November 2020 Financial Plan
Revenue and Economics Overview

November 2020 Revenue Plan

Tax Revenue FY21
$59.4 billion
+ $748 million
from Fiscal 2021 Adopted Budget

Size of Budget FY21
$92 billion
+ $3.8 billion
from Fiscal 2021 Adopted Budget

Federal & State Categorical Grants FY21
$25.9 billion
+ $3.1 billion
from Fiscal 2021 Adopted Budget

Current Economic Situation

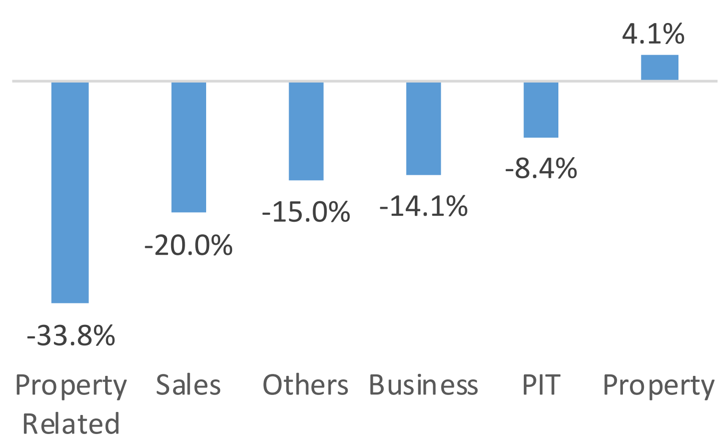
National Economy

- Real GDP: Gain of 33.1% in 3Q, after losses of -31.4% in 2Q & -5.0% in 1Q.
- Output is still 3.5% below its level before COVID-19.
- Unemployment: 6.9% as of October.

City Economy

- Net job loss of 11.6% between February and October.
  - By comparison, U.S. net job loss was only 6.6%.
- Unemployment: 13.2% as of October.

FY21 TYD Collection, Year-Over-Year Change



** PIT collection is through November; all others are through October*

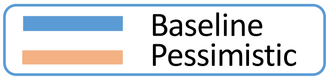
NYC Year-to-Date (YTD) Tax Collection

- YTD collections for Fiscal 2021 declined by 3.4%, or $853 million, compared to the same period in Fiscal 2020. The City saw sharp declines for all taxes, apart from the Property Tax which historically provides a resilient source of revenue stability.
- YTD collections, however, were $985 million over OMB's Plan at Adoption.
- The City rounded out Fiscal 2020 with $63.1 billion in tax collections, 1.6% over the June 2020 Plan.

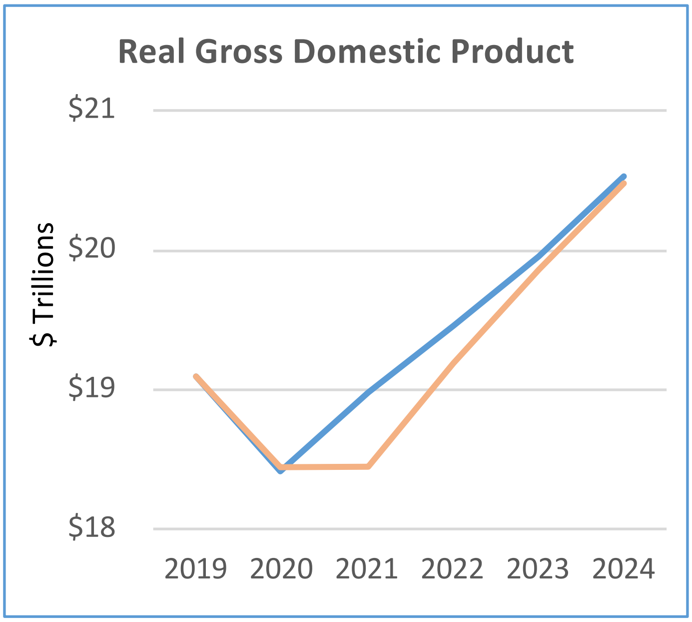
Overview of Forecast Scenarios

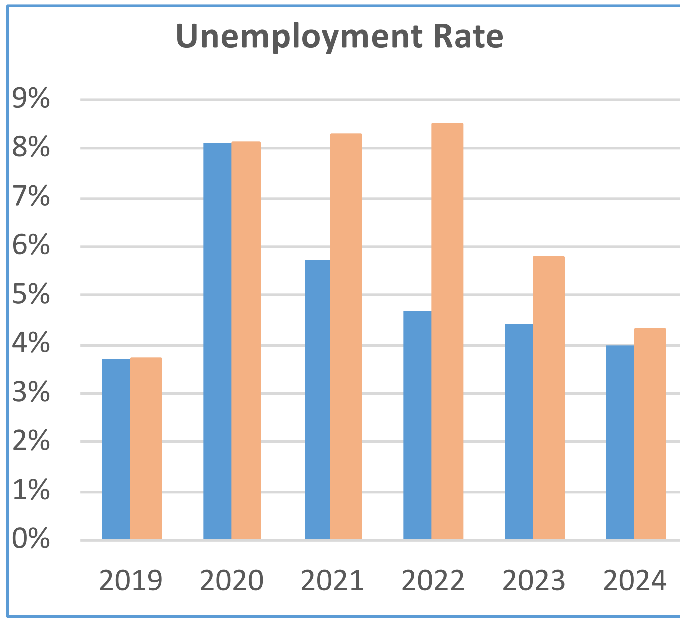
1. Baseline: "Follow the Rules"
- Rising COVID cases contained by social distancing and shutdowns in hotspots.
- Vaccine brings relief in summer.
- Continued economic expansion.

2. Pessimistic: "Social Distancing Fatigue"
- COVID cases soar, peaking in early 2021.
- Broad lockdown measures re-imposed.
- "W" shaped recession with negative growth in 2021 Q1 & Q2.



National Economy Forecast



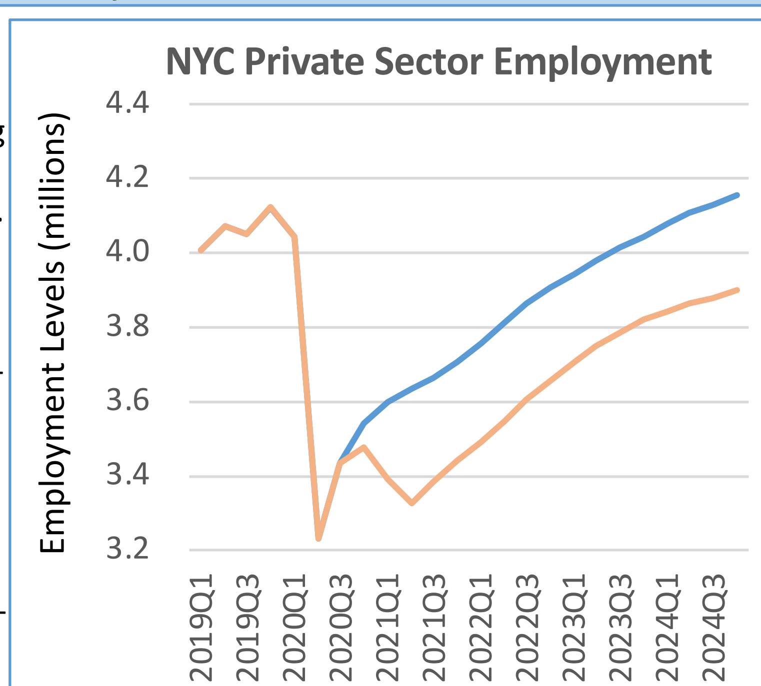


- **Baseline Scenario:** Americans will continue to adjust to the pandemic as the economy reopens, raising GDP and reducing unemployment. The broad availability of a vaccine by late 2021 removes the remaining constraints on business and consumer activities, accelerating output and reducing unemployment.
- **Pessimistic Scenario:** A severe second wave of the virus in the first half of 2021 results in renewed shutdowns and layoffs. An available vaccine is also assumed in the second half of 2021, facilitating a rebound.
- Both scenarios expect moderate growth and declining unemployment from 2022 to 2024.

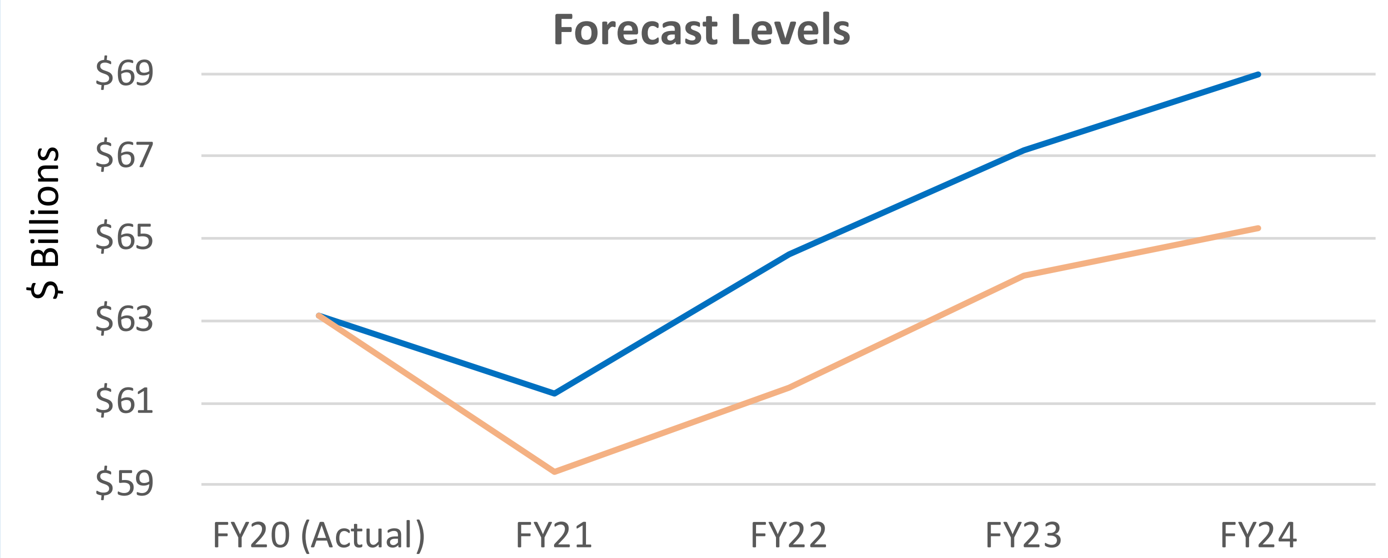
City Economy Forecast

Baseline Scenario: An available vaccine in the second half of 2021 accelerates rehires, as remaining constraints are lifted, including shuttered offices, bans on entertainment events, restricted travel and limited dinning. Employment returns to its pre-pandemic level by 2023 fourth quarter.

Pessimistic Scenario: A resurgence in Covid-19 is severe enough to force another shutdown and heighten consumer retrenchment, causing further layoffs. This scenario also assumes a vaccine in late 2021, spurring a rebound in hiring. Employment remains 170,000 below its pre-pandemic level in 2024 fourth quarter.



Tax Revenue Forecast



Baseline Scenario

- The Finance Division expects a 3.0% fall in tax revenues in Fiscal 2021. The decline reflects the severe shrinkage of the City's tax base from the response to the pandemic, that occurred in the last quarter of Fiscal 2020.

- Massive layoffs and reduction of hours reduced Personal Income Tax withholdings. Shuttered and strict limits on businesses reduced business tax collections. Fewer venues to consume from and fear of venturing outside reduced Sales Tax receipts. The decimation of tourism slashed Hotel Tax revenues and all tourist-related sales.

- Only Property Tax revenues continued to grow, since tax assessments have a five-year lag from market values, which were recently strong.

- In early Fiscal 2022, tax revenues are expected to rebound by 5.5%, assuming the full availability of a vaccine. There would be a resumption of business expansion, renewed hiring, full-service food and drinking establishments, entertainment events, tourism, and more robust consumer activity. The revenue growth would moderate in the outyears, averaging 3.4% annually.

City Taxes Annual Growth Rate

Fiscal Year	Baseline	Pessimistic
FY20	2.6%	2.6%
FY21	-3.0%	-6.0%
FY22	5.5%	3.4%
FY23	3.9%	4.5%
FY24	2.8%	1.8%

Pessimistic Scenario

- A resurgence of COVID-19 in Fiscal 2021 would be severe enough to cause the City and State to again shutter and severely restrict business activity. Consumers would again be fearful to venture outside. With a new wave of business contraction, layoffs, and consumer anxiety, tax revenues would decline by a sharp 6.0%.

- As in the baseline, the pessimistic scenario assumes an accessible vaccine in early Fiscal 2022, allowing business and consumer restraints to be fully relaxed. Tax revenues are expected to rebound by 3.4% in 2022 and 4.5% in 2023, moderating thereafter.

Differences from OMB November 2020 Financial Plan

Forecasts *(mil $)*	FY21	FY22	FY23	FY24
Baseline	$1,824	$839	$447	$1,050
Pessimistic	($85)	($2,415)	($2,597)	($2,697)

- The Finance Division's baseline scenario forecasts $2,663 million in tax revenues over OMB's November Plan for Fiscal 2021 and 2022.
- The pessimistic forecast projects $2,500 million below the November Plan for Fiscal 2021 and 2022.

Risks to the Forecast

- **Federal and State Aid**: A new federal stimulus is badly needed even if the economy continues to expand as in the base scenario. Including aid to State and Local governments would prevent them from becoming a drag on the economy. The November Plan still assumes State Aid based on the New York State Adopted Budget. It is unlikely the State can provide aid on this level without Federal assistance. At risk is as much as $2 billion.

- **Real Estate Related**: The COVID-19 pandemic has created uncertainty regarding commercial mortgages loans default. These defaults have the potential to weaken the real estate market and the construction and financial sectors. Additionally, assessing property in classes 2 & 4 will be more difficult than usual, the result of pandemic-related vacancies and rent forbearance.

- **Corporate & Small Business Bankruptcies**: Non-financial firms have undertaken extensive borrowing, often to buy stock. Servicing this debt under current conditions will be difficult for some firm after a continue COVID-19 pandemic. The impact of defaults and bankruptcies could deepen the recession and weaken the economy.

- **How much long-term damage?**: COVID and the recession have put people out of work and in doing so caused worker skills to atrophy. It has driven firms out of business. It has weakened business and household balance sheets. It may be changing attitudes to where we want to work and to the kind of buildings that we want to work in. These changes may make it harder for the economy to bounce back once the pandemic is over.