



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

TO: Honorable Corey Johnson
Speaker

Honorable Daniel Dromm
Chair, Finance Committee

FROM: Latonia McKinney, Director, Finance Division
Raymond Majewski, Deputy Director/Chief Economist, Finance Division
Rebecca Chasan, Senior Counsel
Nashia Roman, Economist
William Kyeremateng, Senior Economist

DATE: December 19, 2019

SUBJECT: A Budget Modification (MN-2) for Fiscal 2020 that will appropriate \$648 million in new revenues.

INITIATION: By letter dated December 18, 2019, 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 \$648 million in new revenues. These new revenues will be used for prepayments of \$549.5 million to increase the Budget Stabilization Account and to make a \$98.4 million adjustment to the General Reserve.

BACKGROUND: This modification (MN-2) seeks to recognize \$648 million in new revenues, implementing changes reflected since the June 2019 Adopted Budget. These funds will add \$549.5 million to the Budget Stabilization Account to prepay debt service for Fiscal 2021 expenses, and upwardly adjust the General Reserve by \$98.4 million.

FISCAL IMPACT: This modification represents a net increase in the Fiscal 2020 budget of \$648 million.

RESOLUTION APPROVING A MODIFICATION (MN-2) PURSUANT TO SECTION 107(e)
OF THE CHARTER OF THE CITY OF NEW YORK.

By Council Member Dromm

Whereas, At a meeting of the Committee on Finance of the City Council of the City of New York (the "City Council") on December 19, 2019, the Committee on Finance considered a communication, dated December 18, 2019, from the Office of Management and Budget of the Mayor of the City of New York (the "Mayor"), of a proposed request to recognize a net increase in revenue pursuant to Section 107(e) of the Charter of the City of New York (the "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 2020 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 December 19, 2019 on file in this office.

Clerk of the Council of The City
of New York

THE COUNCIL

REPORT OF THE COMMITTEE ON FINANCE

RESOLUTION APPROVING A MODIFICATION (MN-2) PURSUANT TO SECTION 107(e) OF THE CHARTER OF THE CITY OF NEW YORK

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 December 19, 2019, the Council considered a communication from the Office of Management and Budget of the Mayor, dated December 18, 2019, of a proposed request to modify, pursuant to Section 107(e) of the Charter of the City of New York, the Fiscal 2020 Expense Budget Plan, and the revenue estimate related thereto prepared by the Mayor as of December 18, 2019.

Analysis. The Council annually adopts the City's budget covering expenditures pursuant to Section 254 of the Charter. On June 19, 2019, the Council adopted the expense budget for fiscal year 2020 (the "Fiscal 2020 Expense Budget"). On December 18, 2019, the Mayor submitted to the Council MN-1, modifying the Fiscal 2020 Expense Budget. On December 18, 2019, the Mayor submitted to the Council a revenue estimate MN-2, related to the Fiscal 2019 Expense Budget.

Circumstances have changed since the Council last adopted the Fiscal 2020 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 2020 Expense Budget and related revenue estimate requested in the communication.

This modification (MN-2) seeks to increase revenues in the net amount of \$648 million compared to the Fiscal 2020 Adopted Budget. This represents an increase in City funds of approximately 0.9 percent.

MN-2 is the first revenue modification of Fiscal 2020 and it reflects changes since the Adopted Budget which are outlined in the Fiscal 2020 November Financial Plan.

MN-2 recognizes \$648 million in increased revenues. Tax revenues increased by \$482 million since the Adopted Plan. This is largely due to a \$322 million increase from the business

corporation tax, and a \$249 million increase from the personal income tax. These increases are partially offset by \$105 million in reduced revenues from the unincorporated business.

Miscellaneous revenues increased by \$166 million since the Adopted Plan. This included \$119.3 million in fines and forfeitures, \$37.6 million in charges for services, \$21 million in water and sewage charges, and \$64.5 million in other miscellaneous revenues. These are partially offset by a \$79.9 million reduction in interest income.

This modification (MN-2) uses the \$648 million in new revenues to appropriate \$98.4 million to the General Reserve, effectively offsetting the \$98.4 million reduction in General Reserve funds put through by the expense modification (MN-1). MN-2 uses the remaining \$549.5 million to prepay debt service for Fiscal 2021 in Fiscal 2020.

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 2020 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.



The City of New York
Mayor's Office of Management and Budget
255 Greenwich Street - New York, New York 10007 - 2146
Telephone: (212) 788-5900 - Email: HartzogM@omb.nyc.gov

Melanie Hartzog
Director

December 18, 2019

TO THE CITY COUNCIL

Dear Council Members:

In accordance with Section 107(e) of the New York City Charter, I seek your approval to appropriate new City revenues in fiscal year 2020 in the amount of \$648.0 million.

This modification (MN-2) implements revenue budget changes reflected in the City's November Financial Plan. The \$648.0 million of new revenues, and an adjustment to the General Reserve, will be used to prepay \$549.5 million of fiscal year 2021 expenses in fiscal year 2020.

Your approval of modification MN-2 is respectfully requested.

Sincerely,

A handwritten signature in black ink, appearing to read "Melanie Hartzog".

Melanie Hartzog

**FISCAL YEAR 2020 MODIFICATION
MN-2**

098	Miscellaneous	
002	General Reserve	\$ 98,435,847
099	Debt Service	
004	Budget Stabilization Account	\$ 549,537,153
	TOTAL	<u>\$ 647,973,000</u>

Exhibit B - MN 2
Changes in Revenue Source

Agency Name

Source	Description	Fiscal 2020
	SUMMARY	
	TAX AND AUDIT REVENUE CHANGES	
	Real Estate	\$7,000,000
	Sales	24,000,000
	Mortgage Recording	39,000,000
	Personal Income	249,000,000
	General Corporation	322,000,000
	Unincorporated Business	(105,000,000)
	Utility	(12,000,000)
	Hotel	1,000,000
	Commercial Rent	(3,000,000)
	Real Property Transfer	(30,000,000)
	Others	(9,000,000)
	TAX AND AUDIT REVENUE TOTAL	\$482,000,000
	MISCELLANEOUS	
	Licenses, Franchises, Etc.	\$1,682,000
	Charges for Service	37,635,500
	Water Sewage Charges	20,984,000
	Fines and Forfeitures	119,293,500
	Rental Income	1,820,000
	Interest Income	(79,920,000)
	Other Miscellaneous	64,478,000
	MISCELLANEOUS TOTAL	\$165,973,000
	GRAND TOTAL	\$647,973,000

Exhibit B - MN 2

Changes in Revenue Source

Agency Name	Source	Description	Fiscal 2020
TAX AND AUDIT REVENUE CHANGES			
Mayoralty	00001	Real Property Tax 1st Quarter	\$42,000,000
Mayoralty	00003	Real Property Tax 3rd Quarter	(30,000,000)
Mayoralty	00004	Real Property Tax 4th Quarter	(5,000,000)
Mayoralty	00026	State Aid School Tax Relief	(7,000,000)
Mayoralty	00033	Interest On Tax Receivable	3,213,000
Mayoralty	00050	General Sales Tax	24,000,000
Mayoralty	00070	Cigarette Tax	(1,000,000)
Mayoralty	00073	Commercial Motor Vehicle Tax	2,315,000
Mayoralty	00077	Mortgage Tax	39,000,000
Mayoralty	00079	Auto Use Tax	200,000
Mayoralty	00090	Personal Income Tax	294,000,000
Mayoralty	00091	Refunds Of Personal Income Tax	(45,000,000)
Mayoralty	00093	General Corporation Tax	269,000,000
Mayoralty	00094	Refunds Of General Corp Tax	53,000,000
Mayoralty	00099	Unincorporated Business Inc Tx	(84,000,000)
Mayoralty	00100	Refunds Of Unicorp Busn Tax	(21,000,000)
Mayoralty	00102	Pers Inc Tax Cty Emp Non-res	1,000,000
Mayoralty	00103	Utility Tax	(12,000,000)
Mayoralty	00110	Payment In Lieu Of Taxes	(6,000,000)
Mayoralty	00112	Tax On Occupancy Of Hotel Room	1,000,000
Mayoralty	00113	Tx On Commercial Rents - Occup	(3,000,000)
Mayoralty	00114	Refunds Of All Other Taxes	(1,676,000)
Mayoralty	00115	Tax on Horse Race Admissions	(20,000)
Mayoralty	00117	Marijuana Excise Tax	36,000
Mayoralty	00121	Off Track Betting - Surtax	(300,000)
Mayoralty	00122	Conveyance Of Real Property Tx	(30,000,000)
Mayoralty	00124	Beer + Liquor Excise Tax	(131,000)
Mayoralty	00125	Taxi Medalion Transfer Tax	(385,000)
Mayoralty	00126	Surcharge On Liquor Licenses	(112,000)
Mayoralty	00130	Pen & Int-gen Prop Tax	(235,000)
Mayoralty	00134	Refunds On Pen & Int-other Tax	95,000
TAX AND AUDIT REVENUE CHANGES TOTAL			\$482,000,000

MISCELLANEOUS

Licenses, Franchises, Etc.

Landmarks Preservation Commission	00250	Permits - General	\$100,000
Department Of Environmental Protection	00250	Permits - General	1,300,000
Department Of Transportation	00250	Permits - General	194,000
Department Of Sanitation	00325	Privileges - Other	(175,000)
Department Of Transportation	00325	Privileges - Other	263,000
Licenses, Franchises, Etc. Subtotal			\$1,682,000

Charges for Service

Police Department	00470	Other Services And Fees	\$314,000
Fire Department	00470	Other Services And Fees	1,936,000
Housing Preservation And Development	00470	Other Services And Fees	23,314,500
Department Of Buildings	00470	Other Services And Fees	655,000
Department Of Environmental Protection	00470	Other Services And Fees	(5,682,000)
Business Integrity Commission	00470	Other Services And Fees	98,000

Exhibit B - MN 2
Changes in Revenue Source

Agency Name	Source	Description	Fiscal 2020
Department Of Finance	00470	Other Services And Fees	2,500,000
Department Of Transportation	00472	Parking Meter Revenues	14,500,000
		<i>Charges for Service Subtotal</i>	\$37,635,500
Water and Sewage Charges			
Mayoralty	00521	Reimbursement From Water Board	\$20,984,000
		<i>Water and Sewage Subtotal</i>	\$20,984,000
Fines and Forfeitures			
Department Of Finance	00602	Fines - Pvb	\$92,706,000
Office Of Administrative Trials And Hearings	00603	Fines - Ecb	26,071,000
District Attorney - New York County	00650	Forfeitures - General	516,500
		<i>Fines and Forfeitures Subtotal</i>	\$119,293,500
Rental Income			
Housing Preservation And Development	00760	Rentals: Other	\$1,820,000
		<i>Rental Income Subtotal</i>	\$1,820,000
Interest Income			
Office Of The Comptroller	56001	Interest Income - Other	(\$71,000,000)
Department Of Finance	56001	Interest Income - Other	(400,000)
Department Of Finance	56002	Interest Income- Sales Tax	(3,000,000)
Office Of The Comptroller	56003	Interest-Debt Service Fund	(5,520,000)
		<i>Interest Income Subtotal</i>	(\$79,920,000)
Other Miscellaneous			
Department Of Sanitation	00822	Minor Sales	\$382,000
Law Department	00846	Awards From Litigation	7,367,000
Police Department	00847	E-911 Surcharges	(1,000,000)
Police Department	00848	Wireless /cell Phone Surcharges	2,000,000
Mayoralty	00859	Sundries	48,029,000
Department Of Finance	00859	Sundries	7,700,000
		<i>Other Miscellaneous Subtotal</i>	\$64,478,000
MISCELLANEOUS TOTAL			\$165,973,000
GRAND TOTAL			\$647,973,000

