



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

**TO:** Honorable Christine Quinn  
Speaker

Honorable Domenic M. Recchia Jr.  
Chairman, Finance Committee

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

**DATE:** March 13, 2013

**SUBJECT:** A Preconsidered Budget Modification (MN-3) for Fiscal 2013 that will decrease revenue by \$82 million and appropriate \$961 million to the Budget Stabilization Account.

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**INITIATION:** By letter dated March 8, 2013, the Director of the Office of Management and Budget submitted to the Council, pursuant to section 107(e) of the New York City Charter, a request to appropriate \$961 million to the Budget Stabilization Account. Resources to do this come from \$500 million reduction in prior year payables and \$543 million reduction in the General Reserve, which is from expense budget savings. These resources offset an \$82 million reduction in revenues. The increase in the Budget Stabilization Account is to prepay debt service.

**BACKGROUND:** This modification (MN-3) seeks to appropriate \$961 million to the Budget Stabilization Account to prepay debt service. Resources to do this come from a \$500 million reduction in Prior Year Payables, and a \$543 million reduction in the General Reserve, offset by an \$82 million reduction in Revenues.

**FISCAL IMPACT:** This modification represents a net decrease in the Fiscal 2013 budget of \$ 82 million.

Preconsidered Res. No. \_\_\_\_\_

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

By Council Member Recchia

**Whereas**, on March 13, 2013, the Committee on Finance of the City Council received a communication, dated March 8, 2013 from the Mayor's Office of Management and Budget, of a proposed request to recognize a net decrease in revenue pursuant to Section 107(e) of the New York City Charter, attached hereto as Exhibit A (the "Request to Appropriate"); and

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

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

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

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

**2. Further Actions.** The City Council directs the City Clerk to forward a certified copy of this resolution to the Mayor and the Comptroller as soon as practicable so that the Mayor, the Comptroller and the City Clerk may certify the Fiscal 2013 Expense Budget as amended by this resolution as the budget for the remainder of the fiscal year.

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

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

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

# **THE COUNCIL**

## **REPORT OF THE COMMITTEE ON FINANCE**

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

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

#### **REPORT**

Introduction. At the meeting of the Committee on Finance of the City Council on March 13, 2013, the Council received a communication, from the Office of Management and Budget of the Mayor, dated March 8, 2013, of a proposed request to modify, pursuant to Section 107(e) of the New York City Charter, the Fiscal 2013 Expense Budget, and the revenue estimate related thereto prepared by the Mayor as of June 28<sup>th</sup>, 2012.

Analysis. The Council annually adopts the City's budget covering expenditures pursuant to Section 254 of the Charter. On June 28, 2012, the Council adopted the expense budget for fiscal year 2013 (the "Fiscal 2013 Expense Budget"). On June 28<sup>th</sup>, 2012, the Mayor submitted to the Council a revenue estimate related to the Fiscal 2013 Expense Budget. On December 19<sup>th</sup>, 2012, the Council adopted MN-1 modifying the Fiscal 2013 Expense Budget. Circumstances have changed since the Council last amended the Fiscal 2013 Expense Budget.

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

Discussion of Above-captioned Resolution. The above-captioned resolution would authorize the modifications to the Fiscal 2013 Expense Budget and related revenue estimate requested in the Communication.

This modification (MN-3) seeks to decrease revenues in the net amount of \$82 million from the Fiscal 2013 Adopted budget. This represents a decrease in City funds of approximately 0.2 percent

MN-3 is the first revenue modification of Fiscal 2013 and it incorporates changes from the November and January plans. Its size and composition are within rounding errors of the Finance Division's expectations based on those plans.

Budget modifications that decrease the revenue budget are unusual; the most recent was MN-4 of Fiscal 2009. Unlike the Fiscal 2009 budget modification MN-3 is not in response to a weakening of the economy, rather the source of the decrease in revenues is the failure of one of the Fiscal 2013 Adopted budget's assumptions concerning miscellaneous revenue.

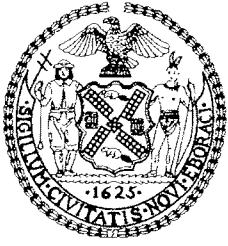
The single largest change in revenues is a reduction of \$635 million from the anticipated sale of taxi medallions. (see Appendix B, miscellaneous revenues, other miscellaneous, taxi medallion.) This sale is currently subject to litigation. Funds have been delayed from Fiscal 2013 to Fiscal 2014 through Fiscal 2016, with \$600 million expected to arrive in Fiscal 2014 according to the January plan. The New York State's highest court, the Court of Appeals, is scheduled to hear the arguments on this issue on April 24<sup>th</sup>, 2013.

The major revenue offset to the losses from taxi medallions come from tax revenues which have been increased by approximately \$427 million, or about 1 percent. Three taxes make up the increase. The financial corporations or banking tax is up \$170 million or about 15 percent. This is an extremely volatile and difficult to forecast tax, but this result does seem to reflect that banks had a strong fourth quarter and an excellent 2012. The real property transfer tax is up \$88 million or about 9 percent and the mortgage recording tax is up \$57 million also about 9 percent. Both of these reflect an upswing in real estate transactions. Audit revenues were also up by \$114 million reflecting a large settlement on a general corporation tax audit in November.

MN-3 will also appropriate \$961 million to the budget stabilization account which will be used to prepay debt service. The Fiscal 2014 expenses that will be prepaid are typically specified in the revenue budget modification that accompanies the Adopted budget.

Since the revenue budget is being reduced resources for these prepayments must come from the expense side of the budget. It is common to reduce prior year payable in the second half of the fiscal year; MN-3 does so providing \$500 million in resources for the budget stabilization account. MN-2, the expense budget modification, appropriates approximately \$336 million to the general reserve. This is the net result of the various increases and decreases in the budget modification. The general reserve already contained \$300 million, from this total of \$636 million; MN-3 takes \$543 million. So put together these \$1.043 billion in expense reductions covers the \$82 million reduction in revenue and the \$961 million appropriated to the budget stabilization account.

The resolution would also direct the City Clerk to forward a certified copy thereof to the Mayor and the Comptroller so that the Mayor, the Comptroller and the City Clerk may certify the Fiscal 2013 Expense Budget as amended thereby as the budget for the remainder of the fiscal year. The above-captioned resolution would take effect as of the date adopted.



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The City of New York  
**Office of Management and Budget**  
255 Greenwich Street - New York, New York 10007 - 2146  
(212) 788-5900

**Mark Page**  
Director

March 8, 2013

TO THE CITY COUNCIL

Dear Council Members:

In accordance with Section 107(e) of the New York City Charter, I seek your approval to increase the Budget Stabilization Account by \$961 million in fiscal year 2013.

This modification (MN-3) will increase the Budget Stabilization Account by \$961 million to prepay debt service in fiscal year 2013. Resources to achieve this prepayment include \$500 million in prior payables, a decrease in the General Reserve of \$543 million from expense budget savings offset by \$82 million in decreased revenues.

Your approval of modification MN-3 is respectfully requested.

Yours truly,

  
Mark Page

FISCAL YEAR 2013 MODIFICATION  
MN-3

099	Debt Service	
	004 Budget Stabilization Account	<u>\$961,028,553</u>

**Exhibit B**  
**Changes in Revenue by Revenue Source**

**EXHIBIT B - MN-3**

Agency	Source	Description	Fiscal 2013
<b>SUMMARY</b>			
<b>TAX AND AUDIT REVENUE CHANGES</b>			
		Real Estate	\$22,686,000
		Sales	(3,000,000)
		Mortgage Recording	57,000,000
		Personal Income	12,000,000
		General Corporation	(37,000,000)
		Banking Corporation	170,000,000
		Unincorporated Business	(2,000,000)
		Utility	(23,000,000)
		Hotel	29,000,000
		Commercial Rent	(8,000,000)
		Real Property Transfer	88,000,000
		Cigarette	(4,000,000)
		All Other	5,662,000
		Audit	114,500,000
		STAR	5,084,000
<b>TAX AND AUDIT REVENUE TOTAL</b>			<b>\$426,932,000</b>
<b>MISCELLANEOUS</b>			
		<i>Licenses, Franchises, Etc.</i>	\$3,155,304
		<i>Charges for Services</i>	(10,403,614)
		<i>Water and Sewage Charges</i>	(9,381,896)
		<i>Fines and Forfeitures</i>	(5,536,600)
		<i>Rental Income</i>	22,487,696
		<i>Interest</i>	(1,860,000)
		<i>Other Miscellaneous</i>	(507,430,003)
<b>MISCELLANEOUS TOTAL</b>			<b>(\$508,969,113)</b>
<b>GRAND TOTAL</b>			<b>(\$82,037,113)</b>

**Exhibit B**  
**Changes in Revenue by Revenue Source**

Agency	Source	Description	Fiscal 2013
<b>TAX AND AUDIT REVENUE CHANGES</b>			
Mayoral	00001	Real Prop Tax 1st Quart	\$37,770,000
Mayoral	00002	Real Prop Tax 2nd Quart	30,000,000
Mayoral	00003	Real Prop Tax 3rd Quart	20,000,000
Mayoral	00004	Real Prop Tax 4th Quart	(80,084,000)
Mayoral	00026	State Aid School Tax Relief	5,084,000
Mayoral	00049	Accrued Real Estate Tax Revenue	15,000,000
Mayoral	00050	General Sales Tax	(3,000,000)
Mayoral	00070	Cigarette Tax	(4,000,000)
Mayoral	00077	Mortgage Tax	57,000,000
Mayoral	00090	Personal Income Tax	12,000,000
Mayoral	00093	General Corporation Tax	(21,000,000)
Mayoral	00094	Refunds Of General Corp Tax	(16,000,000)
Mayoral	00095	Financial Corporation Tax	164,000,000
Mayoral	00096	Refunds Of Financial Corp Tax	6,000,000
Mayoral	00099	Unincorporated Business Inc Tx	20,000,000
Mayoral	00100	Refunds Of Unicorp Busn Tax	(22,000,000)
Mayoral	00103	Utility Tax	(23,000,000)
Mayoral	00110	Payment In Lieu Of Taxes	5,662,000
Mayoral	00112	Tax On Occupancy Of Hotel Room	29,000,000
Mayoral	00113	Tx On Commercial Rents - Occup	(8,000,000)
Mayoral	00122	Conveyance Of Real Property Tx	88,000,000
Mayoral	00135	Tax Audit Revenue	114,500,000
<b>TAX AND AUDIT REVENUE TOTAL</b>			<b>\$426,932,000</b>



**Exhibit B**  
**Changes in Revenue by Revenue Source**

Agency	Source	Description	Fiscal 2013
<b>MISCELLANEOUS</b>			
<i>Licenses, Franchises, Etc.</i>			
City Clerk	00201	Marriage Licenses	150,000
TLC	00200	Licenses - General	(\$13,050,000)
LPC	00250	Permits - General	534,000
SBS	00250	Permits General	244,048
SBS	00325	Privileges - Other	696,256
HPD	00325	Privileges - Other	(44,000)
DOB	00200	Licenses General	615,000
DOB	00250	Permits - General	(175,000)
DEP	00250	Permits - General	485,000
BIC	00200	Licenses General	20,000
DOT	00250	Permits - General	240,000
DOITT	00250	Permits - General	85,000
DOB	00251	Construction Permits	6,712,000
DOT	00320	Franchises - Other	143,000
DOITT	00320	Franchises - Other	5,500,000
DCA	00320	Franchises - Other	2,306,000
DSNY	00325	Privileges - Other	(2,430,000)
DOT	00325	Privileges - Other	1,124,000
<b><i>Licenses, Franchises, Etc. Subtotal</i></b>			<b>\$3,155,304</b>

**Exhibit B**  
**Changes in Revenue by Revenue Source**

Agency	Source	Description	Fiscal 2013
<b>Charges for Services</b>			
Mayoral	00470	Other Services And Fees	(1,600,000)
Comptroller	00470	Other Services And Fees	75,000
Tax Comm	00470	Other Services And Fees	281,000
NYPD	00470	Other Services And Fees	(4,271,214)
NYFD	00470	Other Services And Fees	6,551,000
TLC	00470	Other Services And Fees	302,000
HPD	00470	Other Services And Fees	5,225,600
DOB	00470	Other Services And Fees	483,000
DEP	00470	Other Services And Fees	(749,000)
DOF	00470	Other Services And Fees	160,000
PA Queens	00470	Other Services And Fees	226,000
Office Of Payroll Administration	00470	Other Services And Fees	367,000
Conflicts Of Interest Board	00470	Other Services And Fees	50,000
DSNY	00470	Other Services And Fees	(17,311,000)
BIC	00470	Other Services And Fees	14,000
DORIS	00470	Other Services And Fees	(58,000)
PA-Kings County	00470	Other Services And Fees	655,000
DOT	00472	Parking Meter Revenues	2,177,000
DCP	00476	Administrative Serv To Public	(593,000)
City Clerk	00476	Administrative Serv To Public	151,000
Financial Info Svcs Agency	00476	Administrative Serv To Public	(115,000)
DOF	00476	Administrative Serv To Public	(925,000)
DCAS	00476	Administrative Serv To Public	101,000
DOC	00482	Commissary Funds	(1,500,000)
HPD	00551	AdministrativeCharges	(100,000)
<b>Charges for Services Subtotal</b>			<b>(\$10,403,614)</b>

**Exhibit B**  
**Changes in Revenue by Revenue Source**

Agency	Source	Description	Fiscal 2013
<b><i>Water and Sewage Charges</i></b>			
Mayoral	00521	Reimbursement From Water Board	(\$2,381,896)
Mayoral	00522	Payment From Water Board	(7,000,000)
<b><i>Water and Sewage Charges Subtotal</i></b>			<b><i>(\$9,381,896)</i></b>
<b><i>Fines and Forfeitures</i></b>			
Campaign Finance Board	00600	Fines-General	459,000
TLC	00600	Fines-General	4,899,000
HPD	00600	Fines - General	10,400
DOB	00600	Fines-General	12,221,000
Office Of Admin Trials & Hearings	00600	Fines-General	(3,093,000)
BIC	00600	Fines-General	313,000
DOF	00600	Fines-General	6,650,000
DCA	00600	Fines-General	539,000
DOF	00602	Fines - Pvb	(43,990,000)
Office Of Admin Trials & Hearings	00603	Fines - ECB	(9,859,000)
DOF	00603	Fines - ECB	25,518,000
DA Kings	00650	Forfeitures - General	235,000
DA Queens	00650	Forfeitures - General	561,000
<b><i>Fines and Forfeitures Subtotal</i></b>			<b><i>(\$5,536,600)</i></b>
<b><i>Rental Income</i></b>			
SBS	00753	Rentals: Dock Ship Wharfage	3,445,388
SBS	00754	Rentals: Market	5,204,690
SBS	00760	Rentals: Other	2,409,618
HPD	00760	Rentals: Other	5,784,000
DEP	00760	Rentals: Other	435,000
DCAS	00760	Rentals: Other	5,209,000
<b><i>Rental Income Subtotal</i></b>			<b><i>\$22,487,696</i></b>
<b><i>Interest</i></b>			
DOF	56001	Interest Income - Other	(210,000)
DOF	56002	Interest Income- Sales Tax	(260,000)
Comptroller	56003	Interest-Debt Service Fund	(1,390,000)
<b><i>Interest Subtotal</i></b>			<b><i>(\$1,860,000)</i></b>

**Exhibit B**  
**Changes in Revenue by Revenue Source**

Agency	Source	Description	Fiscal 2013
<b><i>Other Miscellaneous</i></b>			
Mayoral	00859	Asset Sale	\$50,000,000
LAW	00820	Sales Of City Real Property	\$887,000
DCP	00859	Sundries	(\$50,000)
NYPD	00849	Wireless /E SurchargesVoip	\$2,200,000
Financial Info Svcs Agency	00859	Sundries	\$440,000
TLC	00859	Sale of Taxi Medallions	(\$635,000,000)
HPD	00815	Sales Of In Rem Property	\$1,859,000
DCAS	00817	Mortgage Payments	(300,000)
DCAS	00820	Sales Of City Real Property	4,433,000
Dept Sanit	00822	Minor Sales	(952,070)
DCAS	00822	Minor Sales	1,000,000
DORIS	00859	Sundries	14,000
Comptroller	00846	Awards From Litigation	300,000
LAW	00846	Awards From Litigation	13,300,000
NYPD	00847	E-911 Surcharges	(1,500,000)
Mayoral	00859	Sundries	9,135,000
NYPD	00859	Sundries	(2,252,000)
DOC	00859	Sundries	802,000
SBS	00859	Sundries	41,010,067
HPD	00859	Sundries	(301,000)
DSNY	00859	Sundries	(400,000)
DPR	00859	Sundries	250,000
DCAS	00859	Sundries	4,630,000
DOITT	00859	Sundries	3,065,000
<b><i>Other Miscellaneous Subtotal</i></b>			<b><i>(\$507,430,003)</i></b>
<b>MISCELLANEOUS TOTAL</b>			<b>(\$508,969,113)</b>
<b>GRAND TOTAL</b>			<b>(\$82,037,113)</b>