

The City of New York
Michael R. Bloomberg, Mayor

Financial Plan Summary

Fiscal Years 2006 — 2010

Office of Management and Budget
Mark Page, Director

January 31, 2006



Budget Summary

Financial Plan Summary

Fiscal Years 2006 - 2010

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I. Budget Update

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Fiscal Year 2006 Budget

As of Current Financial Plan, January 2006

\$ in Millions

AGENCY	Personal Service Costs				Other Than Personal Service Costs						All Funds Total	City Funds Total
	Salaries & Wages	Fringe Benefits	Pensions	PS Subtotal	Agency OTPS	PA, MA & Other Mandates	Legal Services	Judgments & Claims	Debt Service	OTPS Subtotal		
UNIFORM AGENCIES												
Police Department	\$3,496	\$1,554	\$1,393	\$6,443	\$319	---	\$35	\$101	\$55	\$510	\$6,953	\$6,455
Fire Department	1,187	540	654	2,381	144	---	5	20	47	216	2,597	2,374
Dept. of Correction	747	323	168	1,238	123	---	8	21	139	291	1,529	1,480
Dept. of Sanitation	675	336	96	1,107	441	---	5	26	152	624	1,731	1,675
Subtotal	\$6,105	\$2,753	\$2,311	\$11,169	\$1,027	---	\$53	\$168	\$393	\$1,641	\$12,810	\$11,984
HEALTH AND WELFARE												
Administration for Children's Services	\$345	\$104	\$23	\$472	\$1,876	---	\$2	\$3	---	\$1,881	\$2,353	\$729
Department of Social Services	635	289	63	987	245	5,849	2	5	59	6,160	7,147	5,092
Department of Homeless Services	110	38	8	156	274	331	1	---	---	606	762	341
Department of Health and Mental Hygiene	317	97	23	437	1,241	---	1	3	19	1,264	1,701	738
Health and Hospitals Corporation ⁽¹⁾	---	17	---	17	196	704	25	190	163	1,278	1,295	\$1,095
Subtotal	\$1,407	\$545	\$117	\$2,069	\$3,832	\$6,884	\$31	\$201	\$241	\$11,189	\$13,258	\$7,995
EDUCATION												
Dept. of Education	\$8,406	\$2,537	\$1,381	\$12,324	\$3,838 ⁽²⁾	---	\$16	\$32	\$776	\$4,662	\$16,986	\$8,613
City University	334	83	27	444	201	---	1	1	45	248	692	501
Subtotal	\$8,740	\$2,620	\$1,408	\$12,768	\$4,039	---	\$17	\$33	\$821	\$4,910	\$17,678	\$9,114
OTHER AGENCIES	\$1,835	\$637	\$153	\$2,625	\$2,710	---	\$73	\$198	\$1,281	\$4,262	\$6,887	\$5,297
ELECTED OFFICIALS	\$407	\$100	\$28	\$535	\$89	---	\$5	\$1	---	95	\$630	\$562
MISC. BUDGET	\$310	---	---	\$310	---	\$1,416⁽³⁾	---	---	\$241	\$1,657	\$1,967	\$1,833
DEBT SERVICE COSTS (unallocated)	---	---	---	---	---	---	---	---	\$306	\$306	\$306	\$264
REESTIMATE OF PRIOR YEAR'S EXPENSES	---	---	---	---	(\$400)	---	---	---	---	(\$400)	(\$400)	(\$400)
TOTAL	\$18,804	\$6,655	\$4,017	\$29,476	\$11,297	\$8,300	\$179	\$601	\$3,283	\$23,660	\$53,136	\$36,649
City Funds	\$10,642	\$6,072	\$3,838	\$20,552	\$5,859	\$6,502	\$174	\$411	\$3,151	\$16,097	\$36,649	

(1) Only reflects funding appropriated in the City's Budget.

(2) In addition, \$152 million is spent for School Safety Agents, whose costs are reflected in the Police Department's Salaries and Wages.

(3) Includes subsidies to the Transit Authority and private bus lines (\$627 million), General Reserve (\$100 million), Pay-Go-Capital (\$200 million), Indigent Defense Services (\$217 million) and Other Contractual Services (\$272 million).

Notes: Excludes the impact of prepayments; totals may not add due to rounding.

Fiscal Year 2007 Budget

As of Current Financial Plan, January 2006

\$ in Millions

AGENCY	Personal Service Costs				Other Than Personal Service Costs						All Funds Total	City Funds Total
	Salaries & Wages	Fringe Benefits	Pensions	PS Subtotal	Agency OTPS	PA, MA & Other Mandates	Legal Services	Judgments & Claims	Debt Service	OTPS Subtotal		
UNIFORM AGENCIES												
Police Department	\$3,433	\$1,612	\$1,627	\$6,672	\$221	---	\$32	\$112	\$67	\$432	\$7,104	\$6,823
Fire Department	1,151	559	734	2,444	102	---	4	22	56	184	2,628	2,467
Dept. of Correction	727	336	213	1,276	102	---	7	24	169	302	1,578	1,536
Dept. of Sanitation	679	353	139	1,171	477	---	4	29	184	694	1,865	1,829
Subtotal	\$5,990	\$2,860	\$2,713	\$11,563	\$902	---	\$47	\$187	\$476	\$1,612	\$13,175	\$12,655
HEALTH AND WELFARE												
Administration for Children's Services	\$355	\$111	\$36	\$502	\$1,767	---	\$3	\$3	\$1	\$1,774	\$2,276	\$721
Department of Social Services	663	305	85	1,053	235	6,278	2	6	71	6,592	7,645	5,566
Department of Homeless Services	105	39	11	155	261	307	---	---	---	568	723	341
Department of Health and Mental Hygiene	336	99	35	470	1,147	---	1	3	23	1,174	1,644	732
Health and Hospitals Corporation ⁽¹⁾	---	19	---	19	170	786	22	192	182	1,352	1,371	\$1,177
Subtotal	\$1,459	\$573	\$167	\$2,199	\$3,580	\$7,371	\$28	\$204	\$277	\$11,460	\$13,659	\$8,537
EDUCATION												
Dept. of Education	\$8,482	\$2,656	\$1,731	\$12,869	\$3,797 ⁽²⁾	---	\$15	\$33	\$962	\$4,807	\$17,676	\$9,162
City University	311	78	31	420	171	---	1	1	44	217	637	445
Subtotal	\$8,793	\$2,734	\$1,762	\$13,289	\$3,968	---	\$16	\$34	\$1,006	\$5,024	\$18,313	\$9,607
OTHER AGENCIES	\$1,775	\$659	\$207	\$2,641	\$2,470	---	\$63	\$220	\$1,563	\$4,316	\$6,957	\$5,580
ELECTED OFFICIALS	\$366	\$102	\$37	\$505	\$75	---	\$3	\$1	---	\$79	\$584	\$544
MISC. BUDGET	\$572	---	---	\$572	---	\$1,514 ⁽³⁾	---	---	\$292	\$1,806	\$2,378	\$2,178
DEBT SERVICE COSTS (unallocated)	---	---	---	---	---	---	---	---	\$393	\$393	\$393	\$345
REESTIMATE OF PRIOR YEAR'S EXPENSES	---	---	---	---	---	---	---	---	---	---	---	---
TOTAL	\$18,955	\$6,928	\$4,886	\$30,769	\$10,995	\$8,885	\$157	\$646	\$4,007	\$24,690	\$55,459	\$39,446
City Funds	\$10,902	\$6,351	\$4,706	\$21,959	\$5,927	\$7,096	\$153	\$457	\$3,854	\$17,487	\$39,446	

(1) Only reflects funding appropriated in the City's Budget.

(2) In addition, \$156 million is spent for School Safety Agents, whose costs are reflected in the Police Department's Salaries and Wages.

(3) Includes subsidies to the Transit Authority and private bus lines (\$552 million), General Reserve (\$300 million), Pay-Go-Capital (\$200 million), Indigent Defense Services (\$203 million) and Other Contractual Services (\$259 million).

Changes Between FY 2006 and FY 2007 Budgets

As of Current Financial Plan, January 2006

\$ in Millions

AGENCY	Personal Service Costs				Other Than Personal Service Costs						All Funds Total	City Funds Total
	Salaries & Wages	Fringe Benefits	Pensions	PS Subtotal	Agency OTPS	PA, MA & Other Mandates	Legal Services	Judgments & Claims	Debt Service	OTPS Subtotal		
UNIFORM AGENCIES												
Police Department	(\$63)	\$58	\$234	\$229	(\$98)	---	(\$3)	\$11	\$12	(\$78)	\$151	\$368
Fire Department	(36)	19	80	63	(42)	---	(1)	2	9	(32)	31	93
Dept. of Correction	(20)	13	45	38	(21)	---	(1)	3	30	11	49	56
Dept. of Sanitation	4	17	43	64	36	---	(1)	3	32	70	134	154
Subtotal	(\$115)	\$107	\$402	\$394	(\$125)	---	(\$6)	\$19	\$83	(\$29)	\$365	\$671
HEALTH AND WELFARE												
Administration for Children's Services	\$10	\$7	\$13	\$30	(\$109)	---	\$1	---	\$1	(\$107)	(\$77)	(\$8)
Department of Social Services	28	16	22	66	(10)	429	---	1	12	432	498	474
Department of Homeless Services	(5)	1	3	(1)	(13)	(24)	(1)	---	---	(38)	(39)	---
Department of Health and Mental Hygiene	19	2	12	33	(94)	---	---	---	4	(90)	(57)	(6)
Health and Hospitals Corporation	---	2	---	2	(26)	82	(3)	2	19	74	76	82
Subtotal	\$52	\$28	\$50	\$130	(\$252)	\$487	(\$3)	\$3	\$36	\$271	\$401	\$542
EDUCATION												
Dept. of Education	\$76	\$119	\$350	\$545	(\$41)	---	(\$1)	\$1	\$186	\$145	\$690	\$549
City University	(23)	(5)	4	(24)	(30)	---	---	---	(1)	(31)	(55)	(56)
Subtotal	\$53	\$114	\$354	\$521	(\$71)	---	(\$1)	\$1	\$185	\$114	\$635	\$493
OTHER AGENCIES	(\$60)	\$22	\$54	\$16	(\$240)	---	(\$10)	\$22	\$282	\$54	\$70	\$283
ELECTED OFFICIALS	(\$41)	\$2	\$9	(\$30)	(\$14)	---	(\$2)	---	---	(\$16)	(\$46)	(\$18)
MISC. BUDGET	\$262	---	---	\$262	---	\$98	---	---	\$51	\$149	\$411	\$345
DEBT SERVICE COSTS (unallocated)	---	---	---	---	---	---	---	---	\$87	\$87	\$87	\$81
REESTIMATE OF PRIOR YEAR'S EXPENSES	\$ ---	\$ ---	\$ ---	\$ ---	\$400	\$ ---	\$ ---	\$ ---	\$ ---	\$400	\$400	\$400
TOTAL	\$151	\$273	\$869	\$1,293	(\$302)	\$585	(\$22)	\$45	\$724	\$1,030	\$2,323	\$2,797
City Funds	\$260	\$279	\$868	\$1,407	\$68	\$594	(\$21)	\$46	\$703	\$1,390	\$2,797	

Notes: Excludes the impact of prepayments; totals may not add due to rounding.

City Revenue and Expense Growth

As of Current Financial Plan, January 2006

City Funds - \$ in Millions

	FY 2005 ⁽²⁾	FY 2006	FY 2007	FY 2008	FY 2009	FY2010
Revenues⁽¹⁾ (see page 6)	\$36,056	\$36,374	\$36,192	\$36,895	\$38,189	\$39,980
	<i>Year-to-Year</i>	\$318	(\$182)	\$703	\$1,294	\$1,791
	<i>Change:</i>	0.9%	(0.5%)	1.9%	3.5%	4.7%
Expenditures⁽¹⁾						
Controllable Agency Expenses (see page 7)	\$16,413	\$17,075	\$16,975	\$17,147	\$17,340	\$17,616
	<i>Year-to-Year</i>	\$662	(\$100)	\$172	\$193	\$276
	<i>Change:</i>	4.0%	(0.6%)	1.0%	1.1%	1.6%
Non-Controllable Agency Expenses (see page 8)	\$18,032	\$19,574	\$22,471	\$23,195	\$24,349	\$25,075
	<i>Year-to-Year</i>	\$1,542	\$2,897	\$724	\$1,154	\$726
	<i>Change:</i>	8.6%	14.8%	3.2%	5.0%	3.0%
Total Expenditures	\$34,445	\$36,649	\$39,446	\$40,342	\$41,689	\$42,691
	<i>Year-to-Year</i>	\$2,204	\$2,797	\$896	\$1,347	\$1,002
	<i>Change:</i>	6.4%	7.6%	2.3%	3.3%	2.4%
Gaps Prior to Prepayments	\$1,611	(\$275)	(\$3,254)	(\$3,447)	(\$3,500)	(\$2,711)
Prepayments						
Current Year Surplus	(\$3,529)	(\$3,254)	\$0	\$0	\$0	\$0
Prior Year Surplus	\$1,923	\$3,529	\$3,254	\$0	\$0	\$0
Net Prepayments	(\$1,606)	\$275	\$3,254	\$0	\$0	\$0
Audited Surplus	\$5					
Gaps to be Closed	\$---	\$---	\$---	(\$3,447)	(\$3,500)	(\$2,711)

⁽¹⁾Excludes the impact of prepayments.

⁽²⁾Audited Actuals

Remaining Budget Gaps Have Been Closed Each Year With Extraordinary Actions

	\$ in Millions							
	2001	2002	2003	2004	2005	2006 ^f	2007 ^f	2008 ^f
<u>Extraordinary Actions</u>								
Property Tax Increase	\$ ---	\$ ---	\$838	\$1,727	\$1,800	\$1,875	\$1,963	\$2,046
Temporary Tax Increases	---	---	---	1,014	856	308	---	---
Real Property Transaction Tax Boom	---	---	---	544	1,265	1,335	214	---
FEMA	---	---	762	152	---	---	---	---
State Bond Bank	---	---	---	203	---	---	---	---
TFA	---	---	1,500	---	---	---	---	---
Airport Lease Revenue	---	---	---	---	744	---	---	---
MAC Refinancing	---	---	---	---	980	490	490	490
Anticipated Federal Assistance	---	---	---	---	---	---	100	---
Asset Sales	365	247	---	228	141	---	65	---
Total	\$365	\$247	\$3,100	\$3,868	\$5,786	\$4,008	\$ 2,832	\$ 2,536

f = forecast

Growth in City Revenue

	\$ in Millions				
	2006	2007	2008	2009	2010
Property Tax	\$12,600	\$12,948	\$13,854	\$14,529	\$15,207
Year-to-Year Change:		\$348 2.8%	\$906 7.0%	\$675 4.9%	\$678 4.7%
Real Estate Transaction Taxes	\$1,500	\$1,500	\$1,497	\$1,480	\$1,521
Year-to-Year Change:		\$ --- 0.0%	(\$3) (0.2%)	(\$17) (1.1%)	\$41 2.8%
Extraordinary Tax Revenue From Real Estate Boom	\$1,335	\$214	\$ ---	\$ ---	\$ ---
Real Estate Transaction Taxes	924	98	---	---	---
Personal Income Tax on Capital Gains From Real Estate Activity	258	116	---	---	---
Other Personal Income and Sales Tax From Real Estate Activity	153	---	---	---	---
Year-to-Year Change:		(\$1,121) (84.0%)	(\$214) (100.0%)	---	---
All Other Tax Revenue	\$16,858	\$17,492	\$17,220	\$18,267	\$19,321
Year-to-Year Change:		\$634 3.8%	(\$272) (1.6%)	\$1,047 6.1%	\$1,054 5.8%
Subtotal Tax Revenue	\$32,293	\$32,154	\$32,571	\$34,276	\$36,049
Year-to-Year Change:		(\$139) (0.4%)	\$417 1.3%	\$1,705 5.2%	\$1,773 5.2%
Non-Tax Revenue	\$4,081	\$4,038	\$4,324	\$3,913	\$3,931
Year-to-Year Change:		(\$43) (1.1%)	\$286 7.1%	(\$411) (9.5%)	\$18 0.5%
Total Revenue	\$36,374	\$36,192	\$36,895	\$38,189	\$39,980
Year-to-Year Change:		(\$182) (0.5%)	\$703 1.9%	\$1,294 3.5%	\$1,791 4.7%

Note: Excludes Surplus Roll of Personal Income Tax of \$947 Million in 2006 which is a result of a 2005 prepayment.

Growth in Controllable Agency Expenses

City Funds - \$ in Millions

	FY 2006	FY 2007	FY 2008	FY 2009	FY 2010
Uniformed Forces					
Police Department	\$3,351	\$3,397	\$3,392	\$3,373	\$3,347
Fire Department	1,146	1,125	1,125	1,119	1,112
Department of Corrections	828	795	791	788	784
Sanitation Department	1,071	1,132	1,143	1,139	1,135
Subtotal: Uniformed Forces	\$6,396	\$6,449	6,451	\$6,419	\$6,378
Health and Welfare					
Social Services	\$340	\$350	\$354	\$354	\$354
Child Services	619	592	592	592	592
Homeless Services	200	189	195	200	200
Health & Mental Hygiene	600	573	571	572	569
Subtotal: Health and Welfare	\$1,759	\$1,704	\$1,712	\$1,718	\$1,715
Other Mayoral					
HPD	\$69	\$62	\$62	\$60	\$60
Environmental Protection	769	743	738	738	738
Finance	199	198	198	198	198
Transportation	340	338	347	347	347
Parks	220	197	194	194	194
Administrative Services	158	153	153	153	153
All Other Mayoral	1,500	1,330	1,323	1,315	1,316
Energy, Leases & OTPS Inflation	---	129	179	238	308
Labor Reserve	310	507	716	897	1,140
Subtotal: Other Mayoral	\$3,565	\$3,657	\$3,910	\$4,140	\$4,454
Covered Organizations					
Department of Education	\$4,402	\$4,314	\$4,233	\$4,229	\$4,241
C.U.N.Y.	345	290	290	290	290
HHC Subsidy	189	170	155	148	142
Subtotal: Covered Organizations	\$4,936	\$4,774	\$4,678	\$4,667	\$4,673
Elected Officials					
Mayoralty	\$61	\$60	\$60	\$60	\$60
All Other Elected	358	331	336	336	336
Subtotal: Elected Officials	\$419	\$391	\$396	\$396	\$396
Total Controllable Agency Spending	\$17,075	\$16,975	\$17,147	\$17,340	\$17,616

Growth in Non-Controllable Agency Expenses*

	City Funds - \$ In Millions									
	2002	2003	2004	2005	2006 ^f	2007 ^f	2008 ^f	2009 ^f	2010 ^f	
Non-Controllable Agency Expenses (see page 9)	\$1,334	\$1,534	\$2,263	\$3,194	\$4,763	\$5,277	\$5,428	\$5,663	\$5,529	
Pensions	Year-to-Year Change:	\$200 15.0%	\$729 47.5%	\$931 41.1%	\$1,569 49.1%	\$514 10.8%	\$151 2.9%	\$235 4.3%	(\$134) (2.4%)	
Delayed Pension Contribution		\$0	\$0	\$0	(\$925)	(\$571)	\$0	\$0	\$0	
Fringe Benefits	Year-to-Year Change:	\$264 7.0%	\$217 5.3%	\$396 9.3%	\$401 8.6%	\$279 5.5%	\$321 6.0%	\$322 5.7%	\$263 4.4%	
Retiree Health Benefits Trust Fund		\$0	\$0	\$0	\$1,000	\$1,000	\$0	\$0	\$0	
Subtotal: Employee-Related Costs	Year-to-Year Change:	\$464 9.0%	\$946 16.9%	\$1,327 20.3%	\$2,045 26.0%	\$1,147 11.6%	\$43 0.4%	\$557 5.0%	\$129 1.1%	
Debt Service⁽¹⁾	Year-to-Year Change:	(\$631) (19.0%)	\$694 25.7%	(\$226) (6.7%)	(\$13) (0.4%)	\$703 22.3%	\$457 11.9%	\$378 8.8%	\$345 7.4%	
Medicaid	Year-to-Year Change:	\$340 9.6%	\$391 10.1%	\$506 11.9%	(\$471) (9.9%)	\$494 11.5%	\$147 3.1%	\$139 2.8%	\$159 3.1%	
Re-estimate of Prior Year's Expenses	Year-to-Year Change:	\$234 56.7%	(\$150) (83.8%)	\$103 31.3%	(\$174) (77.0%)	\$400 100.0%	\$0 0.0%	\$0 0.0%	\$0 0.0%	
General Reserve	Year-to-Year Change:	\$0 0.0%	\$0 0.0%	\$0 0.0%	\$100 0.0%	\$300 200.0%	\$300 0.0%	\$300 0.0%	\$300 0.0%	
All Other⁽²⁾	Year-to-Year Change:	\$114 6.0%	\$245 12.2%	\$202 9.0%	\$55 2.2%	(\$47) (1.9%)	\$77 3.1%	\$80 3.1%	\$93 3.5%	
Total Non-Controllable Agency Expenses	Year-to-Year Change:	\$521 3.9%	\$2,126 15.2%	\$1,912 11.9%	\$1,542 8.6%	\$2,897 14.8%	\$724 3.2%	\$1,154 5.0%	\$726 3.0%	

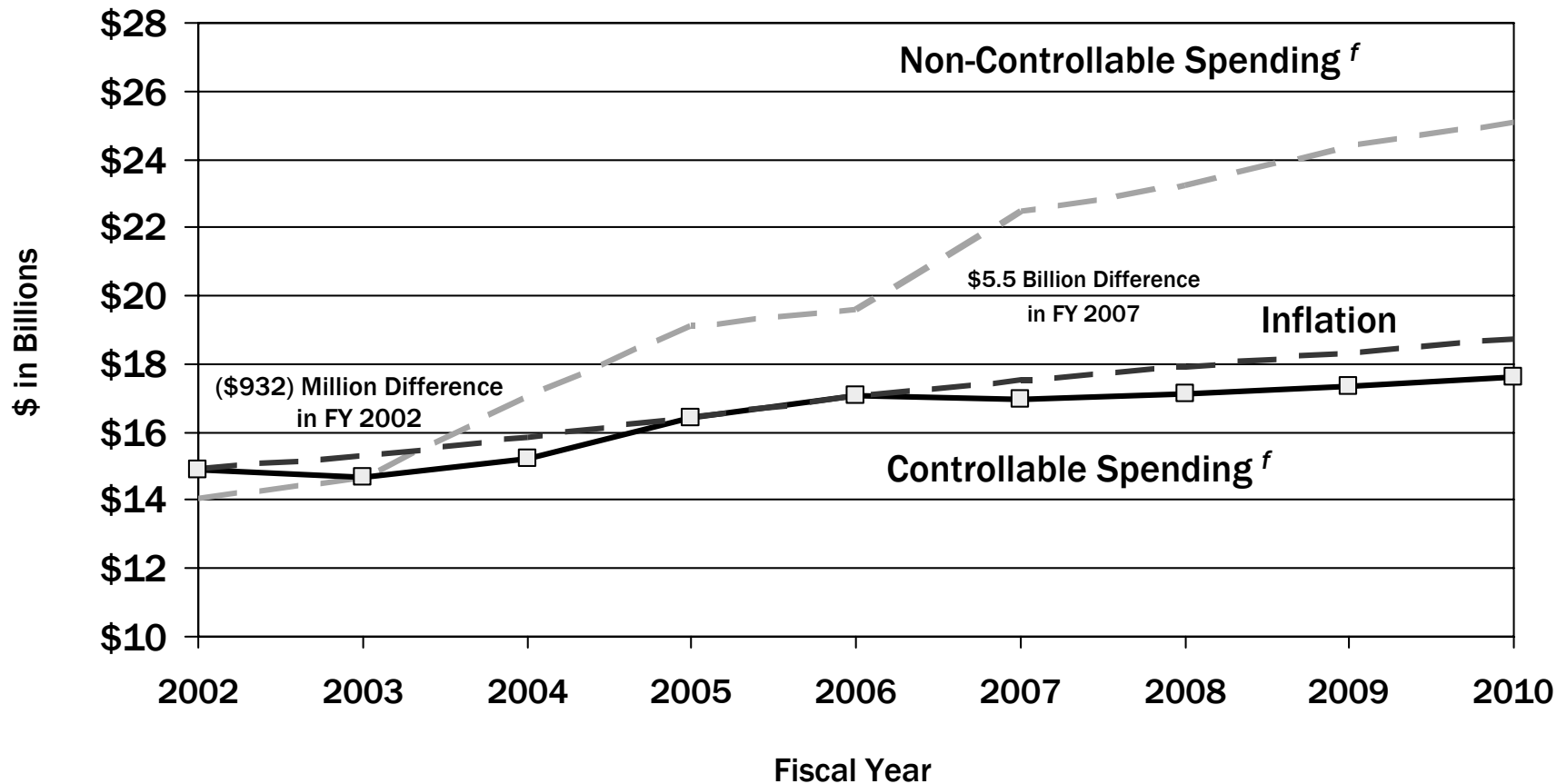
* Excludes the impact of prepayments.

f = forecast for Years 2006 - 2010

⁽¹⁾ Excluding TFA and Tobacco Bonds.

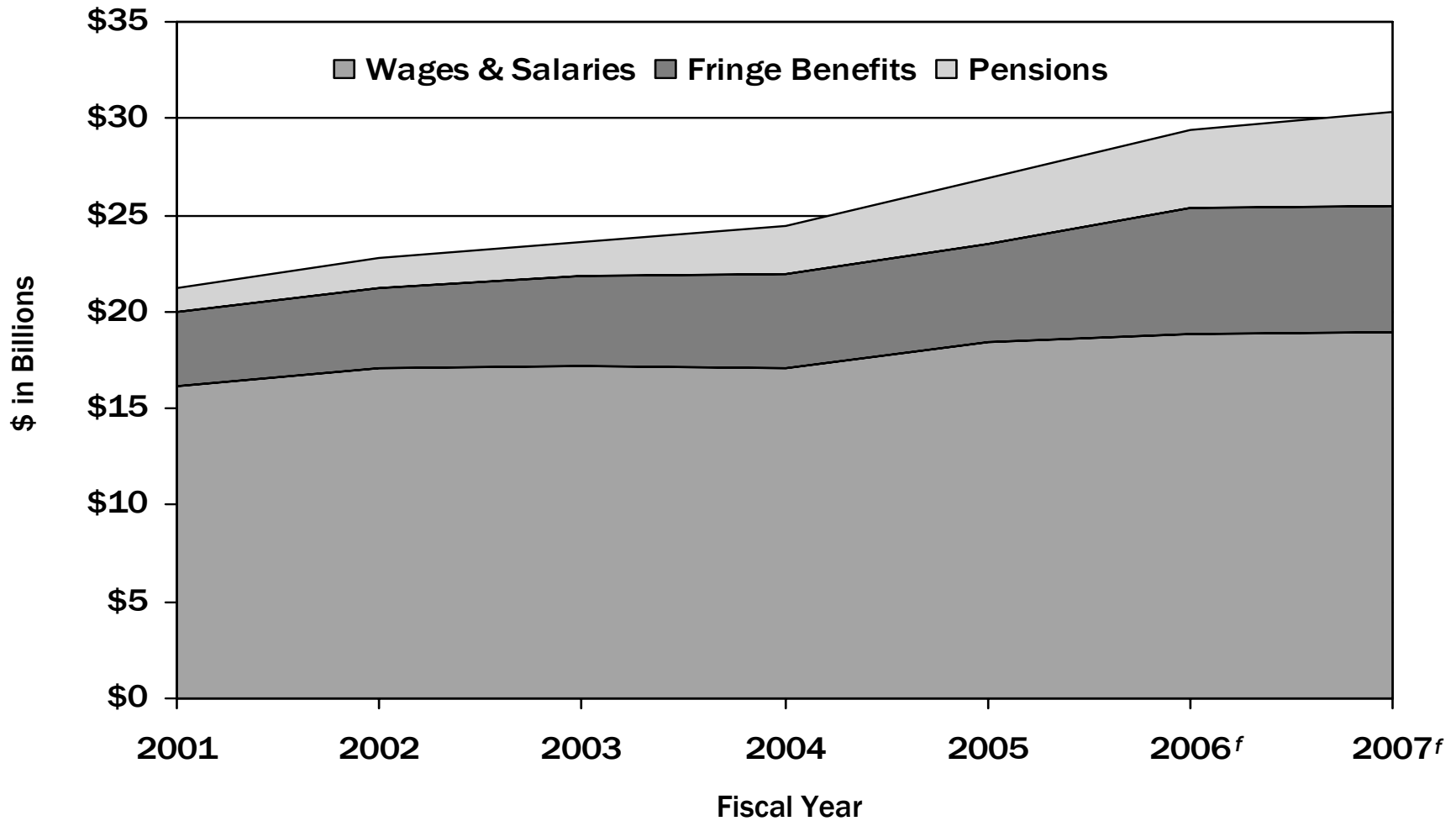
⁽²⁾ Includes judgments and claims, subsidies to the Transit Authority and private bus lines and public assistance.

Our Non-Controllable Expenses Continue to Be Larger than Controllable Expenses



^f = forecast for years 2006 - 2010 (see detail on page 8)

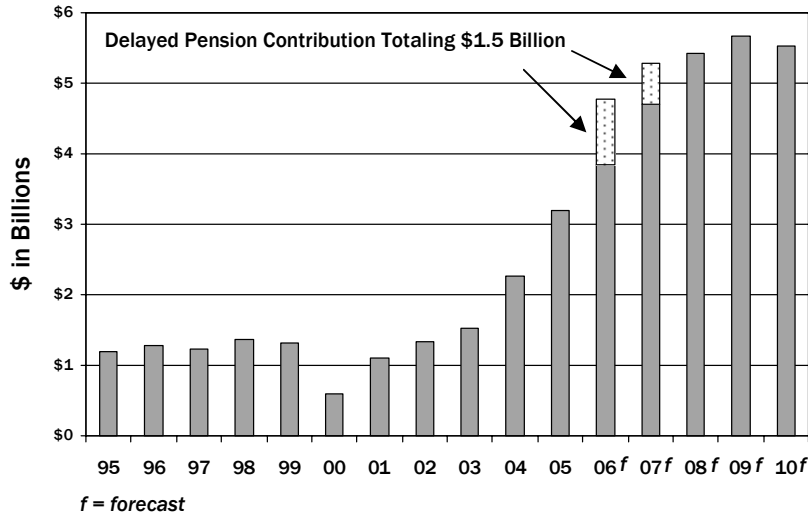
Pensions and Fringe Benefits Grow From \$5.1 Billion, 31% of Salaries, in FY 2001 to \$11.8 Billion, 62% of Salaries in FY 2007



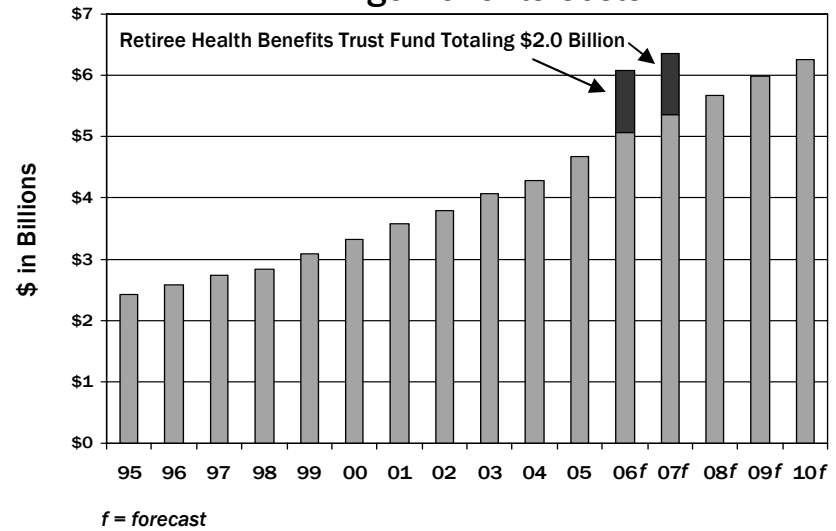
f = forecast
Total Funds

Non-Controllable Expenses Continue to Grow

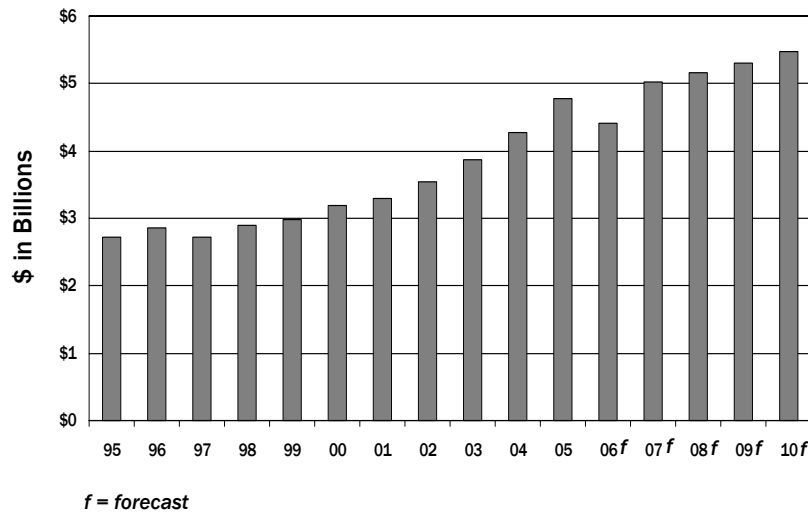
Pension Costs



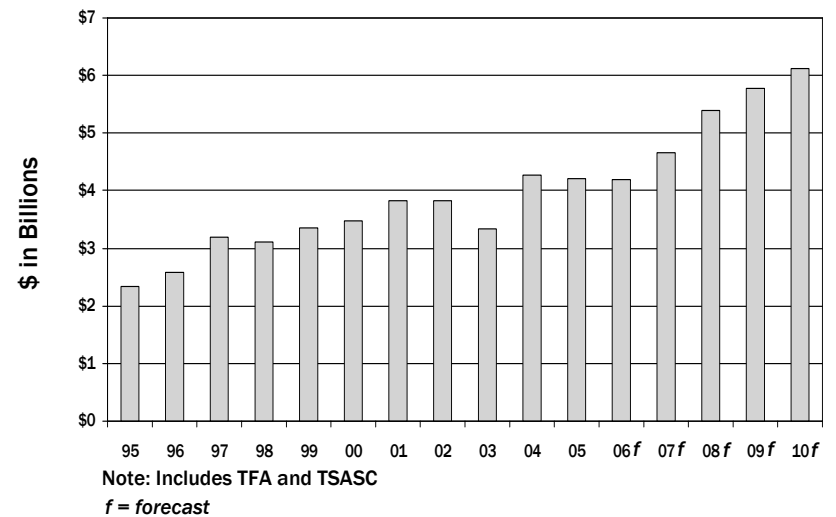
Fringe Benefits Costs



Medicaid



Debt Service



Use of One-Time Resources to Reduce Long-Term Costs

Use of One-Time Resources	\$ in Millions					Benefit
	2006	2007	2008	2009	2010	
Reduction in Debt through Pay Go Capital	\$200	\$200	\$200	\$200	\$200	Cumulative Debt Reduction of \$1 Billion
Out-Year Gap Reduction through TSASC Restructuring (Cost) / Benefit	(\$232)	(\$121)	\$454	\$22	\$24	\$500 Million in Out-Year Gap Reduction
Trust Fund for Retiree Health Benefits	\$1,000	\$1,000	\$ ---	\$ ---	\$ ---	\$2 Billion Reduction in Long-Term Liability for Retiree Health Care Costs of Approximately \$50 Billion

Retiree Health Benefits Trust Fund

Of the \$3.5 billion annually spent by the City for health insurance, approximately \$1 billion per year reflects the “pay-as-you-go” cost for current retirees.

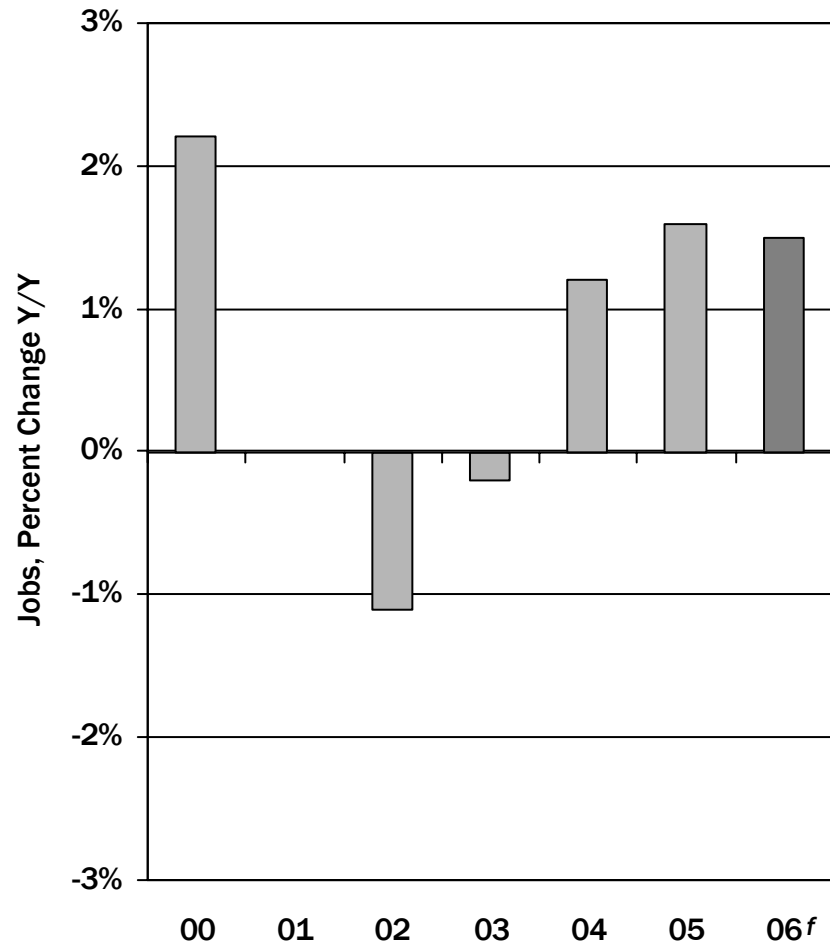
- ❖ **New Governmental Accounting Standards Board (GASB) rules will require state and local governments to report obligations and full annual costs of retiree health insurance, similar to current reporting of pension obligations.**
- ❖ **The City will not be required to budget for or advance-fund this future obligation.**
- ❖ **An actuarial valuation of the City’s liability is being conducted. Estimates of the liability for benefits already earned have been as high as \$50 billion.**
- ❖ **The City intends to establish a trust to fund a portion of its liability for the benefit of its current and future retirees.**
- ❖ **Deposits to the trust are irrevocable, and all amounts on deposit in the trust must be used only to pay the costs of these benefits in future years.**
- ❖ **In both FY 2006 and FY 2007, \$1 billion will be deposited into the trust.**

II. Economic Update

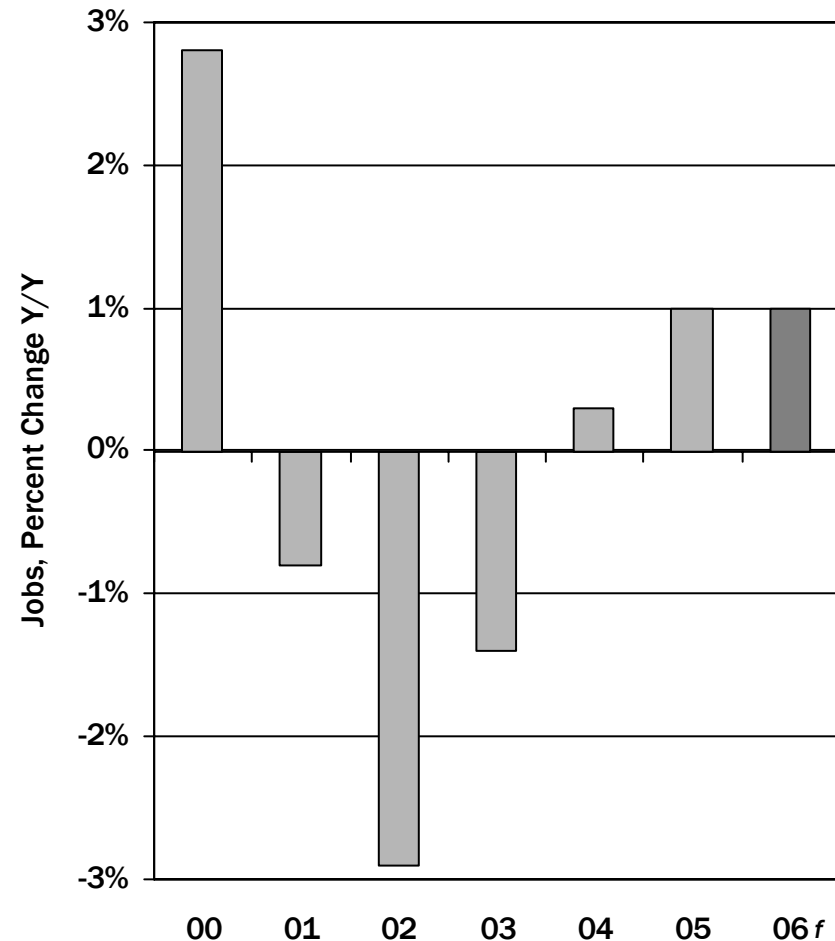
	<u>Page(s)</u>
Employment	16 - 17
Wall Street	18 - 21
Tourism	22 - 24
Real Estate	25 - 26

Moderate Job Growth Returned to New York City in 2004 and Continued in 2005

US Employment



NYC Employment

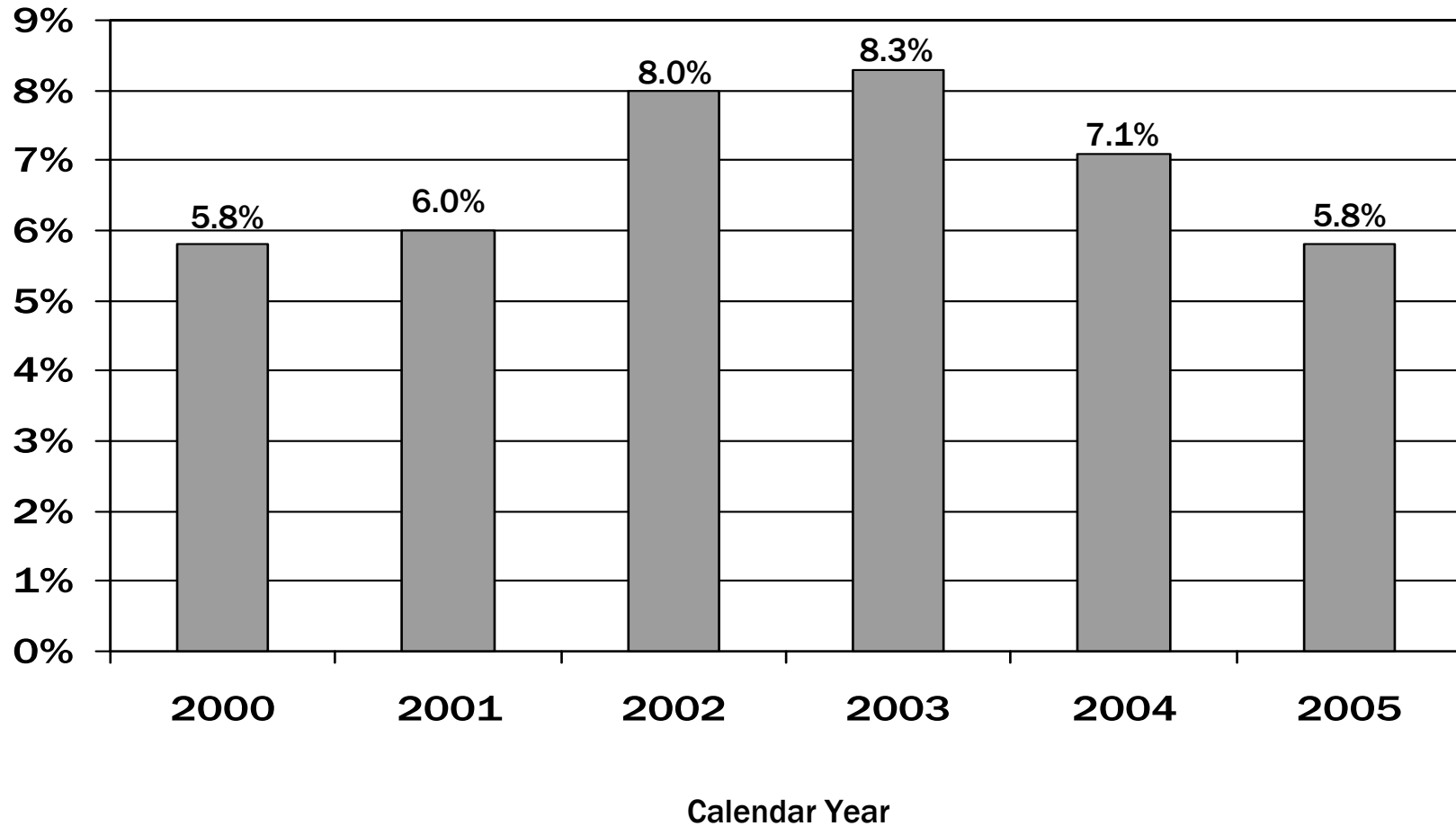


f = forecast

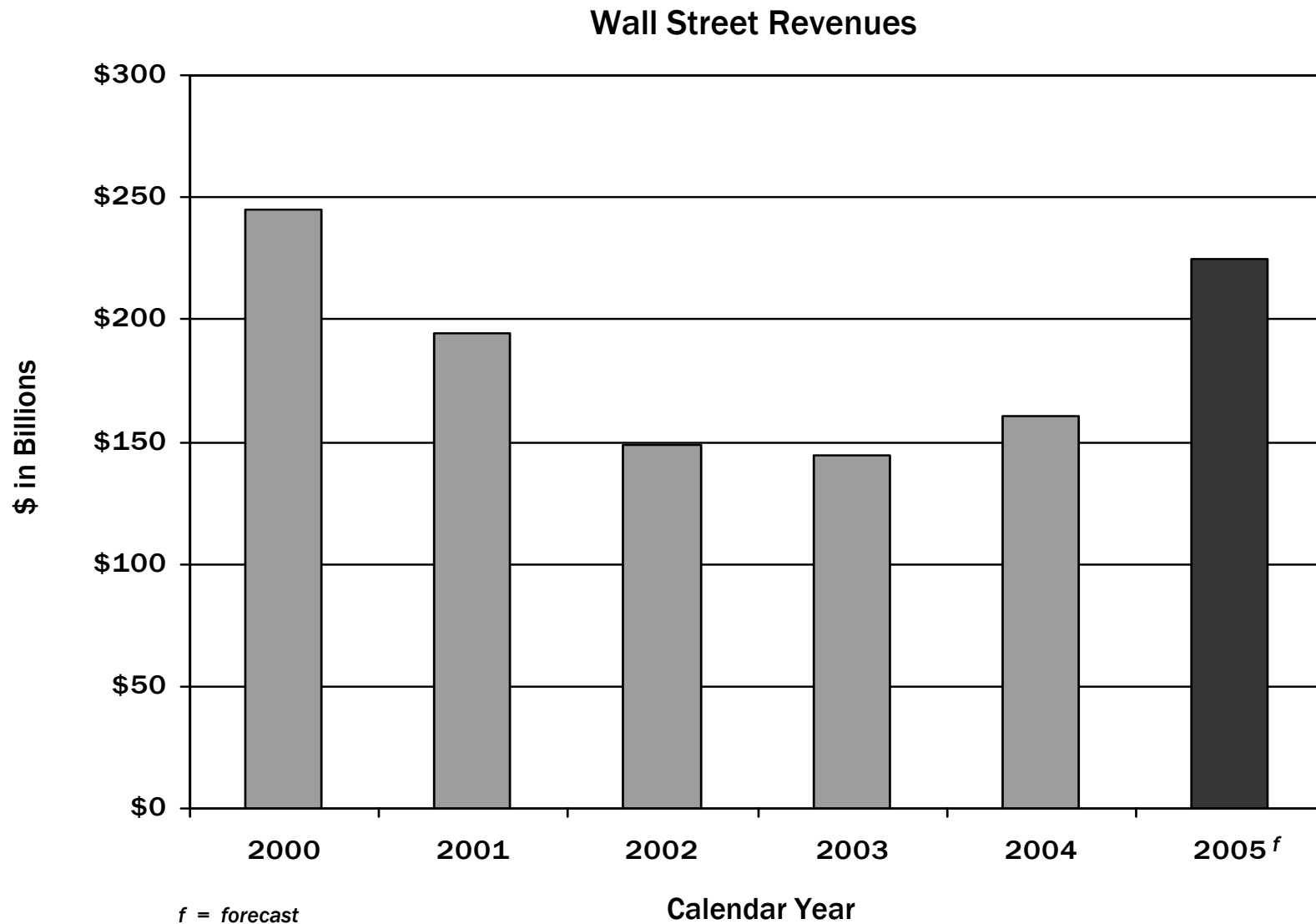
Calendar Year

**Our Five-Borough Economic Development Strategy Is Working.
The City's Unemployment Rate Has Fallen to Its Lowest Level Since 2000**

New York City Unemployment Rate

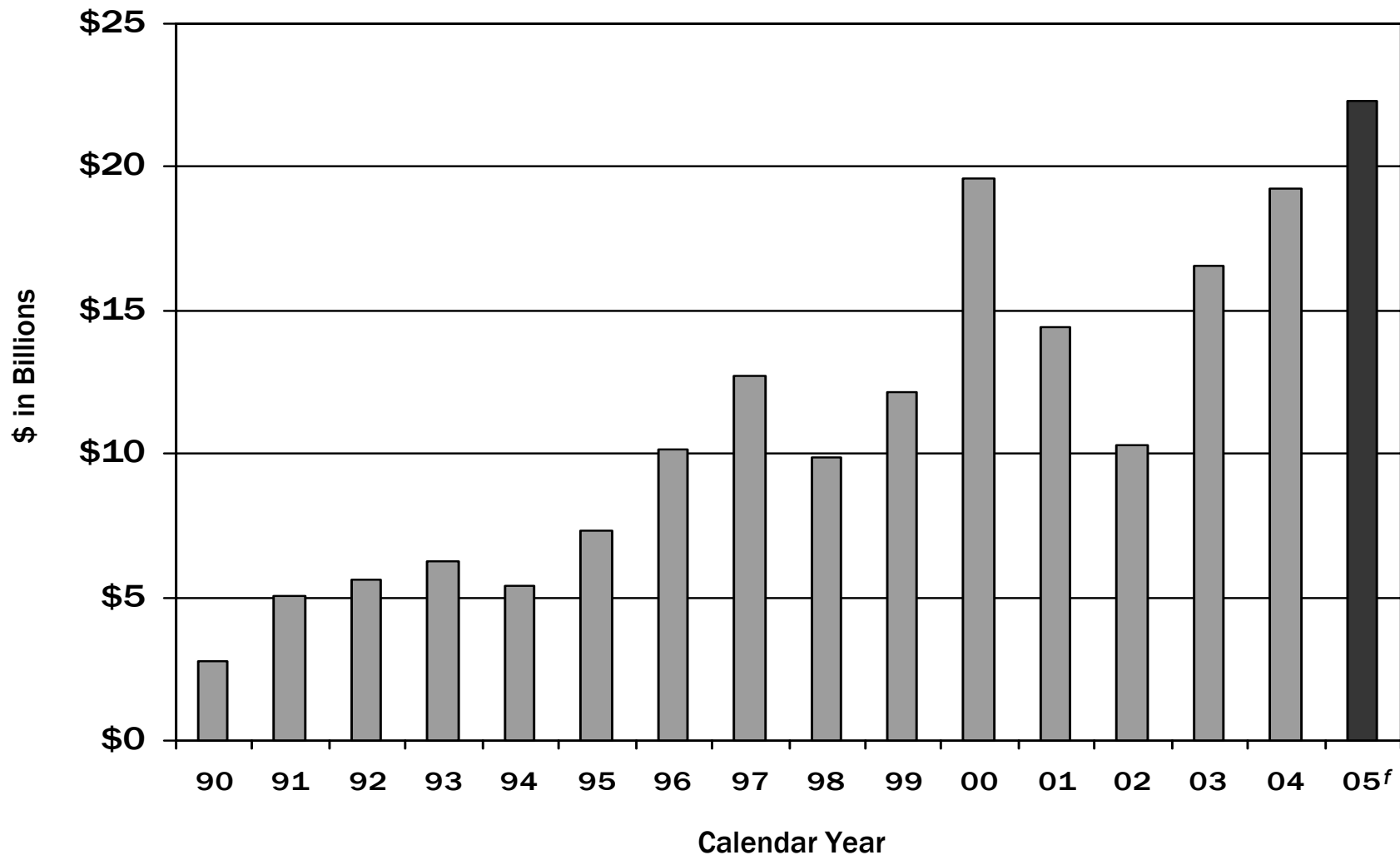


Wall Street Revenues Have Rebounded to Pre-9/11 Levels and Grew By Almost 50% Between CY 2004 and CY 2005



...Driving the Securities Bonus Pool to Record Levels...

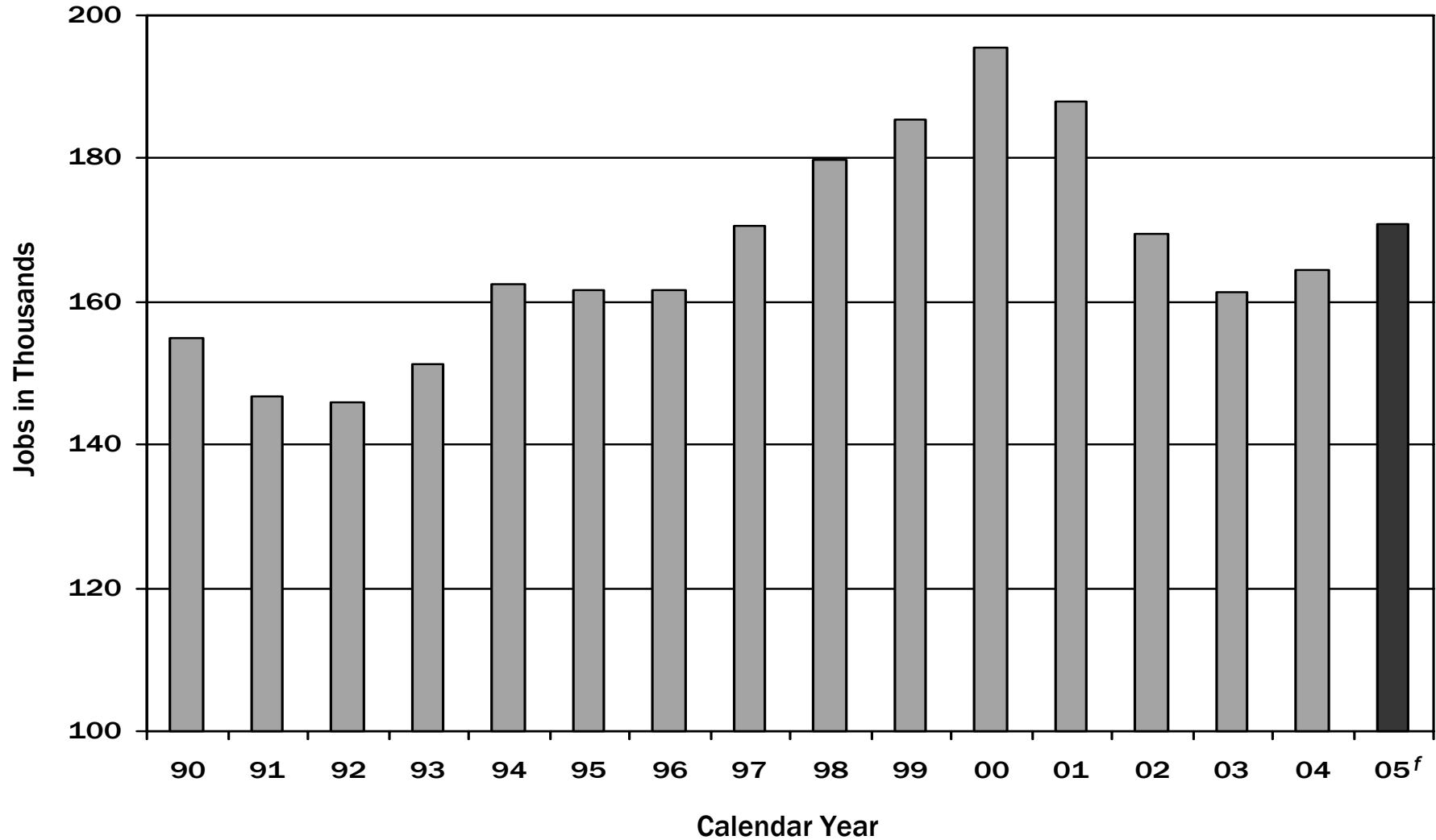
Securities Sector Bonus Pool



f = forecast

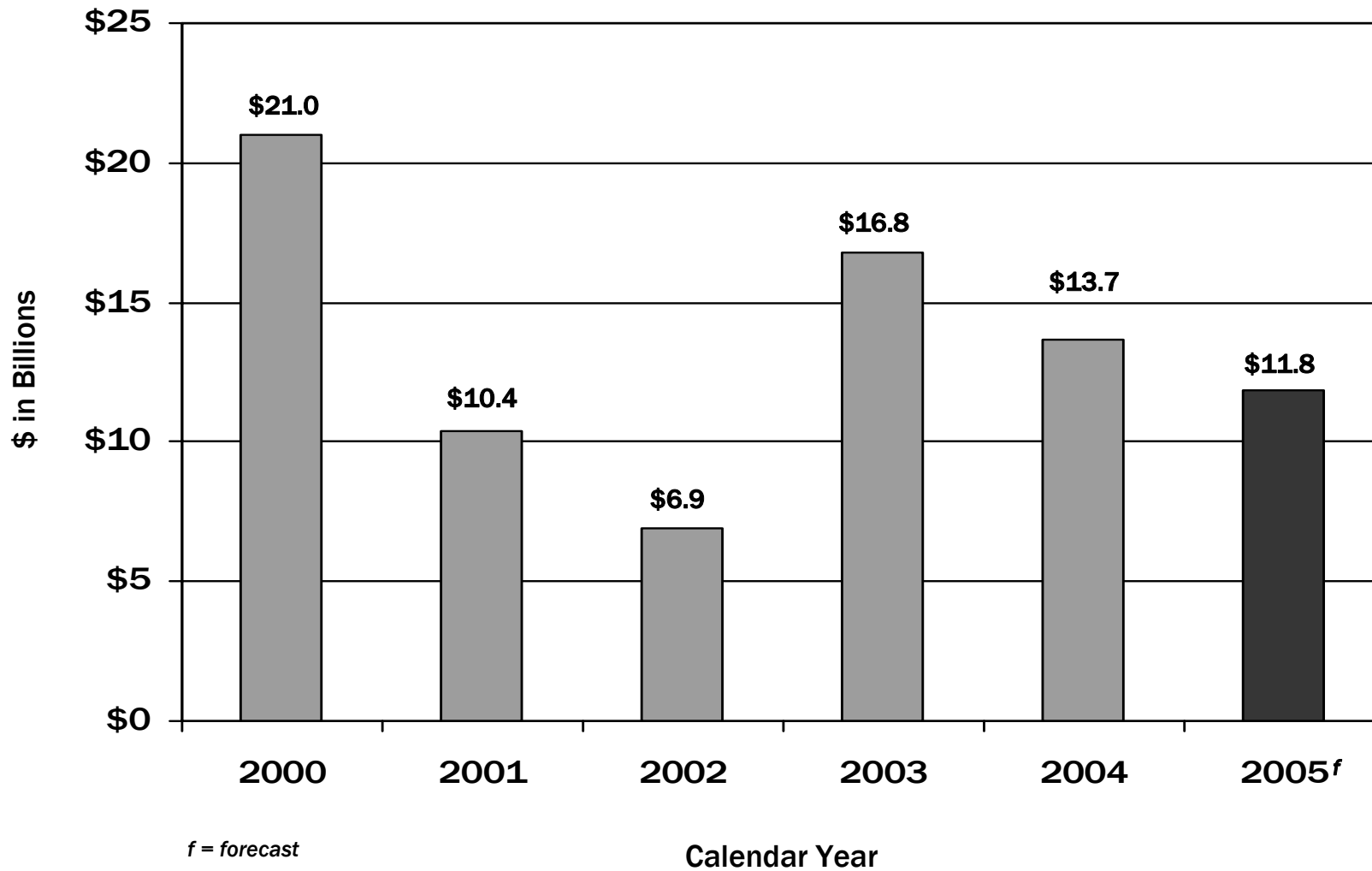
...And Lifting Employment

Securities Sector Employment

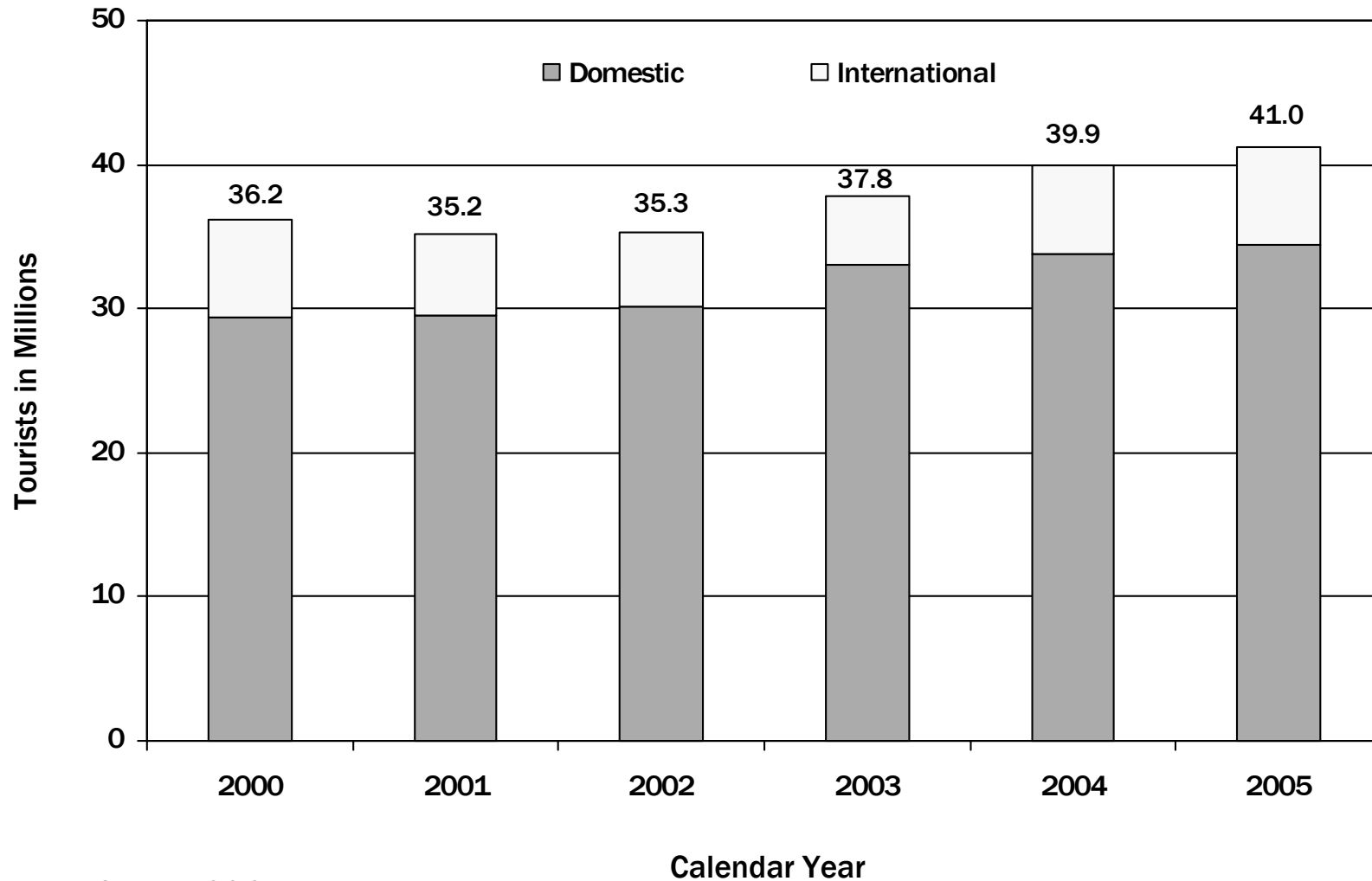


f = forecast

But With Interest Rates Rising, Wall Street Profits Are Not Expected to Reach Last Year's Levels

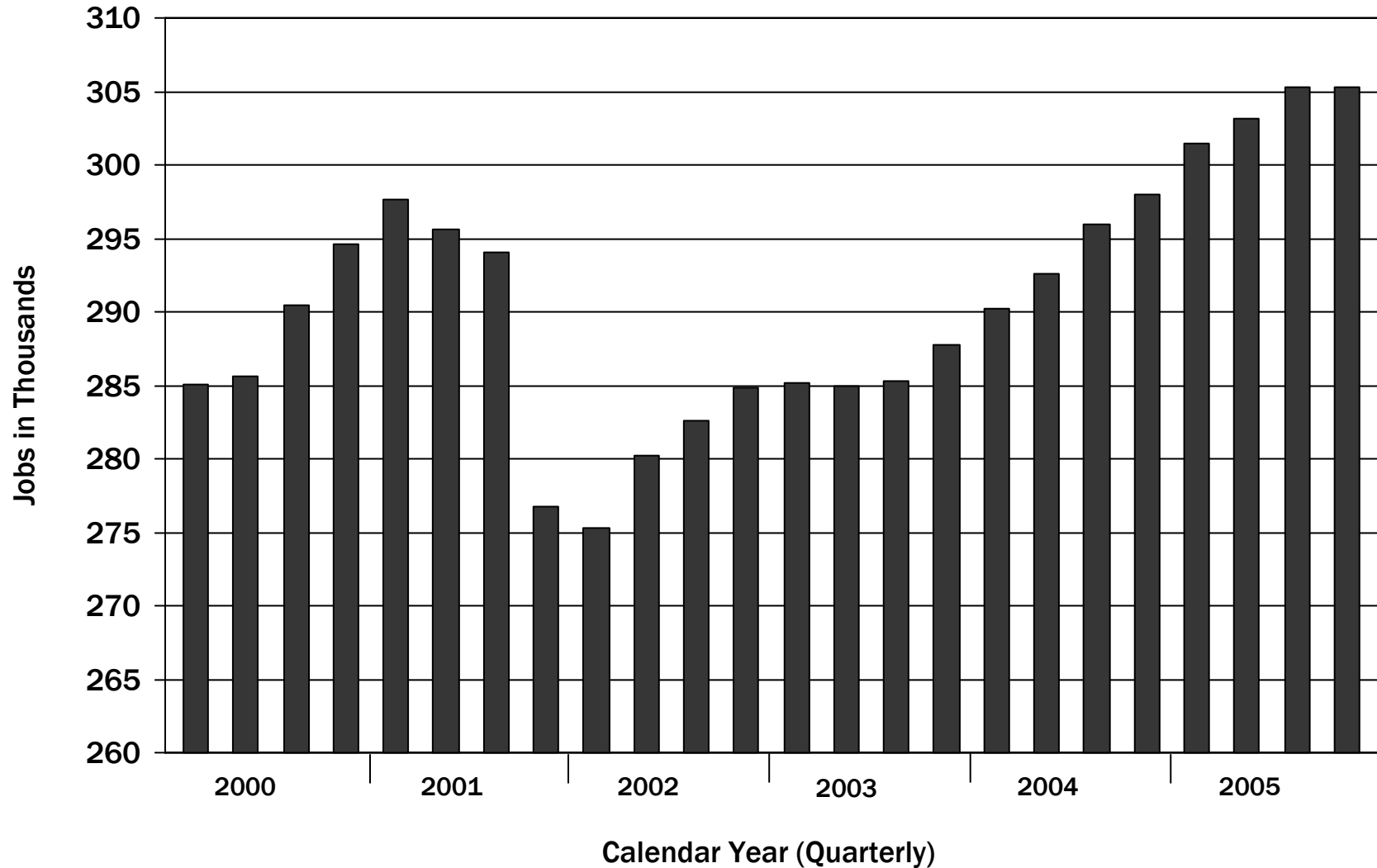


Tourists Are Visiting the City in Record Numbers

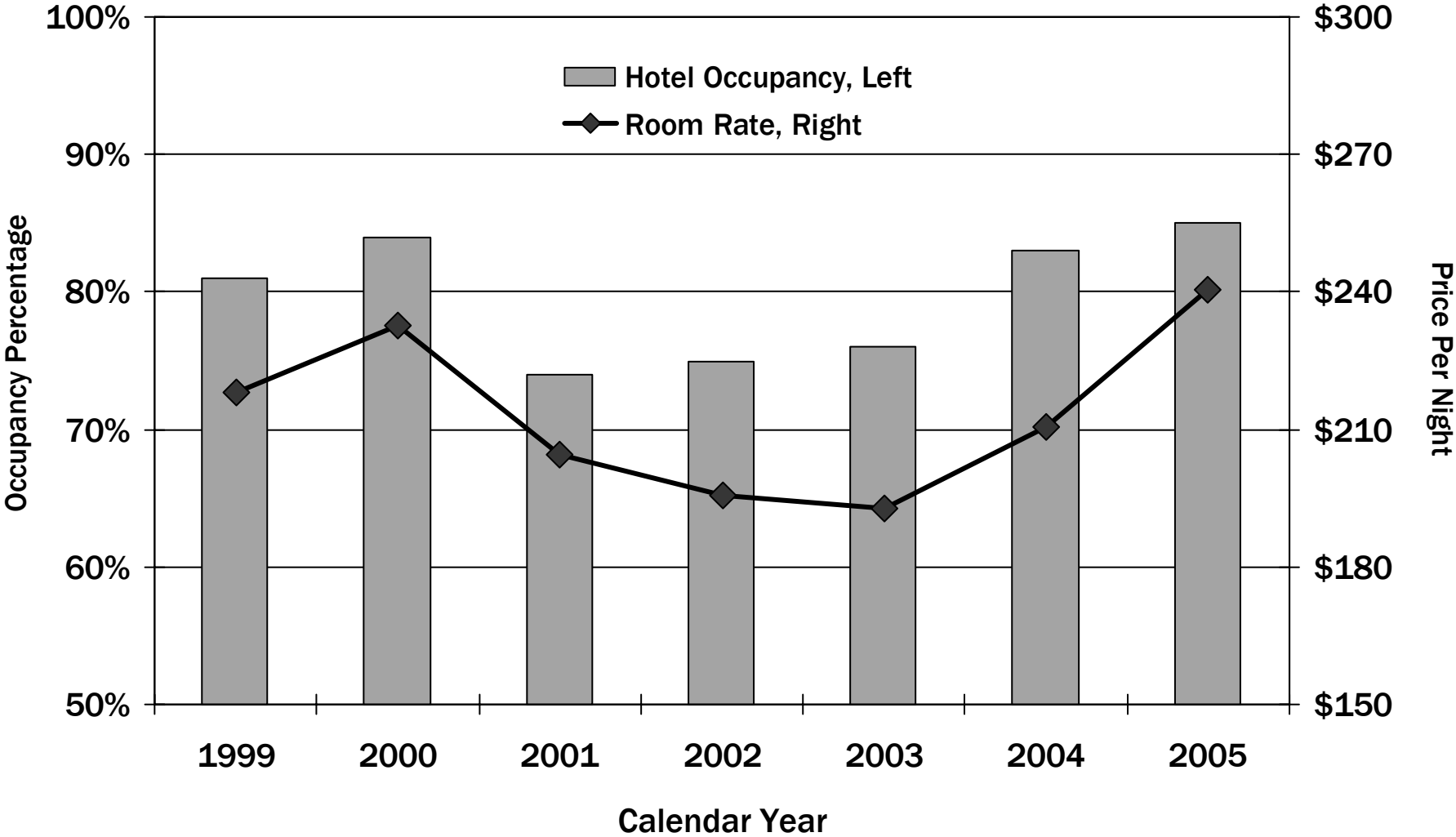


Source: NYC & Company

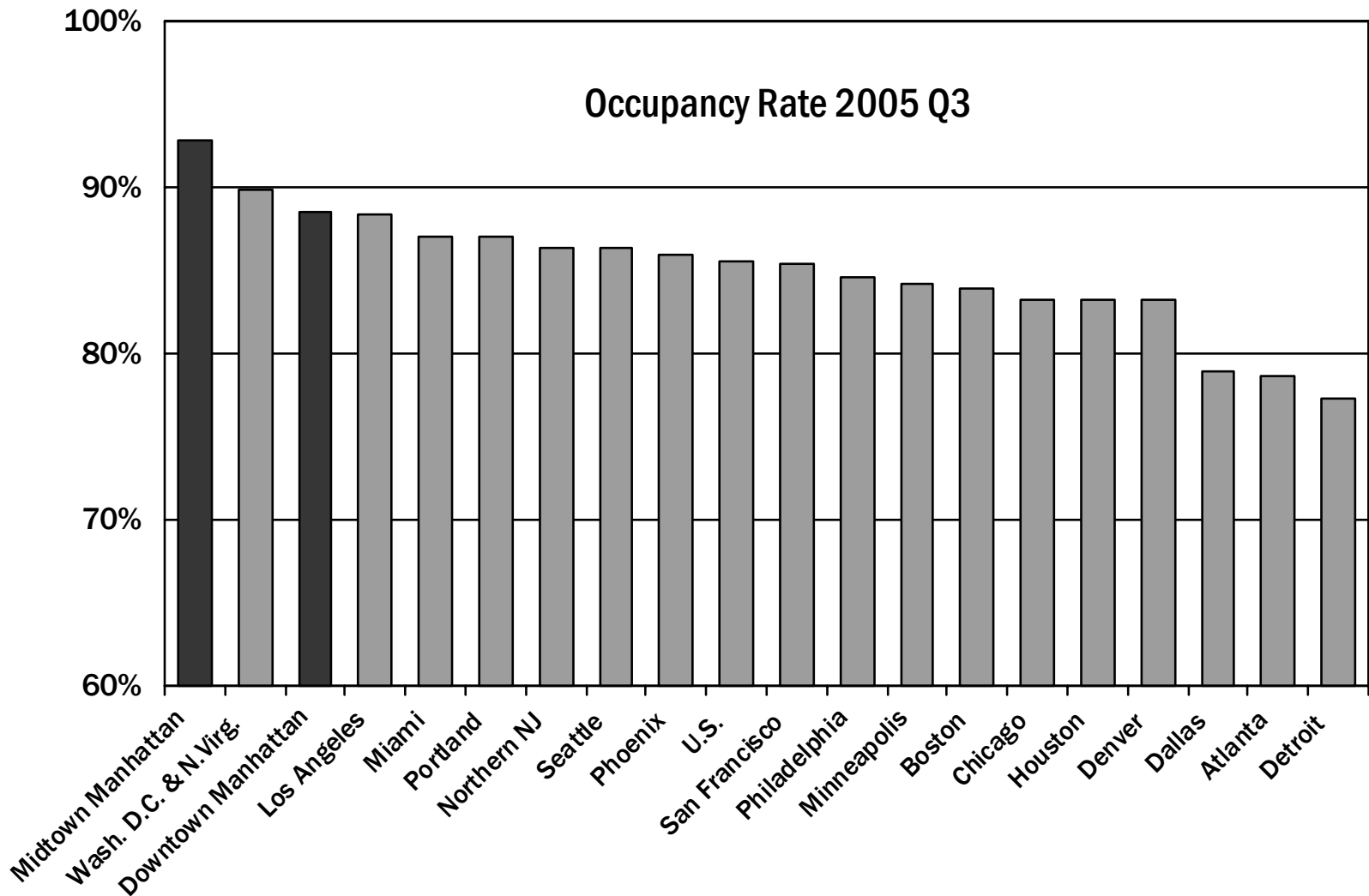
In 2005 Employment in the Tourism Sector Reached Historic Highs



Hotel Occupancy Rates and Average Room Rates Are at Record Levels

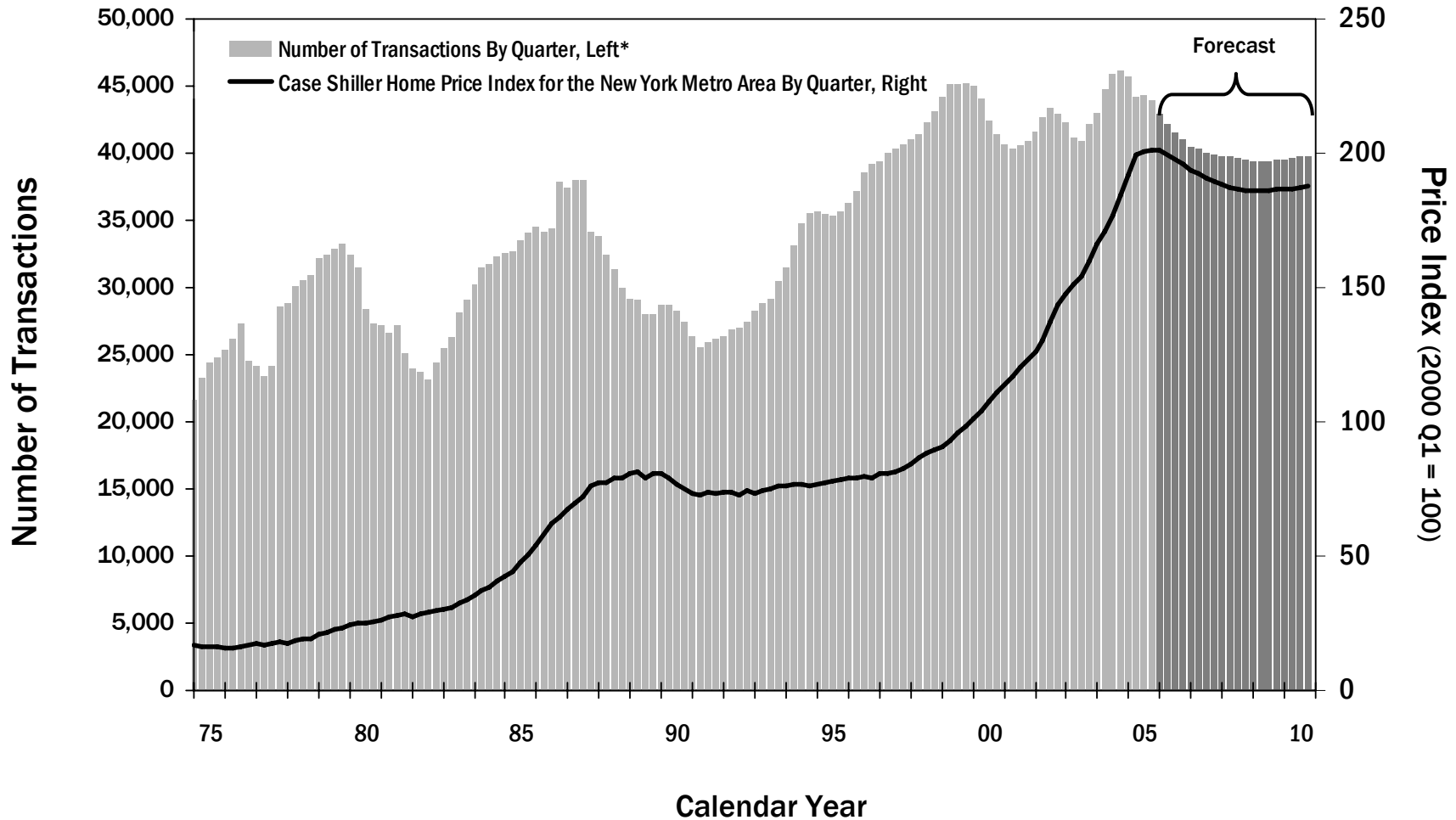


The Midtown Office Market Is the Most Sought-After Market in the Nation. Even Downtown Is Outpacing Almost All Major Metropolitan Areas



Source: CBRE U.S. National Office Vacancy Index 2005 q3

Forecasters Call for a Decline in Single Family Home Prices of 10% and in Home Sales of 14%



*Source: NYC Department of Finance, Four Quarter Moving Average

III. FY 2006-10 Budget Changes

	<u>Page</u>
Revenue Forecast Changes Since Nov. 2005	28
Expense Changes Since Nov. 2005	29
Fiscal Year 2006 Budget Changes Since Nov. 2005	30
Fiscal Year 2007 Budget Changes Since Nov. 2005	31
Agency Program Changes Since Nov. 2005	32
Fiscal Years 2008-10 Budget Changes Since Nov. 2005	33

Revenue Forecast Changes

Since the November 2005 Plan

	\$ in Millions Increase / (Decrease)	
	<u>2006</u>	<u>2007</u>
Tax Revenue Forecast		
Property Tax	\$ - -	(\$292)
Personal Income Tax	339	236
Business Taxes	128	117
Real Property Transaction/Mortgage Recording Tax	235	340
Sales Tax	105	85
NYS STAR Aid	97	29
All Other Taxes	38	43
Total Tax Revenue Forecast	<u>\$942</u>	<u>\$558</u>
Non-Tax Revenue Forecast		
Restructure Outstanding TSASC Debt	(\$232)	(\$121)
Interest Income	30	130
Delay of Taxi Medallion Sale	(63)	65
Fines, Fees and Other Non-Tax Revenues	118	1
Total Non-Tax Revenue Forecast	<u>(\$147)</u>	<u>\$75</u>
Total Increase in Revenue Forecast	\$795	\$633

Expense Forecast Changes

Since the November 2005 Plan

	\$ in Millions Increase / (Decrease)	
	2006	2007
<u>Agency Expense Increases</u>		
Education (Register Growth in Charter and Special Education Contract Schools)	\$43	\$70
CUNY (Increase in Tuition and Fee Collections)	5	5
ACS (Enhanced Case Management)	2	15
DSS (HASA funding offset by Decline and in Required TANF Spending)	(45)	(27)
Health (Prison Health and Diabetes Registry)	8	8
Police (Decrease in Planned Federal Funds)	10	15
Correction (Protective Vests and State Revenue Adjustment)	10	7
Sanitation (Waste Export, Revision to Snow Budget Calculation)	1	21
Campaign Finance Board (Unspent Allocation for Campaign Matching Funds)	(20)	---
Fringe Benefits (Increase Above Projection for Health Insurance)	---	9
All Other (Including Funding for NYC & Co.)	32	35
Total Agency Expense Increases	\$46	\$158
<u>Other Expense Changes</u>		
Delayed Pension Contributions	(925)	(571)
Retiree Health Benefits Trust Fund	1,000	1,000
Debt Service	(8)	(82)
Re-estimate of Prior Years' Expenses	(400)	---
Reduce General Reserve from \$300 Million to \$100 Million	(\$200)	---
Total Other Expense Changes	(\$533)	\$347
Total Expense Changes	(\$487)	\$505

FY 2006 Fiscal Plan Update

	\$ in Millions (Increases Gap) / Decreases Gap FY 2006
Remaining Gap November 2005 Plan	\$ ---
Increased Revenue Forecast (see page 28)	795
Decreased Expense Forecast (see page 29)	487
Agency Program (see page 32)	228
<hr/>	
Remaining Surplus	1,510
Reduce FY 2007 Gap	(1,510)
<hr/>	
Balance	\$ ---

FY 2007 Fiscal Plan Update

	\$ in Millions (Increases Gap) / Decreases Gap <u>FY 2007</u>
Remaining Gap November 2005 Plan	(\$2,250)
Increased Revenue Forecast (see page 28)	633
Increased Expense Forecast (see page 29)	(505)
Agency Program (see page 32)	262
State Actions (see page 38)	250
Federal Actions (see page 43)	100
Apply 2006 Surplus to Reduce 2007 Gap (see page 51)	1,510
Balance	\$ ---

FY 2006 and FY 2007 Agency Programs to Reduce the Gap

	Fiscal Year 2006			Fiscal Year 2007		
	City Funds - \$ in Thousands			City Funds - \$ in Thousands		
	Expense	Revenue	Total	Expense	Revenue	Total
Uniformed Forces						
Police	(\$13,206)	(\$1,435)	(\$14,641)	(\$7,562)	(\$28,631)	(\$36,193)
Fire	(12,409)	(5,775)	(18,184)	(16,975)	(9,350)	(26,325)
Sanitation	(7,401)	(2,508)	(9,909)	(17,356)	(8,854)	(26,210)
Correction	(7,950)	(4)	(7,954)	(4,231)	(4)	(4,235)
Health and Welfare						
Social Services	(30,748)	---	(30,748)	(3,876)	---	(3,876)
Administration for Children's Services	---	---	---	---	---	---
Homeless Services	(6,260)	---	(6,260)	(13,672)	---	(13,672)
Health & Mental Hygiene	(24,513)	(1,000)	(25,513)	(7,454)	(1,027)	(8,481)
Youth & Community Development	(1,123)	---	(1,123)	(5,119)	---	(5,119)
Other Mayoral						
Housing Preservation & Development	(2,600)	(15,030)	(17,630)	(3,800)	(3,595)	(7,395)
Finance	---	(19,050)	(19,050)	---	(11,000)	(11,000)
Transportation	(4,675)	(5,417)	(10,092)	(8,412)	(20,300)	(28,712)
Parks & Recreation	(1,501)	(2,857)	(4,358)	(3,569)	(2,594)	(6,163)
Citywide Administrative Services	(2,094)	(11,982)	(14,076)	(1,923)	---	(1,923)
All Other Agencies	(18,100)	(30,875)	(48,975)	(25,681)	(4,257)	(29,938)
Major Organizations						
Education	---	---	---	---	---	---
HHC	---	---	---	---	---	---
CUNY	---	---	---	---	---	---
Other						
Procurement Savings	---	---	---	(52,842)	---	(52,842)
Subtotal Agency Programs	(\$132,580)	(\$95,933)	(\$228,513)	(\$172,472)	(\$89,612)	(\$262,084)
Citywide Initiatives						
Federal Actions	\$ ---	\$ ---	\$ ---	\$ ---	(\$100,000)	(\$100,000)
State Actions	---	---	---	---	(250,000)	(250,000)
GRAND TOTAL	(\$132,580)	(\$95,933)	(\$228,513)	(\$172,472)	(\$439,612)	(\$612,084)

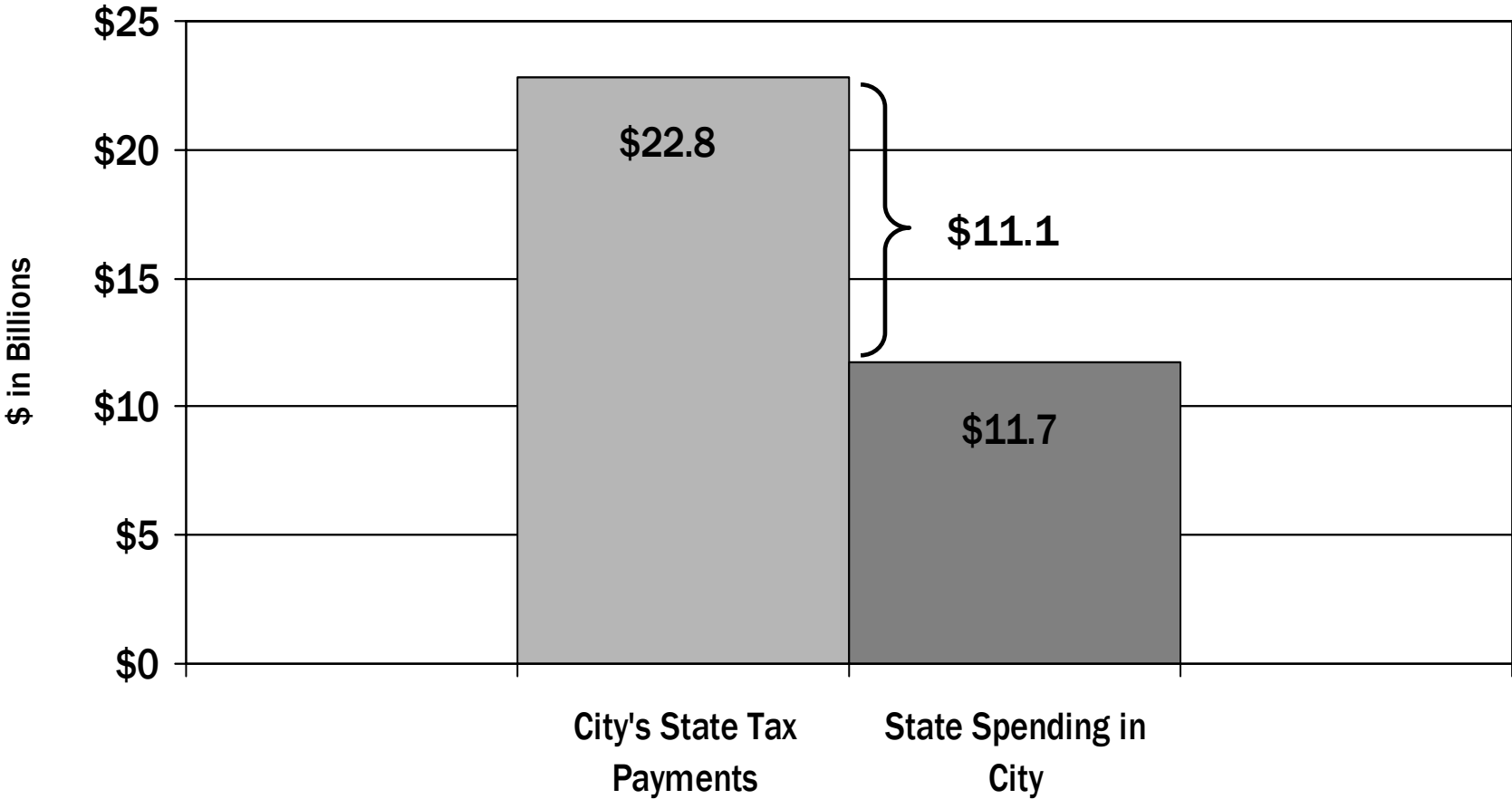
Out-Year Gaps Remain Significant

	\$ in Millions (Increases Gap) / Decreases Gap		
	2008	2009	2010
Remaining Gaps to be Closed as of November 2005	(\$4,120)	(\$3,466)	(\$2,854)
Revenue Changes			
Tax Revenue Forecast	318	340	291
Restructure Outstanding TSASC Debt	454	22	24
Non Tax Revenue	8	9	12
Total Revenue Increase / (Decrease)	\$780	\$371	\$327
Expense Changes			
Agency Expense Increases	(\$157)	(\$159)	(\$160)
Debt Service	6	1	(14)
Pension Changes to Assumptions and Methods	(161)	(452)	(211)
Total Expense (Increase) / Decrease	(\$312)	(\$610)	(\$385)
Surplus / (Gap) to be Closed January Plan	(\$3,652)	(\$3,705)	(\$2,912)
Gap Closing Program			
Agency Program	211	211	207
State Actions (see page 38)	250	250	250
Total	\$461	\$461	\$457
Extend Property Tax Rebate	(256)	(256)	(256)
Remaining Gaps January 2006 Plan	(\$3,447)	(\$3,500)	(\$2,711)

IV. State and Federal Agenda

	<u>Pages</u>
State Agenda	36 - 40
Federal Agenda	41 - 43

New York City Pays \$11.1 Billion More in State Taxes Than it Gets in Funding



Source: "Balance of Revenue & Expenditure Among NYS Regions", Center for Governmental Research, Inc. May 2004.

State Agenda

- ❖ **The 2007 Gap Closing Program** calls for \$250 million in initiatives requiring State action. We have provided a menu of over \$500 million in initiatives to achieve this goal.

- ❖ **Our State Agenda is designed to:**
 - control expenses such as the costs of capital construction, debt financing and growing pension costs.
 - utilize government resources more efficiently by streamlining certain administrative and funding arrangements.
 - create an equitable human services partnership that will update state reimbursement rates and provide the necessary resources to meet TANF mandates.

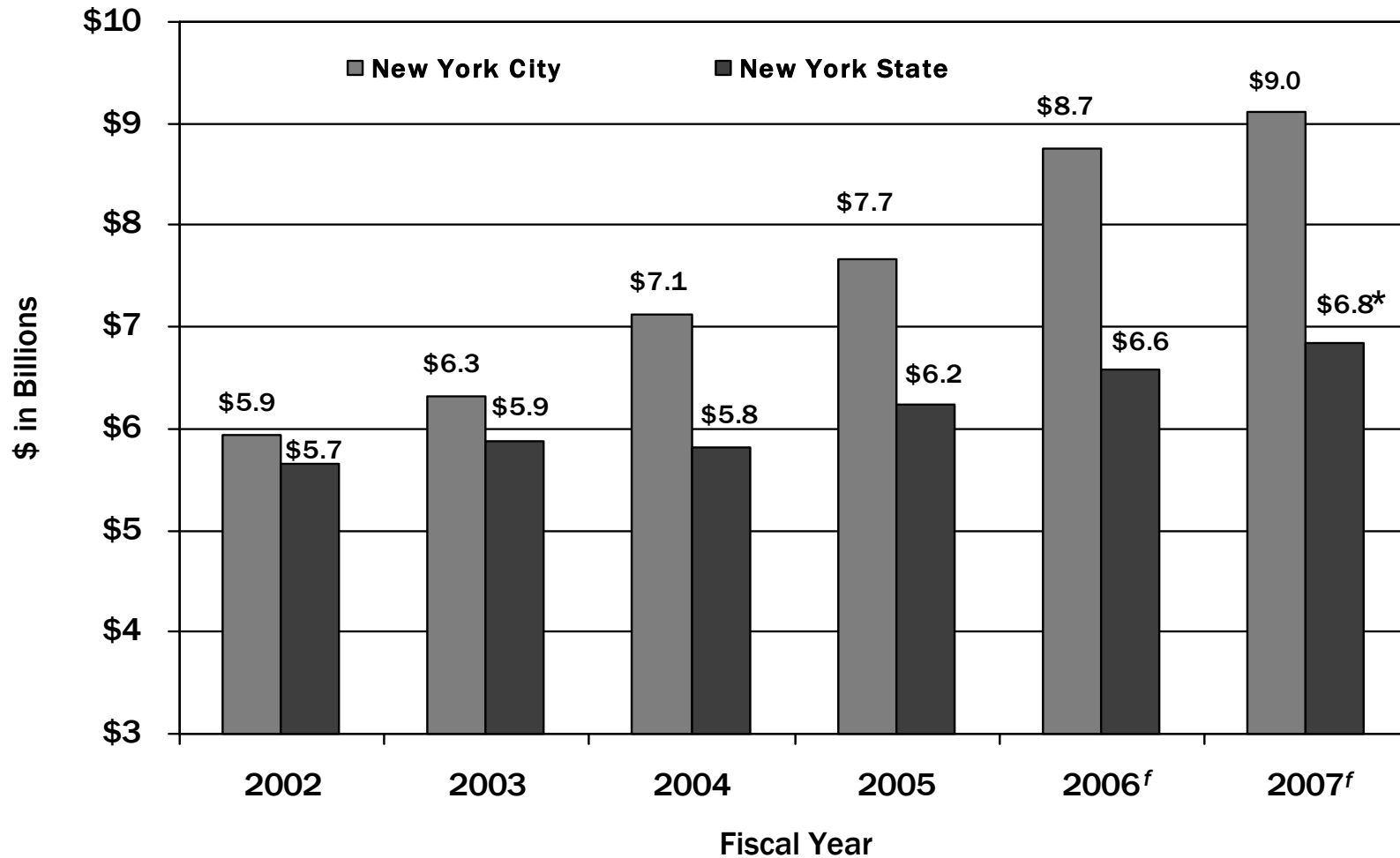
State Initiatives

	\$ in Millions			
	2007	2008	2009	2010
Provide Sufficient Resources to Meet TANF Mandates ⁽¹⁾	\$185.0	\$185.0	\$185.0	\$185.0
Update State Reimbursement Rates and Charges	162.9	163.2	163.5	163.8
Institute Tort Reform Initiatives	80.0	83.0	86.0	90.0
Streamline the Funding of CUNY	50.0	2.0	2.0	2.0
Allow New York City to Share Equally in Revenue Sharing Increases	32.8	41.8	42.0	42.3
Increase the City's Cigarette Tax from \$1.50 to \$2.00 Per Pack ⁽²⁾	21.2	39.9	38.3	37.9
Reduce State Imposed Mandates on OTB	10.0	10.0	10.0	10.0
Strengthen Initiatives to Capture and Penalize Cigarette Tax Evasion	10.0	10.0	10.0	10.0
Reform Local Finance Laws	7.0	7.0	7.0	7.0
Create a Statewide Enhanced 311 Network to Respond to Human Services Needs	6.9	7.8	8.6	9.0
Lower the Cost of Capital Construction by Repealing the Wicks Law	5.8	21.8	43.3	63.8
Enact Pension Reform	TBD	TBD	TBD	TBD
Total	\$571.6	\$571.5	\$595.7	\$620.8

⁽¹⁾Failure to obtain this funding will necessitate an increase in City Tax Levy or a reduction in TANF eligible services.

⁽²⁾A portion of this revenue will be dedicated to smoking prevention and cessation programs.

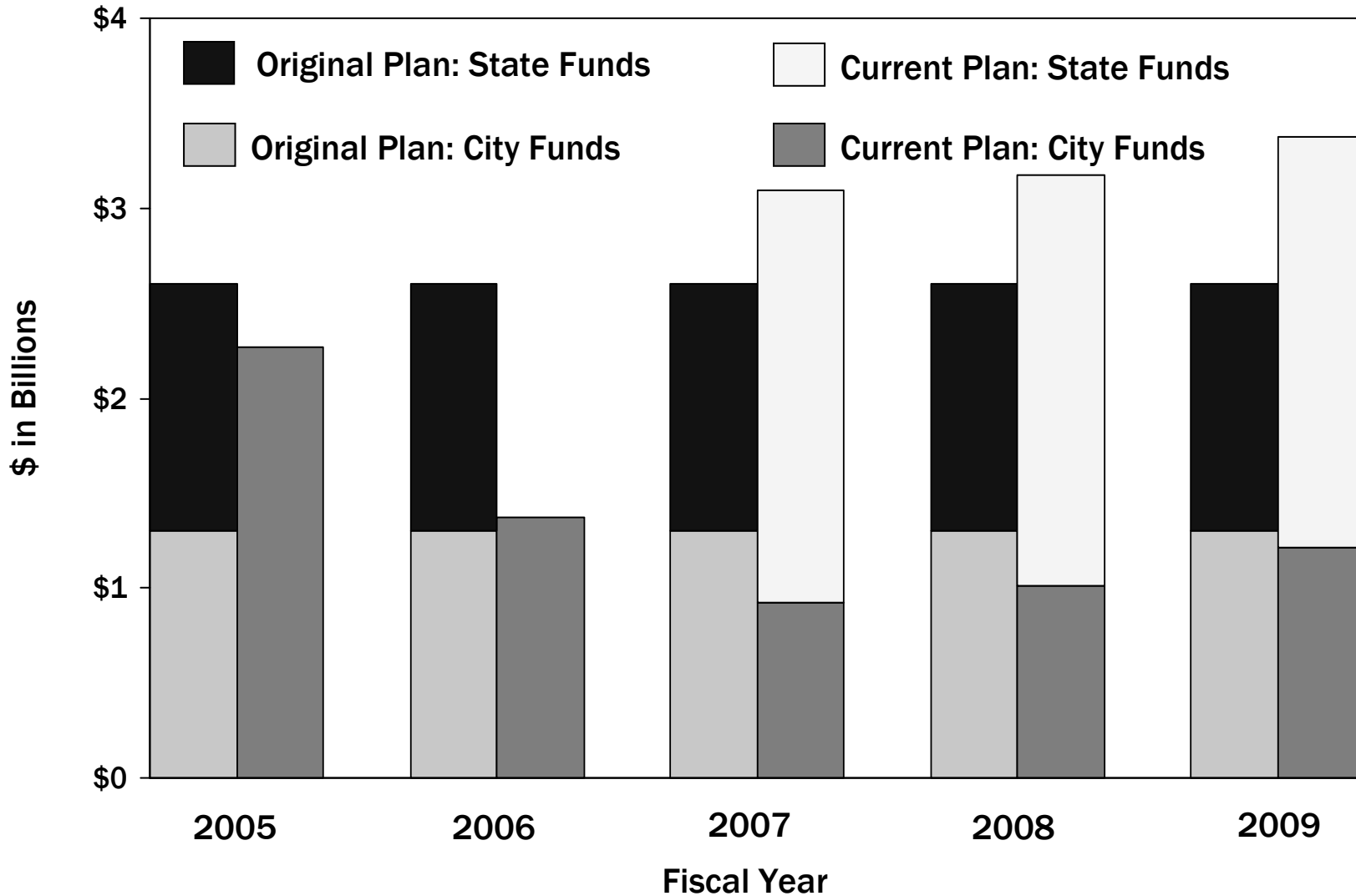
Since 2002, Annual City Spending on Behalf of the Department of Education Has Increased By \$3.1 Billion While State Spending Has Increased By Only \$1.1 Billion



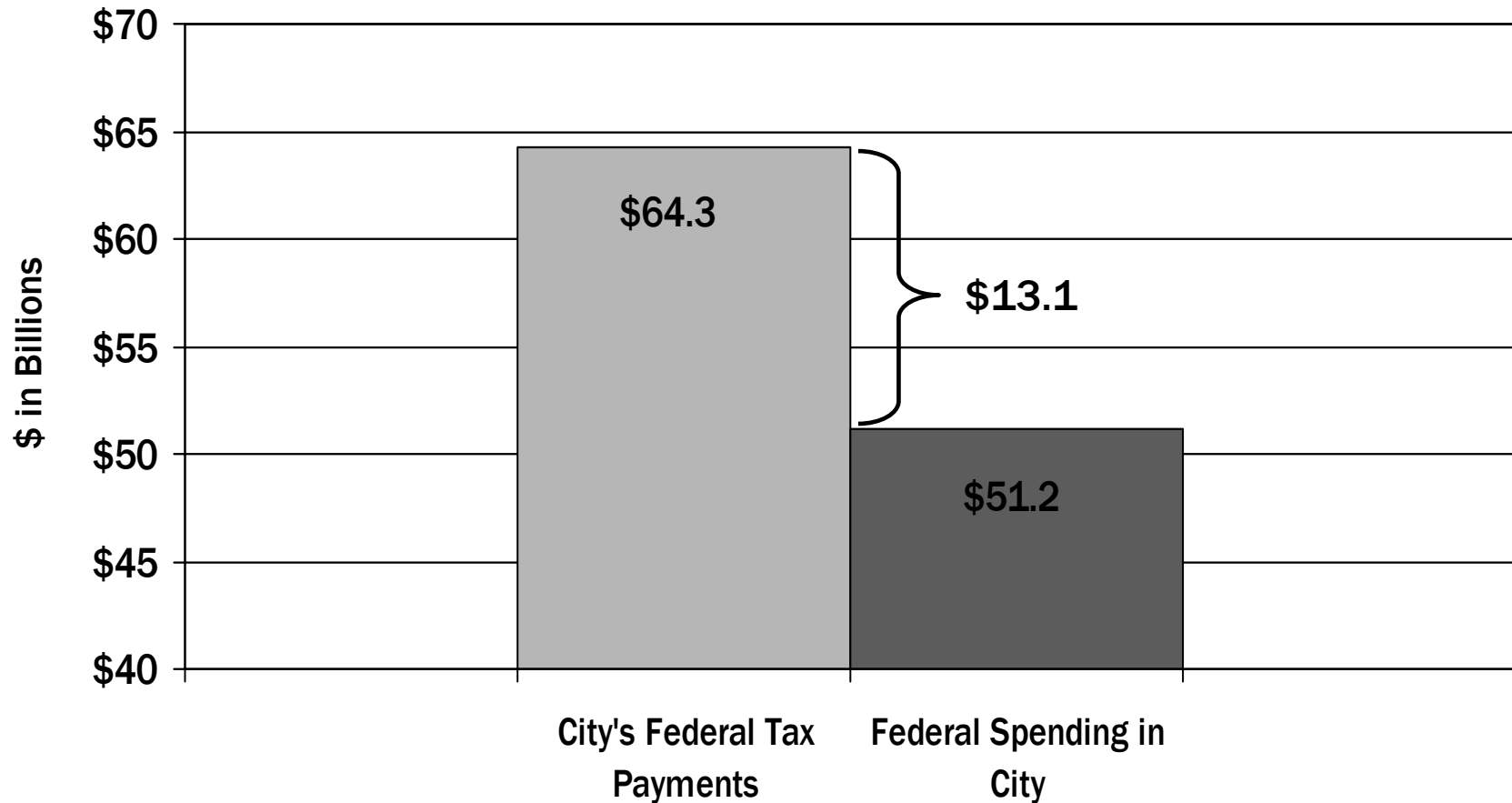
*Proposed Governor's Budget, January 2006

f = forecast

In Order to Maintain Our \$13.1 Billion Capital Commitment to Our Schools, the State Must Provide an Additional \$6.5 Billion Over the Next Three Years. State Inaction Has Already Resulted in the Delay of \$1.8 Billion in Capital Projects.



New York City Pays \$13.1 Billion More in Federal Taxes Than it Gets in Funding



Source: OMB estimate based on "Tax Foundation Special Report" for Federal FY 2003, December 2004, No. 132.

Federal Agenda

- ❖ **The 2007 Gap Closing Program calls for \$100 million in initiatives requiring Federal action. We have provided a menu of over \$900 million in initiatives to achieve this goal.**
- ❖ **In addition, New York City recommends that all Homeland Security Funding be distributed based on risk and urges greater flexibility in allowed uses of these funds.**

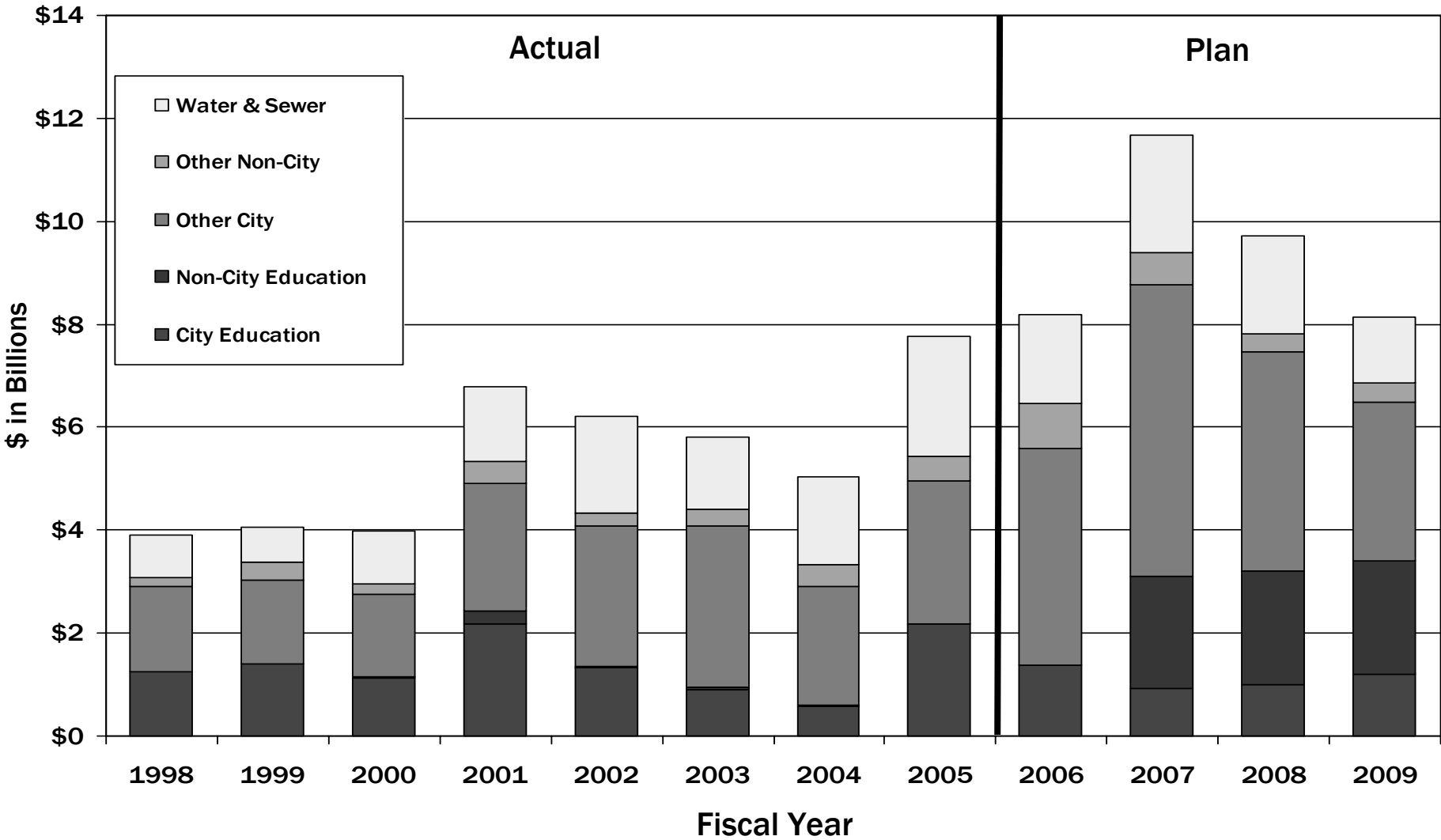
Federal Initiatives

	\$ in Millions			
	2007	2008	2009	2010
Increase Title I Education Funding to Authorized Levels	\$684	\$684	\$684	\$684
Provide Reimbursement for UN Protection and Adequate Future Funding	66	16	16	16
Fund the State Criminal Alien Assistance Program (SCAAP) at the Authorized Level	64	64	64	64
Provide Adequate Child Care Funding to Meet TANF Work Requirements	42	42	42	42
Revise Foster Care Eligibility	28	28	28	28
Reprogram CDBG Funds Distributed Outside the Formula Allocation	15	15	15	15
Fund Justice Assistance Grants (JAG) at Authorized Levels	12	12	12	12
Reimburse the City for Outstanding Foreign Dignitary Parking Tickets	9	9	1	1
Total	\$920	\$870	\$862	\$862

V. Capital

	<u>Page(s)</u>
Capital Commitments	46
Highlights	47 - 48

Capital Commitments - All Funds



Highlights of the Preliminary Capital Plan

Highlights

\$ in Millions

❖ Bridges	\$2,521
➤ East River and Harlem River Bridges	810
➤ All Other Bridges	1,711
❖ Mayor's Affordable Housing Plan	1,980
❖ Croton Water Filtration Facility	1,050
➤ Bronx Park Development	179
❖ Street Reconstruction (134 linear miles)	864
❖ Sanitation Transfer Stations	483
❖ Street Resurfacing (3,600 lane miles)	432
❖ Infrastructure and Parks for New Yankee and Shea Stadiums	265
❖ Rehabilitate Fire Facilities including Firehouses and EMS Stations	215
❖ Gilboa Dam Reconstruction	210
❖ Construction and Renovation of Police Facilities including New Police Precincts	209
❖ Development of Moynihan Station	133

Highlights of the Preliminary Capital Plan

Highlights

\$ in Millions

❖ Greenpoint-Williamsburg Waterfront Development	\$100
❖ Retaining Walls	47
❖ Flushing Meadows-Corona Park	46
❖ New York Aquarium	42
❖ Randall's Island Infrastructure and Parks	39
❖ American Museum of Natural History	36
❖ Bronx Zoo	33
❖ Queens Museum of Art	31
❖ Governor's Island Infrastructure Improvements	23
❖ Snug Harbor Cultural Center	22
❖ Central Park, Prospect Park, and Queens Zoos	19
❖ Brooklyn Central Library	17
❖ Electronic Medical Records for Community Health Centers	16
❖ Cumberland Packing Development – Brooklyn Navy Yard	4

VI. Tables

	<u>Page</u>
Financial Plan	50
Financial Plan Changes	51

Financial Plan Revenues and Expenditures

\$ in Millions

Revenues	2006	2007	2008	2009	2010
Revenues					
Taxes					
General Property Tax	\$12,434	\$12,780	\$13,686	\$14,361	\$15,039
Other Taxes ⁽⁴⁾	19,347	18,866	18,376	19,407	20,500
Tax Audit Revenue	512	509	509	509	510
Miscellaneous Revenues	5,034	4,646	5,031	4,621	4,641
Unrestricted Intergovernmental Aid	490	340	340	340	340
Anticipated Federal & State Aid	---	350	250	250	250
FY 2005 Discretionary Transfer ⁽⁴⁾	947	---	---	---	---
Less: Intra-City Revenue	(1,428)	(1,284)	(1,282)	(1,284)	(1,285)
Disallowances Against Categorical Grants	(15)	(15)	(15)	(15)	(15)
Subtotal: City Funds	\$37,321	\$36,192	\$36,895	\$38,189	\$39,980
Other Categorical Grants	947	915	926	941	945
Inter-Fund Revenues	373	365	346	346	346
Total City Funds and Inter-Fund Revenues	\$38,641	\$37,472	\$38,167	\$39,476	\$41,271
Federal Categorical Grants	5,608	4,911	4,900	4,899	4,902
State Categorical Grants	9,559	9,822	9,937	9,965	10,001
Total Revenues	\$53,808	\$52,205	\$53,004	\$54,340	\$56,174
Expenditures					
Personal Service					
Salaries and Wages	\$18,804	\$18,955	\$19,166	\$19,308	\$19,522
Pensions	4,017	4,886	5,610	5,846	5,712
Fringe Benefits	6,655	6,928	6,270	6,592	6,854
Subtotal: Personal Service	\$29,476	\$30,769	\$31,046	\$31,746	\$32,088
Other Than Personal Service					
Medical Assistance	\$4,463	\$4,950	\$5,097	\$5,236	\$5,413
Public Assistance	2,446	2,441	2,445	2,445	2,445
Pay-As-You-Go Capital	200	200	200	200	200
All Other ⁽⁴⁾	14,596	14,076	14,182	14,357	14,543
Subtotal: Other Than Personal Service	\$21,705	\$21,667	\$21,924	\$22,238	\$22,601
Debt Service ^{(4), (2)}	3,273	3,997	4,453	4,840	5,181
FY 2005 Budget Stabilization and Discretionary Transfers ⁽⁴⁾	(2,582)	---	---	---	---
FY 2006 Budget Stabilization and Discretionary Transfers ⁽²⁾	3,254	(3,254)	---	---	---
MAC Debt Service/Administrative Expenses	10	10	10	---	---
General Reserve	100	300	300	300	300
Subtotal	\$55,236	\$53,489	\$57,733	\$59,124	\$60,170
Less: Intra-City Expenses	(1,428)	(1,284)	(1,282)	(1,284)	(1,285)
Total Expenditures	\$53,808	\$52,205	\$56,451	\$57,840	\$58,885
Gap To Be Closed	\$ ---	\$ ---	(\$3,447)	(\$3,500)	(\$2,711)

⁽⁴⁾Fiscal Year 2005 Budget Stabilization and Discretionary Transfers total \$3.529 billion, including increased fiscal year 2006 tax revenue of \$947 million

⁽²⁾Fiscal Year 2006 Budget Stabilization and Discretionary Transfers total \$3.254 billion.

Financial Plan Update

Changes from the November 2005 Financial Plan

\$ in Millions

(Increase Gap) / Decrease Gap	2006	2007	2008	2009	2010
Gaps to be Closed – November 2005 Plan	\$ ---	(\$2,250)	(\$4,120)	(\$3,466)	(\$2,854)
Revenue Changes					
Property Tax Forecast	\$ ---	(\$292)	(\$299)	(\$258)	(\$271)
Real Estate Transaction Taxes	235	340	348	317	313
Other Tax Revenue Forecast	707	510	269	281	249
Restructure Outstanding TSASC Debt	(232)	(121)	454	22	24
Non-Tax Revenue	85	196	8	9	12
Total Revenues Increase / (Decrease)	\$795	\$633	\$780	\$371	\$327
Expenses Changes					
Agency Expense Increases	(\$46)	(\$158)	(\$157)	(\$159)	(\$160)
Pension Changes to Assumptions and Methods	925	571	(161)	(452)	(211)
Retiree Health Benefits Trust Fund	(1,000)	(1,000)	---	---	---
Debt Service	8	82	6	1	(14)
Re-estimate of Prior Years' Expenses	400	---	---	---	---
Reduce General Reserve	200	---	---	---	---
Total Expenses (Increase) / Decrease	\$487	(\$505)	(\$312)	(\$610)	(\$385)
Surplus / (Gap) to Be Closed January Plan	\$1,282	(\$2,122)	(\$3,652)	(\$3,705)	(\$2,912)
Agency Program	\$228	\$262	\$211	\$211	\$207
Federal Actions	---	100	---	---	---
State Actions	---	250	250	250	250
Total Gap Closing Plan	\$228	\$612	\$461	\$461	\$457
Extend Property Tax Rebate	---	---	(256)	(256)	(256)
Prepayments	(\$1,510)	\$1,510	---	---	---
Remaining Gaps - January 2006 Plan	\$ ---	\$ ---	(\$3,447)	(\$3,500)	(\$2,711)