



**THE COUNCIL
THE CITY OF NEW YORK
FINANCE DIVISION
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TO: Honorable Corey Johnson
Speaker

Honorable Daniel Dromm
Chair, Finance Committee

FROM: Latonia R. McKinney, Director
Ray Majewski, Deputy Director/Chief Economist
Paul Scimone, Deputy Director
Regina Poreda Ryan, Deputy Director
Nathan Toth, Deputy Director
Rebecca Chasan, Counsel

DATE: April 11, 2016

SUBJECT: A budget modification (MN-6) for Fiscal Year 2018 to implement changes in the City's expense budget.

INITIATION: By letter dated April 6, 2018, the Director of the Office of Management and Budget submitted to the Council, pursuant to section 107(b) of the New York City Charter, a request for approval to transfer funds between various agencies in the amount of \$970,333,665 to implement changes in the City's expense budget.

BACKGROUND: MN-6 reallocates appropriations that were reflected in the Fiscal 2018 Adopted Budget to implement expense budget changes which were reflected in the November and February Financial Plans and to fund City Council local initiatives as well as other discretionary programs.

FISCAL IMPACT: MN-6 represents the reallocation of appropriations. The net effect of this modification is zero.

**RESOLUTION APPROVING THE MODIFICATION
(MN-6) OF UNITS OF APPROPRIATION AND THE
TRANSFER OF CITY FUNDS BETWEEN
AGENCIES PROPOSED BY THE MAYOR
PURSUANT TO SECTION 107(b) OF THE NEW
YORK CITY CHARTER**

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 April 10, 2016, the Committee on Finance considered a communication, dated April 6, 2018, from the Office of Management and Budget of the Mayor of The City of New York (the “Mayor”), of a proposed request, attached hereto as Exhibit 1 (the “Modification”), to modify units of appropriation and transfer city funds in the amount of \$970,333,665 in the Fiscal 2018 expense budget as adopted by the Council on June 6, 2017, pursuant to Section 107(b) of the Charter of the City of New York (the “Charter”); and

Whereas, pursuant to Section 107(b) of the Charter, the City Council has thirty (30) days after the first stated meeting of the City Council following such receipt within which to act upon the Modification;

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

- 1. Approval of Modification.** The City Council hereby approves, pursuant to Section 107(b) of the Charter, the actions proposed by the Mayor as set forth in the Modification.
- 2. 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 _____ file in this office.

Clerk of the Council of the City of New York

THE COUNCIL

**REPORT OF THE COMMITTEE ON FINANCE
RESOLUTION APPROVING THE MODIFICATION (MN-6) OF UNITS OF
APPROPRIATION AND THE TRANSFER OF CITY FUNDS BETWEEN
AGENCIES PROPOSED BY THE MAYOR PURSUANT TO SECTION 107(b) 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 a meeting of the Committee on Finance of the City Council of the City of New York (the “City Council”) on April 11, 2016, the Committee on Finance considered a communication, dated April 6, 2018, from the Office of Management and Budget of the Mayor of The City of New York (the “Mayor”), of a proposed request, attached hereto as Exhibit “1” (the “modification” or “MN-6”), to modify units of appropriation and transfer City funds between various agencies in the amount of \$970,333,665 in the Fiscal 2018 expense budget as adopted by the Council on June 6, 2017, as modified on September 27, 2017, January 16, 2018, and February 15, 2018 pursuant to Section 107(b) of the New York City Charter (the “Charter”).

Analysis. The Council annually adopts the City’s budget covering expenditures other than for capital projects (the “expense budget”) pursuant to Section 254 of the Charter. On June 6, 2017, the Council adopted the expense budget for Fiscal 2018 (the “Fiscal 2018 Expense Budget”). On September 27, 2017, January 16, 2018, and February 15, 2018 the Council modified the Fiscal 2018 Expense Budget. This Modification reallocates appropriations in the amount of \$970,333,665 that were reflected in the Fiscal 2018 Expense Budget to implement changes reflected in the November and February Financial Plan and to fund City Council initiatives and other discretionary programs. The net effect of the modification is zero.

The changes included in the modification have an associated headcount addition of 1,734 positions overall, 918 of which would be City-funded. The headcount changes are shown in the Financial Plan, however, and not in the Modification.

Headcount Additions in FY18		
	TOTAL	City
<u>Nov Plan</u>		
New Needs	161	149
Other Adjustments	809	256
Sub-Total	970	405
<u>Feb Plan</u>		
New Needs	476	458
Other Adjustments	288	55
Sub-Total	764	513
TOTAL	1,734	918

Below is a list of the major actions for Fiscal 2018 contained in the Expense Budget modification which the Administration is requesting that the Council approve:

Department of Homeless Services

- **Homeless Shelter Re-estimate - \$169.9 million:** The budget modification increases shelter spending for the remainder of Fiscal 2018 by \$169.9 million, of which \$150 million are City funds. Of the \$150 million in City funds, \$5.5 million support shelters for families with children, \$28.1 million support adult family shelters, and \$116.4 million support single adult shelters.

Department of Education

- **NYC School Support Services - \$50 million:** The budget modification increases the budget for New York City School Support Services (NYC SSS), the non-profit entity that provides custodial support to Department of Education (DOE) schools by \$50 million. The funding being added to the Fiscal 2018 budget is for fringe costs, which were higher than expected, and for the cost of custodial services at new schools: NYC SSS hired 63 staff for schools that opened in Fall 2016 (Fiscal 2017) and 60 new staff for schools that opened in Fall 2017 (Fiscal 2018).
- **Custodial Operations - \$21 million:** The budget modification would lower the budget for DOE custodial operation by \$21 million. This reflects internal savings from within the DOE's School Facilities budget that are being used to offset some of the additional NYC SSS-related need. There is \$9.9 million in savings associated with custodial engineers taking on additional assignments following the transition to NYC SSS, enabling the phase out of Temporary Care positions, and \$10.6 million in savings from custodial service contracts that have ended
- **Absent Teacher Reserve (ATR) Employee Departure program - \$15.7 million:** The budget modification reflects a savings of \$15.7 million in DOE's Fiscal 2018 budget as a result of the Absent Teacher Reserve Employee Departure program, which encourages retirement by employees of the appropriate age. Through this initiative, DOE no longer has to pay the salary for the employee in the ATR pool.
- **6th Period Coverage - \$16.4 million:** DOE will generate a savings of \$16.4 million in Fiscal 2018 by encouraging schools to use a variety of choices available for 6th period coverage as a way to reduce excess per session costs, such as hiring a substitute or a teacher from the ATR pool to cover this time.
- **School Food Revenue Adjustment - \$38 million:** This budget modification recognizes an additional \$38 million in federal revenue for school food, which support DOE's Universal Free Lunch program. This additional revenue replaces City funding by the corresponding amount in Fiscal 2018.

Department of Small Business Services

- **NYC School Bus Grant Program - \$41.8 million:** The modification would add \$41.8 million to the Department of Small Business Services for the school bus grant program to support the employment of experienced school bus workers impacted by changes in the Department of Education's contracts for school bus

transportation. To date, all grants made through this program have gone to Reliant Transportation.

Department of Correction

- **Close GMDC Jail on Rikers Island - \$10.2 million:** The Budget Modification will reduce DOC's Budget by \$10.2 million in Fiscal 2018 due to the closure of GMDC. According to the Department, current GMDC uniform staff will be transferred to other facilities once the Department starts transferring the 18-year-old inmates.

New York Police Department

- **Police Department Civilian Accruals - \$19.6 million:** The Budget Modification recognizes \$19.6 million in civilian accruals in Fiscal 2018 for the Police Department. According to the Police Department, these accruals are various civilian titles, including traffic enforcement agents, none of which would impact patrol services. These accruals are a result of hiring delays, due to the lengthy and time-consuming background investigation by the Department for all new hires.

Miscellaneous Budget

- **Fringe Benefits - \$233.3 million:** Federally negotiated fringe reimbursement rates will result in additional revenues that offset City costs at ACS, DHS, and HRA. Additionally, a number of re-estimates will reduce the cost of fringe benefits, including health insurance and workers' compensation.
- **General Reserve - \$500 million:** Funds were added to the General Reserve which are allocated through the Revenue Budget modification.
- **Debt Service Reestimate - \$167.7 million:** The largest portion of this savings, nearly \$119 million, is due to OMB revising its assumptions of the interest rates the City pays on its variable-rate bonds. An additional \$20 million is realized due to the refunding of general obligation bonds.

Procedure. If the Mayor wishes to transfer part or all of any unit of appropriation to another unit of appropriation from one agency to another; or when a transfer from one unit of appropriation to the another, and such transfer results in any unit of appropriation being increased or decreased by the greater of five percent or \$50,000, section 107(b) of the Charter requires that the Mayor must first notify the Council of the proposed action. Within 30 days after the first stated meeting of the Council following receipt of such notice, the Council may disapprove such proposed action. If the Council fails to approve or disapprove such proposed action within such 30-day period, the proposed action becomes effective and the Mayor has the authority to make such transfer.

Description of Above-captioned Resolution. In the above-captioned resolution, the Council would approve the Modification pursuant to Section 107(b) of the Charter. Such resolution would take effect as of the date of approval.