



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

TO: Honorable Christine Quinn
Speaker

Honorable Domenic M. Recchia Jr.
Chairman, Finance Committee

FROM: Preston Niblack, Director
Jeffrey Rodus, First Deputy Director
Raymond Majewski, Deputy Director/Chief Economist
Finance Division

DATE: June 28, 2012

SUBJECT: A Preconsidered Budget Modification (MN-5) for Fiscal 2012 that will appropriate \$1.483 billion in new revenues.

INITIATION: By letter dated June 27, 2012, 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 \$1.483 billion in new revenues combined with \$365 million in expense reductions from the City's November, February and Executive Financial Plan modifications as well as Fiscal 2013 Adopted Budget changes to use to prepay \$1.848 billion in Fiscal 2013 expenses.

BACKGROUND: This modification (MN-5) seeks to recognize \$1.483 billion in new revenues combined with expense reductions of \$365 million to make prepayments of \$65 million to the Library Systems and \$1.783 billion to the Budget Stabilization account to prepay debt service.

FISCAL IMPACT: This modification represents a net increase in the Fiscal 2012 budget of \$ 1.483 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 Recchia

Whereas, on June 28, 2012, the Committee on Finance of the City Council received a communication, dated June 27, 2012 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 June 28, 2012, the Council received a communication, from the Office of Management and Budget of the Mayor, dated June 27, 2012, of a proposed request to modify, pursuant to Section 107(e) of the Charter of the City of New York, the Fiscal 2012 Expense Budget, and the revenue estimate related thereto prepared by the Mayor as of June 29th, 2011.

Analysis. The Council annually adopts the City's budget covering expenditures pursuant to Section 254 of the Charter. On June 29, 2011, the Council adopted the expense budget for fiscal year 2012 (the "Fiscal 2012 Expense Budget"). On June 29, 2011, the Mayor submitted to the Council a revenue estimate related to the Fiscal 2012 Expense Budget. On November 3rd, 2011, the Council adopted MN-1 modifying the Fiscal 2012 Expense Budget. On January 4th 2012, the Council adopted MN-2 modifying the Fiscal 2012 Expense Budget. On April 18th, 2012 the Council adopted MN-3 once again modifying the Fiscal 2012 Expense Budget. Circumstances have changed since the Council last amended the Fiscal 2012 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 2012 Expense Budget and related revenue estimate requested in the Communication.

This modification (MN-5) seeks to increase revenues in the net amount of \$1.483 billion from the Fiscal 2012 Adopted budget. This represents an increase in City funds of approximately 3.2 percent.

MN-5 is the first revenue modification of Fiscal 2012 and it incorporates changes from the November, February and May plans, as well as changes not anticipated in those plans. On the basis of the November through May plans, Council Finance would anticipate a revenue increase of about \$1.090 billion, around \$400 million less than is in this modification.

There are lots of pluses and minuses in this modification compared to the earlier plans, but there are two main sources of the additional revenue. The first is \$180 million from a reserve set to cover disallowances of Federal and State categorical grants. This reserve has been used less in recent years than anticipated. This reduction will leave the reserve at what the Administration believes is a more realistic level. The second major change is \$150 million from a settlement with ING Bank. This is the City's portion of a \$619 million settlement of charges relating to money laundering and violating U.S. sanctions against Cuba and Iran. Most of the rest of the difference is in miscellaneous revenues, notably about \$43 million for fees and fines.

One of the interesting things about this modification is how close tax revenues are to the Adopted budget. All told tax revenues in this modification are only \$15 million over the Adopted budget. For comparison in revenue modification done in June 2011, tax revenues were increased by \$1.26 billion. Especially disappointing in Fiscal 2012 were the personal income, general corporation and unincorporated business taxes, all of which were significantly below the Adopted budget levels. Despite this weakness Fiscal 2012 has seen relatively healthy overall tax revenue growth of a bit over 5 percent.

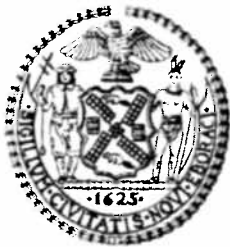
This modification combines these revenues with extra resources from \$365 million in expense reductions. Today's expense budget modification, MN-4, increases funds in the general reserve by \$306 million. This, plus funds already in the general reserve, are the source of the \$365 million.

The extra revenue and expense reductions are used to prepay Fiscal 2013 expenses. The library systems receive prepayments of \$65 million. The prepayments are divided among the three library systems. A payment of \$1.783 billion is made to the Budget Stabilization account to prepay Fiscal 2013 debt service.

The above prepayments do not represent the full amount of prior year resources carried into the Fiscal 2013 budget. In addition Transitional Finance Authority and General Obligation Bonds have already been prepaid through a method known as defeasance. This along with a pre-funding of Hudson Yards Infrastructure Corporation payments are the principle uses of the \$468 million in resources from the Citytime settlement that are recognized in the modification. Overall about \$2.4 billion in prior year resources are being moved into Fiscal 2013.

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 2012 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
Office of Management and Budget
75 Park Place - New York, New York 10007 - 2146
(212) 788-5900

Mark Page
Director

June 27, 2012

TO THE CITY COUNCIL

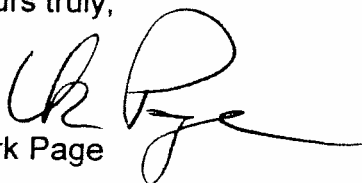
Dear Council Members:

In accordance with Section 107(e) of the New York City Charter, I seek your approval to appropriate new revenues of \$1.483 billion in fiscal year 2012.

The \$1.483 billion of new revenues combined with \$365 million of expense reductions will be used to prepay \$1.848 billion of expenses in fiscal year 2013. This includes prepayments of \$65 million to the Library Systems and \$1.783 billion to the Budget Stabilization Account to prepay debt service.

Your approval of modification MN-5 is respectfully requested.

Yours truly,


Mark Page

FISCAL YEAR 2012 MODIFICATION
MN-5

035	New York Public Library-Research	
	001 Lump Sum Appropriation	\$4,129,608
037	New York Public Library	
	003 Lump Sum – Borough of Manhattan	7,588,284
	004 Lump Sum – Borough of the Bronx	7,436,210
	005 Lump Sum – Borough of Staten Island	3,184,854
	006 Systemwide Services	5,108,370
	007 Consultant and Advisory Services	454,043
038	Brooklyn Public Library	
	001 Lump Sum	18,459,837
039	Queens Borough Public Library	
	001 Lump Sum	18,094,747
099	Debt Service	
	004 Budget Stabilization Account	<u>1,783,231,715</u>
	TOTAL	<u>\$1,847,687,668</u>

Exhibit B
Changes in Revenue by Revenue Source

Agency	Source Description	Fiscal 2012
SUMMARY		
TAX AND AUDIT REVENUE CHANGES		
	Real Estate	\$292,658,000
	Sales	37,600,000
	Mortgage Recording	35,000,000
	Personal Income	(194,500,000)
	General Corporation	(290,000,000)
	Banking Corporation	33,000,000
	Unincorporated Business	(161,000,000)
	Utility	(31,000,000)
	Hotel	90,300,000
	Commercial Rent	5,000,000
	Real Property Transfer	132,000,000
	Cigarette	(1,500,000)
	All Other	29,671,000
	Audit	40,000,000
	STAR	(1,669,000)
	TAX AND AUDIT REVENUE TOTAL	\$15,560,000
	UNRESTRICTED AID	(\$12,407,069)
	UNRESTRICTED AID TOTAL	(\$12,407,069)
	NET DISALLOWANCES OF CATEGORICAL GRANTS	\$180,000,000
	NET DISALLOWANCES OF CAT. GRANTS TOTAL	\$180,000,000
MISCELLANEOUS		
	<i>Licenses, Franchises, Etc.</i>	\$37,004,000
	<i>Charges for Services</i>	41,369,184
	<i>Water and Sewage Charges</i>	(53,812,215)
	<i>Fines and Forfeitures</i>	48,823,000
	<i>Rental Income</i>	42,453,288
	<i>Interest</i>	(16,180,000)
	<i>Other Miscellaneous</i>	1,200,166,636
	MISCELLANEOUS TOTAL	\$1,299,823,893
	GRAND TOTAL	\$1,482,976,824

Exhibit B

Changes in Revenue by Revenue Source

Agency	Source	Description	Fiscal 2012
TAX AND AUDIT REVENUE CHANGES			
Mayoral	00001	Real Prop Tax 1st Quart	\$65,807,000
Mayoral	00002	Real Prop Tax 2nd Quart	(10,072,000)
Mayoral	00003	Real Prop Tax 3rd Quart	(6,205,000)
Mayoral	00004	Real Prop Tax 4th Quart	18,128,000
Mayoral	00021	Real Estate Tax Refunds	165,000,000
Mayoral	00026	State Aid School Tax Relief	(1,469,000)
Mayoral	00049	Accrued Real Estate Tax Revenue	60,000,000
Mayoral	00050	General Sales Tax	37,600,000
Mayoral	00070	Cigarette Tax	(1,500,000)
Mayoral	00073	Commercial Motor Vehicle Tax	1,000,000
Mayoral	00077	Mortgage Tax	35,000,000
Mayoral	00079	Auto Use Tax	(1,000,000)
Mayoral	00088	State Aid Pit Relief Schoolaid	(200,000)
Mayoral	00090	Personal Income Tax	(96,500,000)
Mayoral	00091	Refunds Of Personal Income Tax	(98,000,000)
Mayoral	00093	General Corporation Tax	(223,000,000)
Mayoral	00094	Refunds Of General Corp Tax	(67,000,000)
Mayoral	00095	Financial Corporation Tax	(57,000,000)
Mayoral	00096	Refunds Of Financial Corp Tax	90,000,000
Mayoral	00099	Unincorporated Business Inc Tx	(147,000,000)
Mayoral	00100	Refunds Of Unicorp Busn Tax	(14,000,000)
Mayoral	00102	Pers Inc Tax Cty Emp Non-Res	2,000,000
Mayoral	00103	Utility Tax	(31,000,000)
Mayoral	00110	Payment In Lieu Of Taxes	32,671,000
Mayoral	00112	Tax On Occupancy Of Hotel Room	90,300,000
Mayoral	00113	Tx On Commercial Rents - Occup	5,000,000
Mayoral	00114	Refunds Of All Other Taxes	(2,000,000)
Mayoral	00122	Conveyance Of Real Property Tx	132,000,000
Mayoral	00124	Beer + Liquor Excise Tax	(2,000,000)
Mayoral	00130	Pen & Int-Gen Prop Tax	(3,000,000)
Mayoral	00134	Refunds On Pen & Int-Other Tax	2,000,000
Mayoral	00135	Tax Audit Revenue	40,000,000
TAX AND AUDIT REVENUE TOTAL			\$15,560,000
UNRESTRICTED AID			
Mayoral	55014	Other Federal-State Actions	(\$12,407,069)
UNRESTRICTED AID TOTAL			(\$12,407,069)
NET DISALLOWANCES OF CATEGORICAL GRANTS			
Mayoral	60000	Reserve Fed & State Disallow	\$180,000,000
NET DISALLOWANCES OF CATEGORICAL GRANTS TOTAL			\$180,000,000

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Changes in Revenue by Revenue Source

Agency	Source	Description	Fiscal 2012
MISCELLANEOUS			
<i>Licenses, Franchises, Etc.</i>			
Taxi and Limousine Comm	00200	Licenses - General	(\$5,300,000)
Consumer Aff	00200	Licenses - General	963,000
Mayoral	00250	Permits - General	85,000
Landmarks	00250	Permits - General	1,424,000
DOB	00250	Permits - General	8,164,000
DOT	00250	Permits - General	(200,000)
DOITT	00250	Permits - General	235,000
DOB	00251	Construction Permits	14,200,000
DOT	00320	Franchises - Other	5,771,000
DOITT	00320	Franchises - Other	8,967,000
Consumer Aff	00320	Franchises - Other	2,690,000
Dept Correct	00325	Privileges - Other	175,000
Dept Sanit	00325	Privileges - Other	(1,832,000)
DOT	00325	Privileges - Other	1,662,000
<i>Licenses, Franchises, Etc. Subtotal</i>			\$37,004,000
 <i>Charges for Services</i>			
DOHMH	00430	Health Services/Fees	\$609,000
Board of Education	00460	Education Services/Fees	(1,576,148)
CUNY	00461	Higher Educ Ser/Fees Comm Coll	22,877,546
Mayoral	00470	Other Services And Fees	(1,961,000)
Comptroller	00470	Other Services And Fees	516,000
Tax Comm	00470	Other Services And Fees	300,000
NYPD	00470	Other Services And Fees	1,215,000
NYFD	00470	Other Services And Fees	8,840,286
Taxi and Limousine Comm	00470	Other Services And Fees	2,279,500
Dept of Probation	00470	Other Services And Fees	(769,000)
HPD	00470	Other Services And Fees	10,574,500
DOB	00470	Other Services And Fees	(1,735,500)
DEP	00470	Other Services And Fees	793,000
DOF	00470	Other Services And Fees	(5,711,000)
DCAS	00470	Other Services And Fees	(154,000)
Consumer Aff	00470	Other Services And Fees	157,000
PA New York	00470	Other Services And Fees	(830,000)
PA Bronx	00470	Other Services And Fees	797,000
PA Queens	00470	Other Services And Fees	273,000
PA Richmond	00470	Other Services And Fees	4,000
DOT	00472	Parking Meter Revenues	1,450,000
Financial Info Svcs Agency	00476	Administrative Serv To Public	(100,000)
DOB	00476	Administrative Serv To Public	1,410,000
DOHMH	00476	Administrative Serv To Public	(280,000)
DOF	00476	Administrative Serv To Public	(1,125,000)
DCAS	00476	Administrative Serv To Public	3,515,000
<i>Charges for Services Subtotal</i>			\$41,369,184

Exhibit B

Changes in Revenue by Revenue Source

Agency	Source	Description	Fiscal 2012
<i>Water and Sewage Charges</i>			
Mayoral	00521	Reimbursement From Water Board	(\$12,658,215)
Mayoral	00522	Payment From Water Board	(41,154,000)
<i>Water and Sewage Charges Subtotal</i>			<i>(\$53,812,215)</i>
<i>Fines and Forfeitures</i>			
Mayoral	00600	Fines-General	\$1,915,000
City Clerk	00600	Fines-General	(150,000)
DOB	00600	Fines-General	17,300,000
Office Of Admin Trials & Hearings	00600	Fines-General	9,687,000
Business Integrity Comm	00600	Fines-General	(454,000)
DOF	00600	Fines-General	1,230,000
Consumer Aff	00600	Fines-General	2,824,000
DOF	00602	Fines - Pvb	(31,367,000)
Office Of Admin Trials & Hearings	00603	Fines - ECB	13,466,000
DOF	00603	Fines - ECB	33,717,000
DA New York	00650	Forfeitures - General	250,000
DA Bronx	00650	Forfeitures - General	(135,000)
DA Kings	00650	Forfeitures - General	140,000
DA Queens	00650	Forfeitures - General	400,000
<i>Fines and Forfeitures Subtotal</i>			<i>\$48,823,000</i>
<i>Rental Income</i>			
Mayoral	00752	Rentals: Airport-Port NY Auth	\$22,000,000
SBS	00760	Rentals: Other	14,454,288
HPD	00760	Rentals: Other	6,100,000
DEP	00760	Rentals: Other	457,000
DCAS	00760	Rentals: Other	(608,000)
DOITT	00760	Rentals: Other	50,000
<i>Rental Income Subtotal</i>			<i>\$42,453,288</i>

Exhibit B

Changes in Revenue by Revenue Source

Agency	Source	Description	Fiscal 2012
Interest			
Comptroller	56001	Interest Income - Other	(\$9,210,000)
DOF	56001	Interest Income - Other	(1,280,000)
DOF	56002	Interest Income- Sales Tax	(2,420,000)
Comptroller	56003	Interest-Debt Service Fund	(3,270,000)
Interest Subtotal			(\$16,180,000)
Other Miscellaneous			
HPD	00815	Sales Of In Rem Property	\$1,495,000
DCAS	00817	Mortgage Payments	610,000
DCAS	00820	Sales Of City Real Property	11,800,000
Dept Sanit	00822	Minor Sales	7,143,000
DCAS	00822	Minor Sales	4,046,000
Consumer Aff	00822	Minor Sales	150,000
Mayoral	00846	Awards From Litigation	(6,725,000)
Comptroller	00846	Awards From Litigation	200,000
Law Dept	00846	Awards From Litigation	3,341,000
NYPD	00847	E-911 Surcharges	(700,000)
Mayoral	00859	ING Bank Settlement	150,260,000
Mayoral	00859	Prior Payables	500,000,000
Mayoral	00859	Sundries	48,713,158
Law Dept	00859	Sundries	1,406,000
DOI	00859	Sundries	(83,000)
NYPD	00859	Sundries	(1,752,000)
Dept of Social Svcs	00859	Sundries	4,130,000
Dept Correct	00859	Sundries	1,190,000
Debt Service	00859	Citytime Settlement	468,563,856
Office of Payroll Administration	00859	Sundries	2,141,707
Taxi and Limousine Comm	00859	Sundries	34,500
SBS	00859	Sundries	864,715
HPD	00859	Sundries	2,420,700
DOHMH	00859	Sundries	(500,000)
Dept Sanit	00859	Sundries	(350,000)
DOF	00859	Sundries	1,000,000
DPR	00859	Sundries	(2,507,000)
DCAS	00859	Sundries	5,796,000
DOITT	00859	Sundries	(2,522,000)
Other Miscellaneous Subtotal			\$1,200,166,636
MISCELLANEOUS TOTAL			\$1,299,823,893
GRAND TOTAL			\$1,482,976,824