



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

TO: Honorable Melissa Mark-Viverito
Speaker

Honorable Julissa Ferreras
Chair, Finance Committee

FROM: Raymond Majewski, Deputy Director/Chief Economist
Finance Division

DATE: April 10, 2014

SUBJECT: A Preconsidered Budget Modification (MN-3) for Fiscal 2014 that will appropriate \$1.964 billion in new revenues.

INITIATION: By letter dated April 7, 2014 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 \$1.964 billion in new revenues. These revenues will be used to increase the budget stabilization account by \$1.628 billion and to increase the general reserve by \$336 million.

BACKGROUND: This modification (MN-3) seeks to recognize \$1,964 billion in new revenues reflecting the City's November and February financial plans. \$1.628 billion of these funds are added to the budget stabilization account, which will prepay debt service for fiscal year 2015. The remainder, \$336 million is added to the general reserve. An adjustment will be made to reduce the general reserve to \$150 million as reflected in the February Plan.

FISCAL IMPACT: This modification represents a net increase in the Fiscal 2014 budget of \$ 1.964 billion.

Preconsidered Res. No. _____

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

By Council Member Ferreras

Whereas, on April 10, 2014 the Committee on Finance of the City Council received a communication, dated April 7, 2014 from the Mayor's Office of Management and Budget, 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, 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 2012 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.

**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 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 April 10, 2014, the Council received a communication, from the Office of Management and Budget of the Mayor, dated April 7, 2014, of a proposed request to modify, pursuant to Section 107(e) of the Charter of the City of New York, the Fiscal 2014 Expense Budget, and the revenue estimate related thereto prepared by the Mayor as of June 26th, 2013.

Analysis. The Council annually adopts the City's budget covering expenditures pursuant to Section 254 of the Charter. On June 26, 2013, the Council adopted the expense budget for fiscal year 2014 (the "Fiscal 2014 Expense Budget"). On June 26, 2013, the Mayor submitted to the Council a revenue estimate related to the Fiscal 2014 Expense Budget. On October 9, 2013, the Council adopted MN-1 modifying the Fiscal 2014 Expense Budget. Circumstances have changed since the Council last amended the Fiscal 2014 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 2014 Expense Budget and related revenue estimate requested in the Communication.

This modification (MN-3) seeks to increase revenues in the net amount of \$1.964 billion from the Fiscal 2014 Adopted budget. This represents an increase in City funds of approximately 3.9 percent.

MN-3 is the first revenue modification of Fiscal 2014 and it incorporates changes from the November and February plans. Its size and composition were within rounding errors of the Finance Division's expectations based on those plans.

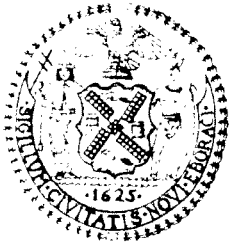
The preponderate share of the additional revenue came from taxes, amounting to \$1.417 billion. The personal income tax garnered \$494 million in additional collections than projected at Adoption, as payroll employment and the stock exchange showed exceptional growth. Real estate taxes took in \$211 million more than initially projected, as tax delinquencies fell sharply in the past year. Real property transfers were \$323 million over Adoption, driven by several high value transactions towards the end of calendar year 2013 and accelerating pace in home sales. The mortgage recording tax brought in \$227 million above Adoption, also benefiting from increasing real estate transactions.

Miscellaneous revenues contributed \$546 million in the revenue modification. Included in miscellaneous revenues were \$233 million from the sale of City-owned property, chiefly around the Civic Center. Also included were stronger than expected revenue from the sale of taxi medallions, contributing \$64 million.

Today's revenue modification, MN-3, will add \$1.628 billion to the Budget Stabilization Account (BSA). The February Plan proposes to use this amount together with the \$142 million already in the BSA since Adoption, a total of \$1.770 billion for prepayment for Fiscal 2015.¹ Another \$336 million of the additional revenue will be added to the General Reserve, which when added to the \$450 million already in the Reserve since Adoption, brings the balance to \$786 million. The expense budget modification, MN-2, will in turn transfer out \$635 million, leaving \$150 million in the General Reserve.

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 2014 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.

¹ This modification does not make these prepayments; it moves funds into the BSA which could be used to make such prepayments in a future budget modification.



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

EXHIBIT A

Dean Fuleihan
Director

April 7, 2014

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 revenues of \$1.964 billion in fiscal year 2014.

This modification (MN-3) will implement revenue budget changes reflected in the City's November and February Financial Plans. The \$1.964 billion of new revenues will be used to increase the Budget Stabilization Account by \$1.628 billion to prepay fiscal year 2015 debt service in fiscal year 2014. In addition, an adjustment to the General Reserve will be implemented to reduce the funding to \$150 million as reflected in the February Financial Plan.

Your approval of modification MN-3 is respectfully requested.

Sincerely,

A handwritten signature in black ink, appearing to read 'D. Fuleihan'.

Dean Fuleihan

FISCAL YEAR 2014 MODIFICATION
MN-3

098	Miscellaneous	
	002 General Reserve	\$335,702,651
099	Debt Service	
	004 Budget Stabilization Account	<u>1,628,130,613</u>
	TOTAL	<u>\$1,963,833,264</u>

Exhibit B
Changes in Revenue by Revenue Source

EXHIBIT B - MN-3

Agency Name	Source Description	Fiscal 2014
SUMMARY		
TAX AND AUDIT REVENUE CHANGES		
	Real Estate	\$211,000,000
	Sales	101,000,000
	Mortgage Recording	227,000,000
	Personal Income	494,000,000
	General Corporation	133,000,000
	Banking Corporation	(80,000,000)
	Unincorporated Business	3,000,000
	Utility	(9,500,000)
	Hotel	15,200,000
	Commercial Rent	3,000,000
	Real Property Transfer	323,000,000
	Cigarette	(6,000,000)
	Audit	1,000,000
	STAR	1,641,000
	TAX AND AUDIT REVENUE TOTAL	\$1,417,341,000.00
MISCELLANEOUS		
	Licenses, Franchises, Etc.	(\$3,151,000)
	Charges for Services	13,069,200
	Water and Sewage Charges	3,500,000
	Fines and Forfeitures	(8,087,600)
	Rental Income	(11,091,000)
	Interest	6,750,000
	Other Miscellaneous	545,502,664
	MISCELLANEOUS TOTAL	\$546,492,264
	GRAND TOTAL	\$1,963,833,264

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Changes in Revenue by Revenue Source

EXHIBIT B - MN-3

Agency Name	Source	Description	Fiscal 2014
TAX AND AUDIT REVENUE CHANGES			
Mayoral	00001	Real Prop Tax 1st Quart	\$100,000,000
Mayoral	00002	Real Prop Tax 2nd Quart	(114,000,000)
Mayoral	00003	Real Prop Tax 3rd Quart	120,000,000
Mayoral	00021	Real Estate Tax Refunds	49,000,000
Mayoral	00026	State Aid School Tax Relief	1,641,000
Mayoral	00034	Real Property Tax Lien Sales	40,000,000
Mayoral	00049	Accrued Real Estate Tax Revenue	16,000,000
Mayoral	00050	General Sales Tax	101,000,000
Mayoral	00070	Cigarette Tax	(6,000,000)
Mayoral	00077	Mortgage Tax	227,000,000
Mayoral	00090	Personal Income Tax	511,000,000
Mayoral	00091	Refunds Of Personal Income Tax	(17,000,000)
Mayoral	00093	General Corporation Tax	103,000,000
Mayoral	00094	Refunds Of General Corp Tax	30,000,000
Mayoral	00095	Financial Corporation Tax	(80,000,000)
Mayoral	00096	Refunds Of Financial Corp Tax	-
Mayoral	00099	Unincorporated Business Inc Tx	9,000,000
Mayoral	00100	Refunds Of Unicorp Busn Tax	(6,000,000)
Mayoral	00103	Utility Tax	(9,500,000)
Mayoral	00112	Tax On Occupancy Of Hotel Room	15,200,000
Mayoral	00113	Tx On Commercial Rents - Occup	3,000,000
Mayoral	00122	Conveyance Of Real Property Tax	323,000,000
Mayoral	00135	Tax Audit Revenue	1,000,000
TAX AND AUDIT REVENUE TOTAL			\$1,417,341,000
MISCELLANEOUS			
Licenses, Franchises, Etc.			
TLC	00200	Licenses - General	(\$5,984,000)
Mayoral	00200	Licenses - General	50,000
DOHMH	00200	Licenses - General	(3,128,000)
City Clerk	00201	Marriage Licenses	110,000
Landmarks	00250	Permits - General	1,386,000
DOB	00250	Permits - General	7,730,000
DOB	00251	Construction Permits	689,000
Dept Sanit	00304	Dumping Privileges	450,000
DOITT	00320	Franchises - Other	(1,673,000)
Dept Sanit	00325	Privileges - Other	(2,781,000)
Licenses, Franchises, Etc. Subtotal			(\$3,151,000)

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Agency Name	Source	Description	Fiscal 2014
Charges for Services			
DOHMH	00430	Health Services/Fees	(\$669,000)
Mayoral	00470	Other Services And Fees	(100,000)
NYPD	00470	Other Services And Fees	658,000
NYFD	00470	Other Services And Fees	(2,250,000)
Office Payroll Admin	00470	Other Services And Fees	(22,800)
Dept of Probation	00470	Other Services And Fees	(719,000)
HPD	00470	Other Services And Fees	8,338,500
DOB	00470	Other Services And Fees	2,034,000
DEP	00470	Other Services And Fees	(1,142,000)
Dept Sanit	00470	Other Services And Fees	(186,000)
Business Integrity Comm	00470	Other Services And Fees	(22,000)
DOF	00470	Other Services And Fees	1,256,000
DPR	00470	Other Services And Fees	(77,000)
PA New York	00470	Other Services And Fees	(680,000)
PA Kings	00470	Other Services And Fees	565,000
PA Queens	00470	Other Services And Fees	268,000
DOT	00472	Parking Meter Revenues	(2,722,500)
Mayoral	00476	Administrative Sery To Public	800,000
DCP	00476	Administrative Sery To Public	169,000
City Clerk	00476	Administrative Sery To Public	105,000
Fin Info Svcs Agency	00476	Administrative Sery To Public	(50,000)
DOB	00476	Administrative Sery To Public	(24,000)
DOF	00476	Administrative Sery To Public	9,600,000
DPR	00476	Administrative Sery To Public	(275,000)
DCAS	00476	Administrative Sery To Public	215,000
Dept Correct	00482	Commissary Funds	(2,000,000)
Charges for Services Subtotal			\$13,069,200
Water and Sewage Charges			
Mayoral	00521	Reimbursement From Water Board	\$27,500,000
Mayoral	00522	Payment From Water Board	(24,000,000)
Water and Sewage Charges Subtotal			\$3,500,000

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Agency Name	Source	Description	Fiscal 2014
Fines and Forfeitures			
Law Dept	00600	Fines-General	(\$375,000)
City Clerk	00600	Fines-General	(81,000)
TLC	00600	Fines-General	3,509,000
DOB	00600	Fines-General	13,311,000
Admin Trials & Hearings	00600	Fines-General	(10,900,000)
DOF	00600	Fines-General	(1,600,000)
Consumer Aff	00600	Fines-General	1,040,000
DOF	00602	Fines - Pvb	(18,969,000)
Admin Trials & Hearings	00603	Fines - ECB	(5,447,000)
DOF	00603	Fines - ECB	12,184,400
DOF	00650	Forfeitures - General	(1,000,000)
DA Kings	00650	Forfeitures - General	240,000
<i>Fines and Forfeitures Subtotal</i>			<i>(\$8,087,600)</i>
Rental Income			
Mayoral	00752	Rentals: Airport-Port NY Auth	(\$200,000)
DPR	00753	Rentals: Dock Ship Wharfage	(231,000)
DPR	00755	Rentals: Yankee Stadium	(500,000)
DPR	00756	Rentals: Shea Stadium	(250,000)
DCAS	00760	Rentals: Other	(9,910,000)
<i>Rental Income Subtotal</i>			<i>(\$11,091,000)</i>
Interest			
Comptroller	56001	Interest Income - Other	\$7,730,000
DOF	56002	Interest Income- Sales Tax	(110,000)
Comptroller	56003	Interest-Debt Service Fund	(870,000)
<i>Interest Subtotal</i>			<i>\$6,750,000</i>

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Changes in Revenue by Revenue Source

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Agency Name	Source	Description	Fiscal 2014
Other Miscellaneous			
HPD	00815	Sales Of In Rem Property	\$3,225,000
DCAS	00817	Mortgage Payments	416,000
DCAS	00820	Sales Of City Real Property	233,015,000
DCP	00822	Minor Sales	368,000
Dept Sanit	00822	Minor Sales	(1,628,000)
NYPD	00847	E-911 Surcharges	(7,500,000)
NYPD	00848	Wireless Cell Phone Surcharges	(2,000,000)
NYPD	00849	Wireless E911 Surcharges-Voip	7,000,000
Mayoral	00859	Sundries	207,453,036
Law Dept	00859	Sundries	900,000
NYPD	00859	Sundries	(2,252,000)
Dept of Social Svcs	00859	Sundries	(908,000)
Dept Correct	00859	Sundries	129,000
Office Payroll Admin	00859	Sundries	47,000,000
TLC	00859	Sundries	64,000,000
SBS	00859	Sundries	1,528,628
DOHMH	00859	Sundries	68,000
Dept Sanit	00859	Sundries	550,000
DOF	00859	Sundries	(50,000)
DPR	00859	Sundries	(5,420,000)
DCAS	00859	Sundries	(11,000)
DOITT	00859	Sundries	(181,000)
Dept of Records & Info Svcs	00859	Sundries	(200,000)
Other Miscellaneous			\$545,502,664
MISCELLANEOUS TOTAL			\$546,492,264
GRAND TOTAL			\$1,963,833,264