THE COUNCIL OF THE CITY OF NEW YORK

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Report of the Finance Division on the
Fiscal 2020 Executive Budget
May 6, 2019

Finance Division
Latonia R. McKinney, Director

Legal Unit

Rebecca Chasan, Senior Counsel
Noah Brick, Assistant Counsel
Stephanie Ruiz, Assistant Counsel

Revenue and Economics Unit

Raymond Majewski, Deputy Director, Chief Economist
Emre Edev, Assistant Director
Paul Sturm, Supervising Economist
Hector German, Financial Analyst
William Kyerematenng, Senior Economist
Kira McDonald, Economist
Nashia Roman, Economist
Kendall Stephenson, Senior Economist
Davis Winslow, Senior 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
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Sebastian Bacchi, Financial Analyst
John Basile, Financial Analyst
Chelsea Baytemur, Financial Analyst
Monika Bujak, Financial Analyst
Peter Butler, Financial Analyst
Julia Haramis, Financial Analyst
Sarah Gastelum, Principal Financial Analyst
Lauren Hunt, Financial Analyst
Daniel Kroop, Financial Analyst
Kaitlyn O'Hagan, Senior Financial Analyst
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Michele Peregrin, Financial Analyst
Frank Sarno, Financial Analyst
Masis Sarkissian, Financial Analyst
Jonathan Seltzer, Senior Financial Analyst
Nevin Singh, Financial Analyst
Ana Maria Camel Vega, Financial Analyst
Andrew Wilber, Financial Analyst
Luke Zangerle, Financial Analyst

Discretionary Funding and Data Support Unit

Paul Scimone, Deputy Director
James Reyes, Principal Financial Analyst
Savanna Chou, Financial Analyst
Steven Williams, Financial Analyst
Raymond Furlong, Financial Analyst

Administrative Support Unit

Nicole Anderson, Senior Administrative Coordinator
Maria Pagan, Senior Administrative Coordinator
Lattina Brown, Administrative Assistant
Courtneigh Summerrise, Administrative Assistant

Interns

Jasper Diaz
Florentine Kabore
Tiana Robinson
Alana Webster

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Introduction

On April 25, 2019, Mayor Bill de Blasio released the Executive Budget for Fiscal 2020. The budget totals $92.5 billion, representing approximately a $258 million increase over the $92.2 billion Preliminary Budget that was released in February.

As a part of the Charter-mandated budget process, on April 9, 2019 the Council released "The New York City Council's Response to the Fiscal 2020 Preliminary Budget and Fiscal 2019 Preliminary Mayor's Management Report." This document presents the Council's budget priorities and contains a financial plan to pay for these priorities.

As outlined in this report, the recommendations made by the Council make up far too few of the changes included in the Executive Budget. Our analysis of the Executive Budget will focus on the adjustments that the Mayor did include and will hold the Administration accountable for not including the majority of the Council's priorities. We will also focus on the sufficiency of the savings program, the accuracy of the revenue projections and assumptions, and the overall financial stability of the budget.

The Council will hold hearings[1] throughout the month of May to conduct a thorough review of the changes to the budget that were made since the Preliminary Plan. The hearings begin on May 6, 2019, with testimony from the director of the Office of Management and Budget (OMB), Melanie Hartzog. The testimony and hearing will be focused on the City's Expense, Revenue, and Capital Budgets.

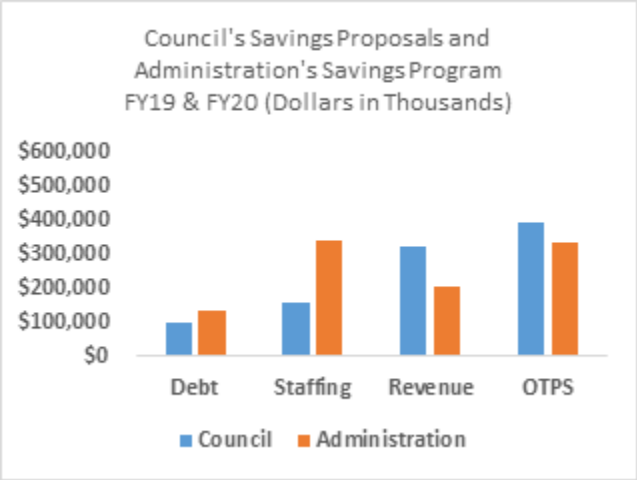
The subsequent hearings will offer an opportunity for the Council to go into greater depth on each agency's budget. Throughout the hearings, continuing through negotiations, and ultimately to budget adoption, the Council will continue to fight for the millions of New Yorkers who would benefit from proposals like Pay Parity for our human service providers and baselining of core services, while also ensuring that the budget is sound and our City is financially secure for the future.

This report provides a review of the Fiscal 2020 Executive Financial Plan, including changes to both revenues and expenditures, as well as the capital budget. The expenditures section of this report will cover adjustments to projections in Personal Income Tax (PIT), Other Taxes, and Miscellaneous revenue. The expenditures section details new needs funding, the Citywide Savings Program, and changes in headcount, pensions funding, and fringe benefits funding. Lastly, the capital section provides an overview of the Executive Ten-Year Capital Strategy for Fiscal Years 2020-2029 (the "Ten-Year Strategy"), Fiscal 2020 Executive Capital Budget (the "Capital Budget"), and the Capital Commitment Plan for Fiscal 2019-2023 (the "Commitment Plan"), as well as the proposed budget for debt service that supports the Capital Plan.

Council Preliminary Budget Response

Throughout the course of the Preliminary Budget Hearings, the Council systematically evaluated resource levels, funding gaps, and operational deficiencies and efficiencies, agency by agency. As a result, in its response to the Mayor's Preliminary Budget, the Council recognized the risks in the Financial Plan, identified budget shortfalls and put forth dozens of proposals to address the growing needs of New Yorkers. Concurrently, the Council presented a plan to finance its proposals, through a combination of additional revenues and budget reductions that would cover the cost of both budget gaps and Council priorities, all while maintaining a balanced budget.

The Executive Budget, by and large, disregards the Council's Response and only addresses a small fraction of the proposals. No additional resources were included for any of the Council's major proposals. While the Administration's Citywide Savings Program is similar in actions and size as the one proposed by the Council, the way the funding is reallocated is vastly different.



The Council presented a budget savings plan that totaled $972 million over Fiscal 2019 and 2020 compared to the Administration's program which totals $916 million across the same period. Although similar in structure, the Administration's program makes cuts to Council priorities like SONYC, COMPASS, cultural institutions, and NYCHA Senior Clubs.

Additionally, the Executive Budget leaves out a package of programs and core operational supports that the Administration funded in the Fiscal 2019 budget. These programs include maintenance staff for parks, adult literacy programs and the long standing science education program Urban Advantage. In its Response, the Council identified over 30 programs across 21 agencies that need an allocation of $155.9 million in Fiscal 2020 to continue. For a complete list see the Appendix. The shortfalls would have the greatest impact on education, youth and senior services. Only the Bridging the Gap program received a funding restoration totaling $11.9 million in the Fiscal 2020 Executive Budget.

Furthermore, the Council has continued to call on the Administration to add to its budget reserves, and yet the Executive Budget includes no additional reserve funding. As the Administration continues to warn of a tightening City economy, a focus on preparing for an inevitable downturn becomes more critical.

Financial Plan

The Fiscal 2020 Executive Plan reflects new conditions, as set by the Fiscal 2019-2020 State Budget, as well as new information from year-to-date tax collections, the Administration's new needs, and the Administration's disappointing reaction to the Council's Preliminary Budget Response. The budget grows to $92.9 billion in Fiscal 2019 and to $92.5 billion in Fiscal 2020, up from the Preliminary Plan by $832 million in Fiscal 2019 and by $258 million in Fiscal 2020. Because spending can be partially paid for by prepayments of debt service, spending before adjustments represents a better picture of City spending for a given fiscal year. This spending is now estimated at $93.9 billion in Fiscal 2019 and $96 billion in Fiscal 2020, up from the Preliminary Plan by $485 million in Fiscal 2019 and $605 million in Fiscal 2020.

Fiscal 2020 Executive Financial Plan Summary
Dollars in Millions

	FY19	FY20	FY21	FY22	FY23	Average Annual Change
REVENUES						
Taxes	$60,883	$63,125	$65,021	$67,229	$69,120	3.2%
Miscellaneous Revenue	8,065	6,955	6,911	6,884	6,879	(3.7%)
Unrestricted Intergovernmental Aid	201	-	-	-	-	
Less: Intra-City and Disallowances	(2,129)	(1,834)	(1,832)	(1,830)	(1,829)	(3.5%)
Subtotal, City Funds	**$67,020**	**$68,246**	**$70,100**	**$72,283**	**$74,170**	**2.6%**
State Aid	$15,473	$15,333	$15,719	$16,186	$16,693	1.9%
Federal Aid	8,494	7,226	7,069	6,998	6,966	(4.6%)
Other Categorical Grants	1,207	928	870	863	863	(7.5%)
Capital Funds (IFA)	657	735	672	672	672	0.8%
TOTAL REVENUES	**$92,851**	**$92,468**	**$94,430**	**$97,002**	**$99,364**	**1.7%**
EXPENDITURES						
Personal Services	$49,629	$51,323	$52,876	$53,848	$55,493	2.8%
Other Than Personal Services (OTPS)	39,822	37,992	37,977	38,284	38,523	(0.8%)
Debt Service	6,630	7,238	7,625	8,315	9,070	8.2%
General Reserve	50	1,000	1,000	1,000	1,000	475.0%
Capital Stabilization Reserve	-	250	250	250	250	
Less: Intra-City	(2,220)	(1,819)	(1,817)	(1,815)	(1,814)	(4.6%)
Spending Before Adjustments	**$93,911**	**$95,984**	**$97,911**	**$99,882**	**$102,522**	**2.2%**
Surplus Roll Adjustment (Net)	(1,060)	(3,516)	-	-	-	
TOTAL EXPENDITURES	**$92,851**	**$92,468**	**$97,911**	**$99,882**	**$102,522**	**2.5%**
Gap to be Closed	-	-	(3,481)	(2,880)	(3,158)	

Source: OMB Fiscal 2020 Executive Financial Plan for Fiscal Years 2019-2023

Both Fiscal 2019 and 2020 are balanced by prepayments from prior years. In order to prepay for Fiscal 2019 and Fiscal 2020 expenses, the Executive Budget uses a total of $4.6 billion in surplus money, of which $1.1 billion is used in Fiscal 2019 and $3.5 billion is used in Fiscal 2020. This means that Fiscal 2019, a year with a healthy economy and reasonably strong tax collections, still has a structural imbalance, and the budget is only balanced through the use of reserves.

There are outyear budget gaps ranging from $3.5 billion to $2.9 billion for Fiscal 2021, Fiscal 2022 and Fiscal 2023. However, the Plan also includes a $1 billion general reserve and a $250 million capital stabilization reserve for each year. After taking these reserves into account, the Plan's outyear gaps average less than two percent of expenditures. The City has managed gaps of this size in recent years without difficulty.

Balancing the Budget

The Plan grows City Funds spending in Fiscal 2019 by a modest $618 million over the Preliminary Plan. About a quarter of that reflects increased revenue recognized in the savings program, and another two actions account for the reminder of the increase. First, is a fine levied against Standard Chartered Bank as part of a global settlement[1] accounts for $141 million of the $260 million increase in other revenues. Second, the tax revenue forecast is up by $202 million, largely driven by a $284 million increase in expected Personal Income Tax (PIT) revenue for Fiscal 2019.[2]

[1] https://www.dfs.ny.gov/reports_and_publications/press_releases/pr1904091

[2] This increase in PIT revenues is partially offset by reductions in the forecasts of other tax revenues, which is why the total tax revenue change is less than the PIT change.

This increased PIT revenue flows through to Fiscal 2020, helping to drive stronger tax revenue growth of $210 million. Increased miscellaneous revenues and citywide savings revenue impacts around $340 million in new resources identified for Fiscal 2020. Altogether, this results in $958 million in additional resources over the two years.

The Executive Budget sees a commitment of $369 million in Fiscal 2019 and 2020 to cover new needs mandated by the State's Fiscal 2019-20 Enacted Budget, and a nearly $1.6 billion increase in agency expenses, including pension cost adjustments. The $1.9 billion in increases are offset by $712 million in citywide savings program expense actions, and a $250 million take down of the General Reserve, bringing the City to $958 million in net new expenses.

Since more revenues are identified in Fiscal 2019 than needed, the Plan rolls $347 million into Fiscal 2020 through the prepayment of expenses, thereby balancing both years.

Closing the Gap
Dollars in Millions

	FY19	FY20
Gap as Preliminary 2020 Financial Plan	-	-
Revenue Budget Changes		
Tax Revenues	$202	$210
Citywide Savings Program	156	49
Other Revenues	$260	$82
SUBTOTAL	**$618**	**$340**
Expense Budget Changes		
Agency Expense Changes	$636	$829
Enacted State Budget	63	306
Citywide Savings Program	(264)	(448)
Takedown of General Reserve	(250)	-
Pensions	86	-
SUBTOTAL	**$271**	**$687**
TOTAL: Surplus/(Gap) Before Prepayments	**$347**	**($347)**
Surplus: FY 2019 Prepayment of FY2020 Expenses	(347)	347
NEW GAP in Executive Financial Plan	**$0**	**$0**

Does not include intra-fund capital spending or intra-city revenue
Source: OMB Fiscal 2020 Executive Budget

Tax Revenues

Year-to-date tax collections[3] have come in slightly stronger than anticipated. This is seen in the Administration's revision of tax revenue in the Executive Budget. Between the Preliminary and Executive budgets, OMB raises its forecast of total tax revenues by $202 million in Fiscal 2019. One major change, is the upward adjustment of personal income tax revenues by $284 million. The increased forecast reflects stronger than anticipated PIT collections between March and April. The increased PIT forecast is offset by reductions in expected revenues from the real property, transfer and unincorporated business taxes. The Executive Plan also increases OMB's tax revenue forecast by $209 million in Fiscal 2020 and by an average of $259 million in the outyears.

[3] Year-to-date collections for all taxes are as of March 2019.

Tax Revenue Changes from Fiscal 2020 Preliminary Budget
Dollars in Millions

	FY19	FY20	FY21	FY22	FY23
Real Property	($70)	$0	$0	$0	$0
Personal Income	284	152	120	122	87
General Corporation	71	71	67	78	41
Unincorporated Business	(52)	(189)	(133)	(106)	(110)
Sales and Use	18	98	114	112	112
Commercial Rent	11	15	16	18	18
Real Property Transfer	(30)	45	44	48	45
Mortgage Recording	(24)	25	24	27	25
Utility	0	1	0	0	0
Hotel	5	(9)	1	0	7
All Other	(11)	0	0	0	0
Total Executive 2020 Financial Plan Changes	**$202**	**$209**	**$253**	**$299**	**$225**

Source: OMB Fiscal 2020 Executive Financial Plan for Fiscal Years 2019-2023

With the updates to its forecast, OMB expects tax revenue growth to slow to three percent in Fiscal 2019, following an 8.2 percent surge the prior year. Total tax revenue growth will reach 3.7 percent in Fiscal 2020, before slowing to an average of 3.1 percent in the outyears.

Personal Income Tax

In spite of additional revenue being recognized in the Executive Budget, OMB still expects PIT collections to drop about 4.9 percent in Fiscal 2019. The decline represents a return to normal levels of collections from the temporary boost experienced the previous year. Two changes to federal tax law, the cap on the State and local tax (SALT) deduction and the repatriation of non-qualified deferred compensations (NQDCs)[4], resulted in an influx of estimated payments in December 2017 and January 2018 from hedge fund managers who had to meet the deadline for the repatriation of NQDCs, as well as from taxpayers who wanted to take the full deduction on SALT before the TCJA changes took effect. There was also a change to the PIT STAR program which caused an artificial increase in withholdings.[5]

Wall Street bonuses were also a factor. The exceptional 20 percent growth in the securities industry's bonus pool for tax year 2017 was followed by a 14 percent decline in 2018, contributing to falling PIT revenues in Fiscal 2019.[6]

Estimated payments saw a steep decline in December and January, with collections dropping 31 percent from what OMB projected. The disappointing collections were largely a reflection of the downturn in equity market performance towards the end of 2018 and a change in taxpayer behavior in response to the TCJA. OMB's forecast assumes that the weak estimated payments

[4] The cap on SALT deductions was enacted by the TCJA, while the repatriation of non-qualified deferred compensation was enacted by the Emergency Economic Stabilization Act of 2008.

[5] The State's School Tax Relief (STAR) program has subsidized the New York City PIT payers by paying a share of their taxes. This resulted in tax rates lower than they would normally be in the absence of the subsidy. The State reimbursed the City for the resulting reduced tax revenues through STAR aid. Starting in tax year 2017, the State changed the structure of the aid by stopping the subsidy to the City's PIT payers and giving taxpayers a State credit on their State PIT. The State also discontinued the STAR aid to the City.

[6] Office of the New York State Comptroller, March 11, 2019, https://www.osc.state.ny.us/press/docs/wall-street-bonuses-2018.pdf#search=securities%20industry%20bonus%202019

were caused by changes in taxpayer behavior, and that taxpayers would offset their weak installment payments with strong extensions in April.

The Executive Budget is also increasing PIT revenues for Fiscal 2020, expecting it to grow 3.3 percent over the current fiscal year. The growth in collections reflect an expected increase in wages and capital realization, as well as a stronger equity market.

Other Taxes

The Plan lowers the forecast of collections from the unincorporated business tax (UBT) for Fiscal 2019 by $52 million from the Preliminary Budget. This reflects the 10.5 percent drop in year-to-date UBT collections compared to the same period last year. OMB expects collections to pick up towards the end of the fiscal year, but still finish the year with a 3.6 percent decline in total collections compared to last year. The expected decline in UBT collections represent a return to normal levels after the tax grew 8.9 percent in Fiscal 2018. Like the PIT, the outstanding growth last year was caused by taxpayer behavior in response to the TCJA's cap of SALT deductions and the repatriation of NQDCs. OMB carries this decline in its UBT revenue forecast throughout the financial plan.

The general corporation tax (GCT), which has been shedding revenues since it was reformed in 2015, is expected to bounce back to positive growth. Year-to-date collection through March 2019 stands at 21.7 percent above the same period of the prior year. As a result OMB is raising its forecast of Fiscal 2019 GCT revenues by $71 million in Executive Plan. However, OMB expects collections to slow down towards the end of the fiscal year, finishing with a 12.6 percent growth. The expected growth can be attributed to strong corporate profits in 2018 as well as the federal tax cuts for businesses. The growth also indicates that corporations have finally used up their overpayments for tax year 2015, and are again making payments that actually reflect their liabilities.

The Executive Budget reduces OMB's forecast of real property taxes by $70 million for Fiscal 2019. This reduction reflects year-to-date collections that are $91 million weaker than OMB expected. The Administration expects to recapture some of the shortfall in collections towards the end of the fiscal year, finishing Fiscal 2019 with an impressive six percent growth. The two transfer taxes, real property transfer and mortgage recording, are expected to rebound in Fiscal 2019 following two years of declining revenues. The expected increase in revenues from the transfer taxes reflect strengthening in the commercial real estate market. Sales tax collections are also expected to continue to grow at a healthy pace, reflecting a strong job market, steady consumption, growing tourism and high wage gains.

The Finance Division's economic and tax revenue forecast will be completed over the next few weeks and released on May 15th.

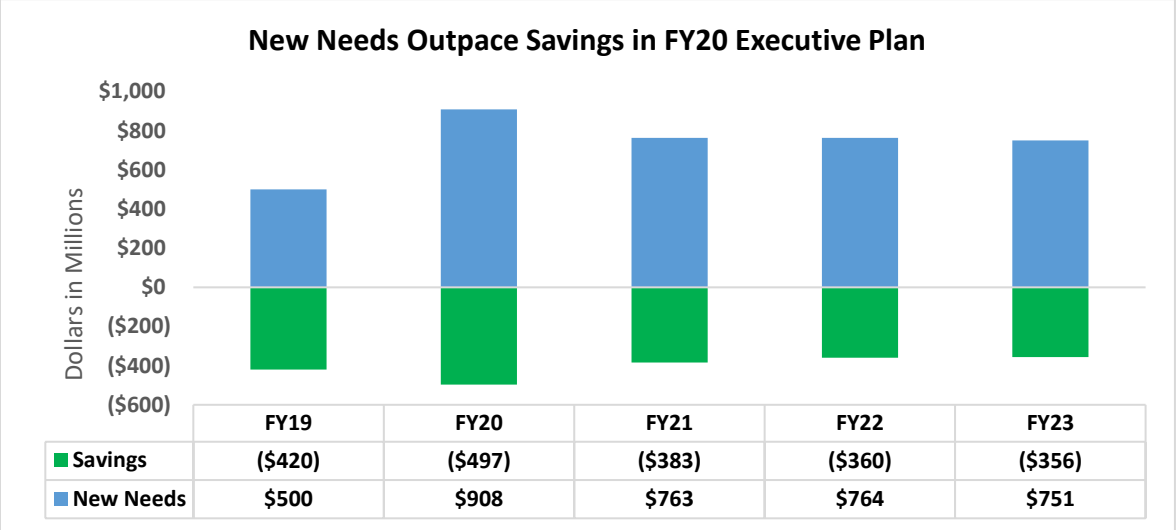
Miscellaneous Revenue

The Executive Budget includes increases in miscellaneous revenues in each fiscal year, with the largest increase coming in the current fiscal year. The Executive Budget increases miscellaneous revenues by $432 million in Fiscal 2019, bringing total collections to roughly $8.1 billion. A considerable portion of the current year increase comes from a penalty imposed upon Standard

Chartered as part of a settlement with various State and Federal agencies.[7] For the fourth time since 2012, the British bank has been penalized for concealing illegal financial transactions with clients in countries who are barred from participating in the US financial system. The bank agreed to pay $1.1 billion to federal and state authorities; with the City entitled to $141.7 million to be distributed by the Office of the Manhattan District Attorney. Additional miscellaneous revenue is also expected from parking violation fines, asset sales, Environmental Control Board fines, and from the 2018 implementation of the Citywide Parking Meter rate increase initiative.

Expenditures

The Executive Financial Plan introduced a package of changes that increased the Fiscal 2019 Budget to $92.9 billion and the proposed Fiscal 2020 Budget to $92.5 billion. The changes include new needs totaling $500.4 million in Fiscal 2019 and $907.7 million for Fiscal 2020. These increases are partially offset by savings that lower City spending by $419.8 million in Fiscal 2019 and $496.5 million in Fiscal 2020. The savings include both projected revenue increases[8] and spending reductions. Savings shown in the Expense Budget amount to $226.9 million this year, and $413.8 the following year. Finally, the Plan introduces other adjustments that amount to $639.1 million for this year, and a $202.7 million decrease in Fiscal 2020. Included in other adjustments is prepayment of about $347 million in debt service due in Fiscal 2020 is budgeted for Fiscal 2019. This is the largest adjustment included in the Plan. All other adjustments to the budget in Fiscal 2020 total a net of $135 million. Other adjustments in the Executive Plan are modest, and consist mainly of technical actions for fringe benefits and pensions. For more information on these items, see the subsequent section on pensions and fringe benefits. Also included in the other adjustments is the Citywide Savings program. Over the course of the Plan, as displayed below, new needs exceed savings. The Council has strongly advocated for new spending to be balanced by savings.

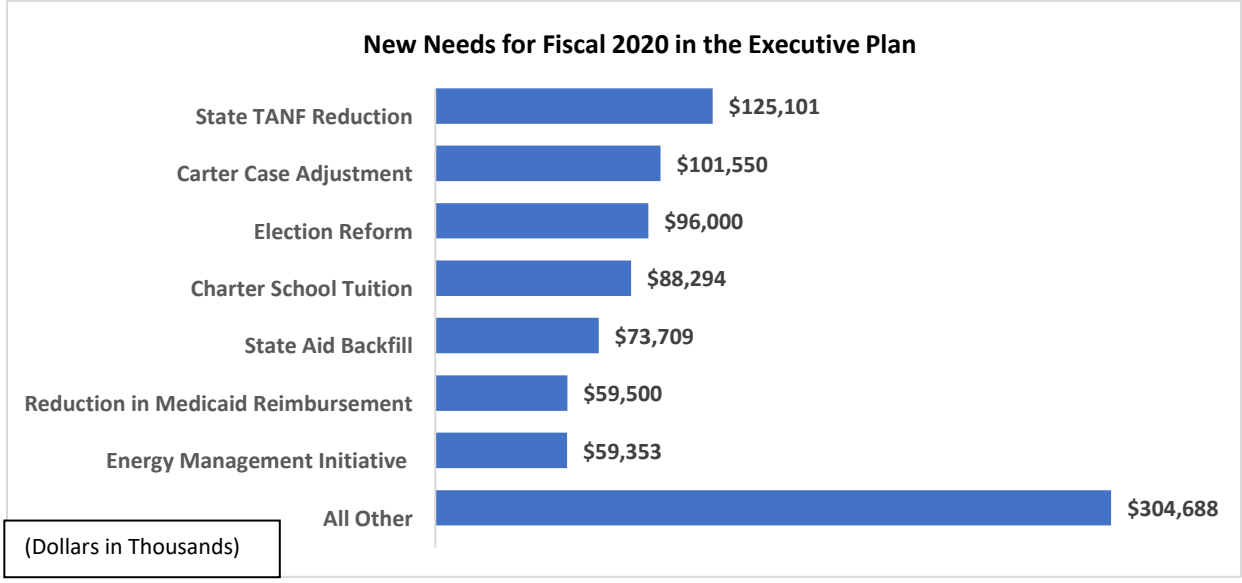


[7] https://www.dfs.ny.gov/reports_and_publications/press_releases/pr1904091

[8] These savings do not include agency changes to the revenue budget which are included in the Citywide Savings Program. The Program recognizes additional revenues of $155.7 million in FY19, $47.4 million in FY20, $13.9 million FY21, and $12.2 million in FY21 and FY22.

New Needs

The Executive Budget outlines $908 million in new needs for Fiscal 2020. The six initiatives shown in the graph below make up roughly 60 percent of the new needs for Fiscal 2020. The Executive Budget includes $306 million in City funds to compensate for State budget cuts, cost shifts, and unfunded mandates comprising a significant portion of the Fiscal 2020 new needs. They include $125 million for State TANF, $96 million for election reform mandates, a $59 million cut to public health reimbursement, and a $25 million education funding shortfall. These were accounted for in the Council's *Response to the Fiscal 2020 Preliminary Budget*. Other significant new needs include several DOE initiatives, expansion of the Fire Department's fly car program, and an energy conservation initiative. See below for further details on significant new needs.



State Unfunded Mandates

Transitional Aid for Needy Families (TANF) Cost Shift. The State Budget introduced a requirement that the City cover 10 percent of the Family Assistance portion of the TANF block grant. This shift cuts State revenue by $125 million both HRA and DHS where block grant revenue that primarily supports cash assistance and homeless shelters.

Election Reform: The State has required the City to introduce early voting and electronic poll books. The Plan allocates $75 million to fund 100 early voting poll sites and another $21 million for electronic poll books, for a total of $96 million in Fiscal 2020.

School Aid Shortfall. The Executive Budget adds and baselines $73.7 million in City funding for the DOE to match the City's projected school aid increase. The Financial Plan had assumed a four percent increase, but the State only provided a 3.4 percent. This shortfall is partially offset by higher than expected State building aid revenue in the miscellaneous budget, leaving an overall school aid shortfall of $25.4 million.

Public Health Cut. The State Budget lowered the State's reimbursement rate for local public health activities and services in six core service areas: Community Health Assessment, Family Health, Communicable Disease Control, Chronic Disease Prevention, Environmental Health, and Emergency Preparedness and Response from 36 to 20 percent. The Executive Budget adds $59.5 million to replace the State cut to Article 6 funding.

Education New Needs

Charter School Tuition. The Fiscal 2020 Executive Budget baselines $88.3 million for charter school tuition costs associated with both increasing enrollment and growing per pupil tuition, as mandated by the State. The Fiscal 2020 Budget for charter schools is $2.3 billion.

Carter Case Spending. The Executive Plan increases the Fiscal 2019 Carter Case budget by $203.1 million, to a total of $496.3 million, and baselines an increase of $101.6 million in Fiscal 2020, for a total of $408.2 million. Carter Cases refer to lawsuits in which the DOE is ordered by a court to reimburse parents for tuition costs at any private school after showing that the public school placement is inadequate. The Council identified increased spending on Carter Cases as a budget risk for DOE in the Fiscal 2020 Preliminary Budget Response. The funding added to the Fiscal 2019 budget is DOE and OMB's best approximation of the current year need given the claims received and amount spent to-date. Additional funding may be needed to support Carter Cases in Fiscal 2020 and in the outyears beyond the $101.6 million added in the Executive Plan.

Special Education Investments. The Executive Plan increases the Fiscal 2019 budget by $9.9 million and baselines an increase of $33.4 million to improve special education by adding new staff to handle Carter Cases, pedagogical staff for student evaluations, and expand specialized instructional programs.

Other New Needs

FDNY Bronx Fly Car. The Administration added $15 million in Fiscal 2020, increasing to $27.7 million in Fiscal 2021 for a new program which phases in the replacement of emergency response vehicles with SUVs in the Bronx for faster emergency response times. Headcount will increase by 225 positions beginning Fiscal 2021.

Energy Management Funding: The Fiscal 2020 Executive Budget adds $59.4 million and 74 positions to DCAS to retrofit City buildings with energy efficient, green technology.

Cash Assistance and Rental Subsidy Re-estimate. The Executive Budget includes $75 million for the Human Resources Administration to cover growing cash assistance costs associated with longer average periods on assistance as well as higher rental subsidy rates.

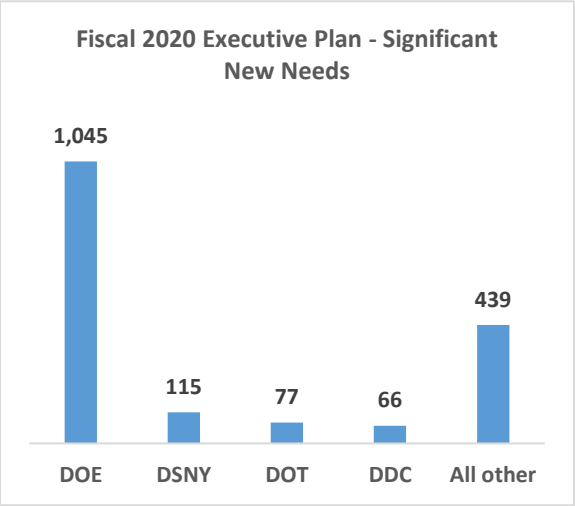
Altogether, the Executive Financial Plan for Fiscal 2019-2023 introduced 600 new needs. Combined with the new needs introduced in the November 2018 and 2020 Preliminary Plans, the Administration has increased Fiscal 2019 spending by $817.7 million and Fiscal 2020 spending by $1.3 billion since the adoption of the Fiscal 2019 budget.

Headcount Changes

The City's Fiscal 2020 Personal Services Budget of $51.3 billion includes 332,660 budgeted positions, which includes 305,242 Full-Time (FT) positions and 27,418 Full-Time Equivalent (FTE) positions. Of these, 83.6 percent of FT positions and 91.5 percent of FTE positions are City-

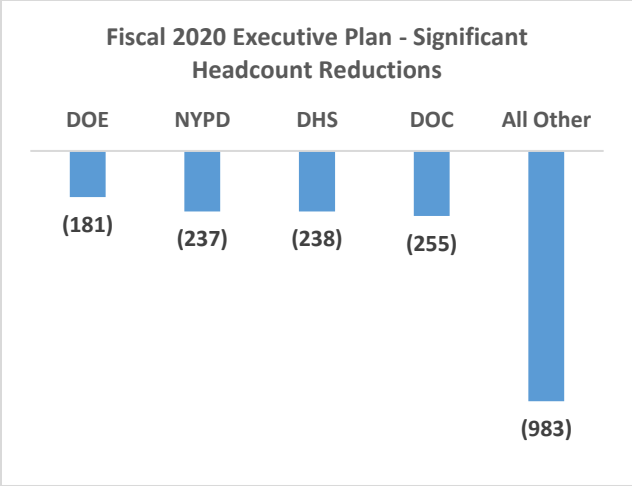
Headcount Changes in the Fiscal 2020 Executive Budget					
Category	**FY19**	**FY20**	**FY21**	**FY22**	**FY23**
New Needs	60	1,742	1,863	1,819	1,819
Other Adjustments	253	31	38	55	51
Savings	(1,197)	(1,894)	(2,063)	(2,162)	(2,162)
Total	**(884)**	**(121)**	**(162)**	**(288)**	**(292)**

funded. The education workforce[9] comprises 46 percent and public safety workers[10] comprise 27 percent of the City's FT workforce. The Fiscal 2020 Executive Budget decreases headcount by 884 positions in Fiscal 2019 and 121 positions in Fiscal 2020, as shown in the table below since the Preliminary Budget.



The largest headcount increase is for the DOE, which adds 1,045 positions beginning in Fiscal 2020. The planned special education improvements are supported with 653 new positions. Another 243 positions are associated with an insourcing initiative. The Plan also includes a baselined increase of 115 positions for DSNY for the Organics Program. Further, the Plan introduces significant staffing increases for the Fire Department (FDNY) to expand its Bronx Fly Car Program with 225 new positions beginning in Fiscal 2021.

The headcount increases are offset by significant headcount reductions, the majority of which permanently eliminate vacant positions beginning in Fiscal 2020. For example, of the NYPD's 237 vacancy reduction, 232 are vacant civilian positions, while five are uniformed vacancy reductions. The majority of headcount reductions at DOC are associated with closures on Rikers Island. Additional headcount reductions come from the DOE and DHS, as shown in the chart (right).



Pensions and Other Fringe Benefits

The Executive Plan contains a number of changes to pension expenses in Fiscal 2019 and in the outyears. This includes increased contributions to the New York City Employees' Retirement System (NYCERS) due to a coding error which resulted in the need for $150 million annually in Fiscal 2019 through 2022. Additionally, there are increased contributions to each plan due to updated actuarial assumptions and methods reflected by the Office of the Actuary following recommendations by the outside actuarial consultant. Anticipating these and other actuarial changes, the City added pension reserves in previous financial plans. These reserves are now being drawn down considerably to pay for these increased contributions: $209 million in Fiscal 2020, $680 million in Fiscal 2021, $824 million in Fiscal 2022, and $912 million in Fiscal 2023.

[9] Education workers comprise pedagogical and civilian staff from DOE and CUNY.

[10] Public safety workers comprise civilian and uniformed personnel from the FDNY, NYPD, DOC, Board of Corrections and the Department of Probation.

After accounting for the reserves draw down, pension contributions in the City's budget will only increase by $86 million in Fiscal 2019. Because the pension reserves are being drawn down so heavily, there will be no addition to pension contributions in Fiscal 2020, and contributions will in fact decrease by $300 million annually in Fiscal 2021 and Fiscal 2022, and by $450 million in Fiscal 2023. As shown below, total spending will reach $9.9 billion in Fiscal 2020, accounting for 10.8 percent of the City's budget. Growth in the outyears remains low, at just 2.2 percent annually, so that pension contributions will total over $10.6 billion by Fiscal 2023.

Pension Expenses
Dollars in Millions

Fiscal Year	FY19	FY20	FY21	FY22	FY23
Pension Expenses	$9,936	$9,951	$10,118	$10,564	$10,620
Percent of City Funds	14.8%	14.6%	14.4%	14.6%	14.3%
Percent of Total Revenue	10.7%	10.8%	10.7%	10.9%	10.7%

***Source**: Finance Division calculations, OMB data*

Other Fringe Benefits

The Executive Plan increases what will be spent on fringe benefits. Fiscal 2019 expenses are increased by over $900,000, while Fiscal 2020 are increased by almost $143 million. The Plan anticipated that expenditures on health insurance for City workers, retirees, and dependents will grow from $6.3 billion in Fiscal 2019 to nearly $7.2 billion in Fiscal 2020.

In total, the Plan expects the City to spend $11.4 billion on non-pension fringe benefits in Fiscal 2020. This expenditure, which represents nearly 17 percent of City Funds, will then increase roughly five percent annually, reaching $12.5 billion in Fiscal 2022. Total expenditures for the current and following fiscal year are provided below.

Fringe Benefit Expenses
Dollars in Millions

	Fiscal 2019	Fiscal 2020	Percent Change
Health Insurance	$6,268	$7,173	**14%**
Social Security	$2,161	$2,224	**3%**
Supplemental Welfare Benefits	$1,259	$1,333	**6%**
Worker's Compensation	$343	$369	**8%**
Annuity Contributions	$117	$120	**3%**
Allowance for Uniforms	$72	$71	**(1%)**
Worker's Compensation - Uniformed	$41	$42	**4%**
Unemployment Insurance	$36	$38	**3%**
Other Fringe Benefits	$12	$12	**(3%)**
Faculty Welfare Benefits	$33	$10	**(69%)**
Disability Insurance	$1	$1	**0%**
Total*	**$10,642**	**$11,394**	**7%**

***Source**: Finance Division calculations, OMB data.*
* Total adjusted for prepayments

Labor Reserve

The Labor Reserve, which contains funding for wage and benefit increases negotiated in collective bargaining, is drawn down by $147.5 million for the current fiscal year, $28.2 million annually in Fiscal 2020, and by roughly $31.4 million annually in Fiscal 2021 through 2023. The

large reduction this year is due mostly to lump sum payments totaling $122.1 million that will be made to teachers, principals, and detective investigators. This pertains to retroactive pay owed to these employees following the initial 9-year agreement the City reached with municipal unions in 2014. More lump-sum payments will be made in Fiscal 2020 and 2021.

The City is currently in contract negotiations with many of the 144 collective bargaining units, with 35 percent of contracts unsettled. The Labor Reserve contains funding to apply the 2017-2021 pattern to these remaining agreements as well as a one percent wage increases for the entire workforce in Fiscal 2022 and 2023. As shown below, the Labor Reserve totals $1.8 billion in Fiscal 2020, $2.2 billion in Fiscal 2021, $1.6 billion in Fiscal 2022, and nearly $2.1 billion in Fiscal 2023.

Wages and Collective Bargaining
Dollars in Millions

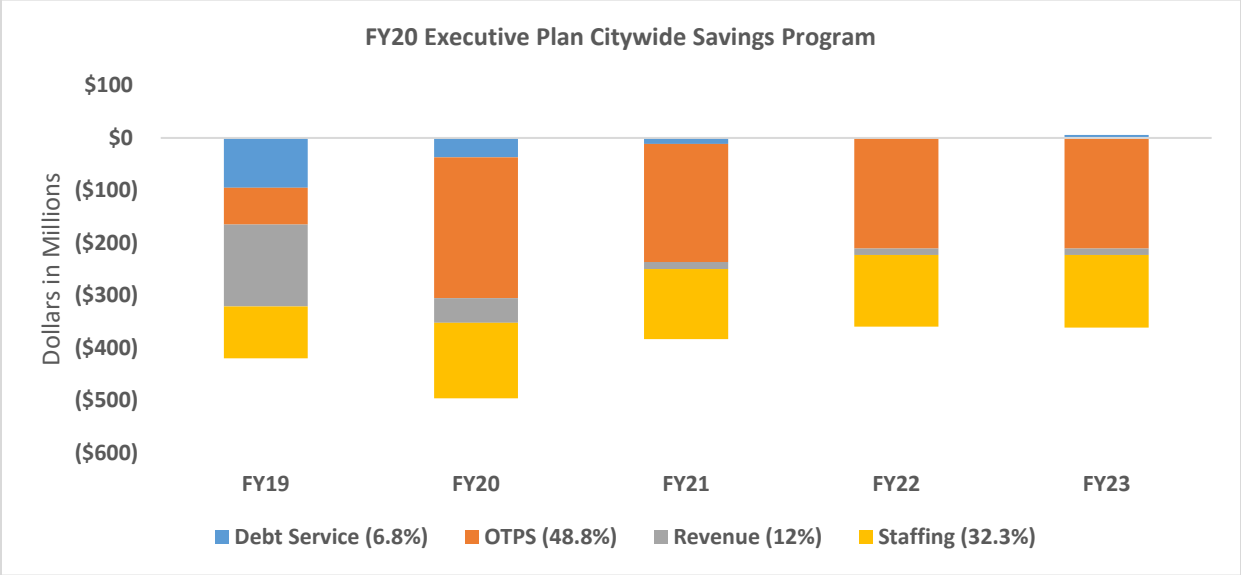
Fiscal Year	FY19	FY20	FY21	FY22	FY23
Salaries & Wages	$28,533	$28,157	$28,668	$29,138	$29,567
Pensions	9,936	9,951	10,118	10,564	10,620
Other Fringe Benefits	10,642	11,394	11,853	12,527	13,228
Reserve for Collective Bargaining	518	1,821	2,237	1,619	2,078
Total	**$49,629**	**$51,323**	**$52,876**	**$53,848**	**$55,493**

***Source**: Finance Division calculations, OMB data.*

Citywide Savings Program

The Fiscal 2020 Executive Citywide Savings Program registers $2 billion in budget savings over Fiscal 2019-2023. Of that, $916.3 million in savings are booked in Fiscal 2019 and 2020, and used to help balance the budget for those years. When combined with the November 2018 and Fiscal 2020 Preliminary Programs, the Fiscal 2020 Citywide Savings Program totals $5.2 billion over the same five-year period.

Following the release of the Fiscal 2020 Preliminary Budget, OMB gave agencies Program to Eliminate the Gap (PEG) targets, with the goal of finding $750 million in additional savings over Fiscal 2019 and Fiscal 2020. The agencies proposed several approaches to meet their assigned savings targets, including redesigning business practices, reducing and repurposing assets, implementing IT solutions, improving the use of City space and deployment of personnel, and maximizing federal, State, and private grants and Miscellaneous revenue. Additionally, the City implemented a hiring freeze to strip all non-critical staff from the City's budget, while OMB looked for new opportunities to develop Citywide initiatives to increase resource sharing and maximize economies of scale throughout the City government.



The largest portion of savings booked between Fiscal 2019-23 comes from OTPS, contributing 48.8 percent of the total. This is followed by staffing savings at 32.3 percent, revenue savings at 12 percent, and debt service savings at 6.8 percent.

Hiring Freeze in Fiscal 2020. In the Fiscal 2020 Executive Plan, the City's budget recognized $90.9 million in hiring freeze savings for Fiscal 2020, of which $25.5 million was contributed from fringe-related savings. Some of the largest contributing agencies to the hiring freeze savings were the DOE which eliminated 181 positions generating $25.5 million, NYPD (102 positions generating $5 million), DoITT (72 positions generating $5.1 million), DOF (68 positions, generating $4.2 million), and DOB (85 positions generating $4.1 million).

This action exceeds the Council's call for a freeze of 874 vacant positions in the Fiscal 2020 Executive Budget across 15 agencies.

PS Savings and Accruals. The Fiscal 2020 Executive Plan outlines $26.7 million in PS accruals which outlines a salary surplus for vacant positions for Fiscal 2019.

Savings Proposals Impacting Council Priority Programs

Cuts to Youth Services. The Fiscal 2020 Executive Budget cuts $3 million from the School's Out New York City (SONYC) after school program for middle-school students and $2.5 million from the Comprehensive After School System of NYC (COMPASS) elementary program. The Council called for the expansion of these programs. Any savings from programmatic improvements or right-sizing should be re-invested to expand the number of children enrolled in an after-school program.

Cuts to Cultural Affairs. The Executive Budget cuts $5.3 million from DCLA, which would reduce support for cultural organizations throughout the City. This proposal is in contrast to the Council's recommendation to increase funding for cultural affairs.

DOE Breakfast in the Classroom (BIC). The Executive Budget reduces spending by $6 million on BIC by giving schools an option to return to a breakfast in the cafeteria model. The Council has long pushed to increase children's access to healthy foods and improve eating habits in schools and this proposal is a step backward.

Closing NYCHA Senior Social Clubs. The Fiscal 2020 Executive Budget consolidates seven NYCHA clubs, and baselines the remaining seven clubs into DFTA's senior center network. The Administration's budget leaves no remaining NYHCA-operated senior clubs as of Fiscal 2020. In addition, DFTA will consolidate five DFTA-operated clubs, and baseline 12 clubs into the DFTA network. The total cost to baseline the 19 clubs is $1.5 million, divided as follows: over $1.4 million for club and enhanced nearby senior center operations, and approximately $120,000 for transportation for seniors from former NYCHA and DFTA clubs to nearby DFTA clubs or centers. DFTA's budget baselines $885,000 in savings from the consolidation of the five currently DFTA-operated clubs. These clubs are not part of DFTA's 249 contracted senior center portfolio.

Other Major Budget Reductions in the Fiscal 2020 Executive Budget

Debt Service Savings. The Executive Plan includes $94.7 million and $37.2 billion in debt service savings for Fiscal 2019 and Fiscal 2020, respectively. In its response, the Council projected $100 million in savings in the same period. Details of these savings are discussed in the Capital section on page 23.

Shelter Security Reorganization. The Fiscal 2020 Executive Plan includes $11.4 million in Fiscal 2020 and $17.9 million in funding in the outyears for a phased reorganization of shelter security to a trauma informed model. The guard-to-client ratio will remain unchanged as DHS shelters transition to provider administrated and contracted security services.

Medicaid for DOE. The Executive Plan baselines $26.5 million in savings through increased Medicaid billing for students in charter schools and for transportation services. DOE does not yet have a mechanism to realize these savings. Charter schools need to provide DOE with information in order for DOE to bill Medicaid for the services provided to their students; currently DOE has no way to mandate that charter schools provide this information. In addition, the State Department of Health has not allowed DOE to claim Medicaid revenue for transportation services. The City has been requesting the ability to claim for transportation services for years, as other states do claim for these services and it would not require any law change.

DOE Procurement Efficiency Savings. The Executive Plan baselines $27 million in procurement efficiency savings across many DOE program areas. These planned savings are the result of DOE building in more efficiencies into the procurement process and reducing inflated supplies and equipment budgets, not reducing the number of contracts.

DOE Program Reductions. The Executive Plan baselines $10.7 million in savings from three programs: $5.2 million from Algebra for All, $3.5 million from Health Education Works, and $2 million from the Middle School Quality Initiative (MSQI). While these savings are largely due to vacancies and under-spending, a reduction in funding for these programs could reflect they are not reaching initial project goals.

DOE Renewal School Savings. The Executive Plan baselines $19 million in savings by eliminating extended learning time at Renewal and Rise schools. Prior to the release of the Executive Plan the DOE had committed to maintaining existing levels of support and funding at Renewal and Rise schools, even after the program was phased out.

Significant Increases in Revenue in the Fiscal 2020 Executive Plan

Federal and State Revenue Recognition. The City recognized several State and federal grants in the Executive Plan. Encompassed in the Plan is $83.7 million in federal and State reimbursements and grants for Fiscal 2019 and 2020. This total includes $19.3 million at ACS for Family Court

Lawyers, $13.8 million at NYPD for FEMA and United Nations reimbursements, and $63.3 million in federal and State prior year revenue at ACS, HRA, DOHMH, and DOE.

NYCEDC Revenue. NYCEDC collects revenue from the issuance of permits, the charge for service of energy cost-savings fees, the sale of assets, and rental income from a number of sources. Some of this revenue is returned to the City. For Fiscal 2019, NYCEDC committed to making a $30 million payment, and it was included in the Fiscal 2020 Citywide Savings Program. In its response, the Council called on NYCEDC to exceed the $30 million commitment.

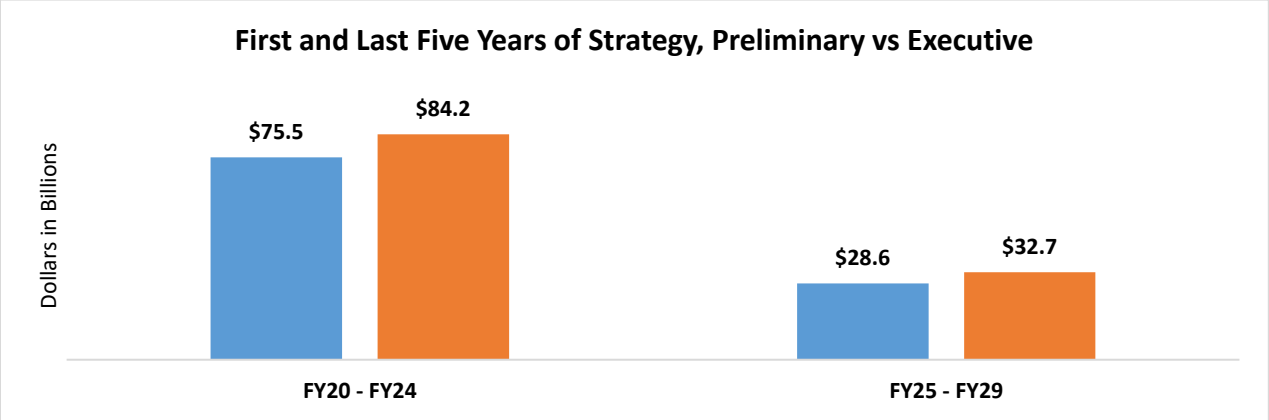
Capital Budget

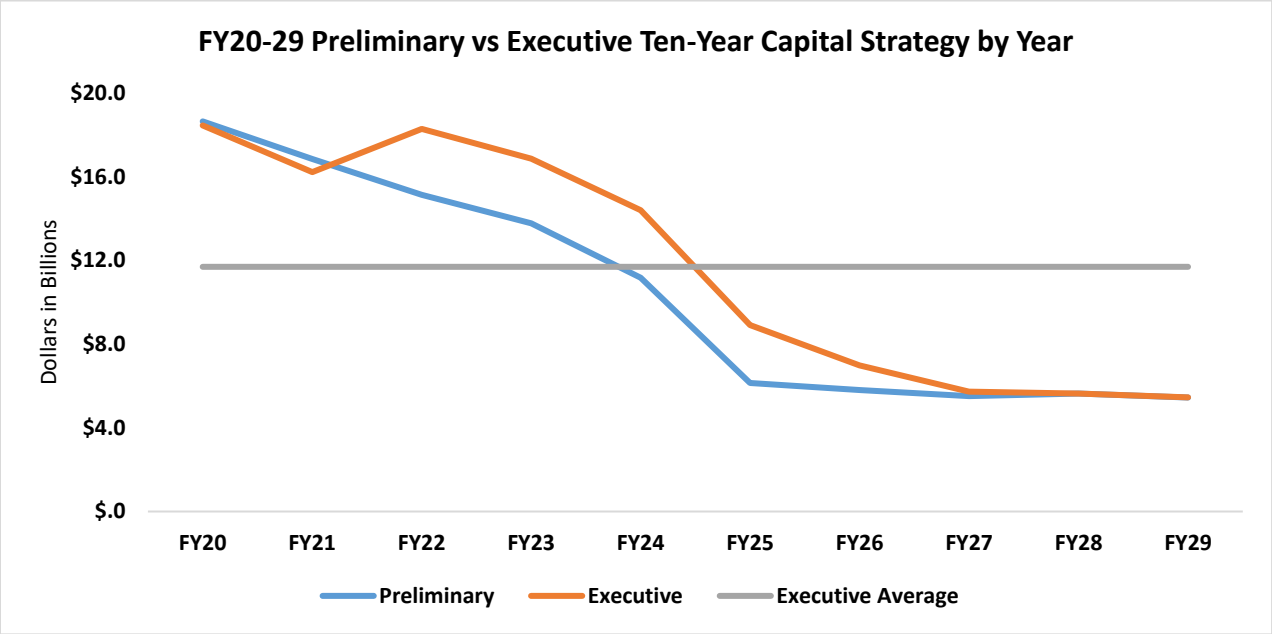
This section of the report presents a review of the Executive Ten-Year Capital Strategy for Fiscal Years 2020-2029 (the Ten-Year Strategy), Fiscal 2020 Executive Capital Budget (the Capital Budget), and the Capital Commitment Plan for Fiscal 2019-2023 (the Commitment Plan), as well as the proposed budget for debt service that supports the Capital Plan. The Executive Plan update should have addressed the deficiencies and inadequacies in the Preliminary Plan that were brought forth by the public, the budget monitors, and by the City Council in its *Response to the Fiscal 2020 Preliminary Budget and Fiscal 2019 Preliminary Mayor's Management Report.*[11] Unfortunately, most of the Council's concerns with the lack of long-term planning reflected in the Ten-Year Strategy and issues with the generic budget line descriptions in both the Capital Budget and Commitment Plan were not addressed. The Ten-Year Strategy still leaves the final five years of the strategy essentially incomplete, and the Capital Budget and Plan do not introduce more accurate budget lines. While the budget for the Department of Correction's four new community jails was corrected and additional funding for primary street reconstruction is included as the Council asked, these are both examples of projects that a complete and comprehensive long-term strategy would have included from the very start. The Council looks forward to continued partnership with the Administration to ensure deficiencies in capital planning are addressed. In particular, the Council is anxious to see a city-wide capital project tracking system brought on-line and with it a more comprehensive and effective practice for capital tracking and performance measurement of all capital projects.

Fiscal 2020-2029 Executive Ten-Year Capital Strategy

The Ten-Year Capital Strategy (the Strategy) is the City's long term capital planning document which provides a framework for capital spending by agency. The Strategy is released every two years as mandated by the City Charter. The $116.9 billion Executive Strategy is $21.1 billion larger than the $95.8 billion Fiscal 2018-2027 Ten-Year Strategy and $12.8 billion greater than the Preliminary Strategy. The City's public school system and water infrastructure constitute the largest areas of planned investment, followed by transportation infrastructure. These three areas have stood consistently as the largest areas of investment in the City's infrastructure. A new entry into the top tier of the Ten-Year Strategy is the Department of Correction (DOC). The Executive Strategy includes $8.75 billion through Fiscal 2026 to build four new jails. Despite the plan to close Rikers Island announced two years ago, the Preliminary Strategy did not include new jail projects. The charts below shows planned capital spending in the Strategy by agency in both the Preliminary and Executive Ten-Year Strategy with planned annual spending for each year of the Ten-Year Strategy.

[11] Available at: https://council.nyc.gov/budget/wp-content/uploads/sites/54/2019/04/Fiscal-2020-Preliminary-Budget-Response_FINAL-1.pdf.





The $12.8 billion increase in the Executive Ten-Year Capital Strategy is primarily due to the addition of $8.2 billion for the new borough-based jail facilities. Of the other $4.2 billion increase, $3 billion is due to planned commitments in Fiscal 2019 being moved into Fiscal 2020-2023. Of the remaining $1.2 billion, $125 million is due to discretionary funding provided by Borough Presidents in Fiscal 2020, and the remainder is additional Administration funding across all City agencies for various projects.

The Executive Ten-Year Strategy eliminated 19 project categories leaving 193. This action removed unfunded categories within the Plan. See Appendix A for a list of the categories removed and Appendix B for all current categories.

Of the 193 spending categories included in the Executive Strategy, forty-nine categories have at least $500 million in planned spending. They collectively account for 87 percent, or $101.8 billion, of the Strategy's total planned spending. A review of the City's capital spending and planned commitments, and consideration of the size and condition of the City's capital assets indicates that the City should have a Capital Strategy that plans for continued capital spending for repair, modernization, replacement and expansion across the entire ten year period. As demonstrated

throughout the Council's preliminary budget hearings, the Capital Strategy does not present an acceptable plan for the long term. The drop-off in the Strategy that commences in Fiscal 2025 leave core City function under-funded in the out-years. The drop off is presumably a planning and reporting failure, or a dismissal of the Charter requirement to engage in long-term capital planning, rather than an actual projection of the City's capital needs. Some of the project categories that are inaccurately funded include the following.

- DOE's "System Expansion for New Schools" has no planned spending in the last five years of the Strategy.
- DCAS' "Energy Efficiency and Sustainability" has no planned spending in the last four years of the Ten-Year Strategy, and years four to six account for only nine percent of planned spending.
- DEP's "Green Infrastructure Program" grew by $170 million to a total of $891 million in the Executive Strategy but most planned spending (92 percent) is shown in the first three years, and there is no planned spending in the final two years of the Strategy.
- NYPD's "Police Facilities" plans $889 million in the first three fiscal years up from $853 million in the Preliminary Ten-Year Strategy, and $167 million up from $13 million in the fourth year, but the last six years have only $92 million in combined planned spending.
- DOT's "Primary Street Reconstruction" average in the first four years of the Ten-Year Strategy increased from $570 million to $613 million, but its average in the final five years of the Plan fell from $53 million to $49 million.
- Department of Cultural Affair's (DCLA) "Essential Reconstruction of Facilities" average in the first four years of the Plan fell to $169 million from $173 million and minimally increased to $13 million from $6 million on the average in the final six years.
- Total funding for libraries grew to $211 million from $184 million on average in the first four years of the Strategy, but the average is still just $8 million in the final six years (up from $7 million).

Strategy Guiding Principles

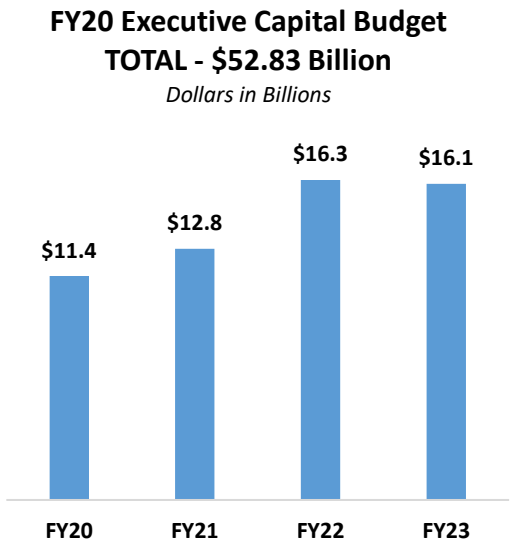
The Strategy lays out several guiding principles that the Administration used to choose projects and set funding levels, listed below:

- Maintain New York City's financial responsibility;
- Promote forward-looking, holistic capital planning that anticipates neighborhood needs of tomorrow;
- Advance a more equitable New York City through capital investment; and
- Consider community perspectives in capital planning and decision-making.

As the above discussion on the unevenness of the Strategy demonstrates, the Administration's presentation fails as a long-term capital plan. It also fails to align with the guiding principles. As reviewed throughout the Council's Preliminary Budget Hearings, the Strategy does not align building plans with projected population growth; nor does it clearly lay out a system for meeting community needs. For example, building a comprehensive education is the top priority of this Administration, but the Strategy for the capital needs of the school system falls flat.

Fiscal 2020 Executive Capital Budget and Commitment Plan

The Capital Budget supports large, long-term investments that aim to improve the state of good repair of the City's infrastructure, as well as support its growth. The Capital Budget provides, by agency and budget line, the requested appropriations for Fiscal 2020 and the three-year capital program. The $56.6 billion Executive Capital Budget for Fiscal 2020-2023 proposes new appropriations of $11.3 billion for Fiscal 2020. This represents a $3.2 billion increase over the Preliminary Capital Budget.

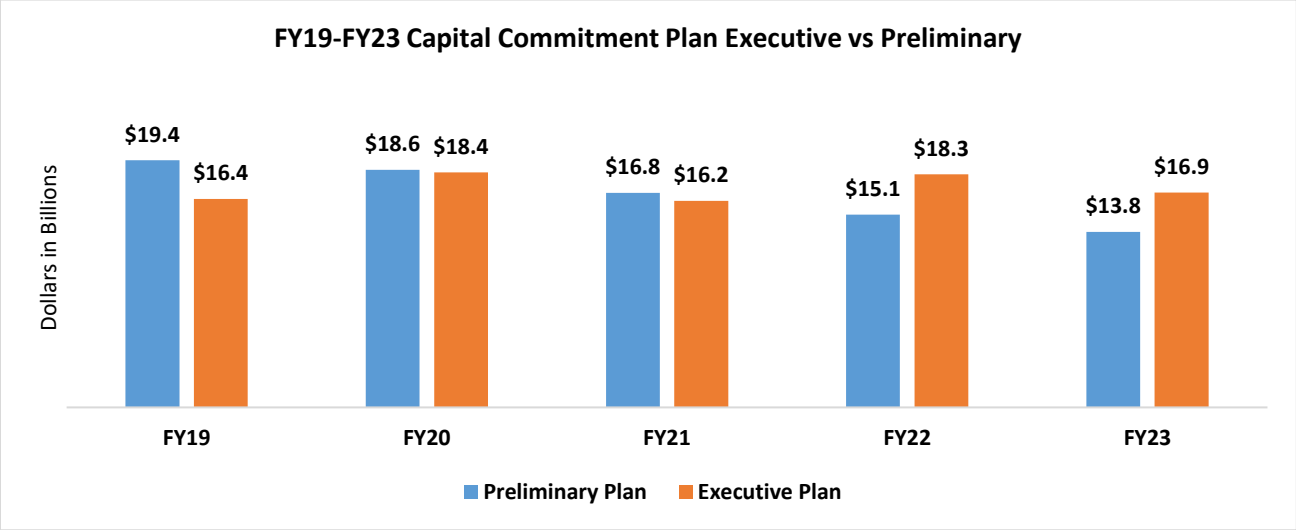


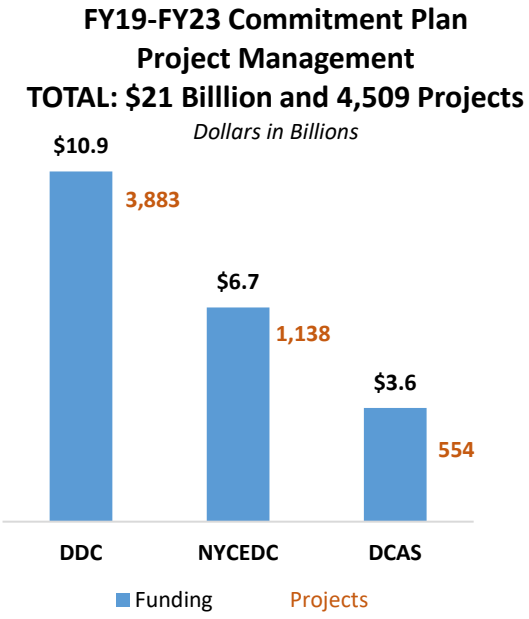
The Executive Commitment Plan includes $86.2 billion in planned commitments for Fiscal 2019-2023, up from $83.8 billion in the Preliminary Commitment Plan. The Commitment Plan, which is a five-year spending plan, provides, by agency and budget line, appropriations for Fiscal 2019 and planned commitments. The Commitment Plan also shows, by budget line, the total current contract liability, the total spending since the introduction of the budget line, and commitments made during Fiscal 2019 through February. Planned commitments are scheduled across the five-year period at the project level.

Each year, the Executive Capital Budget includes a proposed appropriation total for each budget line, which typically significantly increases the proposed size of the Capital Budget for the coming year. The Fiscal 2019 Adopted Capital Budget included approximately $27.41 billion in Fiscal 2018 appropriations that were re-appropriated for Fiscal 2019. As of February 28, there are $27.9 billion in available appropriations, and whatever is uncommitted at the end of Fiscal 2019 may be reappropriated in Fiscal 2020. This would increase the Adopted Capital Budget accordingly.

The Fiscal 2020 Executive Capital Budget totals $56.6 billion, with an average appropriation of $14.2 billion for each year, to support capital programs at 28 city agencies. As explained above, the Fiscal 2020 Capital Budget will increase as unused appropriations from the current year are rolled into the next.

The Executive Commitment Plan for Fiscal 2019-2023 provides a roadmap for how the City plans to spend a total of $86.2 billion for the City's capital program. Planned commitments average approximately $17 billion annually. Overall, the Commitment Plan shows growth of $2.4 billion, or three percent, when compared to the Preliminary Capital Commitment Plan total of $83.8 billion. The chart below shows the variance between the Executive and Preliminary Commitment Plans by Fiscal Year; planned commitments in Fiscal 2019 have decreased while planned commitments in Fiscal 2022 and Fiscal 2023 have increased. Planned commitments in Fiscal 2020 and 2021 are essentially flat. The distribution of planned spending in the Commitment plan is better aligned with historical spending patterns, as well as with project schedules than in prior Plans.





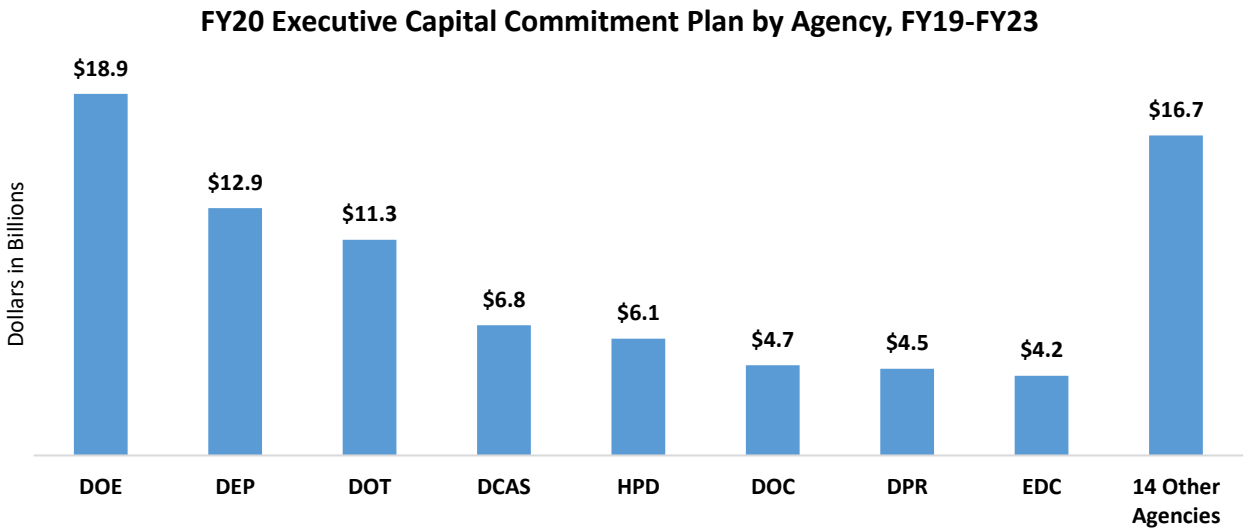
Although there are 28 agencies with capital programs, some agencies do not have the capacity to manage some or all of their capital projects. In these cases, another agency, as assigned by the Office of Management and Budget (OMB), manages the projects for the budgeted agency. The Department of Design and Construction's (DDC) sole function is to manage projects for other City agencies. DDC has no capital budget of its own. The New York City Economic Development Corporation (NYCEDC) and DCAS manage projects for other City agencies, but also have their own capital budgets. The chart on the left demonstrates that DDC is the largest managing agency with 3,883 projects. While these three agencies shown manage the most projects for other City agencies, they are not the only ones that do so.

The table below shows the Commitment Plan by agency, including the respective five-year planned commitment amounts and the number of budget lines and project IDs. Because, in general, project IDs represent an individual project, they provide a rough estimate of how many projects each agency has in its capital plan. The agencies with the largest number of project IDs are Parks, Environmental Protection, Transportation, Department of Citywide Administrative Services, and Cultural Institutions.

Capital Commitment Plan by Agency, Executive Plan vs Preliminary Plan
Dollars in Thousands

Agency	Executive	Preliminary	Difference	Budget Lines	Projects IDs	Project ID to Budget Line Ratio
Administration for Children's Services	$393	$386	$7	36	106	2.9: 1
City University of New York	619	611	7	34	533	15.7: 1
Courts	1,262	1,302	(40)	29	107	3.7: 1
Department For The Aging	42	49	(7)	34	78	2.3: 1
Department of Citywide Administrative Services	6,807	6,741	66	242	1,283	5.3: 1
Department of Correction	4,712	2,136	2,577	11	187	17: 1
Department of Cultural Affairs	1,121	1,154	(33)	592	686	1.2: 1
Department of Education	18,901	18,767	134	19	16	0.8: 1
Department of Environmental Protection	12,927	13,343	(416)	69	1,537	22.3: 1
Department of Health & Mental Hygiene	545	553	(8)	137	432	3.2: 1
Department of Parks and Recreation	4,536	4,476	60	141	2,074	14.7: 1
Department of Sanitation	2,065	2,082	(17)	22	201	9.1: 1
Department of Transportation	11,283	11,347	(64)	224	1,243	5.5: 1
Economic Development Corporation	4,168	4,195	(27)	83	537	6.5: 1
Health & Hospitals Corporation	2,777	2,749	27	16	475	29.7: 1
Housing Preservation and Development	6,101	6,091	9	138	509	3.7: 1
Libraries	1,042	983	59	34	561	16.5: 1
Metropolitan Transportation Authority	755	755	0	10	11	1.1: 1
New York City Housing Authority	2,695	2,696	(0)	7	329	47: 1
New York City Human Resources Administration	714	738	(24)	81	419	5.2: 1
New York Fire Department	961	899	62	21	292	13.9: 1
New York Police Department	1,737	1,709	28	24	420	17.5: 1
Grand Total	**86,162**	**83,764**	**2,398**	**2,398**	**2,398**	

Eight agencies-Correction, Education, Transportation, Environmental Protection, Housing Preservation and Development, Economic Development, and Parks-account for approximately 81 percent of the total Commitment Plan, as shown by the table below. As with the Ten-Year Strategy and the Capital Budget, Education, Environmental Protection, and Transportation are the major drivers of planned capital spending. This consistency reflects the connection between three documents: the commitment plan reflects the plan to spend appropriations in the Capital Budget, and the Ten-Year Strategy reflects planned spending similarly to the Commitment Plan, though over a longer period of time.



Financing and Debt Service

New York City sells bonds to fund its capital program, and the Fiscal 2020 Executive Budget estimates $44.6 billion in long-term borrowing between Fiscal 2019 and 2023 to pay for the Five Year Capital Plan. This is approximately $525 million less than the planned borrowing in the Preliminary Plan. The difference is a result of reduced borrowing in Fiscal 2019. This borrowing is supplemented with an estimated $8.7 billion in borrowing by the New York City Municipal Water Finance Authority (NYW), for which NYW pays its own debt service through dedicated water and sewer fees. A summary of the financing plan is shown in the table below.

The City's borrowing strategy is a function of numerous factors, including but not limited to the conditions of the financial market, the City's project schedule, and cash flow considerations. The financing plan does not directly align with the Ten-Year Strategy or the Commitment Plan, as it more closely follows the City's actual capital expenditures in any given year. The planned reduction in borrowing will not necessarily reduce actual capital expenditures since the City is also planning to reduce its capital cash balances for most years of the plan.

Summary of Capital Financing Plan - Fiscal 2020 Executive Financial Plan
Dollars in Millions

	FY19	FY20	FY21	FY22	FY23
Financing Plan					
General Obligation Bonds	$1,200	$4,040	$4,650	$5,280	$5,500
Transitional Finance Authority Bonds(1)	4,475	4,040	4,650	5,280	5,500
Water Authority Bonds	1,447	1,852	1,667	1,752	1,993
Total	**$7,122**	**$9,932**	**$10,967**	**$12,312**	**$12,993**
Debt Outstanding					
GO Bonds	$37,519	$39,341	$41,809	$44,750	$47,749
TFA Bonds(1)	38,513	41,158	44,264	47,900	51,659
Other Debt(2)	2,169	2,080	1,987	1,894	1,775
Total	**$78,201**	**$82,579**	**$88,060**	**$94,544**	**$101,183**
Water Authority Bonds	30,118	31,580	32,832	34,137	35,686
Debt Financing Burden (excludes Water Debt)					
Debt Outstanding/NYC Personal Income	11.9%	12.1%	12.5%	13.0%	13.5%

Source: *OMB April 2019Executive 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[12] of $106.2 billion, which is forecasted to grow sufficiently to accommodate new borrowing in the Capital Financing Plan.[13] 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 projected to rise as a percentage of City revenues over the course of the financial plan period, from 10.9 percent in Fiscal 2019 to 13.1 percent by Fiscal 2023. The City also has an above-average debt burden per capita compared to other cities.[14]

Summary of Debt Service Payments - Fiscal 2020 Executive Financial Plan
Dollars in Millions; Before Prepayments

	FY19	FY20	FY21	FY22	FY23
Debt Service					
GO Bonds	$3,775	$4,082	$4,191	$4,524	$4,886
TFA Bonds(1)	2,733	3,031	3,308	3,666	4,038
Other Debt(2)	194	208	208	202	223
Total	**$6,702**	**$7,321**	**$7,707**	**$8,392**	**$9,147**
Debt Service Burden					
Debt Service/Total Revenue	7.1%	7.8%	8.1%	8.6%	9.1%
Debt Service/Total Taxes	10.9%	11.5%	11.7%	12.4%	13.1%

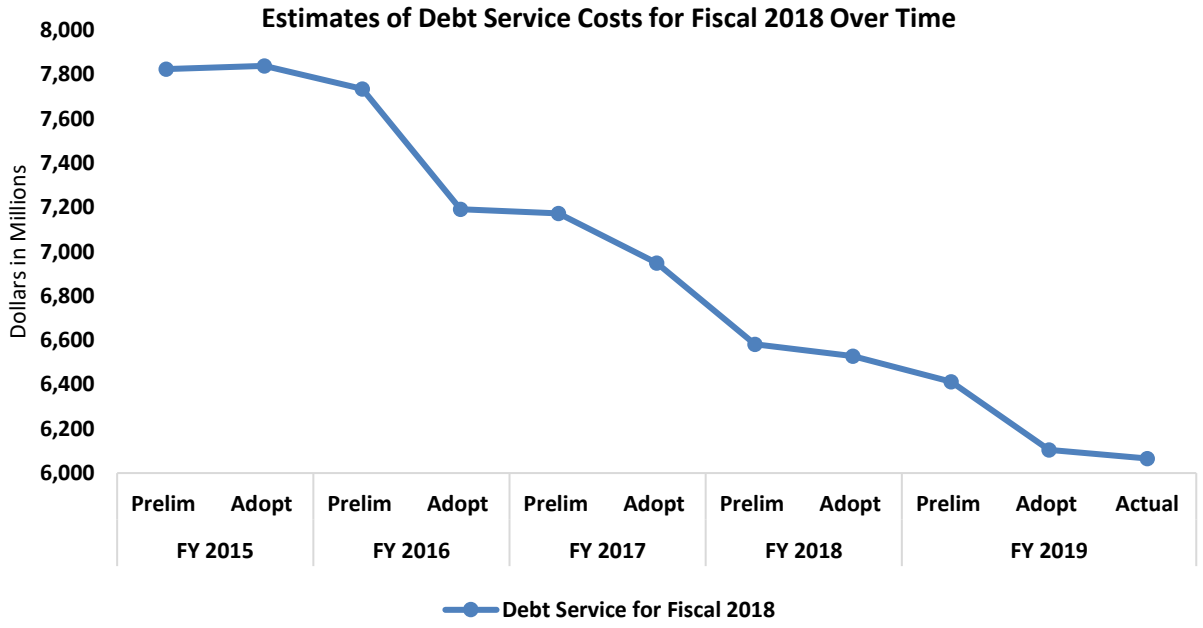
Source: *OMB Fiscal 2020 Executive Financial Plan*
1) TFA Bonds do not include BARBs
2) Includes Conduit Debt and the Tobacco Settlement Asset Securitization Corporation (TSASC).

[12] New York City's debt limit, as established by the State Constitution, is 10 percent of the five-year rolling average of the full value of taxable real property in the City.
[13] New York City Comptroller, Fiscal Year 2019 Annual Report on Capital Debt and Obligations, December 2018.
[14] Ibid.

Debt Service Savings

The Executive Plan includes $94.7 million and $37.2 billion in debt service savings for Fiscal 2019 and Fiscal 2020, respectively. Debt service savings for Fiscal 2019 derived primarily from re-estimates of debt service costs related to the City's variable-rate bonds and the retention of state building aid revenues by the Transitional Finance Authority (TFA). Debt service savings for Fiscal 2020 result from reduced debt service cost on the City's general obligation (GO) debt, due to both refundings and the reduction in planned GO borrowing for Fiscal 2019.[15] These savings are in addition to savings found in the November and Preliminary Plans, which included a combined $234.5 million and $128.6 million for Fiscal 2019 and Fiscal 2020, respectively.

The debt service budget serves as a routine source of savings for the City as savings from lower-than-assumed interest rates are recognized and refundings are done over the course of the fiscal year.[16] This means the debt service budget tends to be overstated for the outyears, and while the Financial Plan projects that debt service will stay in line with measures of best practice and affordability over the financial plan period, it is likely that actual debt service costs will be even lower in the outyears than currently projected. For example, the City's debt service costs in Fiscal 2018 were 22 percent lower than first projected in the Fiscal 2015 Preliminary Budget. This overestimation skews the picture of the City's debt affordability over the plan and provides the Administration a convenient source of savings for subsequent Citywide Savings Plans.



Source: Mayor's Office of Management and Budget (OMB); New York City Comprehensive Annual Financial Report of the Comptroller for Fiscal Year 2018.

[15] These savings are also carried through the rest of the financial plan period.

[16] As an example of this, the Council's Fiscal 2020 Preliminary Budget Response called for OMB to recognize $100 million in debt service savings in Fiscal Years 2019 and 2020, preluding the $131.9 million OMB officially recognized in its Executive Plan.

Surplus Roll

The City's surplus roll, held in the Budget Stabilization Account for the prepayment of future years' debt service costs, grew from $3.2 billion in the Preliminary Plan to $3.5 billion in the Executive Plan. In Fiscal 2018, the debt service prepayments from the surplus roll equaled $4.1 billion. The end of Fiscal 2018 roll also include $300 million rolled through the Retiree Health Benefit Trust and $200 million of other subsidies for a total of $4.6 billion.

Appendix

Council Priorities Funded by the Administration in Fiscal 2019	Fiscal 2019 Allocation	Fiscal 2020 Exec
Community Development		
Adult Literacy Initiative	$8,000,000	$0
Youth		
ACS Youth Health Initiative	$500,000	$0
Add 5,000 SYEP slots	$11,900,000	$0
Child Care Contracts	$4,500,000	$0
COMPASS	$6,200,000	$0
Foster Care Task Force Recommendations	$7,800,000	$0
Restore Summer SONYC	$15,000,000	$0
Work Learn Grow	$19,700,000	$0
Education		
Baseline Bridging the Gap	$13,900,000	$11,921,000 baselined
Community School Sustainability	$2,566,667	$0
LGBTQ Family Outreach	$200,000	$0
Remediation Programs	$2,000,000	$0
Restorative Justice	$1,300,000	$0
Urban Advantage	$3,500,000	$0
Seniors		
Home Delivered Meals Rate Increase	$2,840,000	$0
Maintain funding for 14 NYCHA senior clubs	$3,090,304	7 clubs to close, 7 clubs to be baselined
Naturally Occurring Retirement Communities	$1,000,000	$0
Senior Centers	$2,800,000	$0
Health		
Animal Care Centers of NYC	$3,000,000	$0
Transgender Healthcare Training at H+H	$150,000	$0
Culturals		
Restore Cultural One-Shot	$13,750,000	$0
Libraries		
Restore Library One-Shot	$8,000,000	$0
Government Operations		
Offer Translation at Poll Sites	$640,000	$0
Parks		
Beach and Pool Season Extension	$1,722,596	$0
Parks Maintenance	$9,553,205	$0
Tree Stump Removal	$1,000,000	$0
Sanitation		
Pick up More Trash	$4,200,000	$0
Public Safety		
Crisis Management System	$2,360,000	$0
Get Alarmed NYC	$1,000,000	$0
Post-Arrest Diversion	$1,025,000	$0
Legal Services		
Low Wage Worker Initiative	$2,000,000	$0
Housing		
HPD-Alternative Enforcement Program	$750,000	$0
Total:	**$155,947,772**	**$11,921,000**