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Report to the Committee on Finance on the Fiscal 2022 – 2026 Executive Financial Plan

May 24, 2022



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Introduction

On April 26, 2022, the Administration released the Fiscal 2023 Executive Budget and the Executive Financial Plan (Executive Plan) projecting revenues and spending through Fiscal 2026. The Mayor described the Executive Plan as a recovery budget from the economic toll brought about by the COVID-19 pandemic. The Mayor stated that due to increased revenues and savings, the City would be able to invest in public health, subway safety, educational opportunities, safer and cleaner streets, and the provision of care for the homeless and mentally ill, among other initiatives.

The Financial Plan includes over \$18 billion of federal funds in Fiscal 2022, and over \$9 billion in Fiscal 2023, some of which is used to account for lost city revenue resulting from the COVID-19 pandemic, funding core City operations that would otherwise be supported with City tax levy funding. While the federal stimulus has assisted in stabilizing the city's financial plan, these funds will only be available for two more years. The Administration's allocation of the non-recurring funding for recurring City expenses and programs is concerning in the long-term. Lastly, the budget also allocates additional funds to the City's reserves, specifically the City's Rainy-Day Fund, in Fiscal 2022.

The Council has held numerous agency-specific budget hearings throughout the last month, concluded by a hearing in which the Committee on Finance will hear testimony from the Office of Management and Budget (OMB) regarding the Executive Financial Plan. This report provides a summary of the five-year Financial Plan, including the ways in which the budget and outyear gaps have increased compared to the Preliminary Plan released earlier this year. Also included is an overview of the revenue budget and the City's reserves, a summary of the federal stimulus funding included across the Plan, a summary of the expense changes introduced in the Plan, and a review of the Capital Commitment Plan.

Financial Plan Overview

The Executive Plan includes budgeted spending of \$108.9 billion in Fiscal 2022 and \$99.7 billion in Fiscal 2023. The Financial Plan presents a balanced budget for both Fiscal 2022 and Fiscal 2023 and shows manageable budget gaps in the outyears. While the budget gaps are manageable, they have increased when compared to the Preliminary Plan. Budget gaps for Fiscal 2024 through Fiscal 2026 have increased by \$1.2 billion, \$1.1 billion, and \$740 million, respectively. The increased gaps are primarily the product of increased spending in the outyears presented in the Executive Plan. While the budget decreases by \$9.3 billion from Fiscal 2022 through Fiscal 2023, primarily the result of federal funding that has not yet been allocated past the current fiscal year, revenues and expenditures both increase between Fiscal 2023 and Fiscal 2026, by \$2.7 billion and \$6.4 billion, respectively. Expenditures increase at a faster rate than revenue over the life of the Plan, which results in outyear gaps.

The Financial Plan includes an additional \$1.5 billion of financing for the Budget Stabilization Account to prepay Fiscal 2023 expenses. The table below shows budgeted revenues and expenditures from Fiscal 2022 to Fiscal 2026.

Fiscal 2023 Executive Financial Plan Summary						
<i>Dollars in Millions</i>						
	FY22	FY23	FY24	FY25	FY26	Average Annual Change
Revenues						
Taxes	\$65,642	\$66,265	\$67,937	\$69,662	\$71,090	2%
Miscellaneous Revenues	7,354	7,246	7,258	7,265	7,285	(0.2%)
Unrestricted Governmental Aid	792	252	0	0	0	0%
Less: Intra-City Revenue	(2,253)	(1,972)	(1,939)	(1,929)	(1,928)	(3.7%)
Disallowances Against Categorical Grants	(15)	(15)	(15)	(15)	(15)	0.0%
Subtotal: City Funds	\$71,520	\$71,776	\$73,241	\$74,983	\$76,432	1.7%
Other Categorical Grants	1,173	1,029	1,016	1,015	1,012	(3.5%)
Inter-Fund Agreements	686	735	731	730	730	1.6%
Federal Categorical Grants	19,128	9,356	8,677	7,958	6,975	(19.7%)
State Categorical Grants	16,462	16,757	16,891	17,136	17,189	1.1%
Total Revenues	\$108,969	\$99,653	\$100,556	\$101,822	\$102,338	(1.5%)
Expenditures						
Personal Services (PS)	53,020	53,593	54,149	54,527	55,040	0.9%
Other Than Personal Services (OTPS)	51,602	44,183	42,914	42,730	42,318	(4.7%)
Debt Service	6,685	7,816	8,119	8,630	9,407	9.0%
General Reserve	50	1,055	1,000	1,000	1,000	501.2%
Capital Stabilization Reserve	0	250	250	250	250	0%
Deposit to Rainy Day Fund	700	0	0	0	0	0%
Less: Intra-City Expenses	(2,253)	(1,972)	(1,939)	(1,929)	(1,928)	(3.7%)
Spending Before Adjustments	\$109,804	\$104,925	\$104,493	\$105,208	\$106,087	(0.8%)
Surplus Roll Adjustment (Net)	(835)	(5,272)				
Total Expenditures	\$108,969	\$99,653	\$104,493	\$105,208	\$106,087	(0.5%)
Gap to be Closed	\$0	\$0	(\$3,937)	(\$3,386)	(\$3,749)	

The Executive Plan includes \$71.8 billion in City funds in Fiscal 2023, an increase of \$790 million, or 1.1 percent, since the Fiscal 2023 Preliminary Budget. For Fiscal 2022, the Executive Plan increased by \$1.3 billion from \$70.2 billion to \$71.5 billion. Accounting for all funds, Fiscal 2022 increases by \$2.4 billion and \$1.1 billion in Fiscal 2023 as compared to the Preliminary Budget. These changes correspond primarily to the recognition of additional federal COVID-19 stimulus and recovery funding in Fiscal 2022, new needs presented in the Financial Plan, and the recognition of additional revenues in the current fiscal year, discussed in the chart below.

Federal Categorical Grants comprise \$19.1 billion, or 17.6 percent, of the Fiscal 2022 total revenues, by far the highest level of federal funding in recent history. By Fiscal 2023, the total amount of federal funding declines to \$9.4 billion or 9.4 percent of all revenues. Much of the difference in the levels of federal funding between the two fiscal years is the result of an inordinate amount of COVID-relief funding allocated to Fiscal 2022. Most of the federal COVID-aid is frontloaded in the first two years of the Financial Plan, with 37 percent of the total amount in the plan period allocated in Fiscal 2022 and 18 percent allocated in Fiscal 2023.

The following table displays city-funds revenue and expenditure changes for the five-year plan period between the Preliminary and Executive Plans.

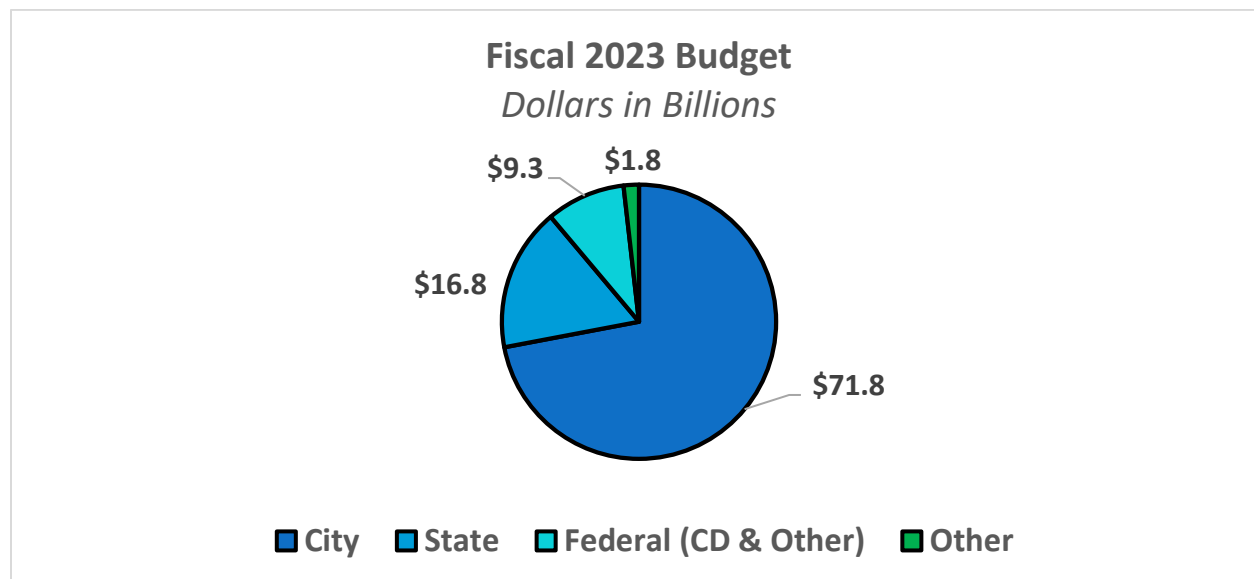
April 2022 Executive Financial Plan					
<i>City Funds (Dollars in Millions)</i>					
	FY22	FY23	FY24	FY25	FY26
Gap to be closed - February 2022 Financial Plan	\$0	\$0	(\$2,721)	(\$2,234)	(\$3,009)
Revenue Changes					
Tax Revenues	1,612	392	162	19	355
Non-Tax Revenues	3	145	132	110	103
Unrestricted Aid	(252)	252	0	0	0
Total Revenue Changes	\$1,363	\$789	\$294	\$129	\$458
Expense Changes					
Agency Expense Changes	179	2,232	1,307	1,024	908
PEG Savings	(208)	(15)	(15)	(15)	(15)
Debt Service Savings	(62)	(126)	(147)	(173)	(190)
Labor Reserves	119	238	365	445	495
Pensions	(205)	0	0	0	0
General Reserve	(200)	0	0	0	0
Deposit to Rainy Day Fund	200	0	0	0	0
Total Expense Changes	(\$177)	\$2,329	\$1,510	\$1,281	\$1,198
(Gap)/ Surplus	\$1,540	(\$1,540)	(\$3,937)	(\$3,386)	(\$3,749)
FY22 Prepayment	(\$1,540)	\$1,540	\$0	\$0	\$0
Gap to be closed - April 2022 Financial Plan	\$0	\$0	(\$3,937)	(\$3,386)	(\$3,749)

In the Executive Plan the city recognizes an additional \$1.6 billion of tax revenues in Fiscal 2022 and \$392 million in Fiscal 2023. Overall, current fiscal year revenues grow by a net total of \$1.4 billion, while Fiscal 2023 revenues grow by \$789 million.

Spending decrease by \$177 million in Fiscal 2022, primarily the result of the Program to Eliminate the Gap (PEG) savings program (\$208 million reduction), reductions to the General Reserve (\$200 million reduction), and savings related to the re-estimate of amount of funding necessary to pay for the findings of the actuarial audits of the pension systems (\$205 million). In Fiscal 2023 budgeted spending increases by \$2.3 billion, primarily the result of a relatively large package of additional agency expense changes (\$2.2 billion) and funding added for the Labor Reserve (\$238 million).

Spending decreases in Fiscal 2022, coupled with the additional revenue recognized in that year, result in an additional \$1.5 billion of current year surplus. These additional resources, along with the \$3.7 billion of surplus funds estimated in the Preliminary Plan, are used to prepay Fiscal 2023 expenses, eliminating any budget gap for that year.

Budget by Funding Source



The \$99.7 billion Fiscal 2023 Executive Budget includes \$71.8 billion of City funds, \$16.8 billion in State funds¹, \$9.3 billion in federal funds², and \$1.8 billion in other funding sources.

Federal Stimulus Funding

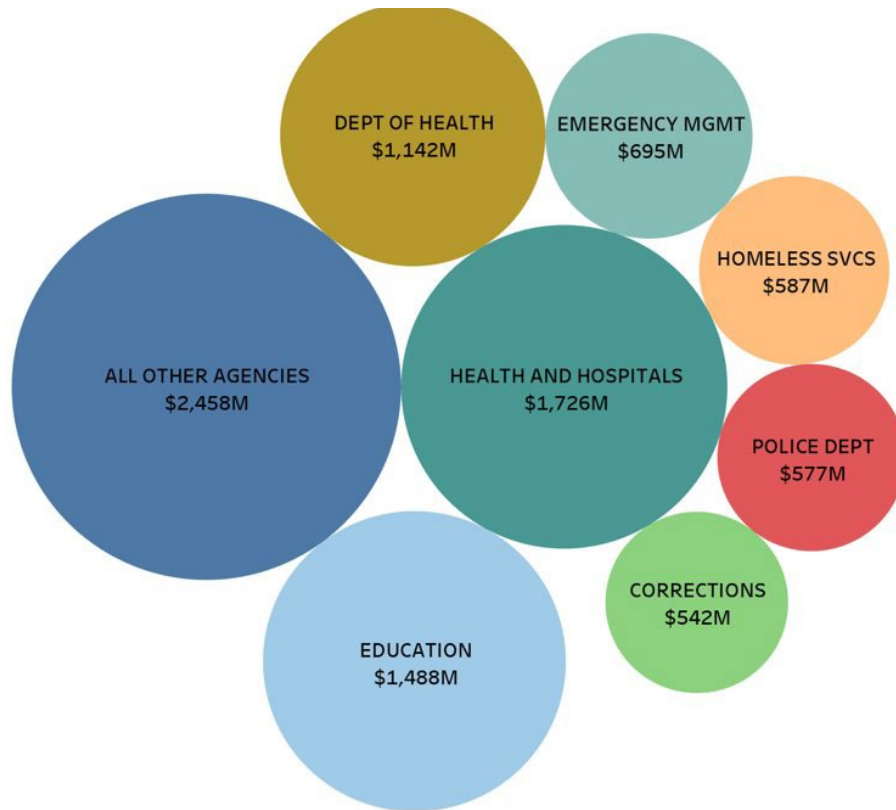
In March 2020, at the onset of the COVID pandemic, Congress passed the Coronavirus Aid, Relief, and Economic Security Act (CARES Act), in response to the economic disruption and health-related costs resultant from the pandemic's spread and the ensuing nationwide shutdowns. The bill allotted \$2.2 trillion for rapid direct economic aid to the American people financially impacted by the COVID-19 pandemic. Congress followed up the CARES Act, passing the Coronavirus Response and Relief Supplemental Appropriations Act (CRRSA) in December 2020. CRRSA provided \$868 billion in total stimulus funding, including \$82 billion in education aid. The American Rescue Plan Act (ARPA) enacted in March 2021, provided \$1.9 trillion of stimulus funding, including \$130 billion in aid to local governments and \$170 billion in education aid.

Federal COVID-related stimulus funding were allocated by the previous and current Administration to fund a wide range of new and ongoing programs. In the Financial Plan, federal support of ongoing programs diminishes in the outyears. COVID-related funding in the Plan totals \$13.5 billion, with \$9.2 billion allocated in Fiscal 2022, \$1.9 billion in Fiscal 2023, \$1.4 billion in Fiscal 2024, and \$1 billion in Fiscal 2025. The Executive Plan includes most of the federal aid in the first year of the plan period because these funds are primarily allocated to the Department of Education (DOE), and also support COVID-specific activities and programs, such as the Test & Trace program, Vaccine Command Center, and costs for COVID-related leave, among others.

¹ The majority of State funds in the Executive Plan is allocated to the Department of Education (DOE)

² The majority of federal funds in the Executive Plan is allocated to the DOE and the Department of Social Services (DSS)

Federal COVID Funds by Agency in Fiscal 2022



Reserves

The Executive Plan assumes Fiscal 2022 will end with budgetary reserves (reserves) totaling \$10.42 billion, with \$5.4 billion in the Budget Stabilization Account, \$3.8 billion in the Retiree Health Benefit Trust, \$50 million in the general reserve, and \$1.2 billion in the Rainy Day Fund. This represents an increase of \$1.5 billion from the Preliminary Plan and is approximately the same size as it was at the close of Fiscal 2021. Considering that the City added \$2.9 billion between last year's Executive Plan and the fiscal year close, it is highly likely that the City's Fiscal 2022 reserves will have additional increases by the end of current fiscal year.

<i>Reserve Components (\$ in millions)</i>	Fiscal 2021 at Close	Fiscal 2022 at Prelim. Plan	Fiscal 2022 at Executive Plan	Change from Prelim to Exec
BSA & Discretionary Transfers	\$6,107	\$3,732	\$5,372	\$1,540
Retiree Health Benefit Trust (RHBT)	\$3,800 ³	\$3,800	\$3,800 ⁴	\$-
General Reserve	\$-	\$250	\$50	(\$200)
Rainy Day Fund (RDF)	\$500	\$1,000	\$1,200	\$200
Total Reserves	\$10,402	\$8,782	\$10,422	\$1,540

Source: New York City Council Finance Division

The chart above provides an overview of the City's various reserve components and how they have adjusted over time. The Executive Plan includes increases in the Budget Stabilization Account (BSA), discretionary transfers⁵, and the Rainy-Day Fund (RDF) since the Preliminary Plan.

Typically, as the year progresses, the City realizes additional resources which increase the reserves. Actual revenue collection is often greater than forecast, and many expenses particularly related to PS costs and debt service end up under the projected levels. To utilize those resources the City typically deposits them into one of the accounts that the City uses as multi-year reserve vehicles.

In prior years, these resources were added to either the BSA or Retiree Health Benefits Trust (RHBT). However, in early 2021, the City established the RDF, the City's first dedicated multi-year budgetary reserve vehicle. While the City is utilizing the RDF, adding \$200 million in the Executive Plan, it still is heavily reliant on the BSA to manage budgetary reserves, adding substantially more (\$1.5 billion) to that reserve account in the Executive Plan. While both funds serve similar purposes, the RDF is a much more transparent way of managing reserves.

It is difficult to compare current fiscal year reserves, as presented in the Executive Plan, with the reserve outlook in future years. However, the Executive Plan includes Fiscal 2023 in-year reserves at \$6.3 billion, an increase of \$100 million compared to the Preliminary Plan, with \$1.05 billion in

³ The 2021 end of year balance in the RHBT was actually \$4.2 billion, however of that total \$425 million was a prepayment earmarked for Fiscal 2022 expenses. The \$425 million is not counted by OMB as a deposit to the RHBT, but rather counted in the discretionary transfers line above. Netting out that \$425 million results in the \$3.8 billion listed.

⁴ Similar to Fiscal 2021, OMB's executive budget proposes rolling \$500 million through the RHBT from Fiscal 2022 to Fiscal 2023. OMB accounts for this in the BSA & Discretionary Transfers line, and so that amount is left there, as the \$500 million is not intended as a long-term deposit into the RHBT that would result in a material increase in its value as a reserve.

⁵ Discretionary transfers include contributions to the RHBT however OMB's documents indicate that these contributions are earmarked as prepayments for Fiscal 2023 expenses and are therefore not permanent deposits to the RHBT. OMB lists them as "discretionary transfers" rather than as contributions to the RHBT. For consistency, the table nets out these "discretionary transfers" from the total RHBT balance to provide a clearer picture of OMB's intended balance of RHBT.

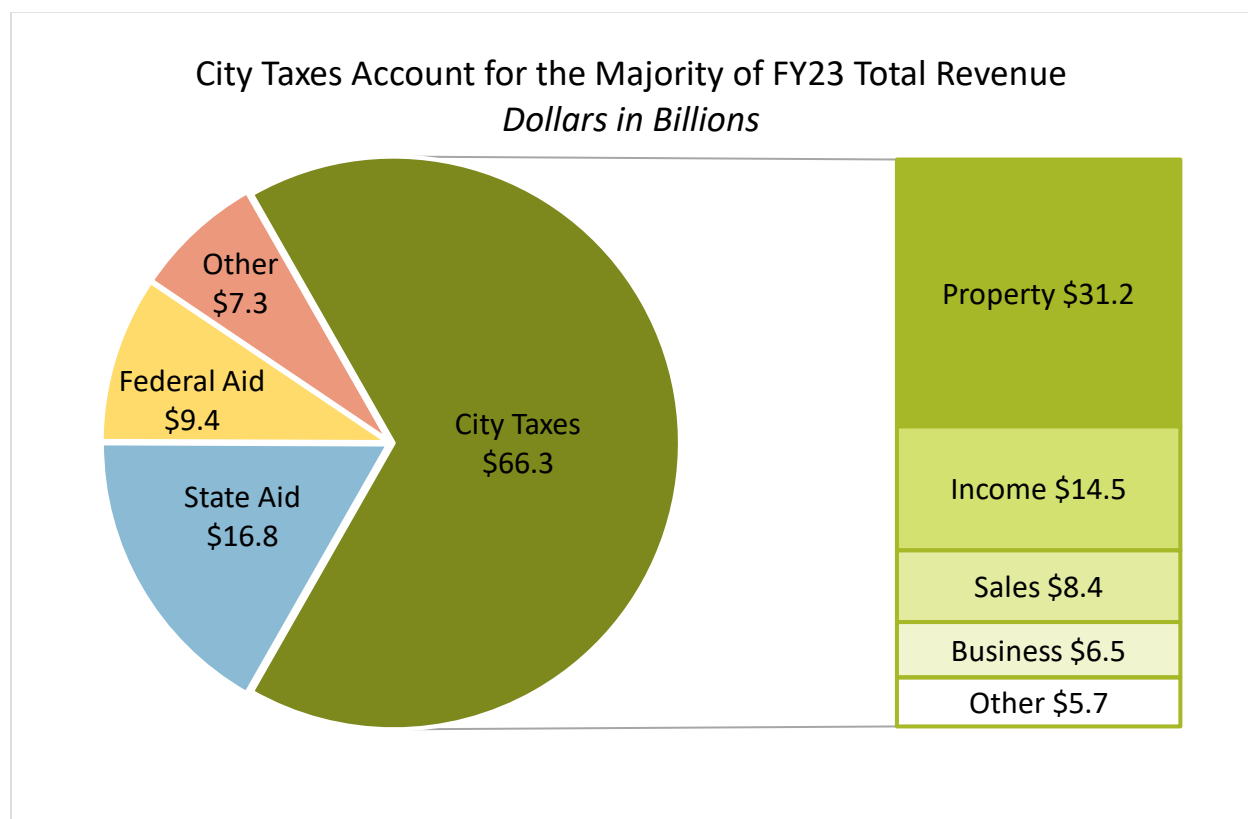
the General Reserve, \$250 million in the Capital Stabilization Reserve, \$3.8 billion in the RHBT and \$1.2 billion in the RDF.

<i>Reserve Components (\$ in million)</i>	Fiscal 2023
Roll/ Budget Stabilization Account	\$0
Retirement Health Benefit Trust	\$3,800
General Reserve	\$1,055
Rainy Day Fund	\$1,200
Capital Stabilization Reserve	\$250
Total Reserves	\$6,305

Source: New York City Council Finance Division

Revenue Budget

In the Executive Plan, revenues for Fiscal 2023 total \$99.7 billion, 1.1 percent higher than projected in the Preliminary Financial Plan. Revenues in the Executive Plan are allocated from several sources, including local taxes, miscellaneous revenues, and State and federal categorical grants, as shown in the chart below.



Note: "Other" includes audits.

Source: OMB, "Fiscal 2023 Executive Financial Plan, Fiscal Years 2022-2026".

The Fiscal 2023 Executive Plan includes an additional \$1.6 billion of City tax revenue for Fiscal 2022 compared to the February 2022 Financial Plan. This additional revenue is largely the product of an increase of \$534 million in personal income tax, \$414 million in sales and use tax, and \$264

million in business corporation tax. Year-to-date tax collections through March are approximately \$1.5 billion over what the Administration estimated in the Preliminary Plan.

For Fiscal 2023, OMB raised their tax forecast by \$393 million over the Preliminary Plan. Most of this increase stems from upward revisions of the property and sales tax forecasts by \$310 million and \$232 million, respectively. These increases are offset by lower forecasts for the business corporation and personal income taxes by \$265 million and \$250 million, respectively.

The Executive Plan recognizes additional miscellaneous revenue of \$103.2 million for Fiscal 2022 and \$267.3 million for Fiscal 2023 compared to the Preliminary Plan. The increase is largely due to higher-than-expected intra-city revenue of \$100 million in Fiscal 2022 and \$122 million in Fiscal 2023. In addition, the Executive Plan includes a \$98 million reduction in charges for services in Fiscal 2022, most of which is a tuition revenue adjustment for various CUNY schools. This decrease is offset by an increase of \$72 million in revenue from fines and forfeitures, mostly driven by an increase in Environmental Control Board Fines.

The Executive Plan includes a \$251.6 million reduction of unrestricted aid in Fiscal 2022 with a similar increase in Fiscal 2023. This aid is Federal Emergency Management Agency (FEMA) reimbursement money that is being rolled from Fiscal 2022 into Fiscal 2023.

The Executive Plan assumes additional revenue of \$1.1 billion in Fiscal 2022 from the federal government compared to what was presented in the Preliminary Plan. Most of the additional revenue from federal grants in Fiscal 2022 comes from ARPA funding and the FEMA PA COVID-19 Emergency Protective Measures.

The City estimates receipt of an additional \$340 million in Fiscal 2023 from the State. State aid for education is estimated to increase by \$230 million, most of which is transportation aid adjustments.

For additional details in relation to City tax revenues, see the *“Report to the Committee on Finance: Council Economic and Tax Revenue Forecast”* for the Fiscal 2023 Executive Financial Plan - a report from the Council Finance Division, released simultaneously with this report.

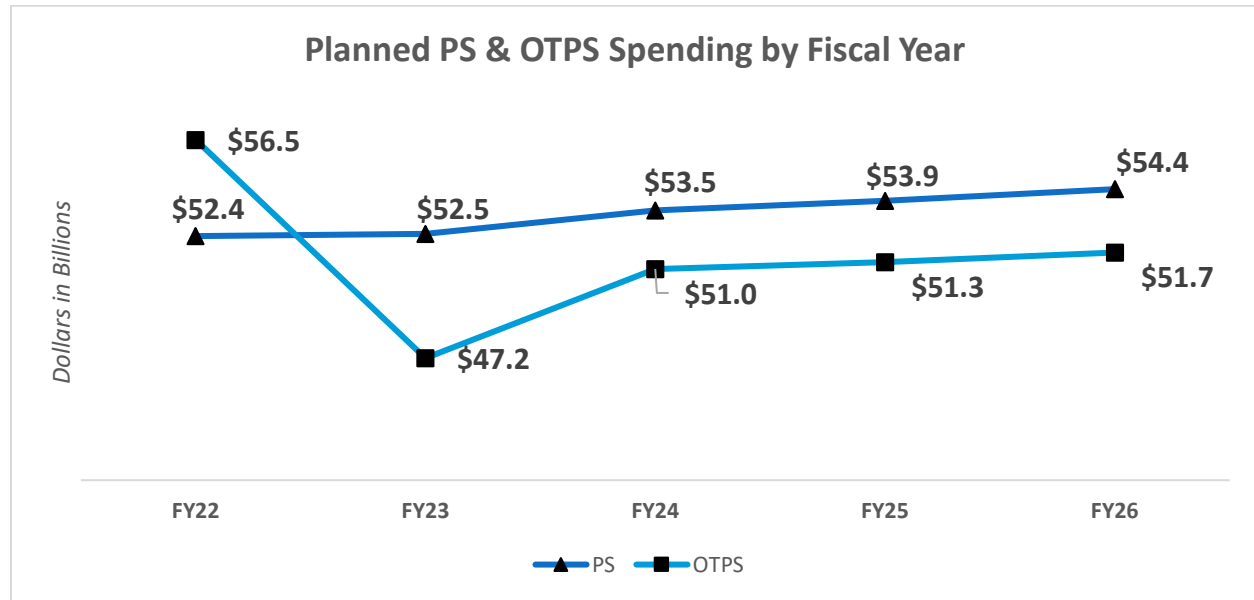
Expenditures

The Fiscal 2022 budget totals \$108.9 billion. By the last year of the plan period, Fiscal 2026, planned expenditures total \$106.1 billion, representing a decrease of 2.6 percent over the five-year plan period. This decrease is the result of the inclusion of billions of dollars of federal funds in Fiscal 2022 that are not allocated in Fiscal 2023 and the outyears. The Fiscal 2022 budget in the Executive Plan is \$2.4 billion greater than in the Preliminary Plan, while the Fiscal 2023 budget increases by \$1.1 billion. Each of the outyears increase as well, by \$1.8 billion in Fiscal 2024, \$1.6 billion in Fiscal 2025, and \$1.5 billion in Fiscal 2026.

Spending: Personal and Other than Personal Services

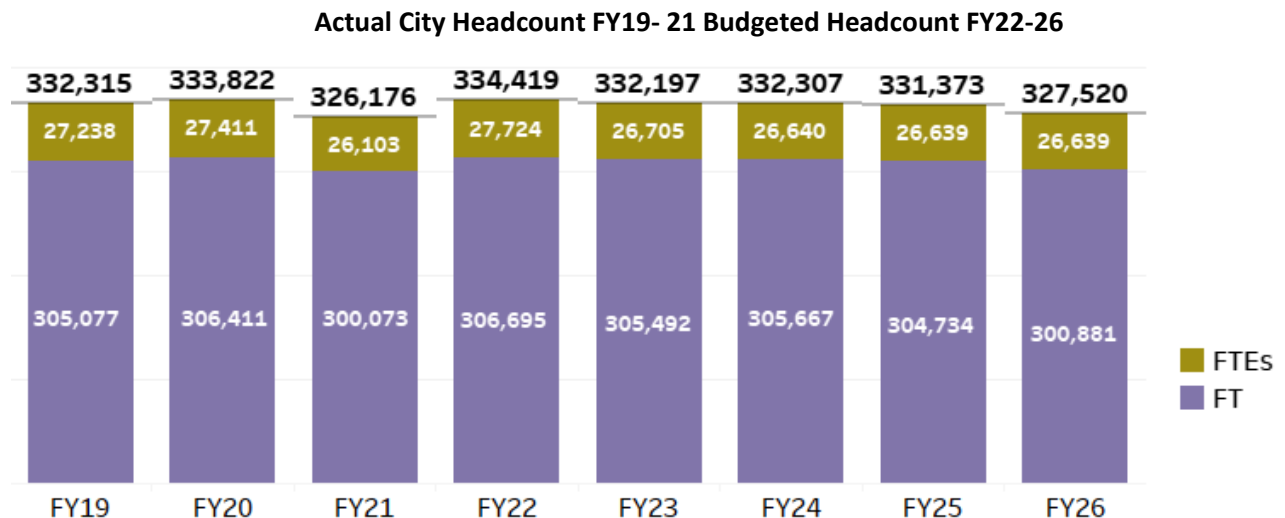
In the Executive Plan includes \$52.5 billion in Fiscal 2023 for Personal Services (PS) spending, comprising 52.7 percent of the total budget, and \$47.2 billion in Other Than Personal Services (OTPS) spending, comprising 47.3 percent of the total budget. PS funding increases at an average annual growth rate of 0.9 percent over the Plan period. PS cost increases are the primary contributor to expenditure growth in the outyears. OTPS funding decreases by \$9.3 billion, or 16 percent, between Fiscal 2022 to Fiscal 2023. This decrease is primarily due to the fact that

Fiscal 2022 OTPS expenditures include \$5.2 billion of prepayments of Fiscal 2023 expenses. These expenses, coupled with decreases in federal funding between the Fiscal 2022 and Fiscal 2023, are the primary reason for the steep drop in planned OTPS spending.



Citywide Headcount

The Fiscal 2023 Citywide budgeted headcount totals 332,197 in the Executive Plan. The total headcount consists of 131,205 pedagogical positions (making up 39 percent of the total), 113,218 civilian positions (34 percent), 61,069 uniform positions (18 percent), and 26,705 full-time equivalents (8 percent). The City's current Fiscal 2022 budgeted headcount is 334,419, as shown in the chart below.



The Executive Plan includes an additional 2,982 positions in Fiscal 2023 above what was presented in the Preliminary Plan. These additional positions increase the Fiscal 2023 budget by \$433 million. The chart below details agency-specific headcount changes made in the Executive Plan.

The Department of Parks and Recreation's (DPR) headcount increases by the greatest amount in the Executive Plan, with a baseline of an additional 719 positions costing \$41 million for the Parks Improvement Plan. This headcount increase is a result of the Council's advocacy for improved parks maintenance and upkeep using permanent agency staff. The second largest headcount addition is within the Department of Correction (DOC) which baselines \$591 million for 578 positions, for the DOC's Risk Management and Accountability System. Of these positions, 400 were added as a one-time addition in the prior fiscal year by the previous Administration. In the Executive Plan these positions are simply extended on a permanent basis, supplemented by an additional 178 positions that will serve to address multiple issues with the management of Riker's Island. The Administration also restored 469 positions (totaling \$355 million) that were a component of a prior savings initiative initiated during the pandemic. This initiative adjusted the budget restricting agencies to fill only one of every three vacant positions.

Headcount Changes by Agency

Agency	FY22	FY23	FY24	FY25	FY26
Department Of Parks And Recreation	0	719	719	719	719
Department Of Correction	4	582	582	582	578
Citywide Savings Initiatives	0	469	469	469	1,005
Fire Department	0	188	0	0	0
Mayoralty	73	133	109	109	109
City Council	0	106	0	0	0
Department Of Health And Mental Hygiene	28	104	99	99	99
Department Of Sanitation	0	85	87	89	91
Housing Preservation And Devel	0	77	77	77	77
Campaign Finance Board	0	58	0	0	0
Department Of Transportation	50	56	66	69	70
Department Of Youth & Community Dev	43	48	43	43	43
Department Of Small Business Services	0	40	50	50	50
Department Of Consumer And Worker Protection	0	37	37	37	37
Department Of Info Tech & Telecomm	6	26	9	9	9
Department Of Buildings	3	22	22	22	22
Police Department	134	21	21	21	21
Department Of Homeless Services	0	20	20	20	20
Department Of Citywide Admin Servs	0	20	20	17	17
Department Of City Planning	0	15	15	15	15
Department Of Social Services	-6	14	8	8	8
Department Environmental Protection	0	11	11	11	11
Department Of Probation	60	8	8	8	8
Law Department	4	6	2	2	2
Landmarks Preservation Comm.	0	6	6	6	6
Department Of Cultural Affairs	0	6	6	6	6
Commission On Human Rights	0	6	6	6	6
Department Of Design & Construction	0	4	4	4	4
Districting Commission	2	2	0	0	0
Department For The Aging	1	2	2	2	2
Department Of Veterans' Services	1	1	1	1	1
Department Of Investigation	1	0	0	0	0
Grand Total	404	2,892	2,499	2,501	3,036

Executive Plan Changes

The Executive Plan includes expense changes that increase the Fiscal 2022 budget by \$2.4 billion, and the Fiscal 2023 budget by \$1.1 billion. Agency new needs, which include new programs or expansions to existing programs, total \$315 million in Fiscal 2022 and \$1.8 billion in Fiscal 2023. Other adjustments, which include technical cost adjustments to programs and the recognition of non-City funding, total \$862 million in Fiscal 2022 and \$954 million in Fiscal 2023.

The Executive Plan accounts for the prepayment of an additional \$1.5 billion of Fiscal 2023 expenses with Fiscal 2022 resources, in addition to the \$3.7 billion already planned to be prepaid in the prior financial plan. The Executive Plan includes expense savings from a PEG, of \$287 million in Fiscal 2022 and \$141 million in Fiscal 2023, including some non-city savings, the majority of which is comprised of debt service savings. The Executive Plan also includes a reversal of cuts imposed in previous financial plans, totaling \$36 million in Fiscal 2023, and greater in the outyears. This is the result of a partial restoration of the Hiring and Attrition Management Savings initiatives, initiated during the de Blasio Administration, which imposed strict hiring protocols on agencies.

Executive Financial Plan Changes (All Funds*)					
Dollars in Millions	FY22	FY23	FY24	FY25	FY26
FY23 Prelim	\$106,539	\$98,536	\$102,692	\$103,640	104,560
New Needs	\$315	\$1,808	\$1,118	\$877	\$807
Other Adjustments	862	954	807	842	846
Prepayments	1,540	(1,540)	0	0	0
Savings	(287)	(141)	(161)	(188)	(205)
PEG Restorations	0	36	36	37	79
Total Changes	\$2,430	\$1,117	\$1,800	\$1,568	\$1,527
FY23 Exec	\$108,968	\$99,653	\$104,493	\$105,208	\$106,087

*Chart excludes Intra-City funding

New Needs

The Executive Plan includes \$4.9 billion in new needs across Fiscals 2022 through 2026. Approximately \$800 million of the funding for new needs is baselined through the plan period. The Executive Plan includes \$2.1 billion in new needs across Fiscal 2022 and Fiscal 2023 alone. In comparison, the new needs package introduced in the Preliminary Plan totaled \$3.8 billion across the five-year plan period.

Some of the new needs added in the Executive Plan include:

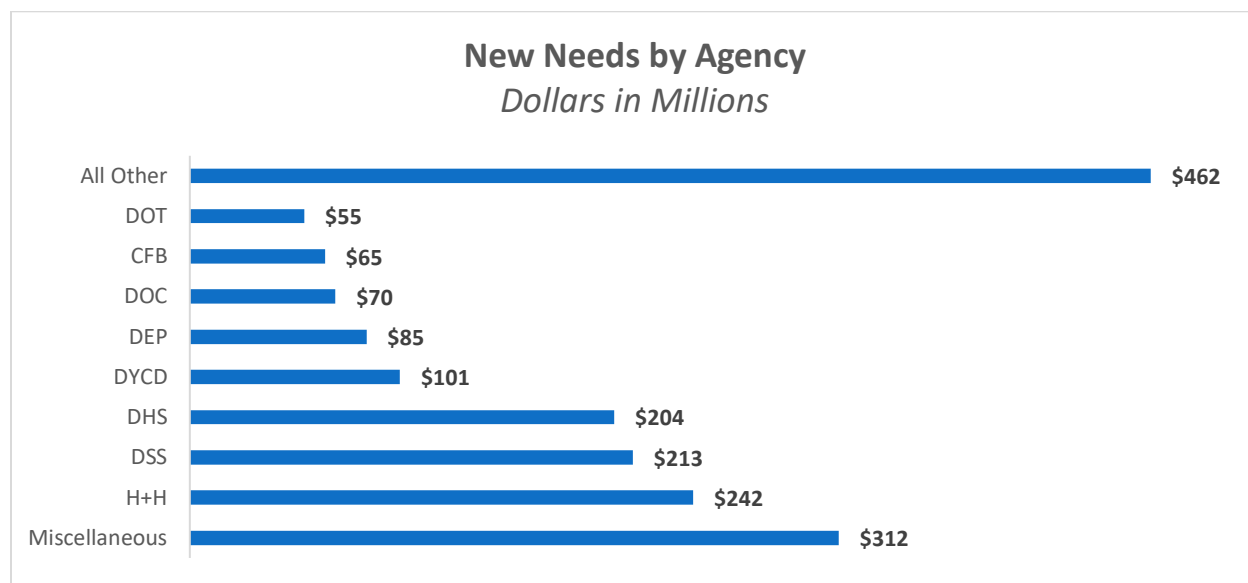
- \$200 million in Fiscal 2023 for the COVID Test and Trace Program for Health and Hospitals (H+H);
- \$217.3 million in Fiscal 2023 and baselined funding of \$212.3 million beginning in Fiscal 2024 to fund the Subway Safety Plan across multiple agencies, including the Department of Homeless Services (DHS), the Department of Social Services (DSS), the Department of Health and Mental Hygiene (DOHMH), and the Health and Hospitals (H+H). This includes: \$171.3 million baselined for the Street Homelessness Program, \$2.7 million in Fiscal 2023 and \$3.2 million baselined in the remaining plan years for the Neighborhood Response Unit, \$19.3 million in Fiscal 2023 and \$13.7 million baselined in the remaining plan years

for street health outreach and wellness vans, \$5.7 million baselined in through each year of the plan period for supportive housing resources, and \$18.2 million baselined for the B-HEARD program;

- \$118.5 million in Fiscal 2023 for rental assistance;
- \$74 million in Fiscal 2022 and \$148 million baselined for each year of the plan period to fund Juneteenth as a holiday;
- \$101.1 million baselined within the budget of the Department of Youth and Community Development (DYCD) beginning in Fiscal 2023 for the Summer Rising Program; and
- \$106 million in overtime adjustments to the Department of Sanitation (DSNY) and the Fire Department (FDNY). This is in addition to the \$105 million allocated to these agencies for the same purpose in the Preliminary Plan.

Additional information on these and other new needs are presented in the Fiscal 2023 Executive Budget reports for the individual respective agencies on the Council's website.

The chart below provides highlights of the top nine agencies with the largest new needs packages in Fiscal 2023.



Other Adjustments

The Executive Plan includes other adjustments, which include technical cost adjustments to City programs and the recognition of non-City funding. These changes total \$4.3 billion across the five-year plan period, with \$1.8 billion of the adjustments in Fiscal 2022 and Fiscal 2023⁶. In comparison, the Fiscal 2023 Preliminary Plan included other adjustments of \$3.6 billion across the five-year plan period.

⁶ Total excludes debt service prepayments of \$1.5 billion made in the Executive Financial Plan

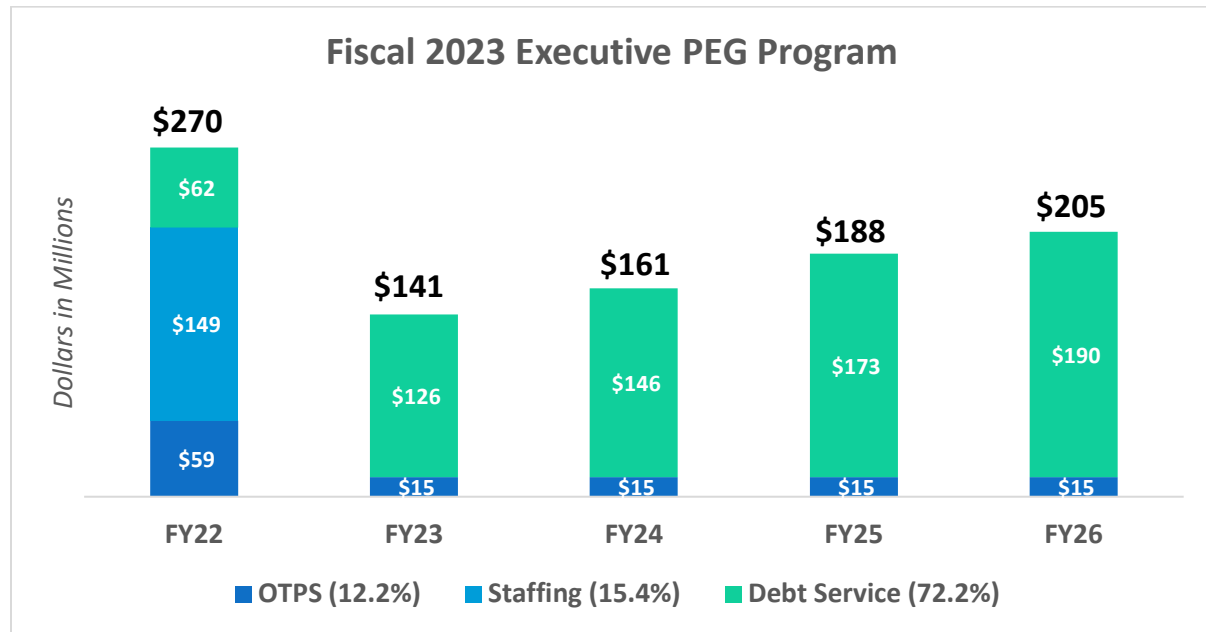
The Executive Plan recognizes an additional \$1.1 billion in federal funds in Fiscal 2022, the majority of which is allocated to H+H. The majority of other adjustments in the outyears are for City-funded expenditures, most significant of which are the additional funds provided for the City's Labor Reserve. Despite the addition of \$1.1 billion of federal funds in Fiscal 2022, the net total of adjustments for that year total \$862 million. This is primarily the result of a \$205 million reduction of planned pension expenditures which were originally set aside in reserve for costs associated with the pensions' actuarial audit. Other major changes categorized as other adjustments include:

- \$1.7 billion across the five-year plan period for allocations to the Labor Reserve. This funding includes the cost of two annual 0.5 percent wage increases for the next round of collective bargaining, on top of the one percent that is already budgeted for in the third year. Allocations include \$119 million in Fiscal 2022, \$238 million in Fiscal 2023, \$365 million in Fiscal 2024, \$445 million in Fiscal 2025, and \$495 million in Fiscal 2026;
- \$125.9 million baselined beginning in Fiscal 2023 for Housing Assistance Payment funding within the Housing Preservation and Development (HPD) budget;
- \$134.2 million baselined beginning in Fiscal 2023 in charter school revenue adjustments in the DOE;
- \$176 million in federal funding allocated in Fiscal 2023 to the Department of Education (DOE);
- \$200 million expenditure reduction in the General Reserve in Fiscal 2022;
- \$64.4 million in Fiscal 2022, \$73.4 million in Fiscal 2023, \$63.5 million in Fiscal 2024, \$36.7 million in Fiscal 2025, and \$28.8 million in Fiscal 2026 in citywide increases for the Heat, Light and Power budget due to the rise in global energy prices;
- \$118.5 million in federal overtime adjustments for the Department of Correction (DOC) and the Police Department (NYPD) in Fiscal 2022. This is in addition to the \$128 million previously allocated for the same purpose in the Preliminary Plan; and

Additional information on these adjustments, and others, is available in the Fiscal 2023 Executive Budget reports for the individual respective agencies on the Council's website.

[Program to Eliminate the Gap \(PEG\)](#)

The Executive Plan PEG program includes actions (savings) that reduce the City-funded budget. PEGs introduced in the Executive Plan are minimal, totaling \$965 million across the five-year plan period. The PEG program introduced in the Fiscal 2023 Preliminary Plan totaled \$5.3 billion across the five-year plan period. PEGs in the Executive Plan include a mixture of OTPS re-estimates and adjustments, staffing savings, consisting of PS re-estimates and PS adjustments, and debt service savings. Adjustments for debt service expenses represent the vast majority of the PEG program in the Executive Plan, accounting for \$126 million or 89.6 percent of the Fiscal 2023 PEG, and \$698 million, or 72 percent, across the five-year plan period. The PEG includes little agency efficiency savings, with staffing savings occurring only in Fiscal 2022. Only \$14.7 million in OTPS savings is baselined in the plan, of which \$13.7 million result from the recent Mayoral initiative to reduce the City's vehicle fleet by removing approximately 855 underutilized vehicles.

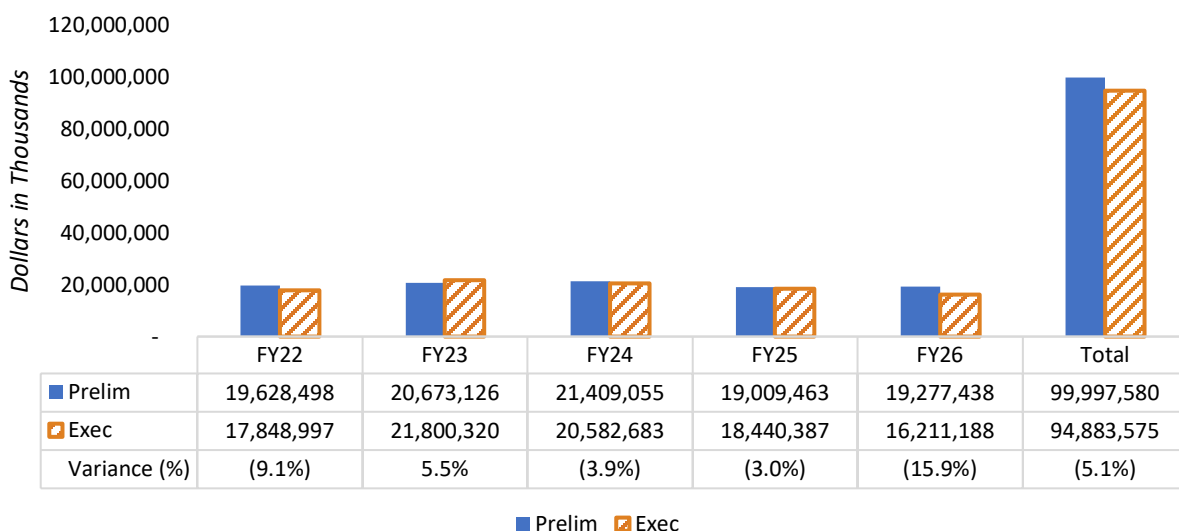


Capital

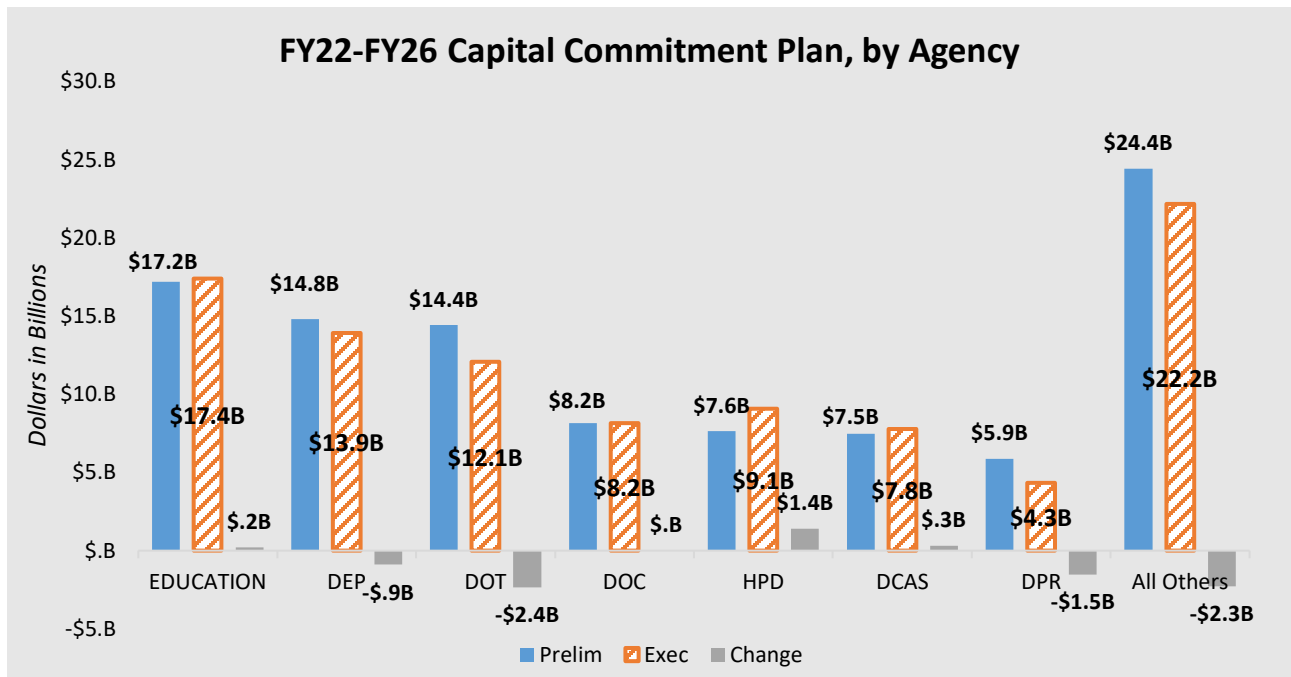
The capital program is presented in the Executive Capital Commitment Plan for Fiscal 2022-2026 (Commitment Plan) and the Fiscal 2023 Executive Capital Budget.

Commitments for Fiscal 2022 through 2026 as presented in the Commitment Plan total \$94.9 billion, \$5.1 billion lower (5.1 percent) than the total for the same period presented in the Preliminary Capital Commitment Plan released in February. The commitment plan is somewhat front loaded with 18.8 percent of the entire planned expenditure in the current year, 23 percent in Fiscal 2023, and 21.7 percent, 19.4 percent, and 17.1 percent in Fiscal 2024 through Fiscal 2026.

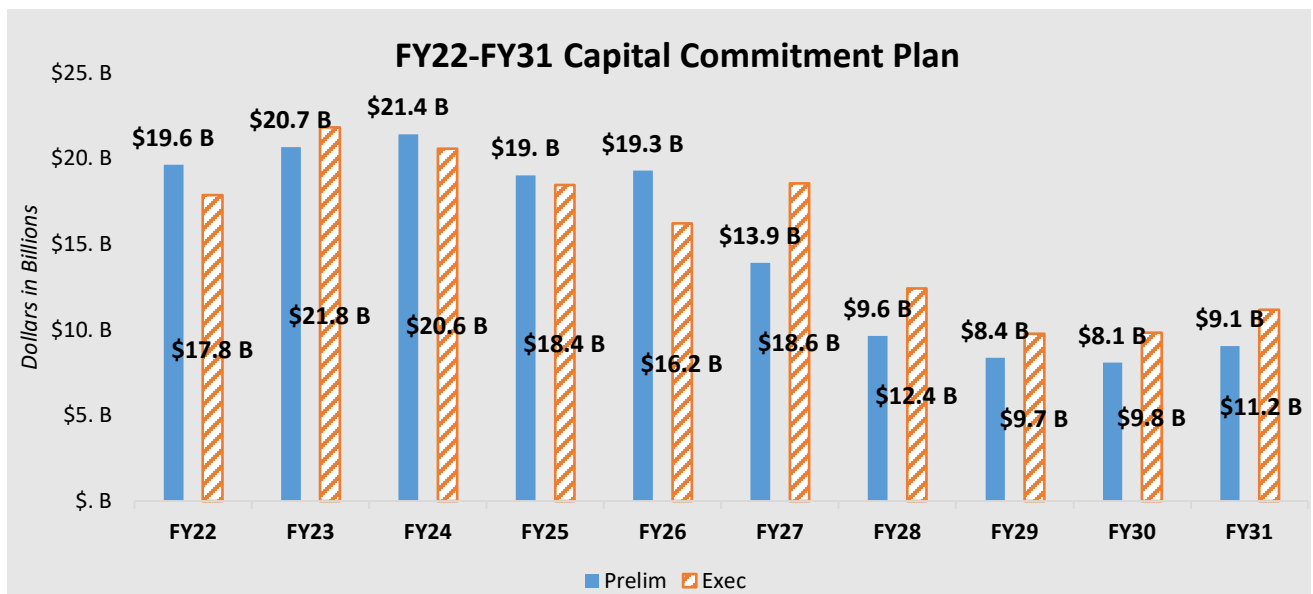
FY22-FY26 Capital Commitment Plan



The chart below provides a breakdown of the Commitment Plan for the seven largest capital agencies.



While the Executive Commitment Plan for the first five years of the plan period has declined since the Preliminary Budget, the ten-year commitment plan has increased, with many projects from Fiscal 2022 through Fiscal 2026 shifted into Fiscal 2027 through Fiscal 2031. This action is reflective of the Administration's efforts to accurately align capital projects with the agency's ability to commit those projects.



Financing and Debt Service

New York City issues bonds to finance its capital program. The Executive Financial Plan 2022-2026 estimates the City will undertake \$57.9 billion in long-term borrowing to finance the City's many capital needs.⁷ This is a decrease of \$2.1 billion when comparing long-term borrowing to the Preliminary Plan. Included in this total is an estimated \$24.9 billion in General Obligation (GO) bonds and \$24.3 billion in transitional Finance Authority (TFA) bonds, in addition, to \$8.6 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 and interest rates, the economic fallout of the Covid-19 epidemic, the City's capital 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.

Summary of Capital Financing Plan - Executive Financial Plan

Dollars in Millions

	FY22	FY23	FY24	FY25	FY26
Financing Plan					
General Obligation Bonds	\$2,750	\$5,300	\$5,080	\$5,800	\$5,980
Transitional Finance Authority Bonds ⁽¹⁾	3,650	3,825	5,080	5,800	5,980
Water Authority Bonds	1,531	1,338	1,746	1,962	2,116
Total	\$7,931	\$10,463	\$11,906	\$13,562	\$14,076
Debt Outstanding					
GO Bonds	\$39,015	\$41,865	\$44,422	\$47,679	\$51,086
TFA Bonds ⁽¹⁾	43,666	45,947	49,321	53,394	57,418
Other Debt ⁽²⁾	1,988	1,869	1,772	1,673	1,580
Total	\$84,669	\$89,681	\$95,515	\$102,746	\$110,083
Water Authority Bonds	31,515	32,490	33,749	35,238	36,840
Debt Financing Burden (excludes Water Debt)					
Debt Outstanding/NYC Personal Income	11.8%	12.1%	12.3%	12.6%	12.8%

Source: OMB Preliminary Executive Plan 2022-2026

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).

⁷ May 2022-2026 Executive Financial Plan, Office of Management and Budget:
<https://www1.nyc.gov/assets/omb/downloads/pdf/mm4-22.pdf>

Annual Debt Service Cost –Executive Financial Plan					
<i>(\$ in Millions, Before Prepayments)</i>	FY22	FY23	FY24	FY25	FY26
<i>Annual Debt Service Cost</i>					
General Obligation Bonds	\$3,727	\$4,288	\$4,575	\$4,792	\$5,052
Transitional Finance Authority Bonds ⁷	2,854	3,381	3,426	3,721	4,239
TSASC Bonds	76	76	76	76	69
Conduit Debt	104	147	118	117	116
Total Debt Service	\$6,761	\$7,892	\$8,195	\$8,706	\$9,476
Water Authority Bonds ⁸	\$1,458	\$1,664	\$1,980	\$2,068	\$2,215

Source: OMB Fiscal 2023 Executive Financial Plan

5) Figures above do not include state funded financing for education capital purposes through the BARBs.

6) Includes First Resolution debt service and Second Resolution debt service net of subsidy payments from the NYS Environmental Facilities Corporation.

The City's total debt issuance remains well below the City's constitutional debt limit of \$127.3 billion for Fiscal 2022. Total city debt is forecasted to grow to accommodate new borrowing in the Capital Financing Plan. However, the Mayor's Office of Management and Budget (OMB) has announced that the Administration intends to pursue State legislation to increase the authorized TFA debt by \$19 billion out of concern that the City's debt-incurring margin will narrow in the outyears of the financial plan.

The City's bonds continue to be well received by the markets, and all its issuing authorities have maintained AA ratings or better by Standard & Poor's and Fitch. Fitch recently upgraded the City's credit rating Aa2 outlook from negative to positive on May 12th, 2022, as reflection of improvement in the City's overall financial position.⁸ This ratings action was taken several weeks after Mayor Adams released his Executive Plan, which increased budget reserves. It also was in response to improved revenue performance as the city recovers from the COVID-19 pandemic and strong management performance.

Debt Service Savings

As the Federal Reserve continues to raise interest rates to fight inflation, debt service saving will be more difficult to achieve, as the main source of these savings have been lower than expected interest rates. The Executive Plan recognizes GO debt service savings of approximately \$115 million in Fiscal 2022. The city has issued \$810 million of TFA bonds for refunding purposes, which generated over \$220 million of debt services saving during the financial plan period.

The debt service budget serves as a routine source of annual savings for the City in financial plans. Debt service expenditures tend to be overstated in the outyears. While the Executive 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.

⁸ Fitch Rating Thursday May 12th, 2022: <https://www.fitchratings.com/research/us-public-finance/fitch-rates-new-york-city-ny-1-08b-go-bonds-aa-outlook-revised-to-positive-12-05-2022>