in each of those four years.

OMB Growth Rates					
	FY17	**FY18**	**FY19**	**FY20**	**FY21**
Real Property	7.1%	5.0%	6.5%	4.9%	4.6%
Personal Income	2.1%	6.4%	3.6%	4.5%	4.3%
Business Corporate	4.7%	2.5%	2.4%	0.6%	2.7%
Unincorporated	(0.7%)	5.5%	4.9%	5.8%	5.5%
Sales	1.2%	5.4%	6.9%	4.6%	4.2%
Commercial Rent	4.8%	3.9%	4.2%	4.0%	3.9%
Real Property Transfer	(24.2%)	1.4%	2.6%	4.4%	2.0%
Mortgage Recording	(13.0%)	(13.0%)	2.7%	4.4%	1.9%
Utility	6.5%	1.3%	1.3%	2.3%	3.3%
Hotels	1.0%	(0.2%)	3.9%	1.2%	1.5%
All Others	(15.9%)	(32.2%)	(0.4%)	(0.4%)	(0.4%)
Audits	7.7%	(32.0%)	(15.2%)	0.0%	0.0%
Total Taxes	**2.3%**	**3.0%**	**4.9%**	**4.3%**	**3.5%**

Source: *OMB, Executive Budget, Fiscal 2018*