



Office of the  
New York City Comptroller  
**Scott M. Stringer**  
Bureau of Budget

# An Overview of New York City's Economy

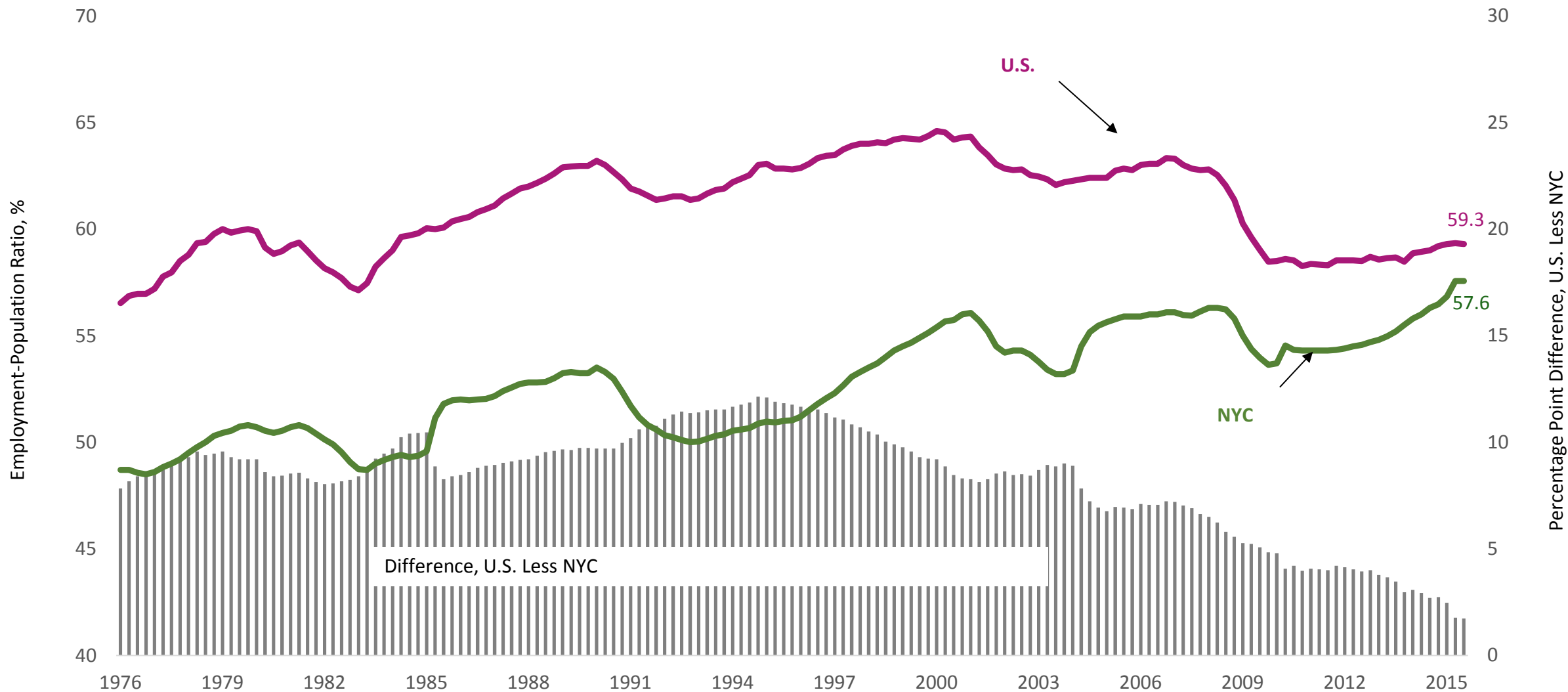
Tim Mulligan, Deputy Comptroller for Budget  
MAGNY Monthly Luncheon and Discussion  
November 19, 2015

# Private Sector Job Growth Since Trough of Recession - Indexed 4Q09 to 3Q15

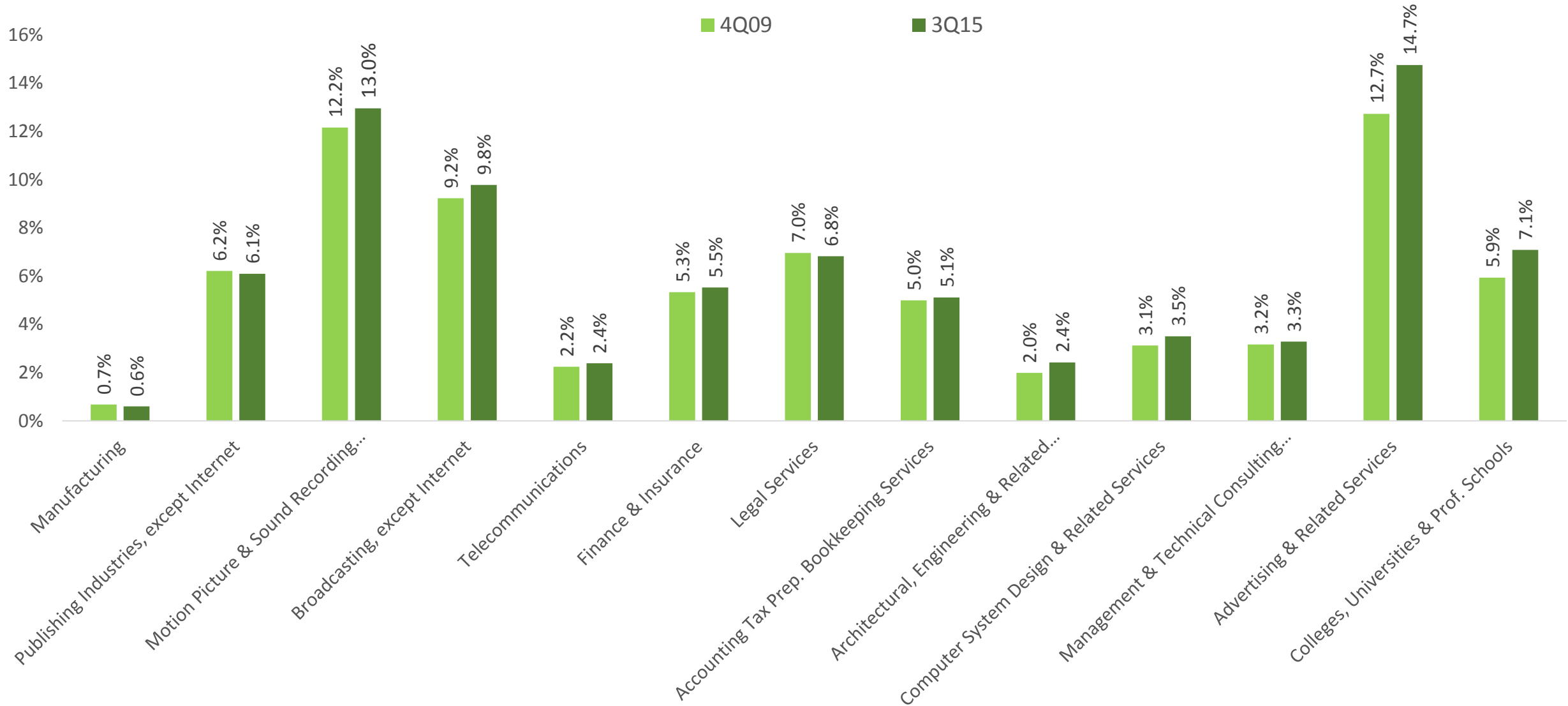


# Employment to Population Ratio – NYC compared to US

*In the past two quarters, New York City has experienced a record high proportion of its working-age population employed*



# New York City's Employment Share in Major Export Industries since Trough of Recession 4Q09 vs. 3Q15



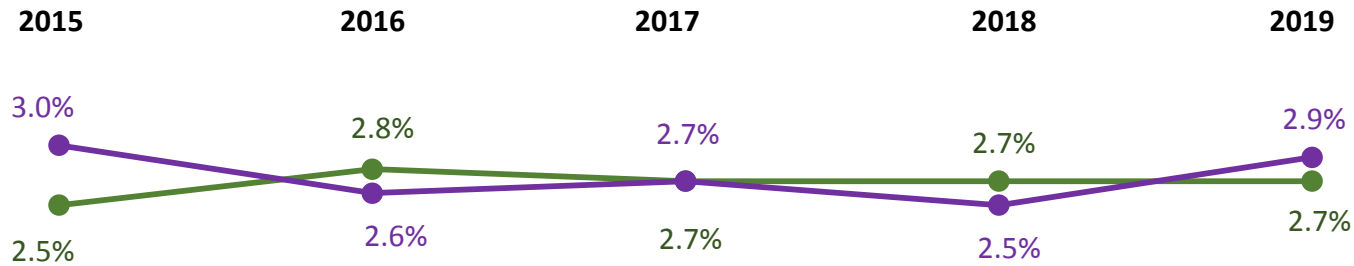
# US Economic Indicators

## Comptroller and Mayor Forecasts

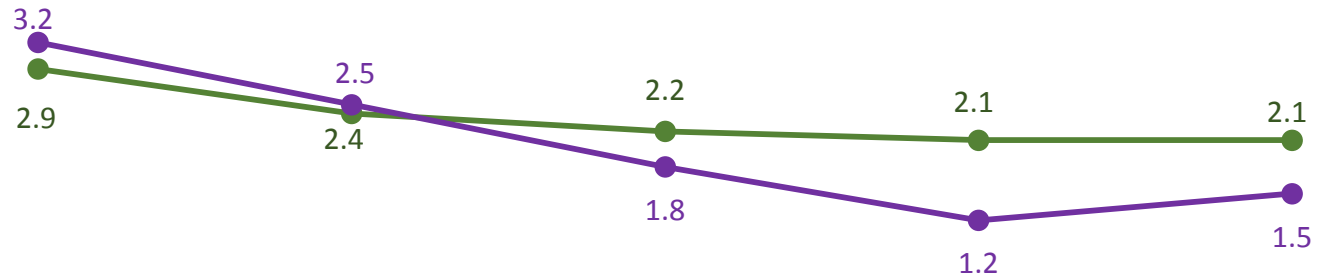
*FY16 Adopted Budget*

----- Comptroller's Office  
----- Mayor's Office

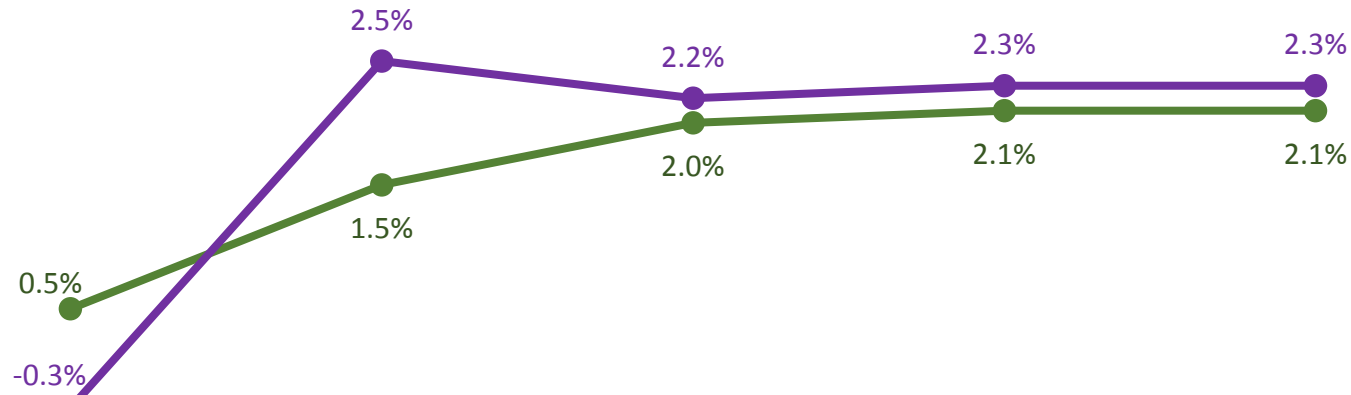
**Real GDP Growth  
in 2009 dollars**



**Payroll Jobs Growth  
in millions**



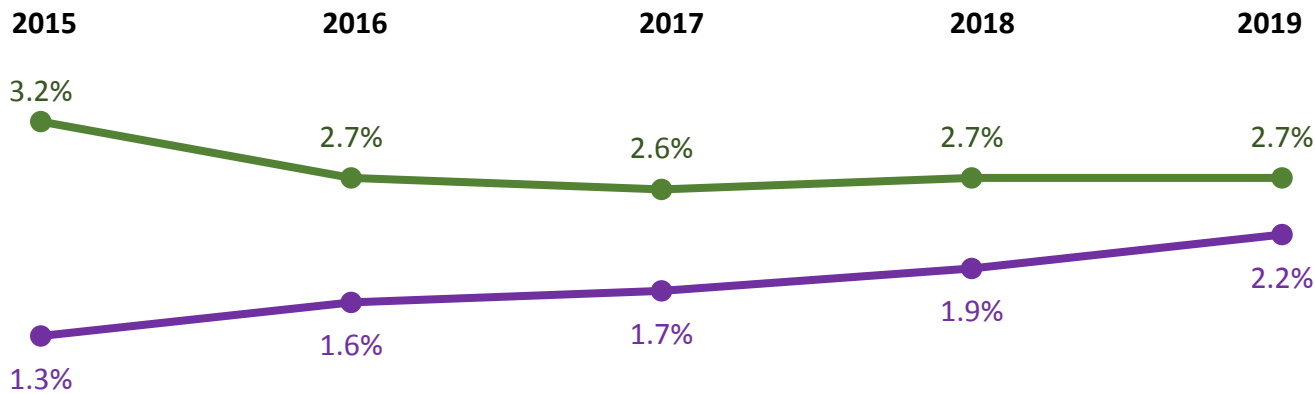
**U.S. Inflation Rate**



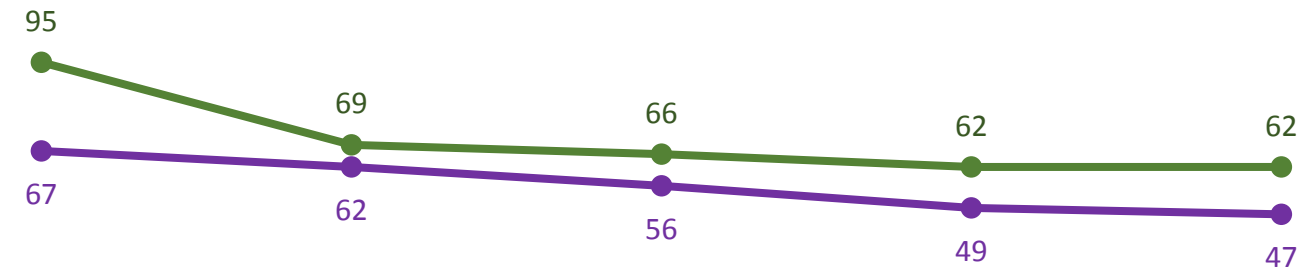
# NYC Economic Indicators Comptroller and Mayor Forecasts FY16 Adopted Budget

----- Comptroller's Office  
----- Mayor's Office

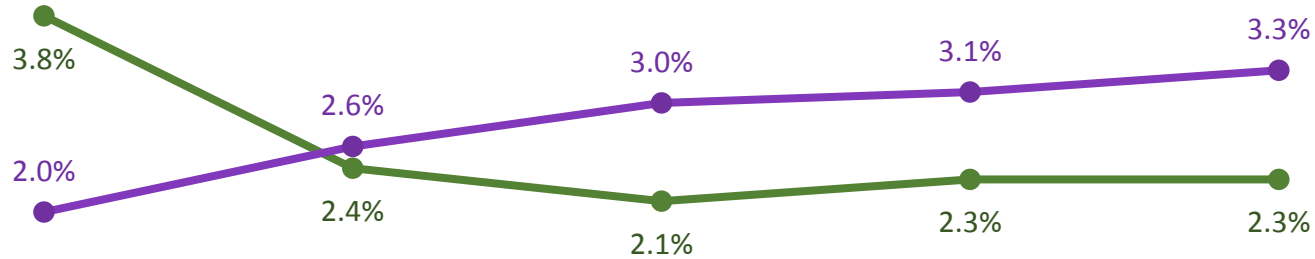
**Real Gross City Product  
(GCP) Growth**



**Payroll Jobs Growth  
in thousands**

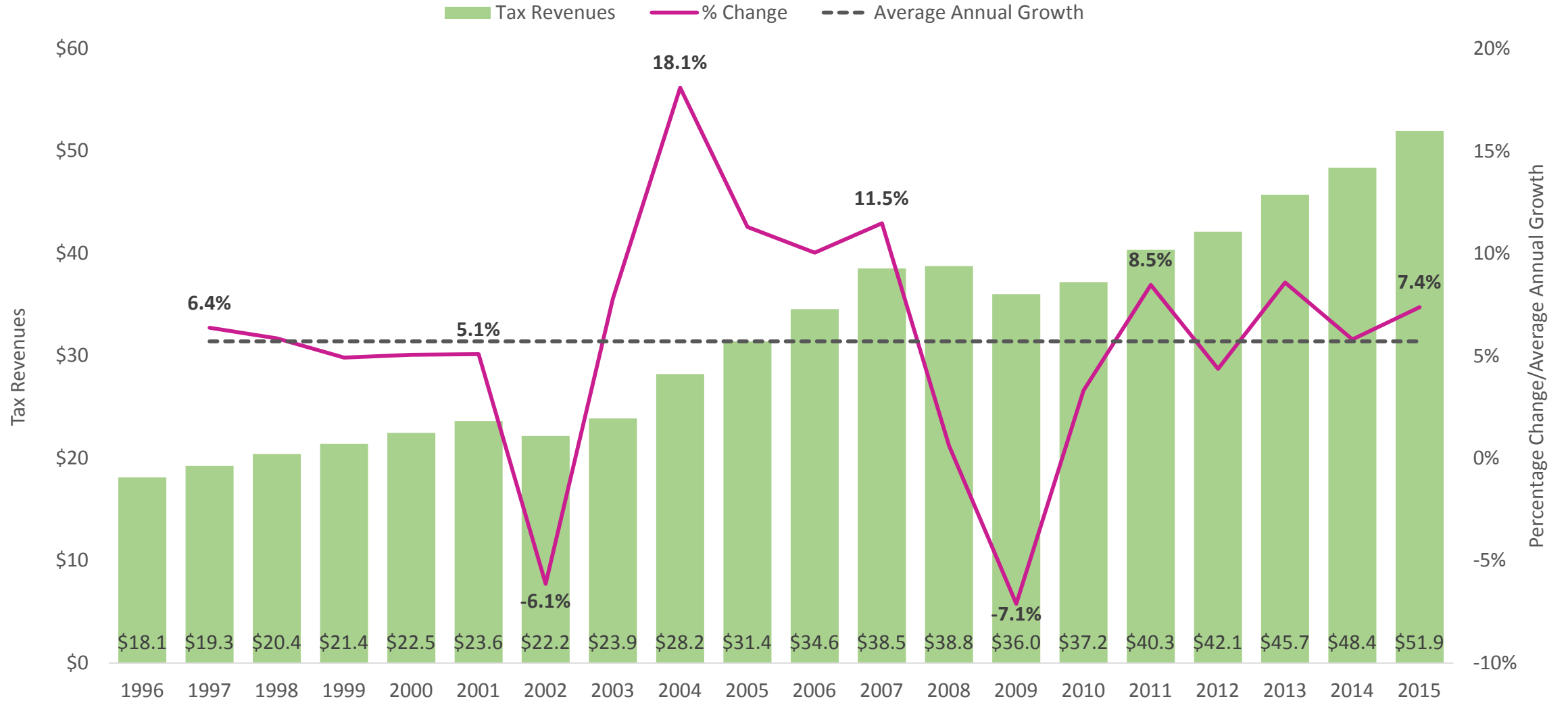


**Wage Growth**



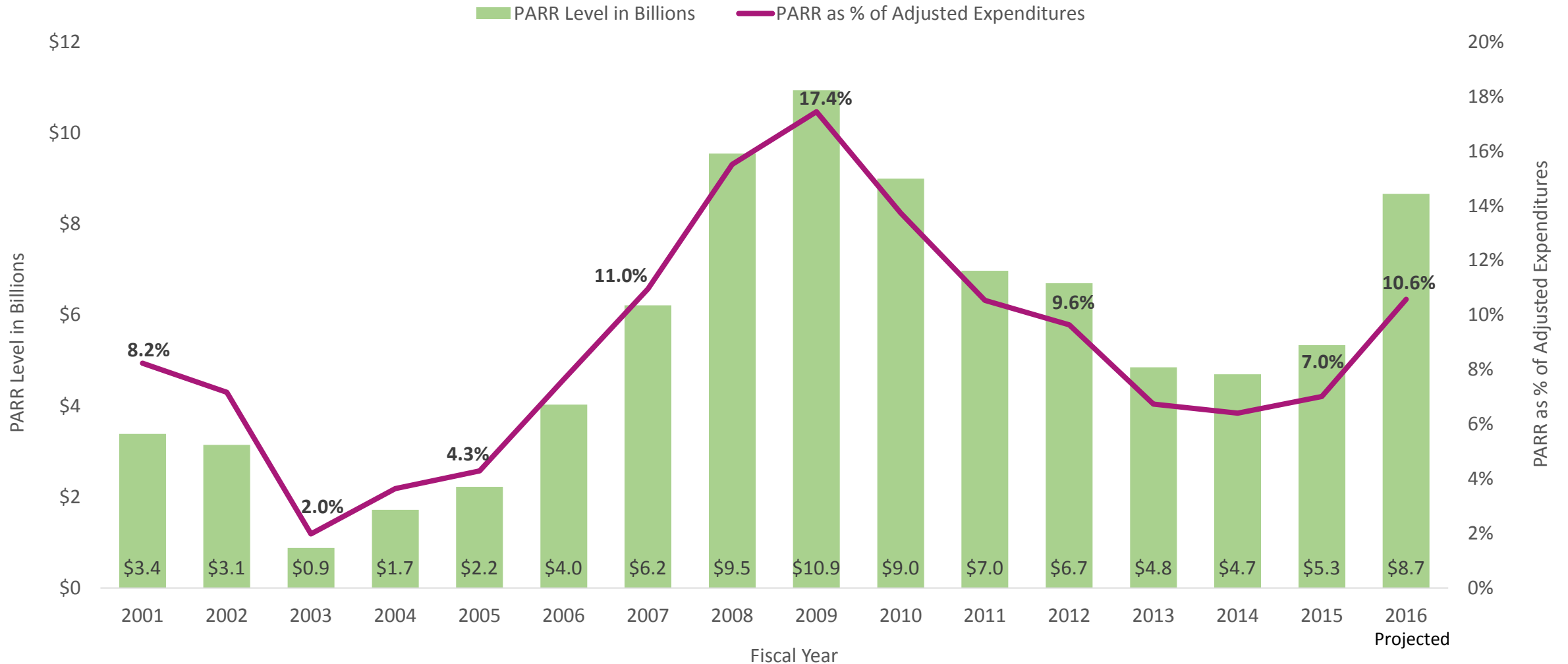
# Volatility of New York Tax Revenue - *in billions*

*Following 9/11 and the Great Recession, the drops in City tax revenue would have been even greater if not for tax-raising measures the City took to address downturns*



# Comptroller's Measure of Prior-Year Resources and Reserves (PARR)

*City's budgetary cushion is between \$1.2 and \$6.1 billion below Comptroller recommended range of 12% to 18% of the adjusted operating budget*





# NEW YORK CITY'S FISCAL OUTLOOK

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Ronnie Lowenstein

Director

New York City Independent Budget Office

November 19, 2015

## FISCAL OUTLOOK: MAIN POINTS

- Out-year gaps remain manageable in OMB's November plan
- IBO's May forecast showed out-years in balance despite our expectations of slower growth
- Tax revenues nearly always under-estimated
- Reserves buy time to respond to a downturn

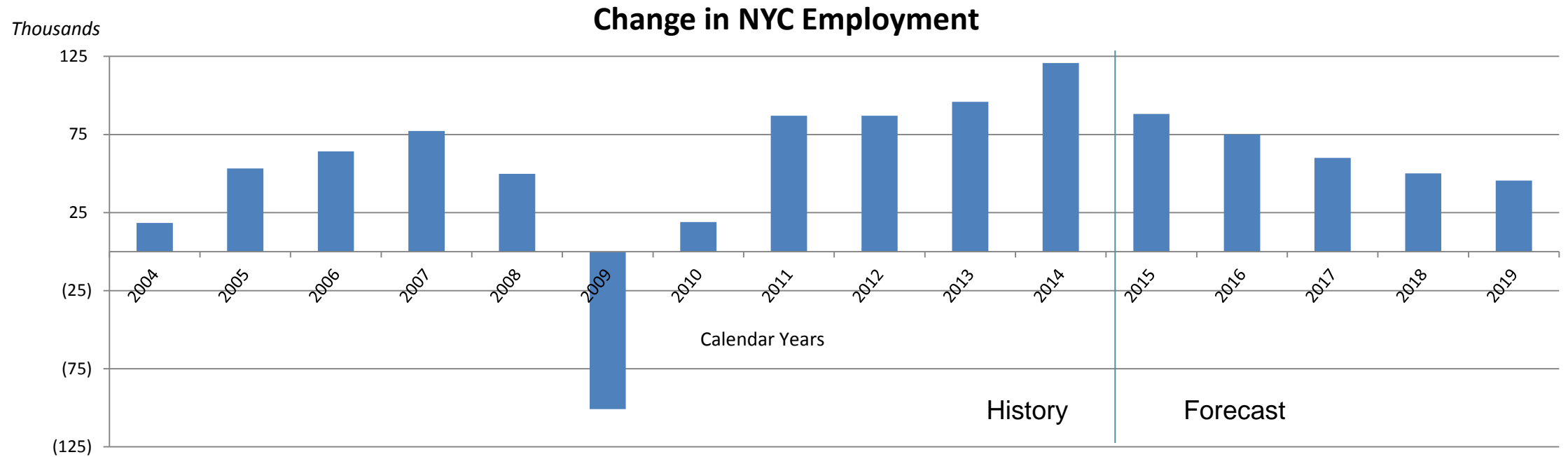
# OMB's NOVEMBER PLAN

Gaps are Modest Relative to Recent Years

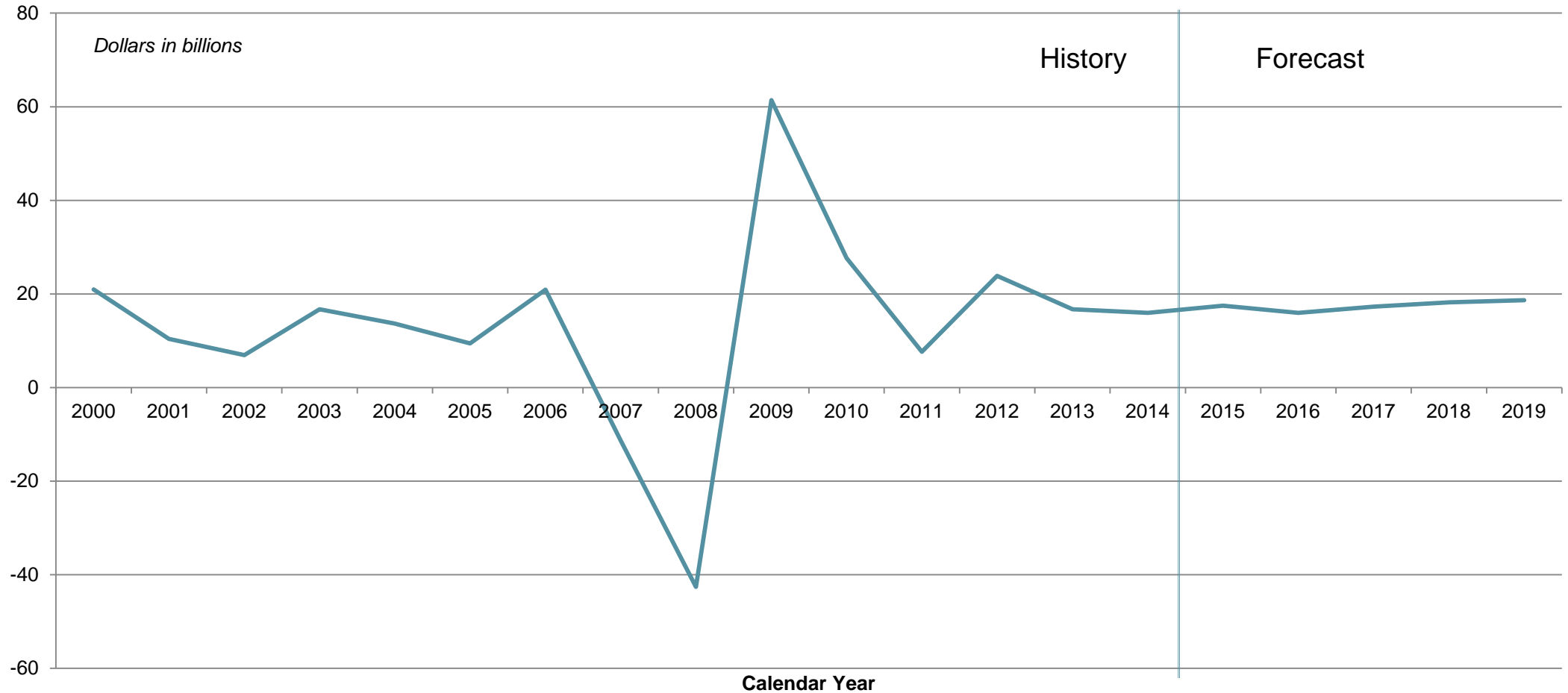
	Fiscal Years			
<i>Dollars in millions</i>	2016	2017	2018	2019
Taxes	\$52,482	\$54,329	\$56,282	\$58,319
Fees, Fines, etc.	4,796	4,911	5,000	5,060
Total City-Funded Revenue	\$57,278	\$59,240	\$61,282	\$63,379
City-Funded Expenditures	\$57,278	\$60,479	\$63,205	\$66,287
Remaining Gaps	\$ -	\$(1,239)	\$(1,923)	\$(2,908)
<i>Share of City-Funded Revenue</i>		2.1%	3.1%	4.6%
Last 5 Years:		<b>2nd Year</b>	<b>3rd Year</b>	<b>4th Year</b>
Gap as Share of City Funds at Adoption (Mean)		5.1%	5.1%	5.5%

# IBO EXPECTS EMPLOYMENT GROWTH TO SLOW

- **Average Annual Growth, Five-Year Periods**
  - Post-recession, through 2014: **2.1%**
  - OMB forecast, through 2019: **1.5%**
  - IBO forecast, through 2019: **1.5%**



# WALL STREET PROFITS FORECAST LEVELS OFF



# IBO's TAX REVENUE FORECAST:

Higher Than OMB's Despite Similar Expectations for Employment Growth

*Dollars in billions*

Fiscal Year	IBO May 2015	OMB November 2015	Difference
2015 (actual)	\$51.9	\$51.9	\$--
2016	\$52.8	\$52.5	\$0.4
2017	\$55.1	\$54.3	\$0.7
2018	\$57.5	\$56.3	\$1.2
2019	\$60.2	\$58.3	\$1.9

- **Average Annual Revenue Growth**

- OMB, 3.0%
- IBO, 3.8%

## Taxes Almost Always Under-Estimated

Difference Between OMB's Tax Forecast at Adoption and Actual Collections

*Adjusted for Tax Policy Changes, dollars in billions*

Date Budget Adopted	Year 1	Year 2	Year 3	Year 4
June 2005	\$4.0	\$8.2	\$7.6	\$2.3
June 2006	\$6.2	\$6.9	\$3.6	\$2.8
June 2007	\$3.5	\$0.6	-\$1.5	\$0.0
June 2008	-\$0.9	-\$2.7	-\$1.6	-\$2.5
June 2009	\$2.5	\$3.4	\$2.9	\$4.8
June 2010	\$1.4	\$1.3	\$3.4	\$4.7
June 2011	\$0.1	\$2.4	\$3.7	\$5.5
June 2012	\$2.1	\$3.2	\$4.8	
June 2013	\$3.1	\$4.1		
June 2014	\$3.3			

# RESERVES BUY TIME TO RESPOND TO A DOWNTURN

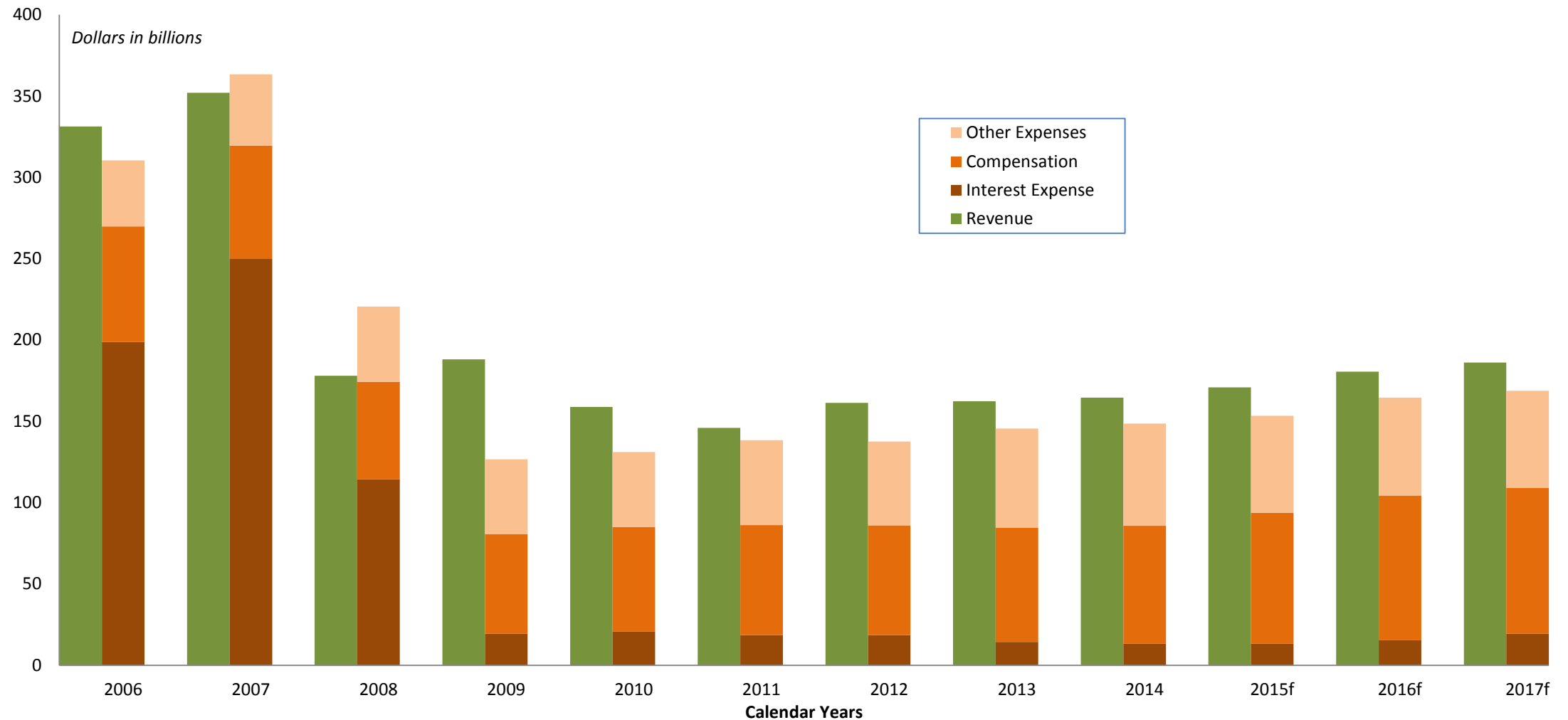
- Identified Reserves
  - General reserve: \$1bn (each year of financial plan)
  - Capital budget reserve: \$500mn in 2016
  - Retiree Health Benefit Trust: over \$3bn
- Other Common Sources
  - Overestimation of debt service costs
  - Payables/receivables adjustments
  - Underestimation of tax revenues
- Identified reserves for 2016 are about 8% of tax revenue
  - In 2009 they were 5%



# STRESS TESTING IBO'S REVENUE FORECAST

- Assume a Recession Similar to Last Time
  - Peak—Q4:2015
  - Trough—Q1:2017
  - Loss of 126,000 jobs
- Impact on Tax Revenues
  - Revenues down \$1.8bn (3.5%) in FY 2016
  - \$3.1bn (5.7%) in FY 2017
  - \$3.5bn (6.1%) in FY 2018
  - \$3.5bn (5.9%) in FY 2019

# WITH REVENUES STILL DEPRESSED, RISING INTEREST RATES THREATEN WALL STREET PROFITS

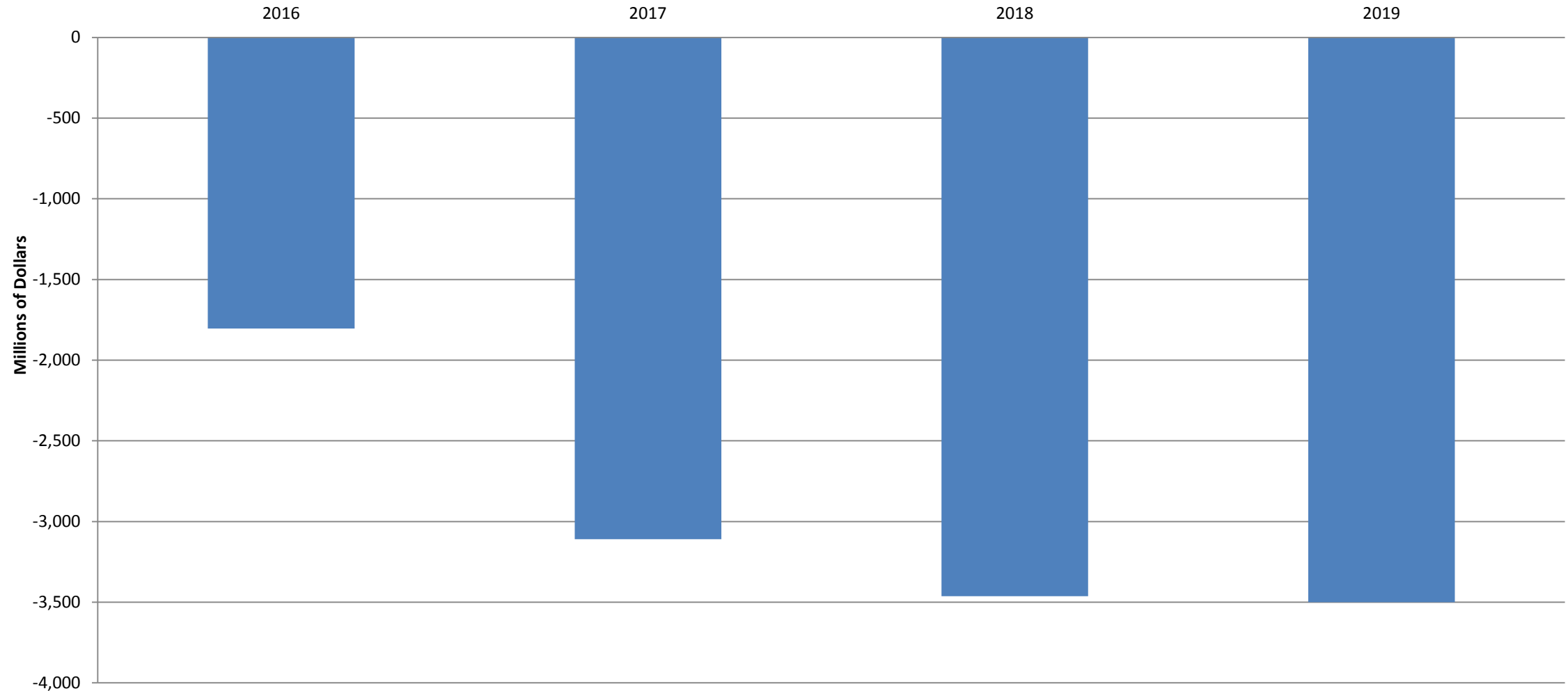


SOURCE: New York Stock Exchange



# DOWNTURN SCENARIO:

Tax Revenue Falls \$1.8bn in Current Year and \$3.1bn Next Year



# STRESS TEST SCENARIO: 126,000 JOBS LOST 2015Q4 THROUGH 2017Q1

	2015	2016	2017	2018	2019
<b>Payroll Employment Growth, <i>thousands</i></b>					
Baseline	88.2	75.1	60.0	50.0	45.5
Downturn	76.8	(63.4)	(28.7)	41.9	40.7
<b>Financial Activities Employment Growth, <i>thousands</i></b>					
Baseline	1.2	3.2	2.3	1.6	2.9
Downturn	(1.6)	(19.9)	(10.3)	0.8	2.2
<b>Professional and Business Services Employment Growth, <i>thousands</i></b>					
Baseline	24.5	15.3	13.4	11.8	11.0
Downturn	21.7	(33.4)	(20.8)	7.9	9.7
<b>Personal Income Growth (%)</b>					
Baseline	4.8%	5.5%	5.7%	5.3%	4.1%
Downturn	3.9%	-1.5%	3.4%	5.8%	4.3%
<b>NYSE Member Firm Profits, <i>dollars in billions</i></b>					
Baseline	16.4	17.0	17.7	18.1	18.7
Downturn	12.7	4.2	6.6	15.0	15.9

# Budget Risks FY2016



Michael Dardia

Municipal Analyst Group of New York panel

November 19, 2015

# Disability Sweeteners

## Disability Benefit Scorecard 2015

Bill	Sponsors	Date of Last Action	Status	Description	FY2015 Budget Increase (\$ in millions)	Actuarial Present Value of NYC Contributions (\$ in millions)	
						FY2015	FY2019
<b>Proposal for an Optional Plan that Would Improve Benefits for Recently Hired Uniformed Employees</b>							
A7854 S5705	Assemb. Sepulveda Sen. Krueger	5/29	Referred to Committee	An optional plan for police, fire, sanitation, and corrections uniformed employees in Tiers 3 and 6 that calculates disability benefits using final average salary or sixth-year salary; eliminates the Social Security Disability Allowance Offset; and restores the prior cost of living adjustment (COLA).	\$5.6	\$46.8	\$96.4

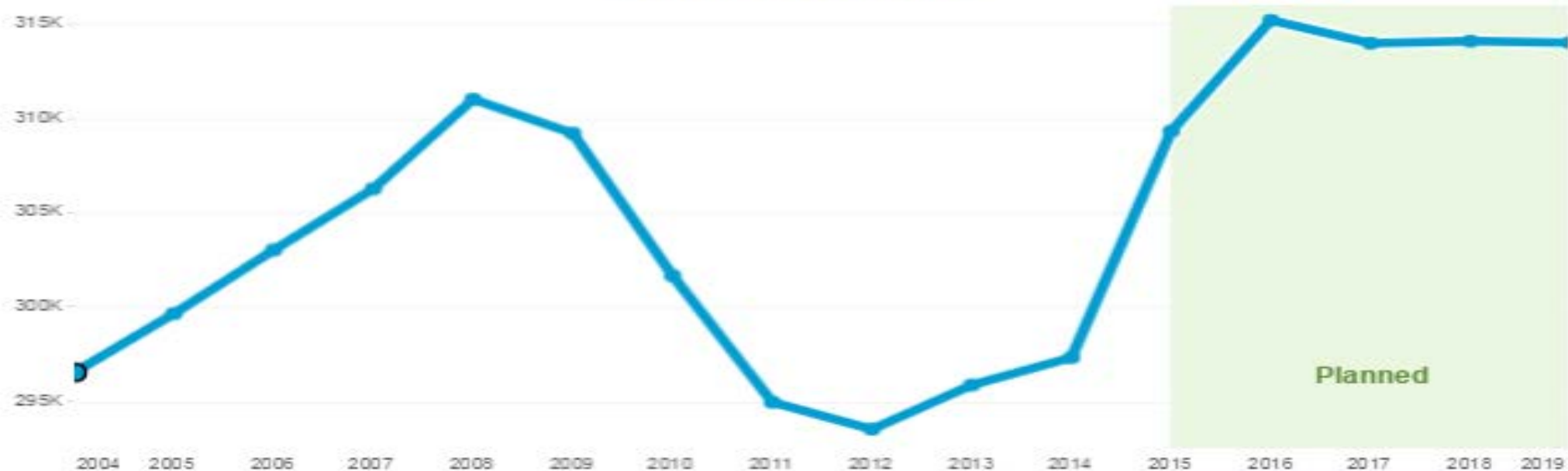
## Proposal for "Parity" of Disability Benefit

- Mayor and Council crafted a limited disability sweetener to forestall more generous bills circulating in Albany.
- Included in November Mod, it cost \$18 million in FY16, rising to \$33 million in FY19.
- Proposed bills would cost multiples of that amount.

# Growing Headcount

18,000 Employees Added Since 1/14

City of New York, Total Headcount  
Fiscal Years 2004-2019

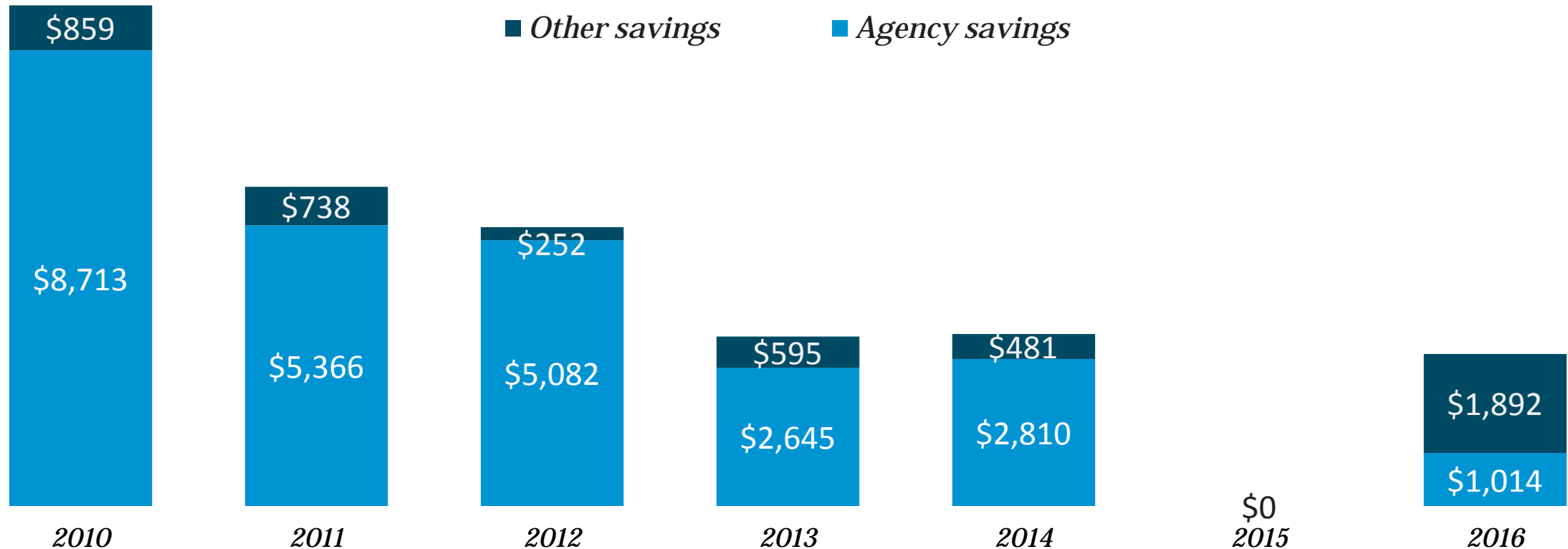


Notes: Total headcount includes full-time and full-time equivalent employees. From 2004 through 2014, headcounts are the actuals, as of June 30. From 2015 through 2019, headcounts are projections reported in the Executive Budget for Fiscal Year 2016.



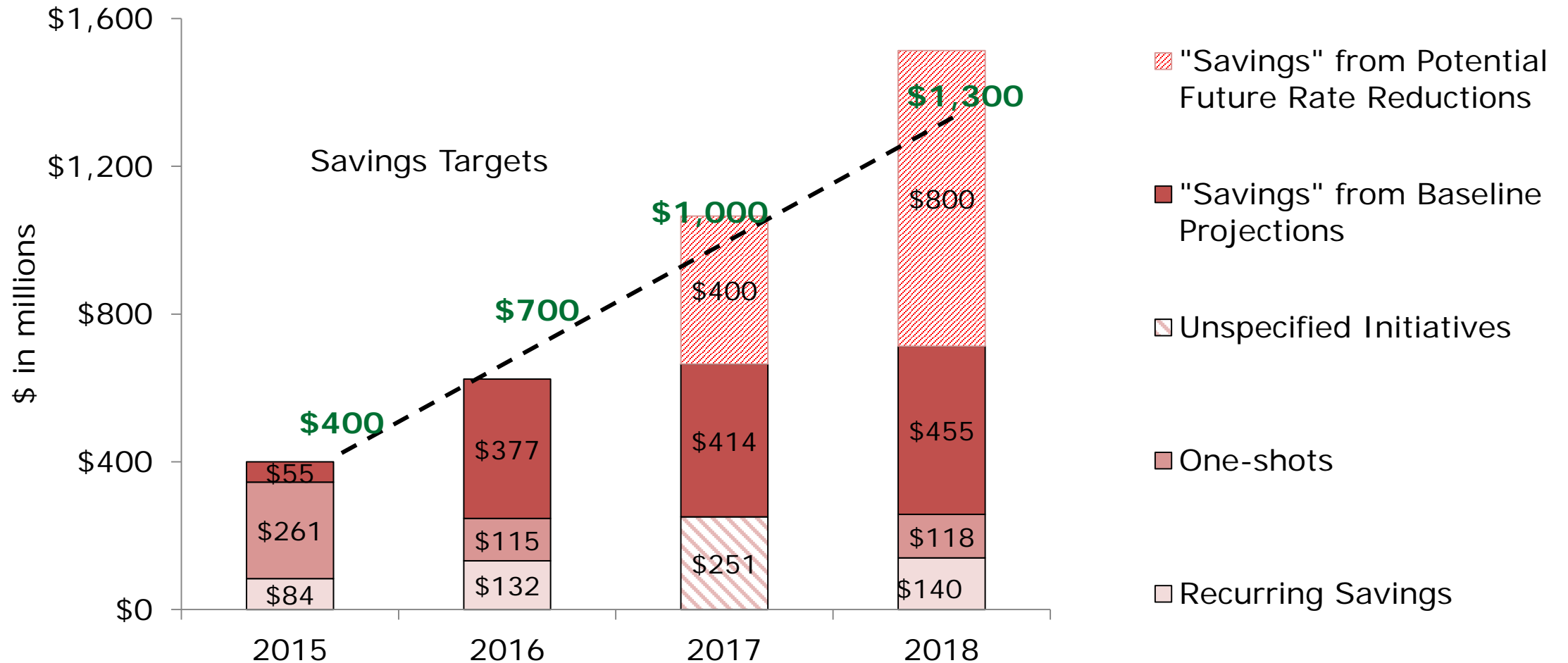
# Unlike Prior Years, the Bulk of FY16 CSP Savings do not Come from Agencies

**Total Five-Year Savings by Executive Budget Fiscal Year**  
(dollars in millions)



*Other savings include debt service, procurement changes, and other items.*

# Questionable Healthcare Savings

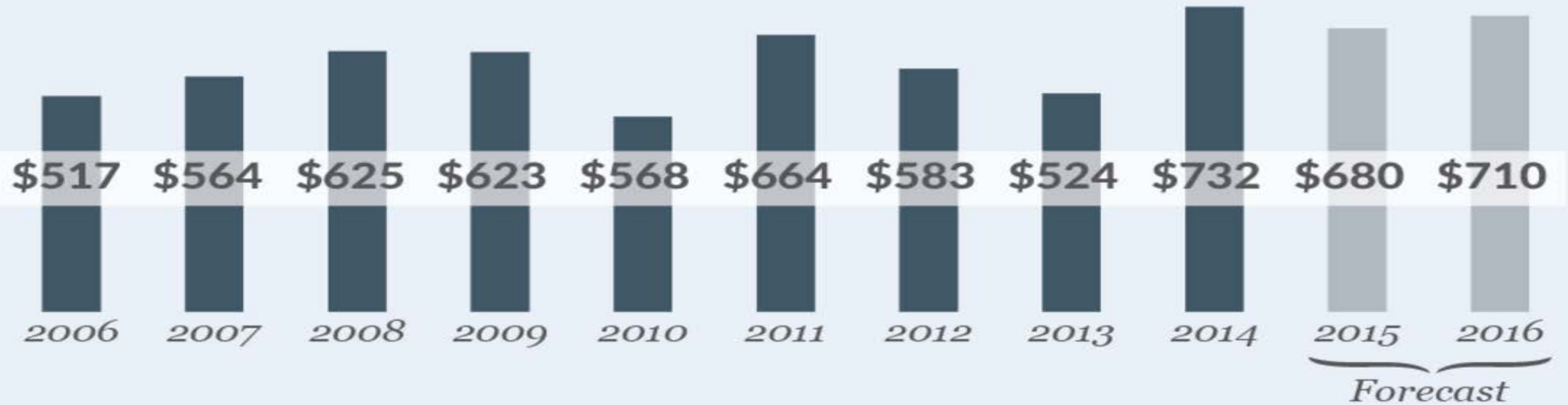


# OPEB Liability

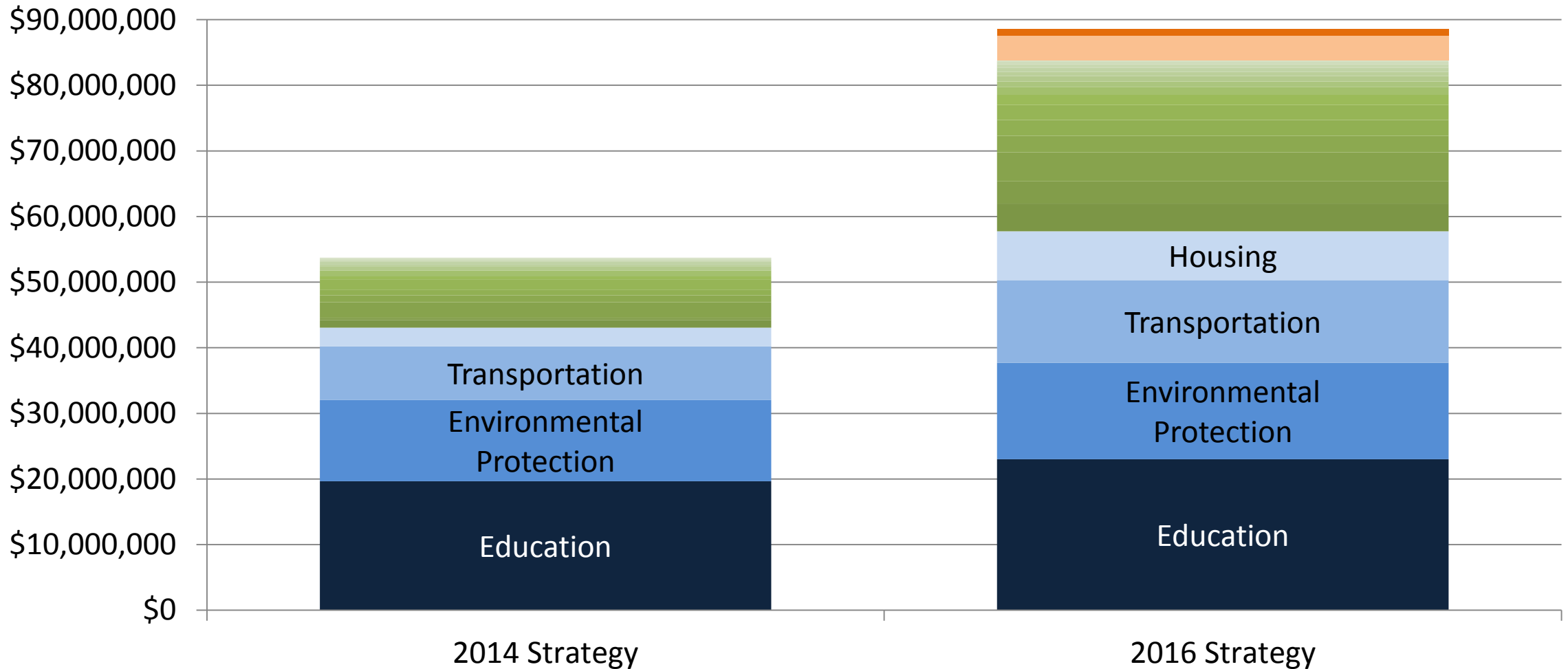
- NYC provides health coverage for retired workers that is much more generous than other jurisdictions
- Unfunded Actuarial Accrued Liability in FY15 was \$85 billion
- Annual cost of retiree health care is now \$3.1 billion
- Retiree Health Trust Fund, created in 2009, now has \$3.4 billion
- Funded ratio is 4%

# Judgments and Claims

*NYC Judgments and Claims, FY2006-2016 (in millions)*

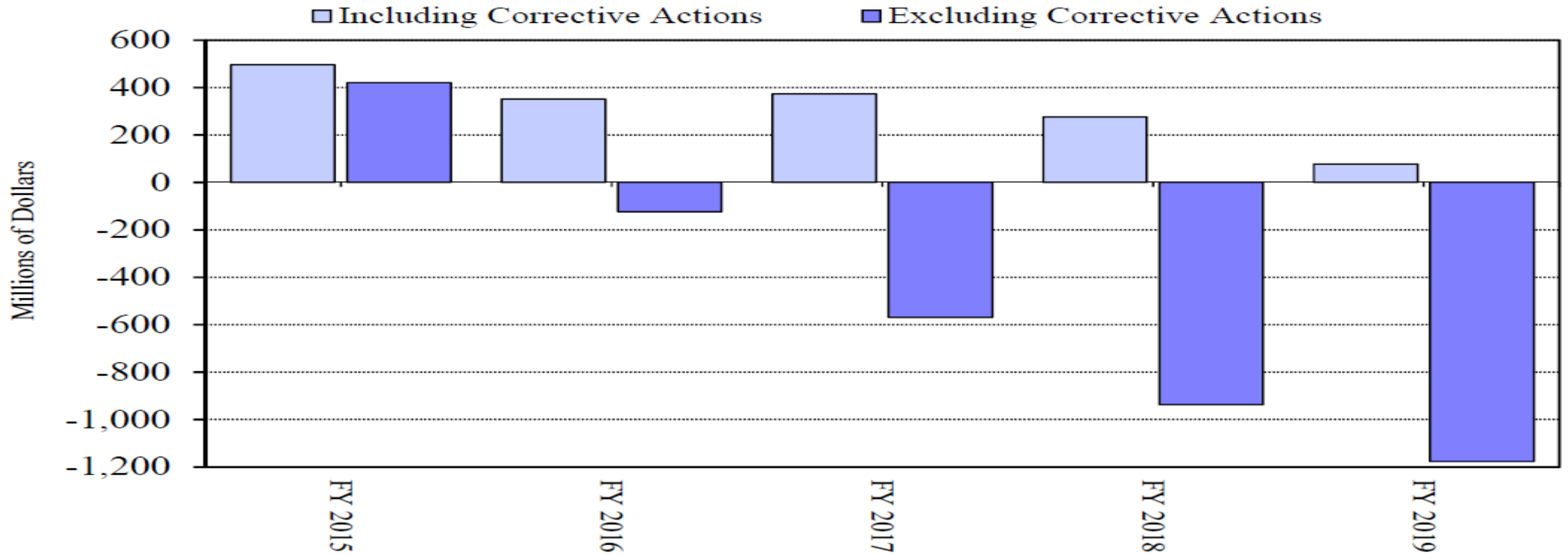


# Growth in Ten-Year Capital Strategy



# HHC Cash Position Is Precarious

## Health and Hospitals Corporation Projected Year-End Cash Balance



Sources: NYC Health and Hospitals Corporation; OSC analysis

# A Recession Will Make Everything Worse

Figure 2: City of New York, Tax Revenue Forecast Scenarios, Fiscal Years 2015 to 2019

