



The City of New York

Michael R. Bloomberg, Mayor

Financial Plan Summary

Fiscal Years 2007 — 2011

**Office of Management and Budget
Mark Page, Director**

January 25, 2007



Budget Summary

Financial Plan Summary

Fiscal Years 2007 - 2011

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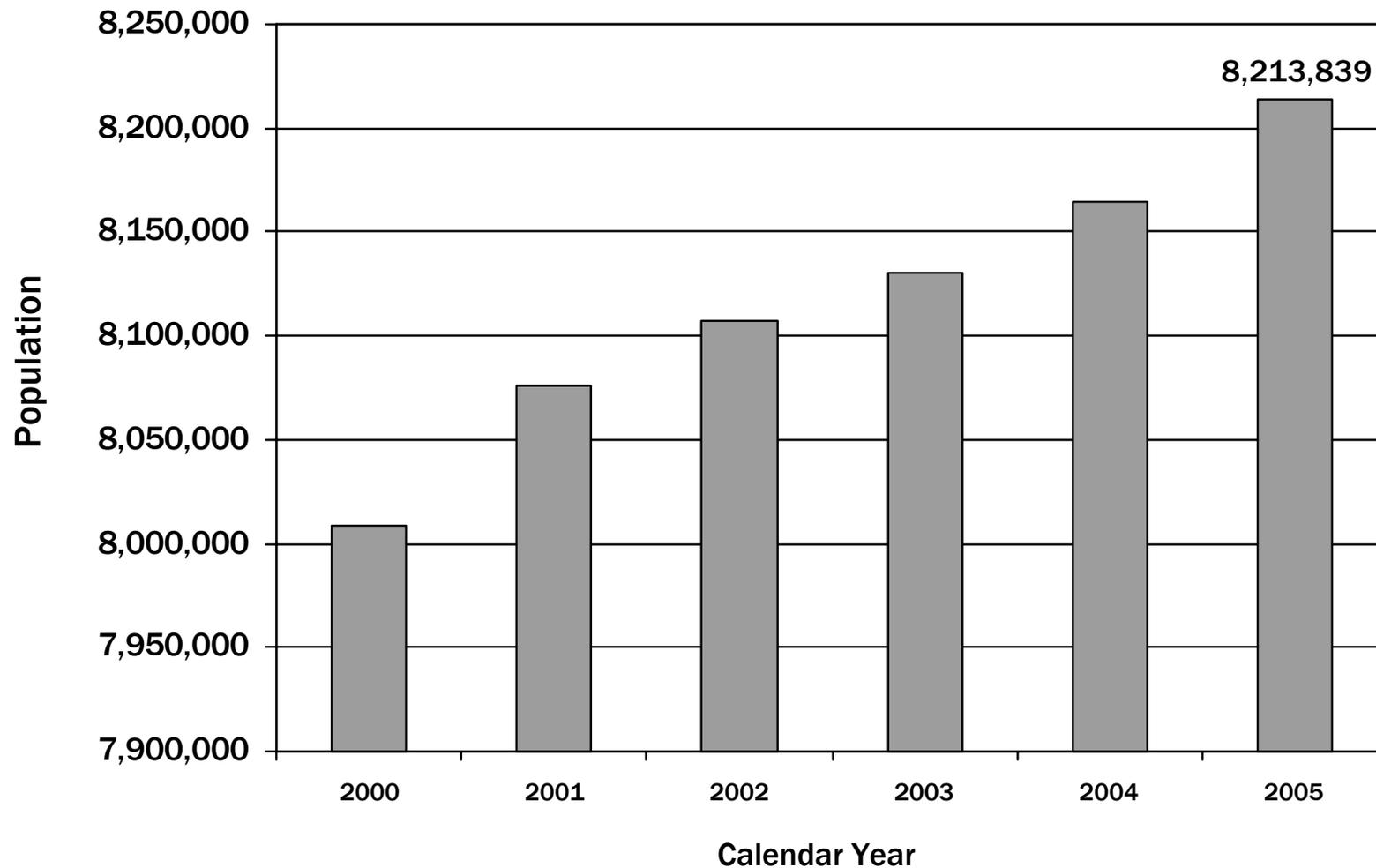
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Overview

- ❖ **N**ew York City's economy is booming, led by Wall Street and the commercial real estate market. This good economic news underpins the City's revenue forecast for this fiscal year and next.
- ❖ **T**ax revenues are higher than expected. In FY 2007, we are forecasting a surplus of \$3.9 billion, an increase of \$2 billion since November.
- ❖ **W**e are therefore able to provide \$1 billion of tax-relief to New Yorkers in this budget.
 - **W**e are proposing a reduction in the property tax rate which will save New Yorkers \$750 million in FY 2008.
 - **W**e are also proposing an additional \$250 million in tax reductions for small businesses, and for the historic elimination of sales tax on all clothing sold in the City.
- ❖ **W**e will put aside an additional \$500 million in the Retiree Health Benefits Trust Fund, which we created in FY 2006 to help address this long-term liability.
- ❖ **W**e are using \$1.4 billion of our extraordinary one-time resources to reduce the FY 2009 budget gap.
- ❖ **T**he capital budget has been updated to identify critical investments which the City must make in order to remain the best place in the world to live, work and do business.

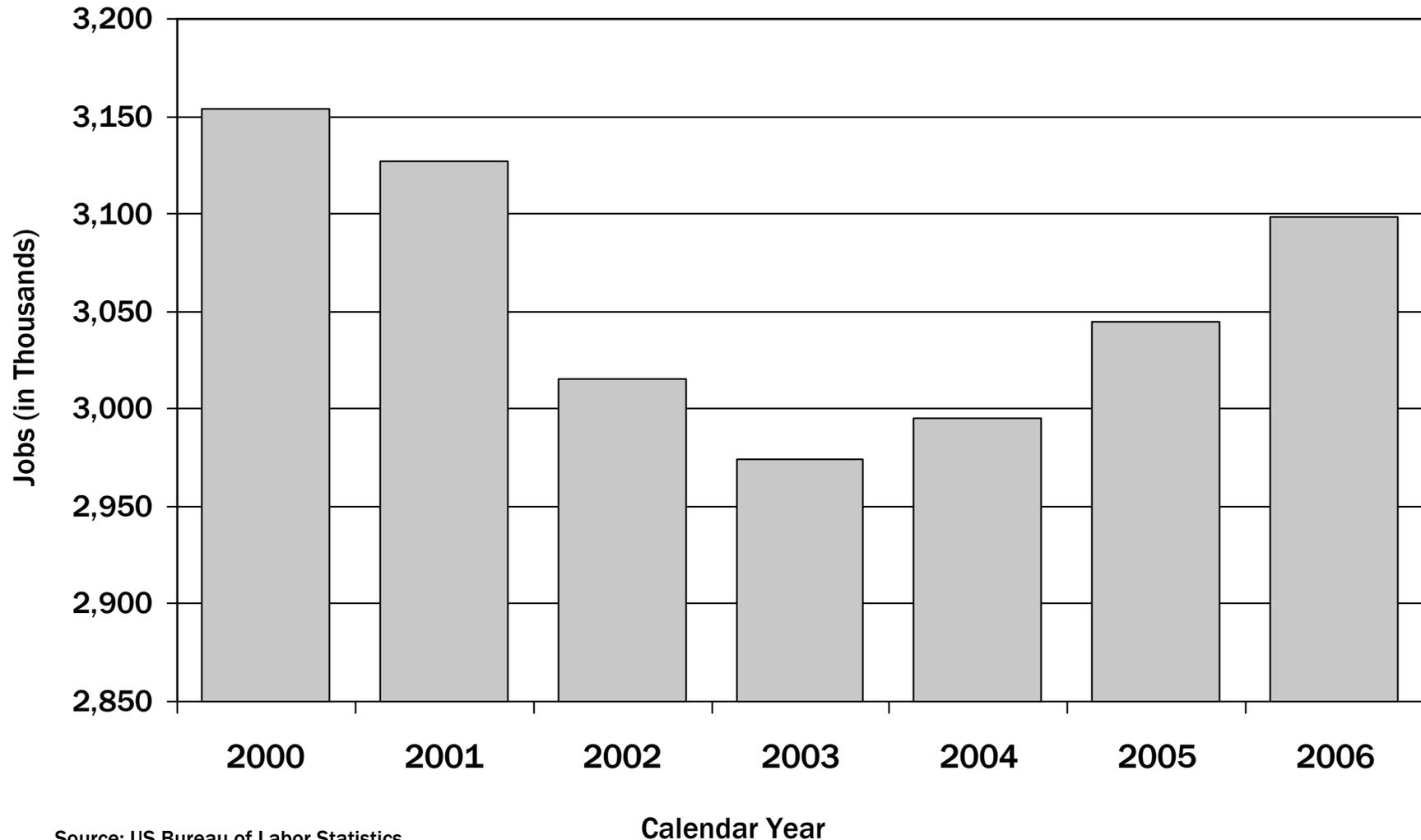
I. Economic Update

New York City's Population Is At An All-Time High



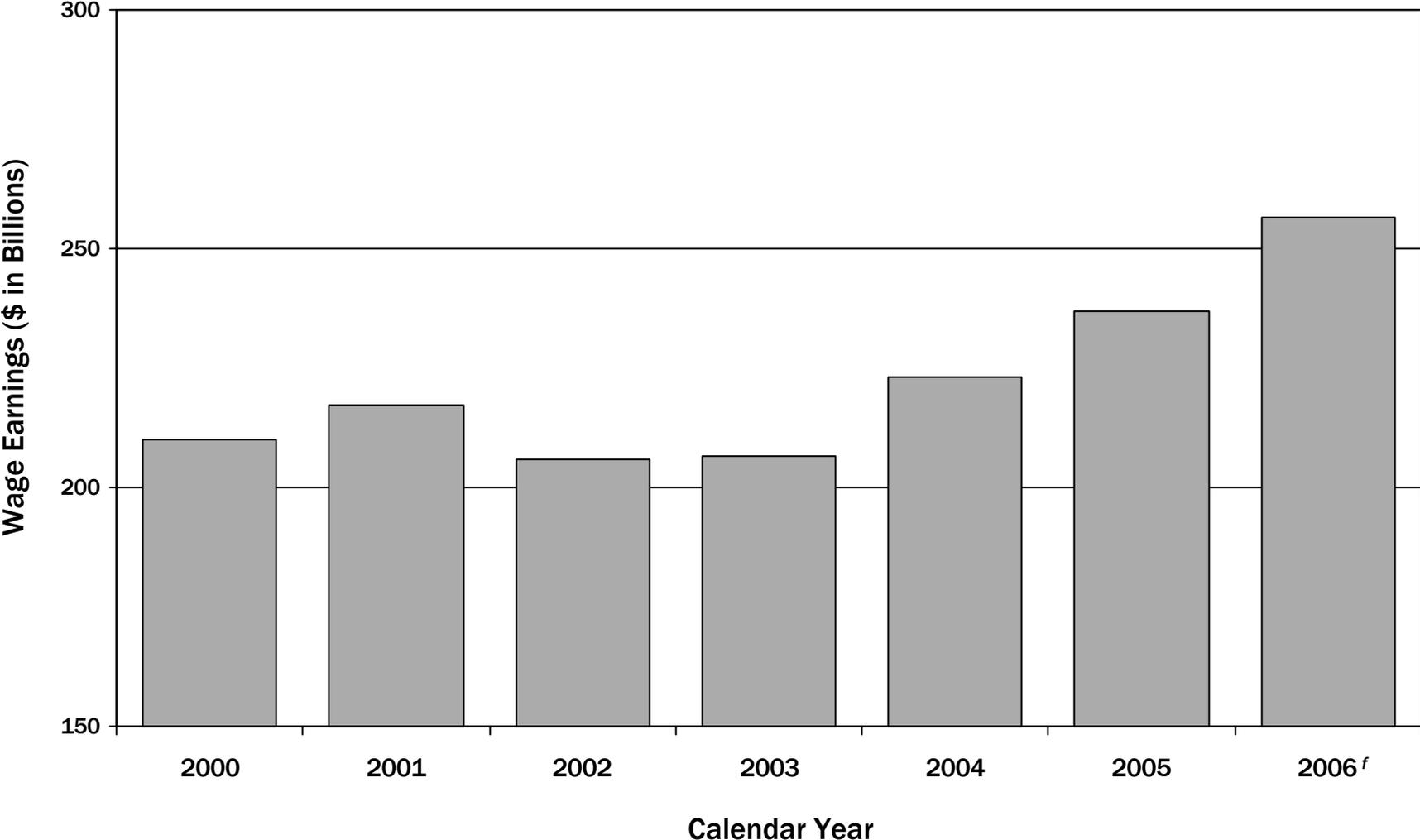
Source: US Census Bureau and New York City Department of City Planning

New York City Has Added 124,000 Private Sector Jobs Since 2003



Source: US Bureau of Labor Statistics

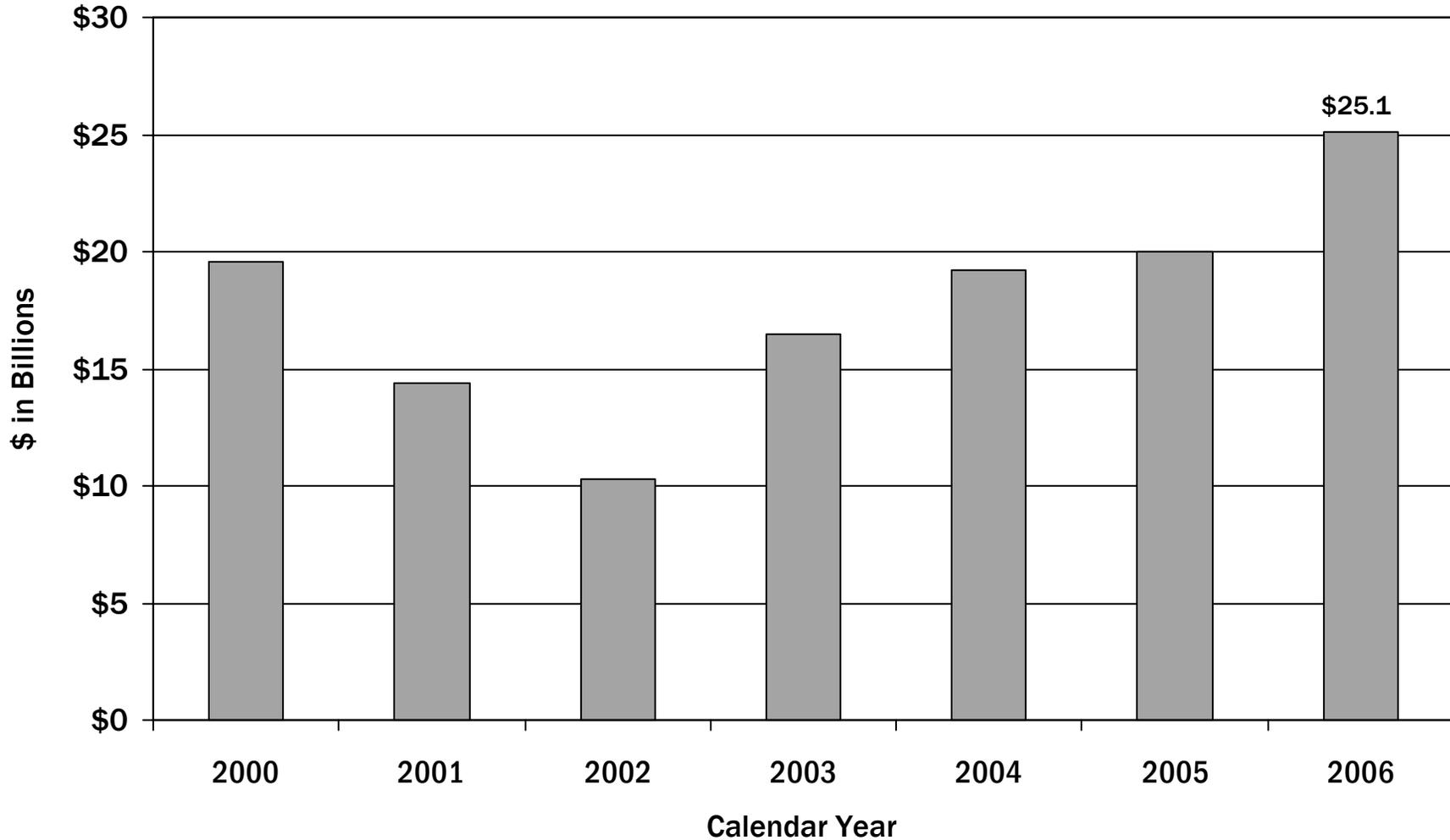
Wage Earnings Far Exceed Those of the 2001 Peak



Source: New York State Department of Labor

Wall Street Bonuses Were At Record Levels in 2006

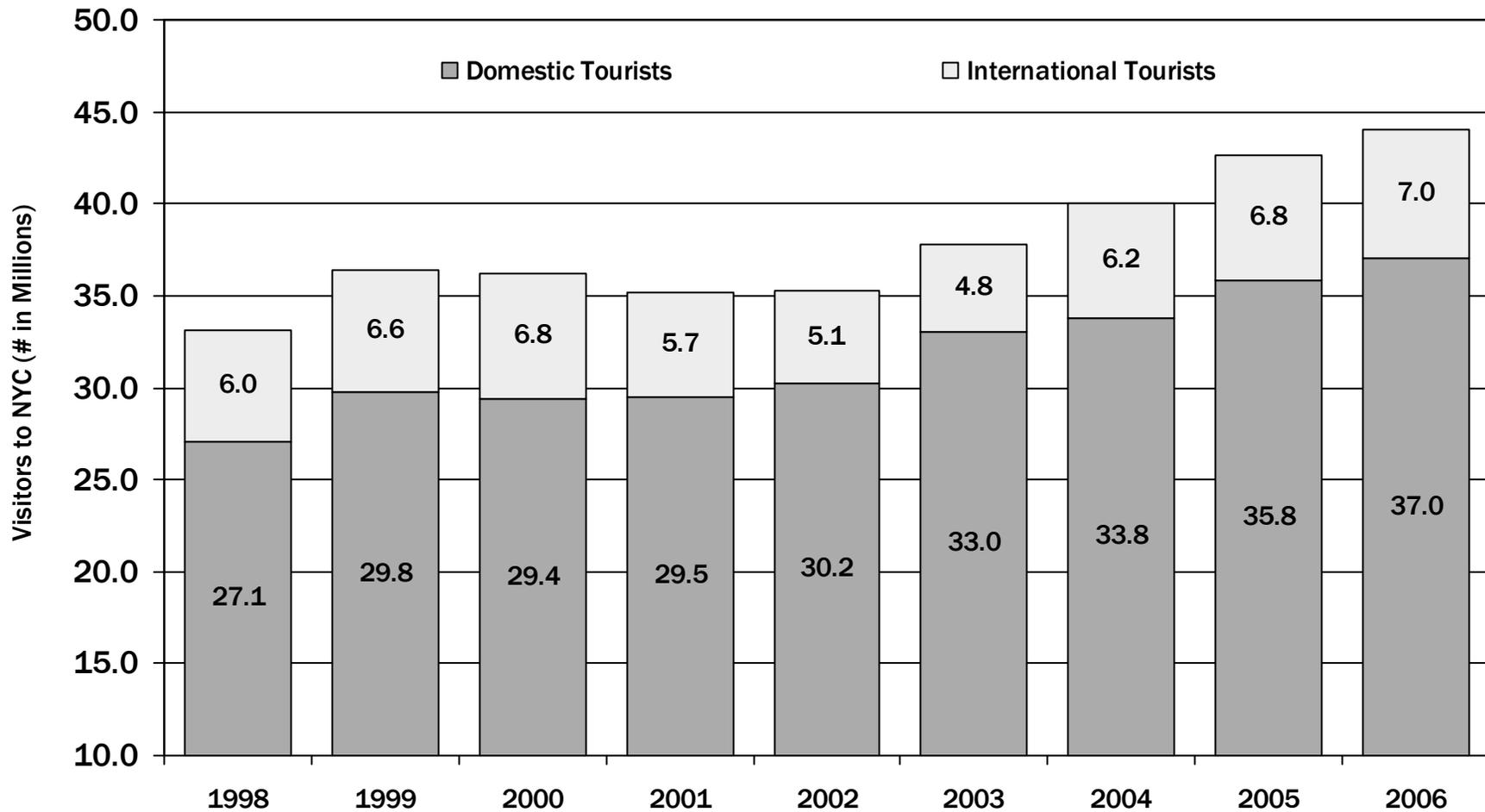
Wall Street Bonus Pool



Source: OMB

Tourism in New York City Reached a New Peak in 2006

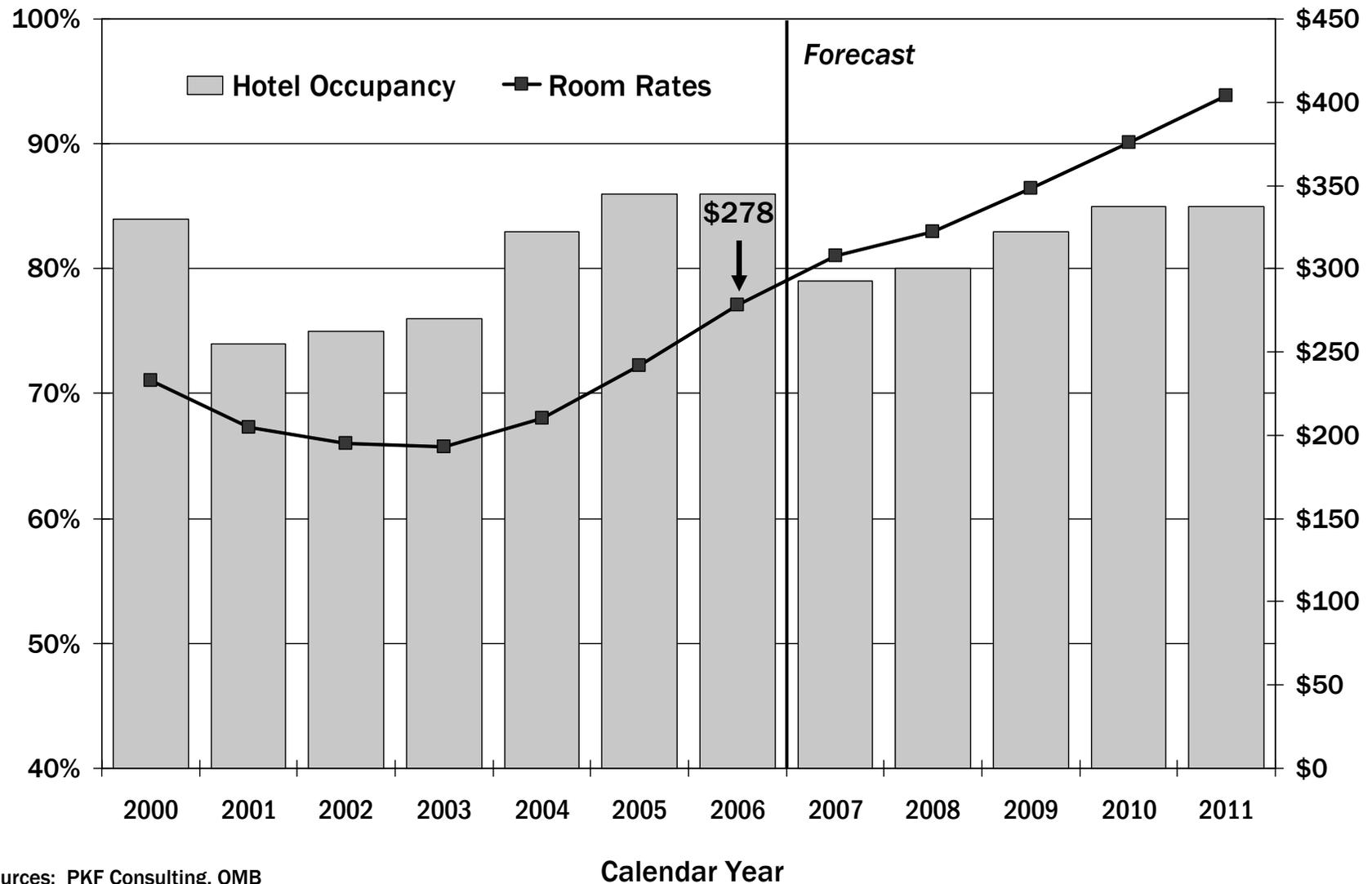
44 Million Visitors Traveled to NYC in 2006, An Increase of 11 Million Visitors Since 1998



Source: NYC and Company

Calendar Year

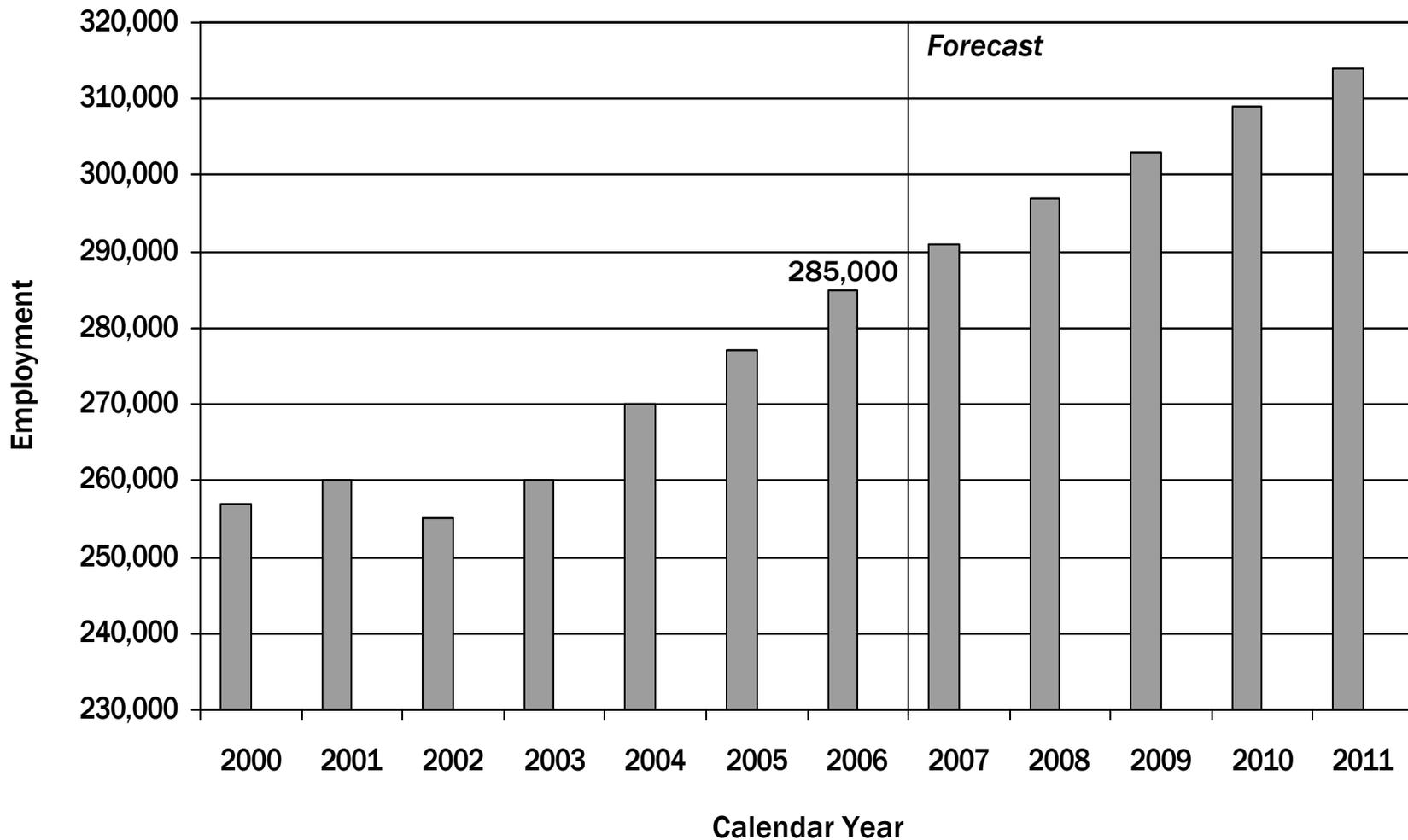
Hotel Room Rates Have Risen to Record Levels



Sources: PKF Consulting, OMB

The City's Leisure and Hospitality Sector Created 8,000 New Jobs in 2006 and Is Expected to Continue Expanding

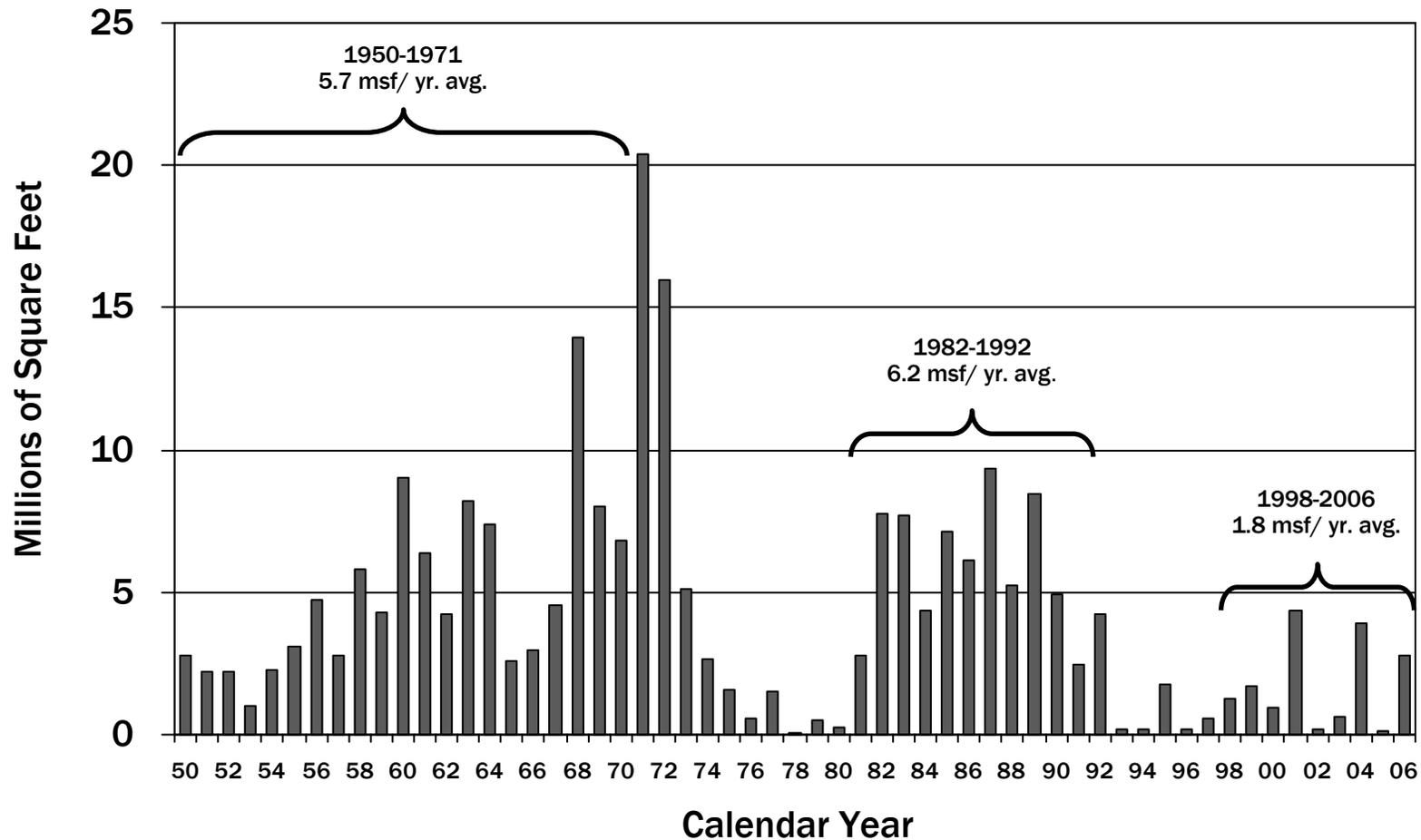
Leisure and Hospitality Employment



Sources: Bureau of Labor Statistics, OMB

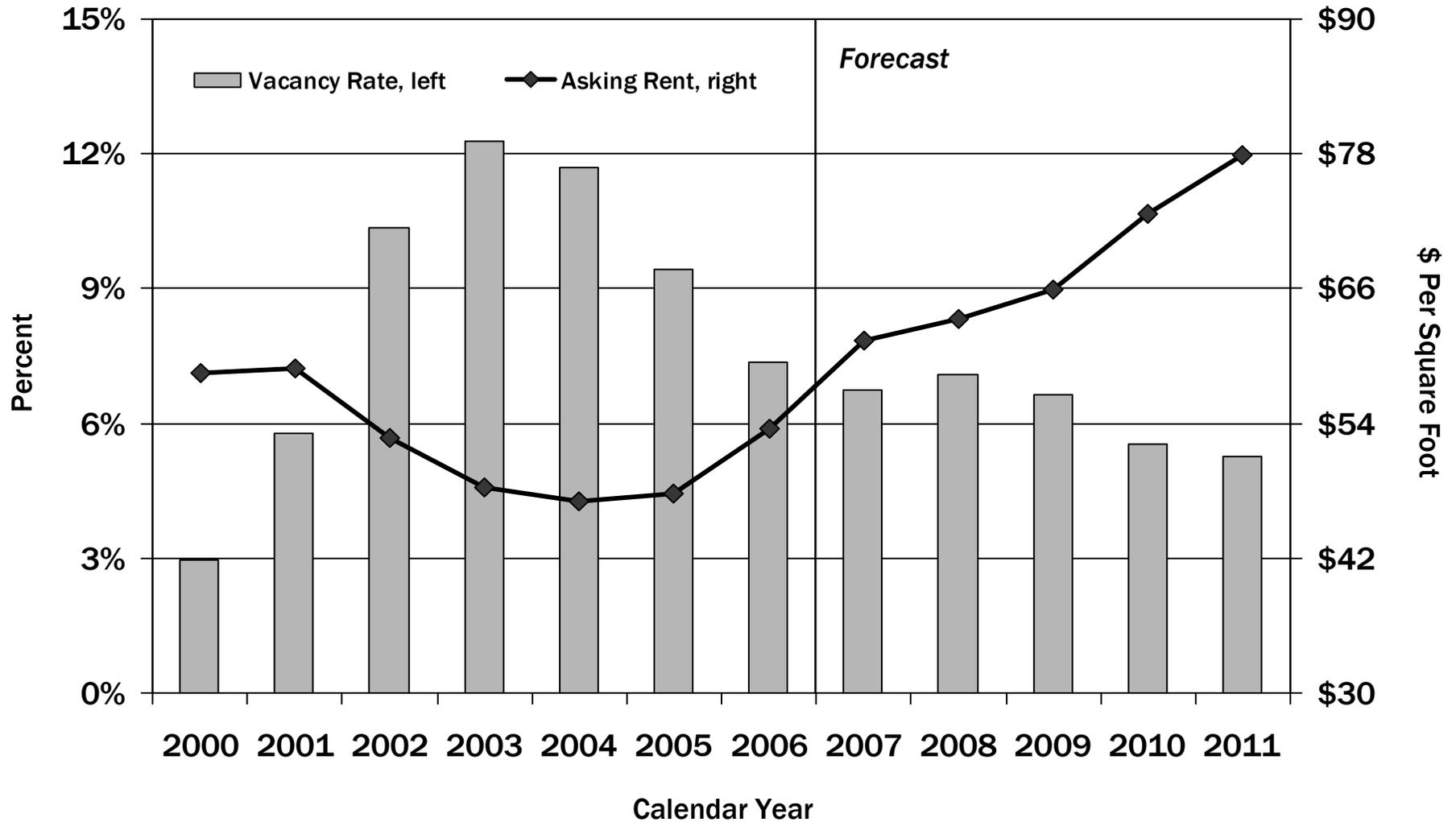
The Tight Commercial Market Can Be Explained By Strong Demand and a Lack of New Supply Over the Past Eight Years

Manhattan Office Construction 1950 – 2006
In Millions of Square Feet (msf)



Source: Cushman & Wakefield

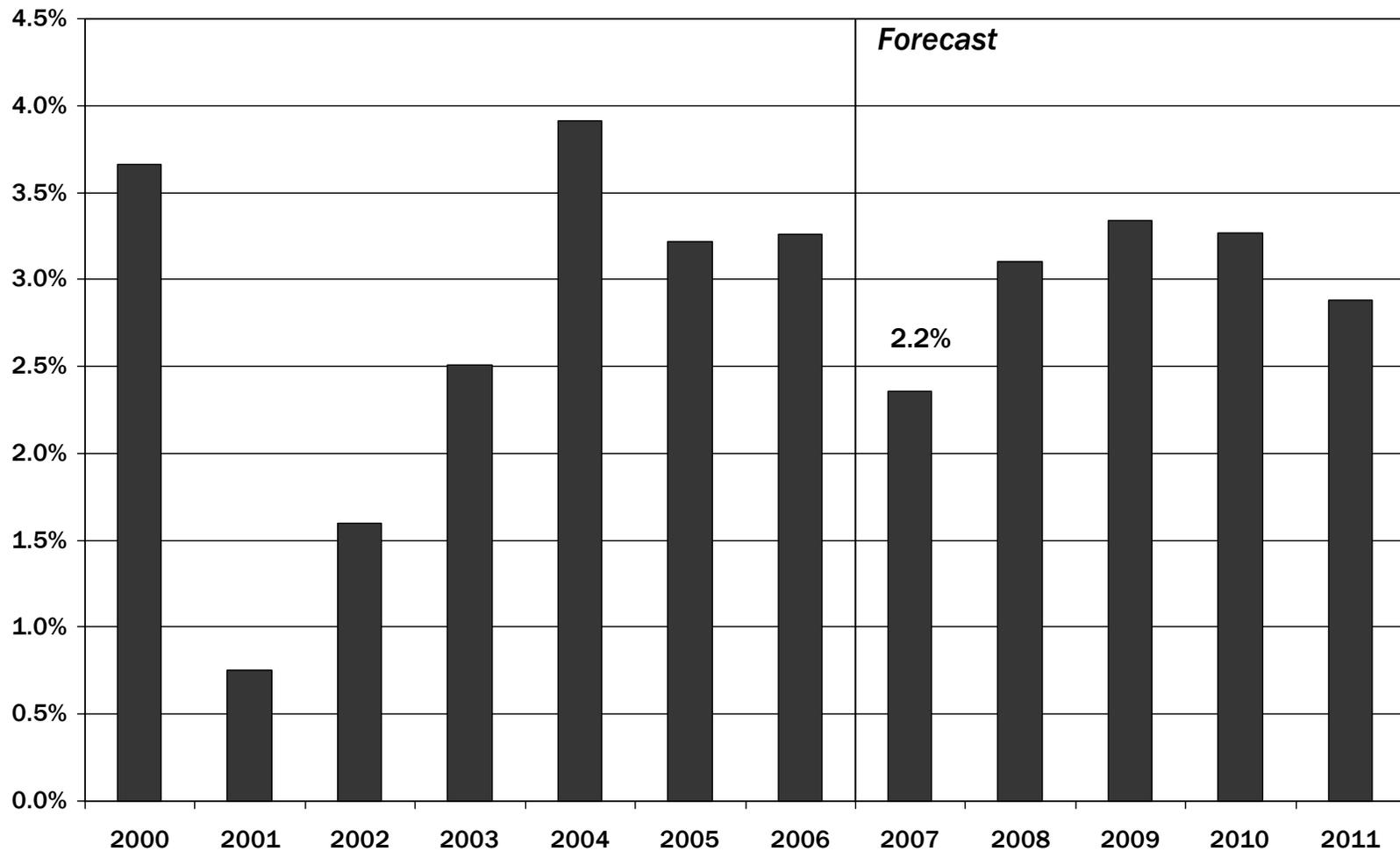
With Little New Inventory, Commercial Vacancy Rates Across Manhattan Remain Near Historic Lows, Putting Upward Pressure on Asking Rents



Sources: Cushman Wakefield, OMB

Forecasters Are Projecting a Slowdown in the U.S. Economy in 2007 Because of the Ongoing Correction in the U.S. Housing Market

Percentage Change in GDP Growth (Year-Over-Year)

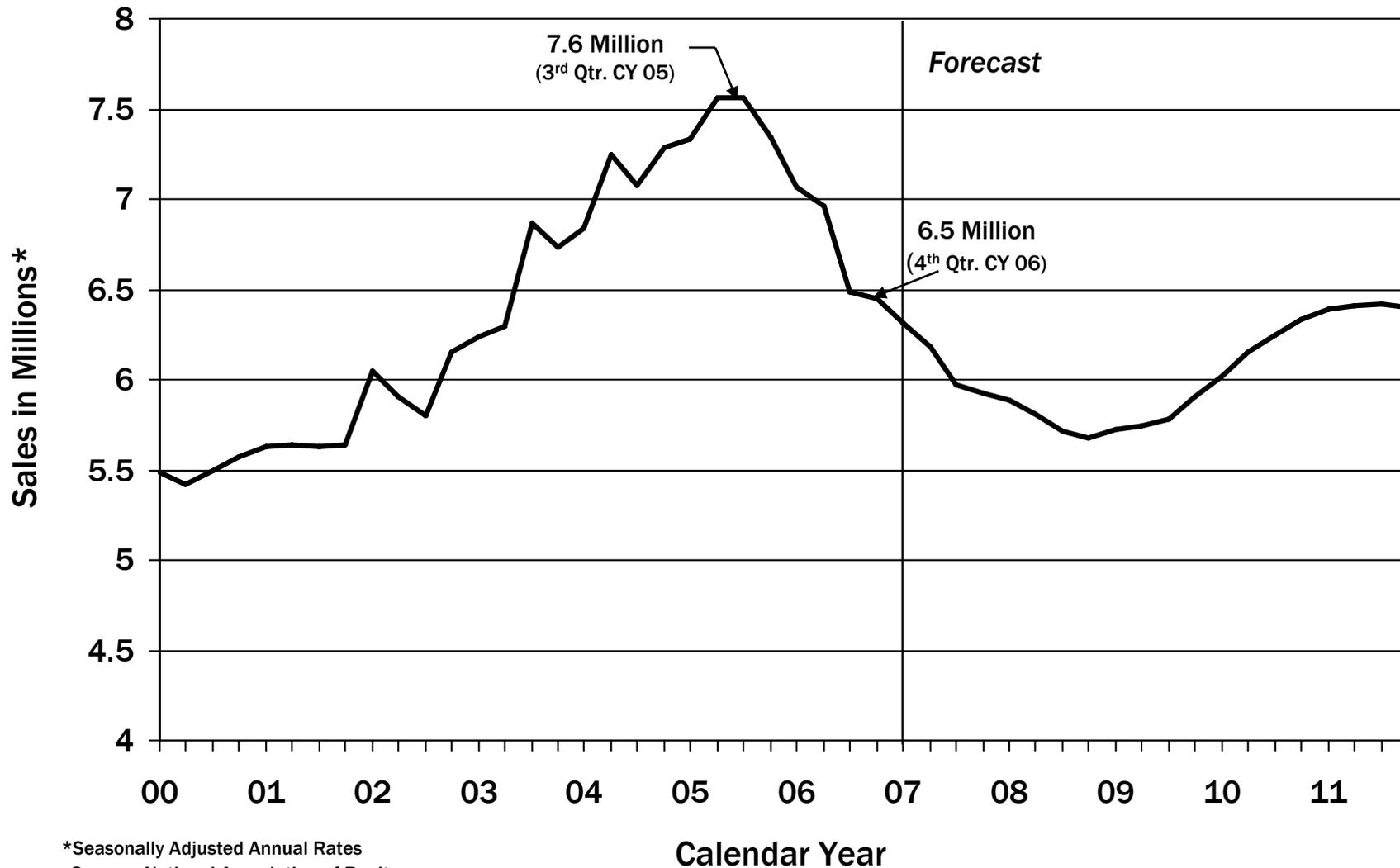


Source: Bureau of Economic Analysis

Calendar Year

Nationally, Home Sales Have Fallen Since the 2005 Peak and Are Expected to Continue to Slide Until 2009

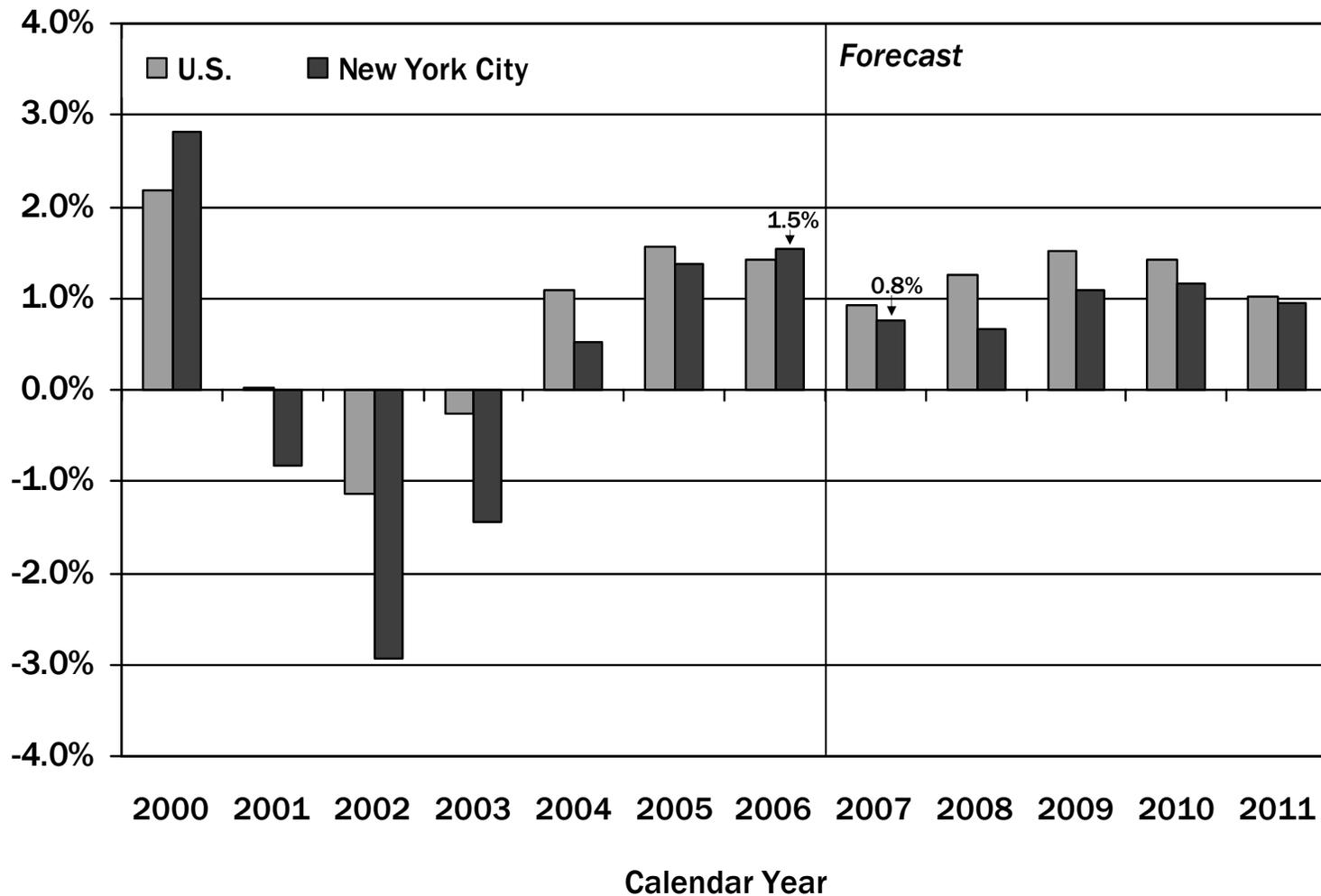
U.S. New and Existing One-Family Home Sales



*Seasonally Adjusted Annual Rates
Source: National Association of Realtors

Nationally, Job Growth Is Expected to Weaken in 2007, Slowing Job Growth in New York City

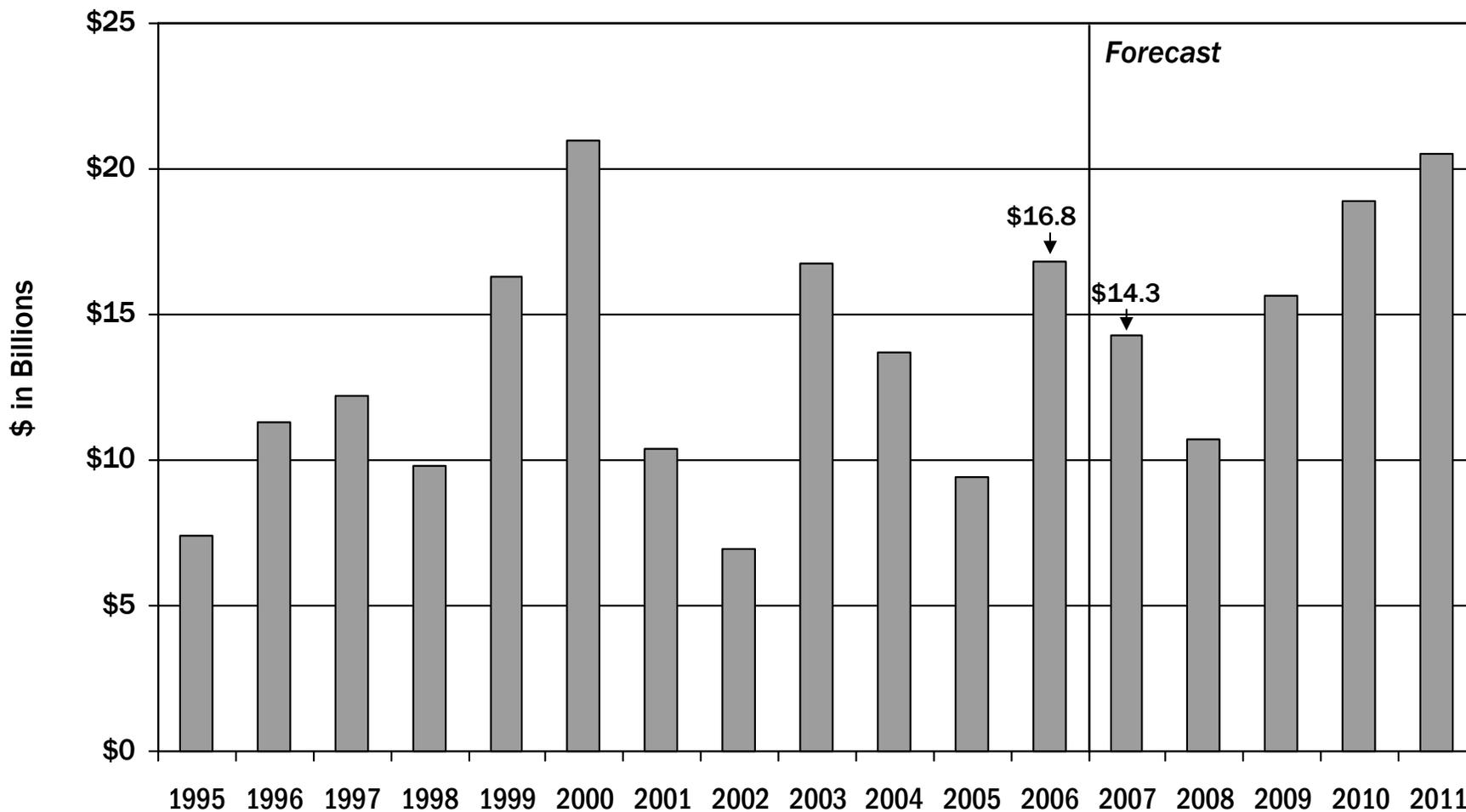
Job Growth Percentage Change



Sources: Bureau of Labor Statistics, OMB and Global Insight

Wall Street Profits Are Estimated at \$16.8 Billion in 2006. While Robust Activity is Forecast for 2007, Weakness is Expected in 2008

NYSE Member Firm Profits



Sources: SIFMA, OMB

Calendar Year

II. Budget Detail

City Revenue and Expense Growth

As of January 25, 2007

City Funds - \$ in Millions

	FY 2006*	FY 2007	FY 2008	FY 2009	FY 2010	FY 2011
Revenues	\$37,078	\$40,272	\$39,903	\$39,760	\$41,758	\$43,795
	<i>Year-to-Year</i>	\$3,194	(\$369)	(\$143)	\$1,998	\$2,037
	<i>Change:</i>	8.6%	(0.9%)	(0.4%)	5.0%	4.9%
Expenditures						
Controllable Agency Expenses	\$17,654	\$18,886	\$19,372	\$19,958	\$20,712	\$21,724
	<i>Year-to-Year</i>	\$1,232	\$486	\$586	\$754	\$1,012
	<i>Change:</i>	7.0%	2.6%	3.0%	3.8%	4.9%
Non-Controllable Agency Expenses	\$19,197	\$21,200	\$23,092	\$23,795	\$24,727	\$25,692
	<i>Year-to-Year</i>	\$2,003	\$1,892	\$703	\$932	\$965
	<i>Change:</i>	10.4%	8.9%	3.0%	3.9%	3.9%
Total Expenditures	\$36,851	\$40,086	\$42,464	\$43,753	\$45,439	\$47,416
	<i>Year-to-Year</i>	\$3,235	\$2,378	\$1,289	\$1,686	\$1,977
	<i>Change:</i>	8.8%	5.9%	3.0%	3.9%	4.4%
Operating Results-Surplus/(Deficit)	\$227	\$186	(\$2,561)	(\$3,993)	(\$3,681)	(\$3,621)
Current Year Roll	(\$3,751)	(\$3,937)	(\$1,376)	\$ ---	\$ ---	\$ ---
Prior Year Roll	\$3,529	\$3,751	\$3,937	\$1,376	\$ ---	\$ ---
Net Impact of Surplus Roll	(\$222)	(\$186)	\$2,561	\$1,376	\$ ---	\$ ---
Gaps to be Closed	\$5	\$ ---	\$ ---	(\$2,617)	(\$3,681)	(\$3,621)

*Audited Actuals

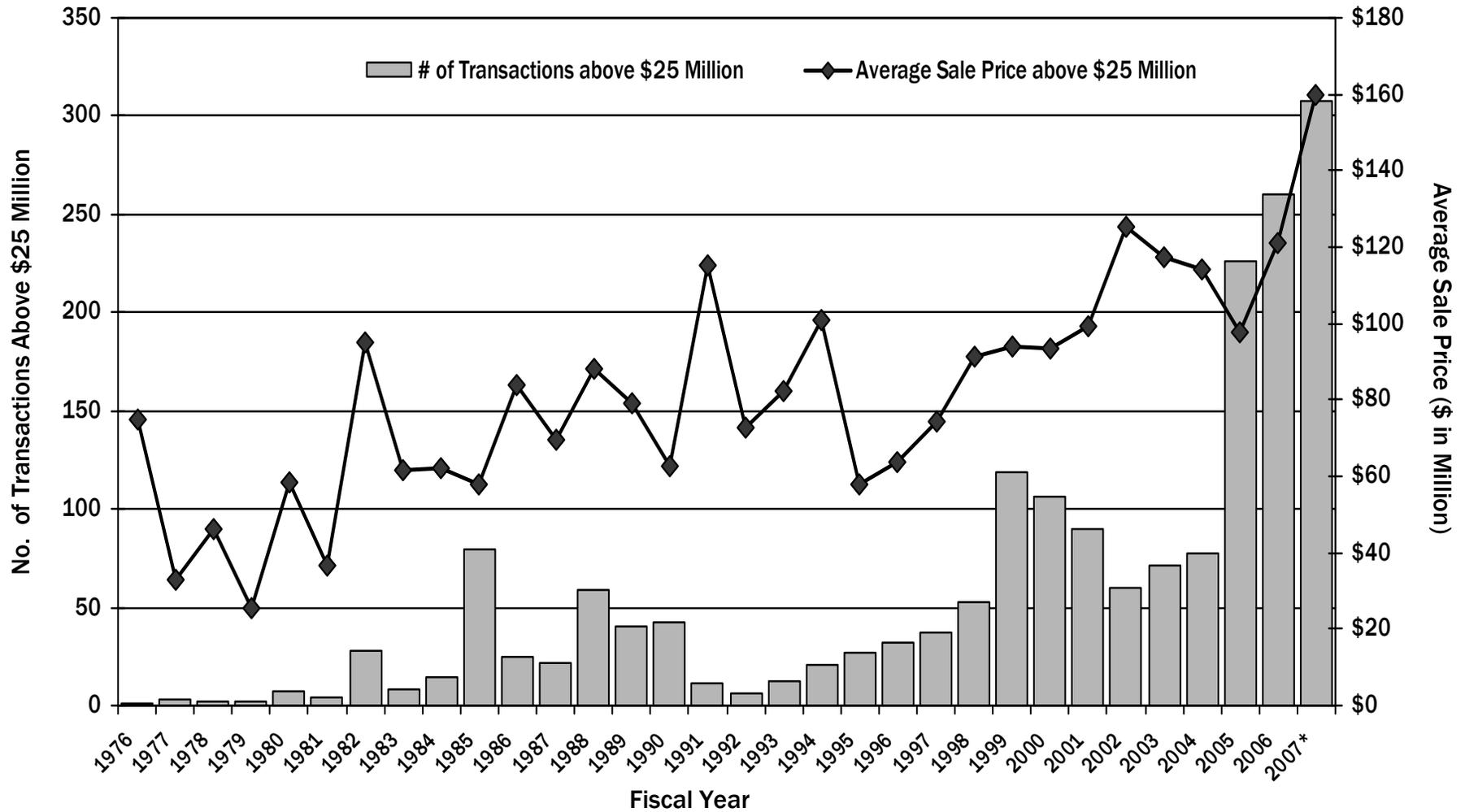
Growth in City Revenue

\$ in Millions

	FY 2007	FY 2008	FY 2009	FY 2010	FY 2011
Property Tax	\$13,106	\$14,387	\$15,537	\$16,666	\$17,619
<i>Year-to-Year Change:</i>		\$1,281 9.8%	\$1,150 8.0%	\$1,129 7.3%	\$953 5.7%
Extraordinary Tax Revenue From Real Estate Boom	\$2,010	\$1,005	\$ 279	\$ 122	\$ ---
<i>Year-to-Year Change:</i>		(\$1,005) (50.0%)	(\$726) (72.2%)	(\$157) (56.3%)	(\$122) (100.0%)
Tax Reduction Program ⁽¹⁾	\$ ---	(\$1,298)	(\$1,403)	(\$1,489)	(\$1,584)
All Other Tax Revenue	\$20,826	\$21,381	\$21,548	\$22,635	\$23,913
<i>Year-to-Year Change:</i>		\$555 2.7%	\$167 0.8%	\$1,087 5.0%	\$1,278 5.6%
Subtotal Tax Revenue	\$35,942	\$35,475	\$35,961	\$37,934	\$39,948
<i>Year-to-Year Change:</i>		(\$467) (1.3%)	\$486 1.4%	\$1,973 5.5%	\$2,014 5.3%
Non-Tax Revenue	\$4,330	\$4,428	\$3,799	\$3,824	\$3,847
<i>Year-to-Year Change:</i>		\$98 2.3%	(\$629) (14.2%)	\$25 0.7%	\$23 0.6%
Total Revenue	\$40,272	\$39,903	\$39,760	\$41,758	\$43,795
<i>Year-to-Year Change:</i>		(\$369) (0.9%)	(\$143) (0.4%)	\$1,998 5.0%	\$2,037 4.9%

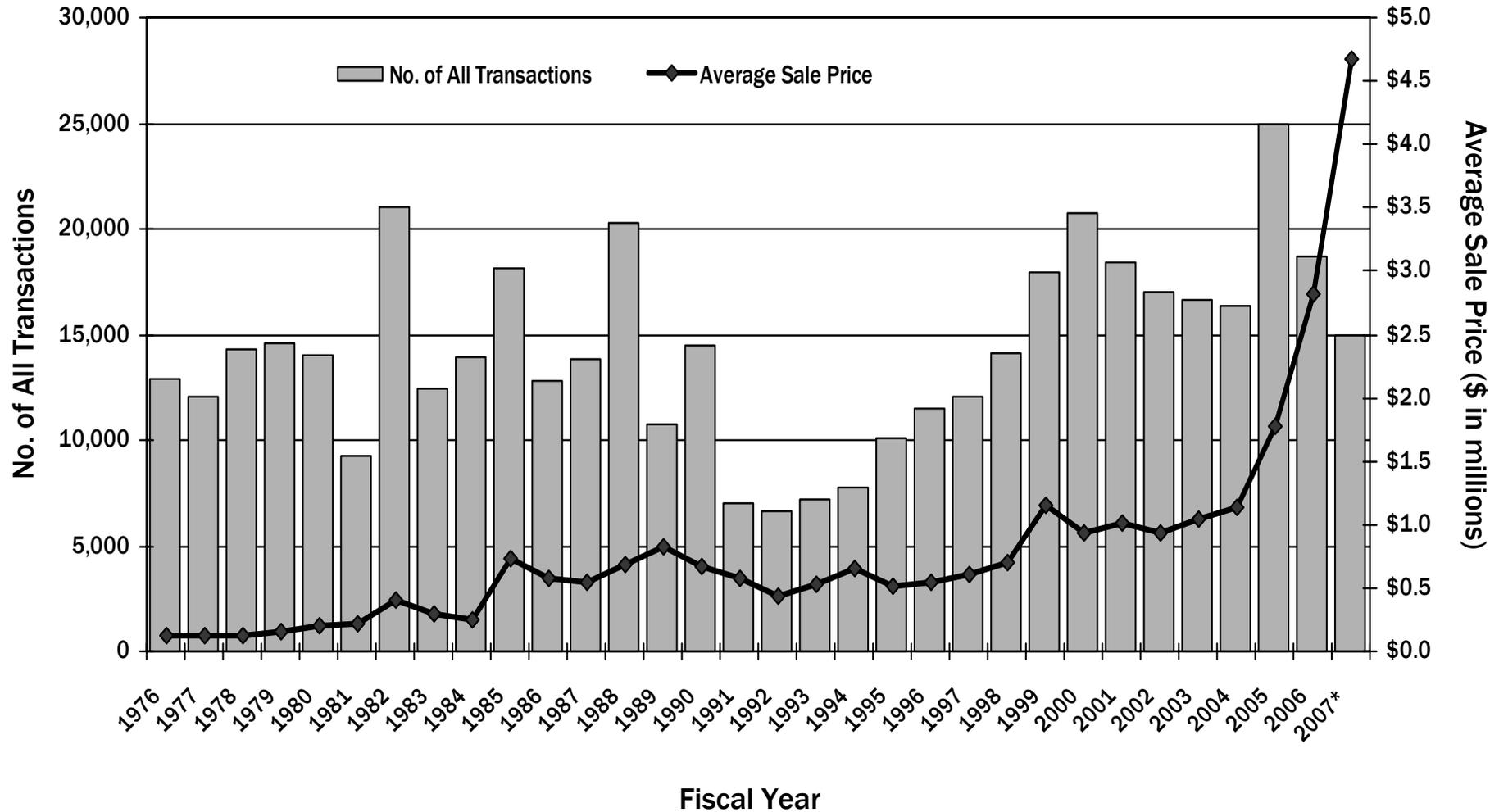
⁽¹⁾ Includes \$400 Rebate and Child Care Tax Credit already in the budget

Strong Commercial Demand is Driving Up Sales for Large Commercial Properties



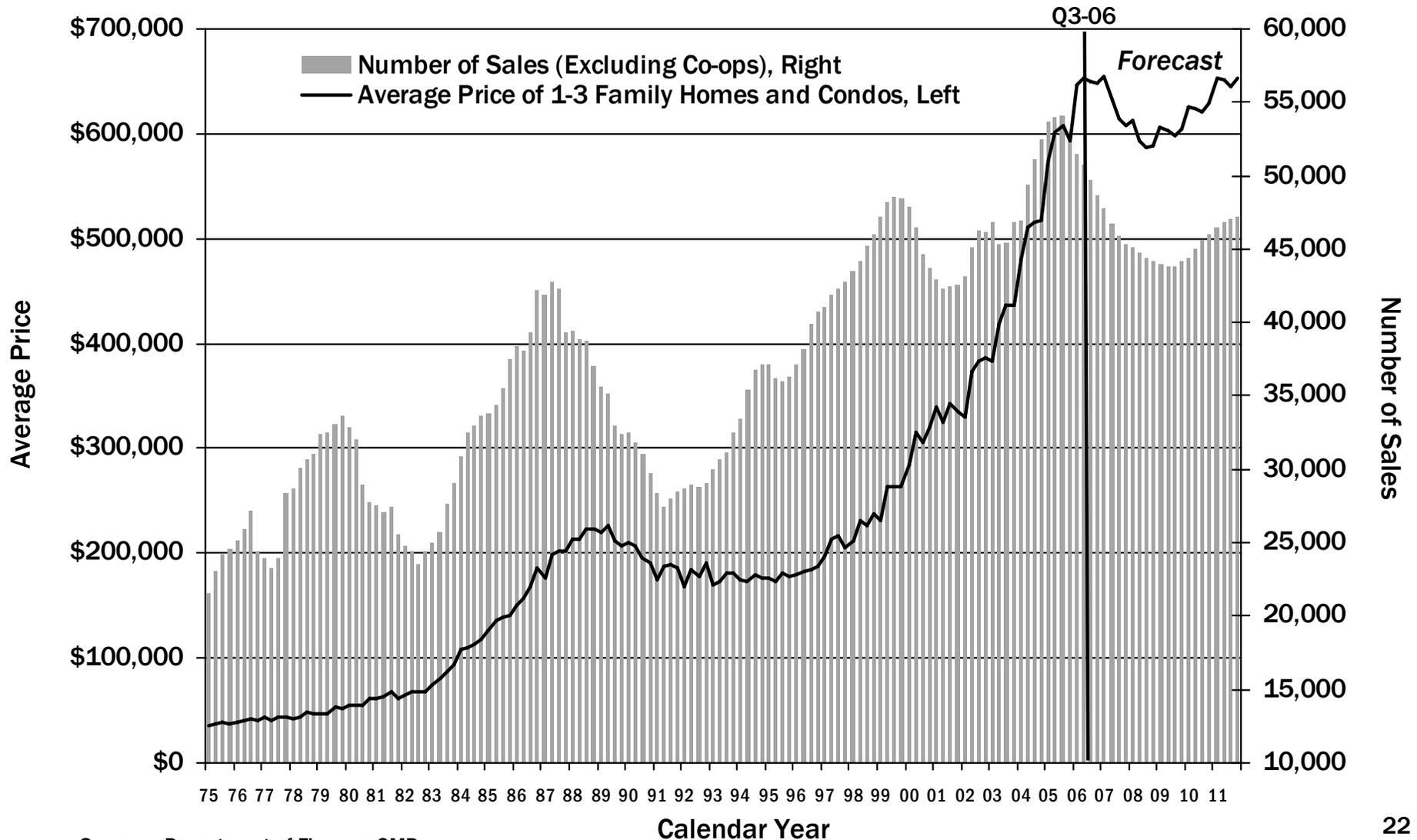
*Annualized YTD Transactions through November

The Average Sale Price For All Commercial Buildings Continues To Climb



*Annualized YTD Transactions through November

Home Prices and Sales Volume in the City Are Expected to Decline in CY 2007 and CY 2008, But Are Forecast to Begin to Recover in CY 2009



Sources: Department of Finance, OMB

Growth in Controllable Agency Expenses

City Funds - \$ in Millions

	FY 2007 ^f	FY 2008 ^f	FY 2009 ^f	FY 2010 ^f	FY 2011 ^f
Uniformed Forces					
Police Department	\$3,553	\$3,603	\$3,578	\$3,556	\$3,554
Fire Department	1,273	1,250	1,243	1,239	1,239
Department of Correction	914	874	867	862	862
Sanitation Department	1,201	1,223	1,253	1,278	1,334
Subtotal: Uniformed Forces	\$6,941	\$6,950	\$6,941	\$6,935	\$6,989
Health and Welfare					
Social Services	\$608	\$618	\$613	\$613	\$613
Child Services	866	827	834	832	832
Homeless Services	333	317	321	321	321
Health & Mental Hygiene	638	607	603	600	600
Subtotal: Health and Welfare	\$2,445	\$2,369	\$2,371	\$2,366	\$2,366
Other Mayoral					
HPD	\$78	\$72	\$68	\$67	\$67
Environmental Protection	849	829	820	818	816
Finance (includes City Sheriff)	205	211	209	208	208
Transportation	384	392	388	388	388
Parks	253	252	252	252	252
Administrative Services (includes DOP)	194	173	173	173	173
All Other Mayoral	1,528	1,459	1,427	1,401	1,401
Energy, Leases & OTPS Inflaters	(66)	36	132	212	327
Labor Reserve	385	824	1,112	1,459	1,821
Subtotal: Other Mayoral	\$3,810	\$4,248	\$4,581	\$4,978	\$5,453
Covered Organizations					
Department of Education	\$4,759	\$4,875	\$5,133	\$5,500	\$5,973
CUNY	403	378	364	364	364
HHC Subsidy	82	117	130	132	142
Subtotal: Covered Organizations	\$5,244	\$5,370	\$5,627	\$5,996	\$6,479
Elected Officials					
Mayoralty	\$67	\$68	\$67	\$67	\$67
All Other Elected	379	367	371	370	370
Subtotal: Elected Officials	\$446	\$435	\$438	\$437	\$437
Total Controllable Agency Spending	\$18,886	\$19,372	\$19,958	\$20,712	\$21,724

f = forecast

Growth in Non-Controllable Agency Expenses

City Funds - \$ In Millions

	FY 2007 ^f	FY 2008 ^f	FY 2009 ^f	FY 2010 ^f	FY 2011 ^f
Non-Controllable Agency Expenses					
Pensions	\$4,686	\$5,393	\$5,968	\$6,025	\$6,025
Year-to-Year		\$707	\$575	\$57	\$0
Change:		15.1%	10.7%	1.0%	0.0%
Fringe Benefits	\$5,517	\$5,831	\$6,155	\$6,418	\$6,716
Year-to-Year		\$314	\$324	\$263	\$298
Change:		5.7%	5.6%	4.3%	4.6%
Retiree Health Benefits Trust Fund	\$1,000	\$500	\$0	\$0	\$0
Subtotal: Employee-Related Costs	\$11,203	\$11,724	\$12,123	\$12,443	\$12,741
Year-to-Year		\$521	\$399	\$320	\$298
Change:		4.7%	3.4%	2.6%	2.4%
Debt Service⁽¹⁾	\$3,518	\$3,819	\$4,138	\$4,502	\$4,891
Year-to-Year		\$301	\$319	\$364	\$389
Change:		8.6%	8.4%	8.8%	8.6%
Medicaid	\$4,817	\$5,247	\$5,089	\$5,243	\$5,403
Year-to-Year		\$430	(\$158)	\$154	\$160
Change:		8.9%	(3.0%)	3.0%	3.0%
Re-estimate of Prior Year's Expenses	(\$400)	\$0	\$0	\$0	\$0
Year-to-Year		\$400	\$0	\$0	\$0
Change:		(100.0%)	0.0%	0.0%	0.0%
General Reserve	\$100	\$300	\$300	\$300	\$300
Year-to-Year		\$200	\$0	\$0	\$0
Change:		200.0%	0.0%	0.0%	0.0%
All Other⁽²⁾	\$1,962	\$2,002	\$2,145	\$2,239	\$2,357
Year-to-Year		\$40	\$143	\$94	\$118
Change:		2.0%	7.1%	4.4%	5.3%
Total Non-Controllable Agency Expenses	\$21,200	\$23,092	\$23,795	\$24,727	\$25,692
Year-to-Year		\$1,892	\$703	\$932	\$965
Change:		8.9%	3.0%	3.9%	3.9%

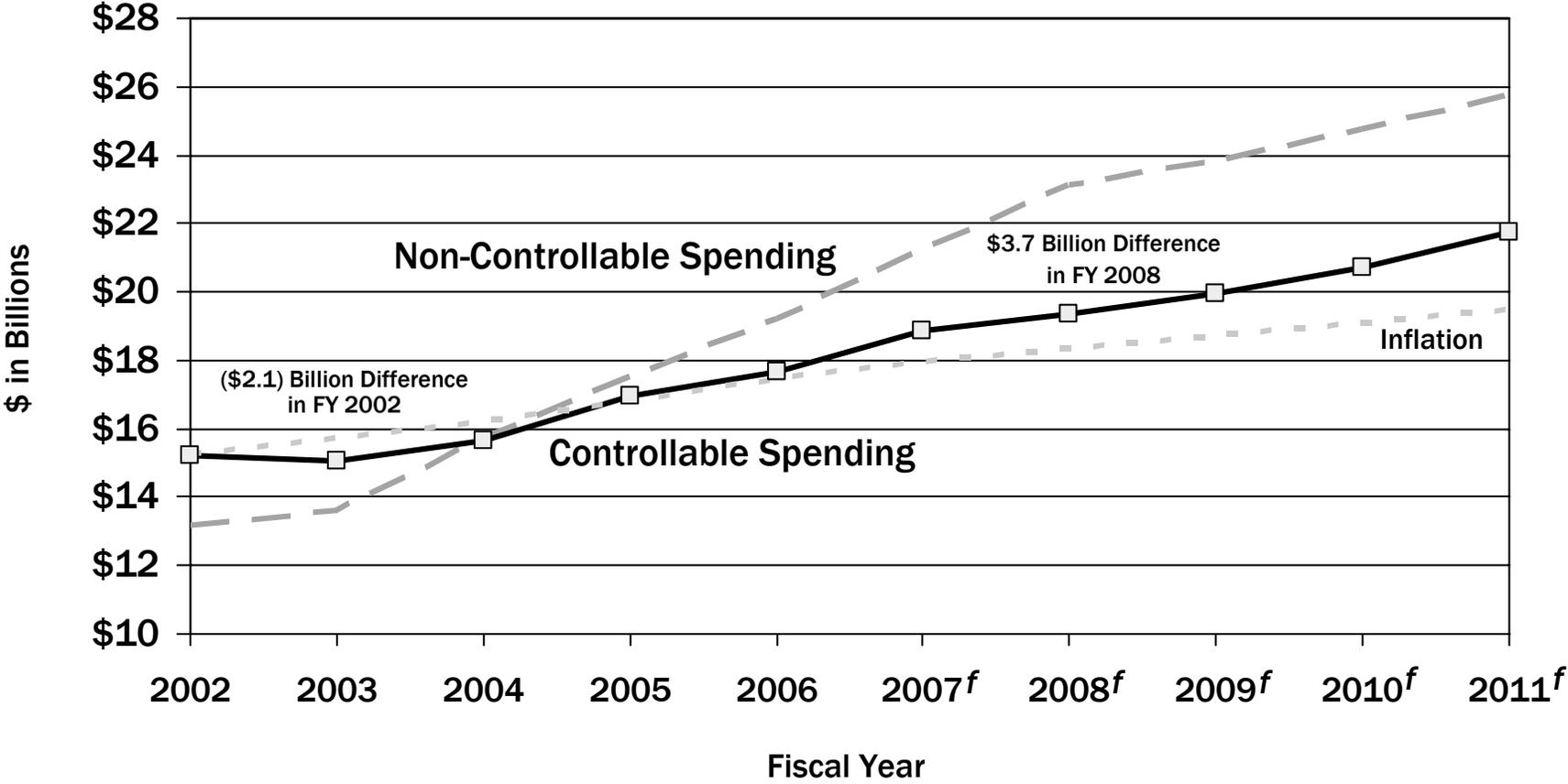
Excludes the Impact of Prepayments.

^f = forecast for Years 2007 - 2011

⁽¹⁾ Excluding TFA and Tobacco Bonds.

⁽²⁾ Includes Judgments and Claims, Subsidies to the Transit Authority and Private Bus Lines and Public Assistance.

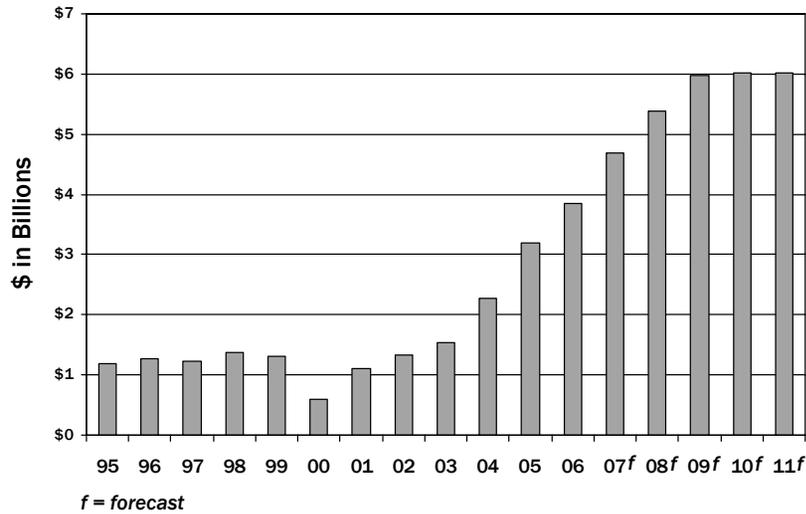
Our Non-Controllable Expenses Continue to Be Larger Than Controllable Expenses



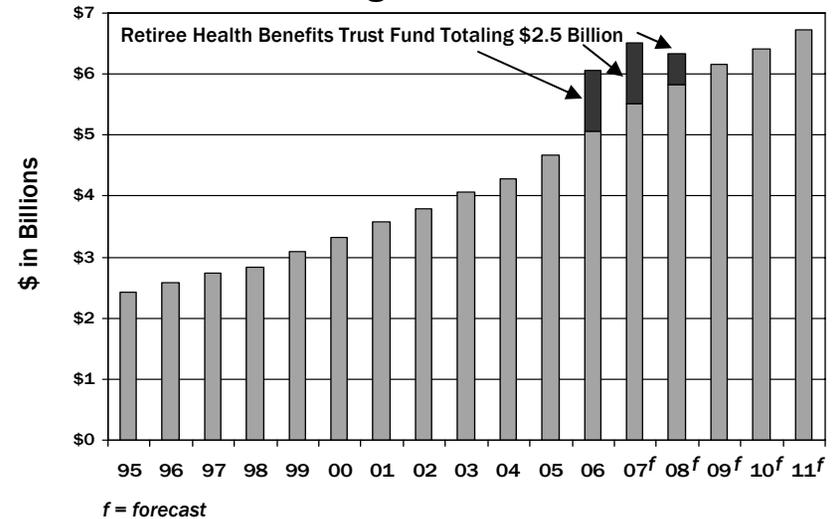
f = forecast for years 2007 - 2011

Non-Controllable Expenses Continue to Grow

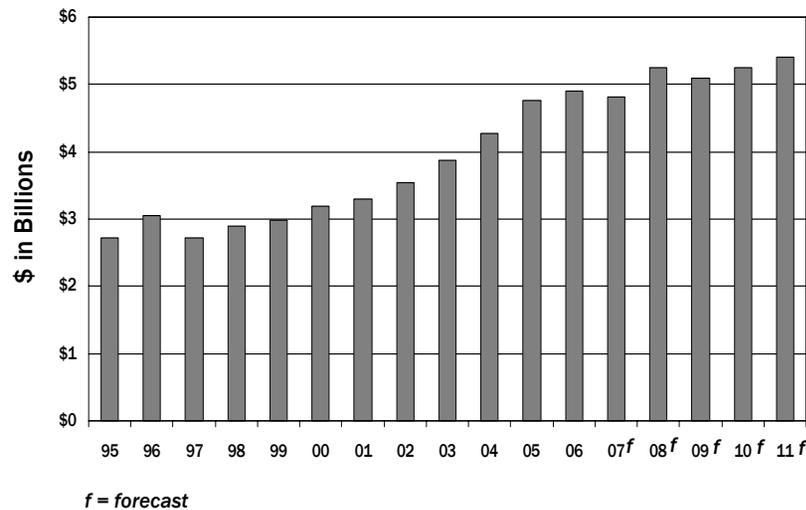
Pension Costs



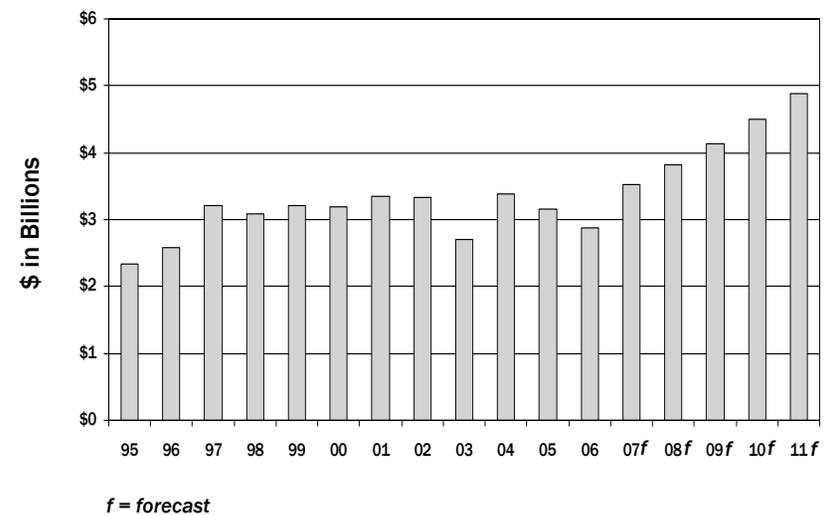
Fringe Benefits Costs



Medicaid



Debt Service



III. Budget Update

Revenue Forecast Changes

Since the November 2006 Plan

	\$ in Millions Increase / (Decrease)	
	<u>2007</u>	<u>2008</u>
Tax Revenue Forecast		
Property Tax	(\$30)	\$375
All Other Taxes	1,281	1,296
Total Tax Revenue Forecast	<u>\$1,251</u>	<u>\$1,671</u>
Non-Tax Revenue Forecast		
FICA Refund Interest	\$ - - -	\$141
Interest Income	58	57
Water & Sewer	16	22
Fines, Fees and Other Non-Tax Revenues	94	14
Total Non-Tax Revenue Forecast	<u>\$168</u>	<u>\$234</u>
Total Increase in Revenue Forecast	\$1,419	\$1,905

Expense Forecast Changes

Since the November 2006 Plan

	\$ in Millions Increase / (Decrease)	
	2007	2008
<u>Agency Expense Increases</u>		
Poverty Initiative	\$15	\$65
ACS (Foster Rate Increase, Child Protective Staff, Child Care Expenditures)	72	89
Fire (Overtime, Extension of New Firefighter Training)	39	28
Correction (Overtime, Security Posts, Food Budget, Court Staffing)	26	8
Homeless (Family Capacity Needs)	21	2
DJJ (Per Diem Payments to State)	17	12
Parks (Staffing for Litter, Pruning, New Parks, Seasonal Needs, and Equipment Maintenance)	6	25
Police (Real Time Crime Center, Network Maintenance)	5	6
DYCD (Out of School Time Expansion)	3	30
Sanitation (Waste Disposal Contingency, Collection Supervision)	2	17
SBS (GIPEC, Waterfront Inspections, Clean Streets)	2	8
DOT (Streetlights Contract, Bus Rapid Transit Lanes)	1	9
Health (Correctional Health)	1	12
DCAS (Facility Security)	1	3
Cultural Affairs (Institutions and Programs Funding)	---	38
DSS (Public Assistance Reestimate, Software Licences)	(40)	(37)
Collective Bargaining (UFT)	40	116
Energy	(66)	(50)
All Other	12	(6)
Total Agency Expense Increases	\$157	\$375
<u>Other Expense Changes</u>		
Fringe Benefits Cost (Mental Health Parity Legislation/HIP Rate)	\$1	\$48
Pension Changes	(3)	(20)
HHC / Medical Assistance	13	247
Debt Service	(140)	(140)
Reserve for Prior Year Expenses	(400)	---
General Reserve	(200)	---
Total Other Expense Changes	(\$729)	\$135
Total Expense Changes	(\$572)	\$510

FY 2007 Fiscal Plan Update

	\$ in Millions
	(Increases Gap) / Decreases Gap
	<u>FY 2007</u>
Remaining Gap November 2006 Plan	\$ - - -
Increased Revenue Forecast (see page 28)	1,419
Decreased Expense Forecast (see page 29)	572
Prepay FY 2008 Expenses	(\$1,991)
<hr/>	
Balance	\$ - - -

FY 2008 Fiscal Plan Update

	\$ in Millions (Increases Gap) / Decreases Gap
	<u>FY 2008</u>
Remaining Gap November 2006 Plan	(\$510)
Increased Revenue Forecast (see page 28)	1,905
Increased Expense Forecast (see page 29)	(510)
Prepayments From FY 2007 into FY 2008	1,991
Prepayment of FY 2009 Expenses	(\$1,376)
Remaining Funds (see next page)	<u>\$1,500</u>

Uses of FY 2008 Remaining Funds

FY 2008 Remaining Funds	\$1,500
Retiree Health Benefits Trust Fund	(500)
Property Tax Reduction Program	(750)
Other Tax Reductions	(250)
Balance	<u> \$ ---</u>

Fiscal Year 2007 Budget

As of January 25, 2007 for the Current Year with 5 Months to Go
\$ in Millions

AGENCY	Personal Service Costs				Other Than Personal Service Costs						Gross Total (Including Intra-City)	Net Total (Excluding Intra-City)	City Funds Total	
	Salaries & Wages	Fringe Benefits	Pensions	PS Subtotals	Agency OTPS	PA, MA & Other Mandates	Legal Services	Judgments & Claims	Debt Service	OTPS Subtotal				
UNIFORM AGENCIES														
Police Department	\$3,530	\$1,630	\$1,630	\$6,790	\$381	---	\$39	\$107	\$64	\$591	\$7,381	\$7,212	\$6,921	
Fire Department	1,282	573	737	2,592	177	---	5	22	57	261	2,853	2,842	2,611	
Dept. of Correction	809	335	215	1,359	128	---	7	12	156	303	1,662	1,661	1,616	
Dept. of Sanitation	714	355	140	1,209	495	---	7	25	191	718	1,927	1,925	1,885	
Subtotal	\$6,335	\$2,893	\$2,722	\$11,950	\$1,181	---	\$58	\$166	\$468	\$1,873	\$13,823	\$13,640	\$13,033	
HEALTH AND WELFARE														
Administration for Children's Services	\$397	\$114	\$36	\$547	\$2,313	---	\$2	\$2	---	\$2,317	\$2,864	\$2,864	\$996	
Department of Social Services	693	305	81	1,079	962	5,575	4	6	84	6,631	7,710	7,702	5,706	
Department of Homeless Services	110	39	10	159	620	---	1	---	---	621	780	750	371	
Department of Health and Mental Hygiene	346	101	32	479	1,336	---	1	3	25	1,365	1,844	1,839	796	
Health and Hospitals Corporation ⁽⁴⁾	---	20	---	20	202	583	18	190	177	1,170	1,190	\$1,077	856	
Subtotal	\$1,546	\$579	\$159	\$2,284	\$5,433	\$6,158	\$26	\$201	\$286	\$12,104	\$14,388	\$14,232	\$8,725	
EDUCATION														
Dept. of Education	\$8,815	\$2,772	\$1,698	\$13,285	\$4,519	---	\$14	\$35	\$782	\$5,350	\$18,635	\$18,489	\$9,538	
City University	334	78	37	449	247	---	---	1	43	291	740	698	507	
Subtotal	\$9,149	\$2,850	\$1,735	\$13,734	\$4,766	---	\$14	\$36	\$825	\$5,641	\$19,375	\$19,187	\$10,045	
OTHER AGENCIES	\$2,003	\$678	\$211	\$2,892	\$3,837	---	\$70	\$187	\$1,678	\$5,772	\$8,664	\$7,776	\$6,127	
ELECTED OFFICIALS	\$430	\$109	\$39	\$578	\$99	---	\$7	\$1	---	\$107	\$685	\$684	\$614	
MISC. BUDGET	\$385	---	---	\$385	---	\$1,321 ⁽²⁾	---	---	\$287	\$1,608	\$1,993	\$1,992	\$1,851	
DEBT SERVICE COSTS (unallocated)	---	---	---	---	---	---	---	---	\$123	\$123	\$123	\$123	\$91	
RE-ESTIMATE OF PRIOR YEAR'S EXPENSES	---	---	---	---	(\$400)	---	---	---	---	(\$400)	(\$400)	(\$400)	(\$400)	
TOTAL ⁽³⁾	\$19,848	\$7,109	\$4,866	\$31,823	\$14,916	\$7,479	\$175	\$591	\$3,667	\$26,828	\$58,651	\$57,234	\$40,086	
City Funds	\$11,307	\$6,516	\$4,686	\$22,509	\$7,030	\$6,461	\$167	\$401	\$3,518	\$17,577	\$40,086			
Less: Prepayments	---	---	---	---	(\$91)	\$40	---	---	(\$135)	(\$186)	(\$186)	(\$186)	(\$186)	
Total After Prepayments	\$19,848	\$7,109	\$4,866	\$31,823	\$15,007	\$7,439	\$175	\$591	\$3,802	\$27,014	\$58,837	\$57,420	\$40,272	

⁽⁴⁾Only reflects funding appropriated in the City's Budget.

⁽²⁾Includes subsidies to the MTA, General Reserve, Pay-Go-Capital, Indigent Defense Services and Other Contractual Services.

⁽³⁾Excludes the impact of prepayments.

Fiscal Year 2008 Budget

As of January 25, 2007

\$ in Millions

AGENCY	Personal Service Costs				Other Than Personal Service Costs						Gross Total (Including Intra-City)	Net Total (Excluding Intra-City)	City Funds Total	
	Salaries & Wages	Fringe Benefits	Pensions	PS Subtotals	Agency OTPS	PA, MA & Other Mandates	Legal Services	Judgments & Claims	Debt Service	OTPS Subtotal				
UNIFORM AGENCIES														
Police Department	\$3,537	\$1,545	\$1,819	\$6,901	\$247	---	\$38	\$118	\$69	\$472	\$7,373	\$7,204	\$7,092	
Fire Department	1,258	547	809	2,614	132	---	5	24	61	222	2,836	2,826	2,638	
Dept. of Correction	782	330	257	1,369	113	---	7	13	166	299	1,668	1,669	1,624	
Dept. of Sanitation	712	337	178	1,227	517	---	6	28	203	754	1,981	1,980	1,942	
Subtotal	\$6,289	\$2,759	\$3,063	\$12,111	\$1,009	---	\$56	\$183	\$499	\$1,747	\$13,858	\$13,679	\$13,296	
HEALTH AND WELFARE														
Administration for Children's Services	\$425	\$123	\$47	\$595	\$2,206	---	\$2	\$2	---	\$2,210	\$2,805	\$2,805	\$978	
Department of Social Services	712	307	100	1,119	931	6,580	4	7	90	7,612	8,731	8,722	6,755	
Department of Homeless Services	112	40	13	165	572	---	1	---	---	573	738	707	359	
Department of Health and Mental Hygiene	367	104	43	514	1,194	---	1	3	27	1,225	1,739	1,738	783	
Health and Hospitals Corporation ⁽¹⁾	---	22	---	22	211	---	18	194	135	558	580	486	271	
Subtotal	\$1,616	\$596	\$203	\$2,415	\$5,114	\$6,580	\$26	\$206	\$252	\$12,178	\$14,593	\$14,458	\$9,146	
EDUCATION														
Dept. of Education	\$9,514	\$2,729	\$1,970	\$14,213	\$4,663	---	\$13	\$36	\$833	\$5,545	\$19,758	\$19,613	\$9,913	
City University	337	60	38	435	193	---	---	1	47	241	676	669	478	
Subtotal	\$9,851	\$2,789	\$2,008	\$14,648	\$4,856	---	\$13	\$37	\$880	\$5,786	\$20,434	\$20,282	\$10,391	
OTHER AGENCIES	\$1,986	\$684	\$255	\$2,925	\$3,585	---	\$66	\$207	\$1,909	\$5,767	\$8,692	\$7,821	\$6,414	
ELECTED OFFICIALS	\$397	\$108	\$46	\$551	\$93	---	\$4	\$2	---	\$99	\$650	\$649	\$606	
MISC. BUDGET	\$824	---	---	\$824	---	\$1,518 ⁽²⁾	---	---	\$305	\$1,823	\$2,647	\$2,648	\$2,514	
DEBT SERVICE COSTS (unallocated)	---	---	---	---	---	---	---	---	\$130	\$130	\$130	\$130	\$97	
RE-ESTIMATE OF PRIOR YEAR'S EXPENSES	---	---	---	---	---	---	---	---	---	---	---	---	---	
TOTAL ⁽³⁾	\$20,963	\$6,936	\$5,575	\$33,474	\$14,657	\$8,098	\$165	\$635	\$3,975	\$27,530	\$61,004	\$59,667	\$42,464	
City Funds	\$11,941	\$6,331	\$5,393	\$23,665	\$7,279	\$7,097	\$159	\$445	\$3,819	\$18,799	\$42,464			
Less: Prepayments	---	---	---	---	316	208	---	---	2,037	2,561	2,561	2,561	2,561	
Total After Prepayments	\$20,963	\$6,936	\$5,575	\$33,474	\$14,341	\$7,890	\$165	\$635	\$1,938	\$24,969	\$58,443	\$57,106	\$39,903	

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

⁽²⁾Includes subsidies to the MTA, General Reserve, Pay-Go-Capital, Indigent Defense Services and Other Contractual Services.

⁽³⁾Excludes the impact of prepayments.

Changes Between FY 2007 and FY 2008 Budgets

As of January 25, 2007

\$ in Millions

AGENCY	Personal Service Costs				Other Than Personal Service Costs						Gross Total (Including Intra-City)	Net Total (Excluding Intra-City)	City Funds Total	
	Salaries & Wages	Fringe Benefits	Pensions	PS Subtotals	Agency OTPS	PA, MA & Other Mandates	Legal Services	Judgments & Claims	Debt Service	OTPS Subtotal				
UNIFORM AGENCIES														
Police Department	\$7	(\$85)	\$189	\$111	(\$134)	---	(\$1)	\$11	\$5	(\$119)	(\$8)	(\$8)	\$171	
Fire Department	(24)	(26)	72	22	(45)	---	---	2	4	(39)	(17)	(16)	27	
Dept. of Correction	(27)	(5)	42	10	(15)	---	---	1	10	(4)	6	8	8	
Dept. of Sanitation	(2)	(18)	38	18	22	---	(1)	3	12	36	54	55	57	
Subtotal	(\$46)	(\$134)	\$341	\$161	(\$172)	---	(\$2)	\$17	\$31	(\$126)	\$35	\$39	\$263	
HEALTH AND WELFARE														
Administration for Children's Services	\$28	\$9	\$11	\$48	(\$107)	---	---	---	---	(\$107)	(\$59)	(\$59)	(\$18)	
Department of Social Services	19	2	19	40	(31)	1,005	---	1	6	981	1,021	1,020	1,049	
Department of Homeless Services	2	1	3	6	(48)	---	---	---	---	(48)	(42)	(43)	(12)	
Department of Health and Mental Hygiene	21	3	11	35	(142)	---	---	---	2	(140)	(105)	(101)	(13)	
Health and Hospitals Corporation ⁽¹⁾	---	2	---	2	9	(583)	---	4	(42)	(612)	(610)	(591)	(585)	
Subtotal	\$70	\$17	\$44	\$131	(\$319)	\$422	---	\$5	(\$34)	\$74	\$205	\$226	\$421	
EDUCATION														
Dept. of Education	\$699	(\$43)	\$272	\$928	\$144	---	(\$1)	\$1	\$51	\$195	\$1,123	\$1,124	\$375	
City University	3	(18)	1	(14)	(54)	---	---	---	4	(50)	(64)	(29)	(29)	
Subtotal	\$702	(\$61)	\$273	\$914	\$90	---	(\$1)	\$1	\$55	\$145	\$1,059	\$1,095	\$346	
OTHER AGENCIES	(\$17)	\$6	\$44	\$33	(\$252)	---	(\$4)	\$20	\$231	(\$5)	\$28	\$45	\$287	
ELECTED OFFICIALS	(\$33)	(\$1)	\$7	(\$27)	(\$6)	---	(\$3)	\$1	---	(\$8)	(\$35)	(\$35)	(\$8)	
MISC. BUDGET	\$439	---	---	\$439	---	\$197 ⁽²⁾	---	---	\$18	\$215	\$654	\$656	\$663	
DEBT SERVICE COSTS (unallocated)	---	---	---	---	---	---	---	---	\$7	\$7	\$7	\$7	\$6	
REESTIMATE OF PRIOR YEAR'S EXPENSES	---	---	---	---	400	---	---	---	---	400	400	400	400	
TOTAL ⁽³⁾	\$1,115	(\$173)	\$709	\$1,651	(\$259)	\$619	(\$10)	\$44	\$308	\$702	\$2,353	\$2,433	\$2,378	
City Funds	\$634	(\$185)	\$707	\$1,156	\$249	\$636	(\$8)	\$44	\$301	\$1,222	\$2,378	---	---	
Less: Prepayments	---	---	---	---	\$407	\$168	---	---	\$2,172	\$2,747	\$2,747	\$2,747	\$2,747	
Total After Prepayments	\$1,115	(\$173)	\$709	\$1,651	(\$666)	\$451	(\$10)	\$44	(\$1,864)	(\$2,045)	(\$394)	(\$314)	(\$369)	

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

⁽²⁾Includes subsidies to the MTA, General Reserve, Pay-Go-Capital, Indigent Defense Services and Other Contractual Services.

⁽³⁾Excludes the impact of prepayments.

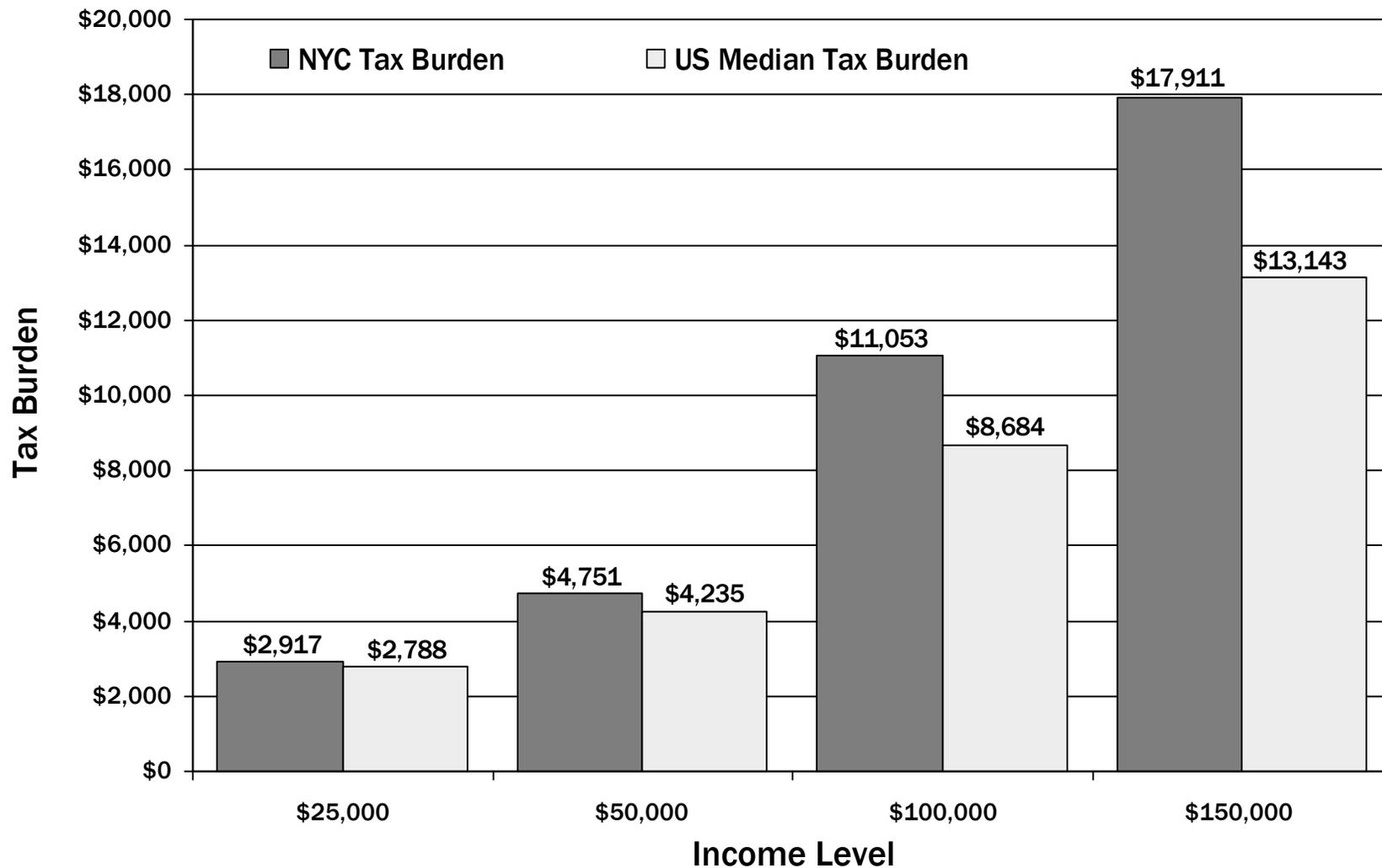
Out-Year Gaps Remain

\$ in Millions (Increases Gap) / Decreases Gap

	<u>2009</u>	<u>2010</u>	<u>2011</u>
Remaining Gaps to be Closed as of November 2006	(\$4,068)	(\$3,608)	(3,090)
Revenue Changes			
Property Tax	\$869	\$1,319	\$1,561
Other Tax Revenue	686	623	790
Non- Tax Revenue	22	19	14
Total Revenue Increases	\$1,577	\$1,961	\$2,365
Expense (Increases) / Decreases			
Poverty Initiative	(\$65)	(\$65)	(\$65)
Energy	19	13	17
Collective Bargaining (UFT)	(97)	(125)	(126)
Education	---	(356)	(836)
Other Agency Needs	(294)	(316)	(436)
Fringe Benefits Cost (Mental Health Parity Legislation/HIP Rate)	(53)	(57)	(63)
Pension Funding Improvement	(200)	(200)	(200)
Other Pension Changes	9	(15)	11
HHC/Medical Assistance	70	70	(100)
Debt Service	213	206	185
Total Expense (Increases) / Decreases	(\$398)	(\$845)	(\$1,613)
Prepayments of 2009 Expenses	1,376	---	---
(Uses) of Remaining Funds			
Tax Reduction Program	(810)	(868)	(917)
Other Tax Reductions	(294)	(321)	(366)
Remaining Gaps January 2007 Plan	(\$2,617)	(\$3,681)	(\$3,621)
Out Year Gap Closing Program			
City Actions	\$1,207	\$1,200	\$1,200
State and Federal Actions	600	600	600
Restore Property Tax	810	868	917
Remaining Gap	\$ ---	(\$1,013)	(\$904)

IV. Tax Policy

New York City's State and Local Tax Burden Is High

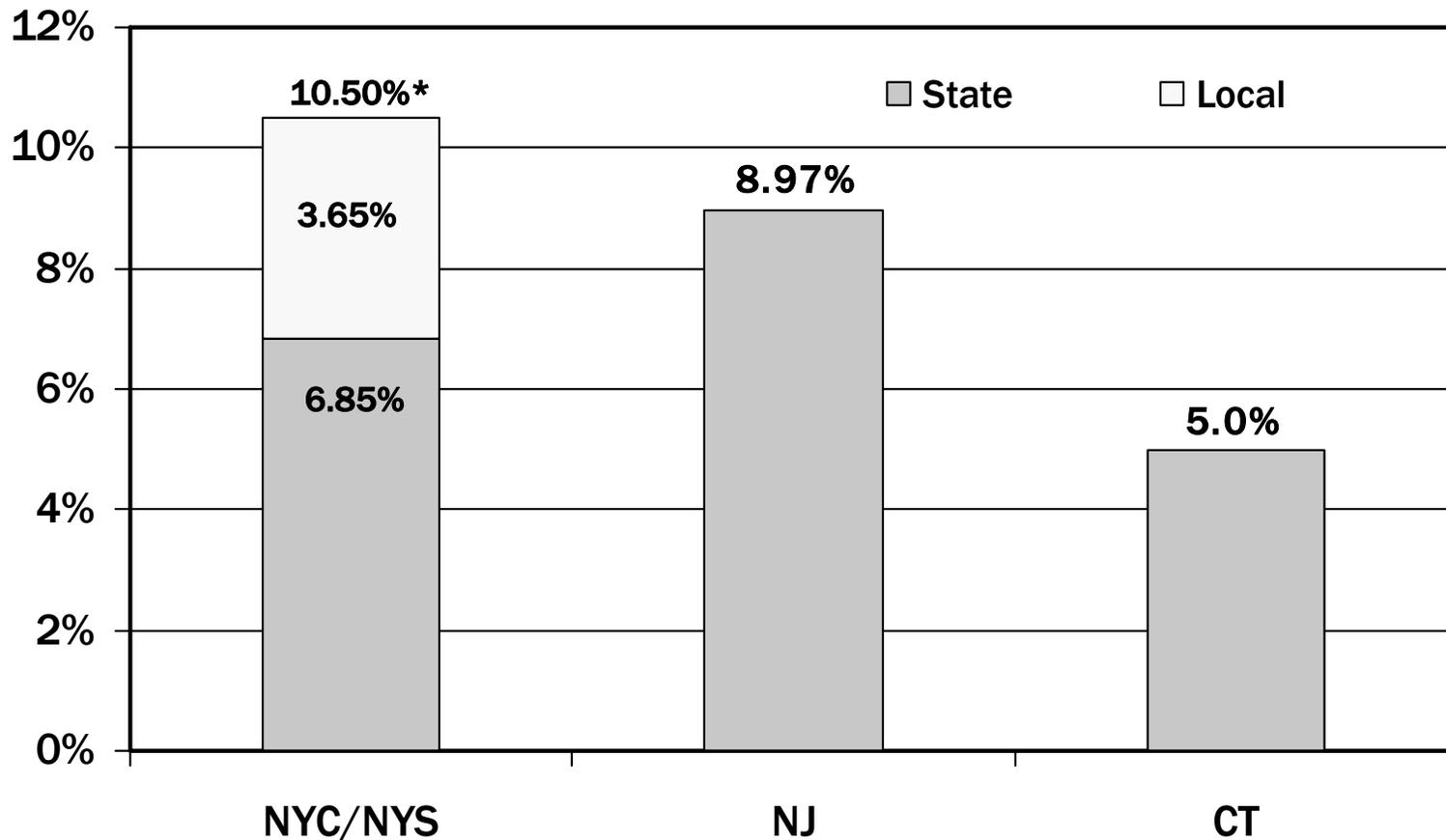


Tax Burden Includes the State and Local Tax Burdens

Source: Tax Rates and Tax Burdens in the District of Columbia: A Nationwide Comparison 2005

Personal Income Tax Rates in New York City Are Higher Than Surrounding Areas

Top Marginal Rates Tax Year 2006



*New York City and New York State combined tax rate total is 10.5%.

Sources: New York City Department of Finance and OMB

Business Income Tax Rates in New York City Are Higher Than Surrounding Areas

	Corporate Tax Rate	Bank Corporation Tax Rate	Unincorporated Business Tax Rate	Subchapter S-Corporation Tax Rate
New York State¹/ New York City	8.78/8.85	8.78/9.0	NYC. 4.0	0.0/8.85²
New Jersey	9.0	9.0	0.0	0.67³
Connecticut	7.5	7.5	0.0	0.0

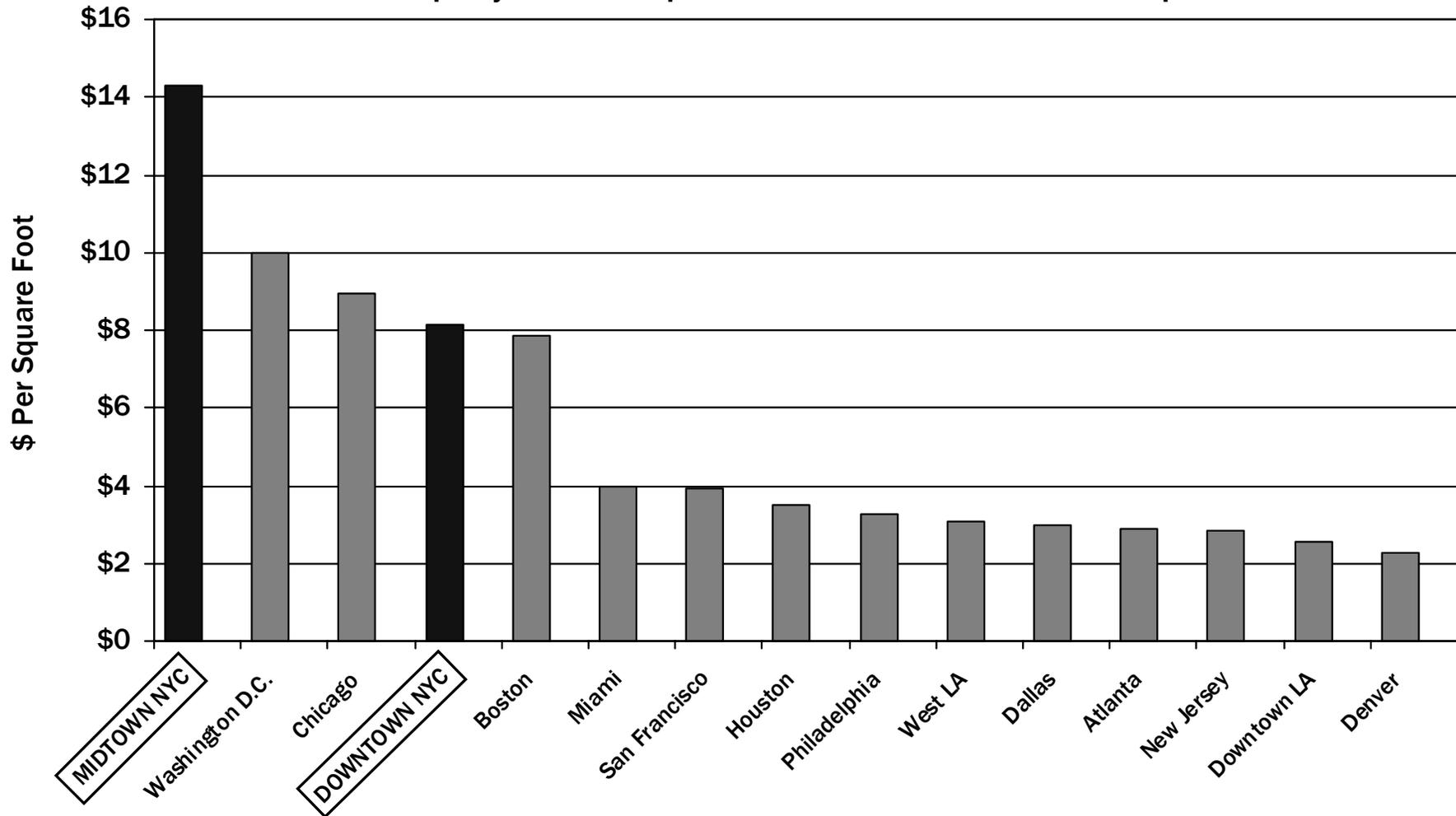
Note:

- 1.** New York State rates include a 17% MTA surcharge.
- 2.** New York State taxes S-Corporations through a fixed dollar minimum tax. However, New York City taxes S-Corporations at the normal corporate rate unless they file using the alternative “income-plus-compensation” base where the tax rate is 2.655%, or the fixed dollar minimum tax of \$300.
- 3.** Tax rates for a New Jersey S-Corporation with entire net income greater than \$100,000 declined from 1.33% to 0.67% effective July 1, 2006. The tax rate is 0% after July 1, 2007.

Sources: New York City Department of Finance and OMB

New York City's Property Tax on Commercial Office Space Is Among the Highest in the Country

Property Tax Per Square Foot – Commercial Office Space



Source: Studley Effective Rent Index 2006

FY 2008 Tax Reduction Program

Revenue Impact

\$ in Millions

	Revenue Impact				Effective Dates
	FY 2008	FY 2009	FY 2010	FY 2011	
Return a Portion of Prior Property Tax Rate Increase					
Real Property Tax: Return \$750 million of the prior property tax rate increase.*	(\$750)	(\$810)*	(\$868)*	(\$917)*	7/1/07
Job Creation					
Unincorporated Business Tax: Double partnership deduction to \$10,000 per active partner.	(16)	(16)	(16)	(17)	1/1/07
Unincorporated Business Tax: 50% Increase in the resident PIT/UBT Credit.	(28)	(28)	(29)	(31)	1/1/07
Corporate Tax: Enact a resident PIT credit providing PIT relief to owners of S-Corporations.	(70)	(69)	(73)	(78)	1/1/07
Corporate Tax: 50% phase-out of the income-plus-compensation alternative tax base.	(18)	(56)	(76)	(110)	1/1/07
Corporate Tax: Small firm tax-filing simplification.	(8)	(8)	(8)	(8)	1/1/07
Economic Competitiveness					
Sales Tax: Exempt all clothing from the City sales tax.	(110)	(117)	(119)	(122)	7/1/07
Subtotal (Job Creation/Economic Competitiveness):	(\$250)	(\$294)	(\$321)	(\$366)	
Total	(\$1,000)	(\$1,104)	(\$1,189)	(\$1,283)	

* If Temporary Property Tax Rate Reduction In FY 2008 Continues

After a \$750 Million Cut and Rebate Extension, Most City Homeowners Will Pay Less Than Without the 18.49% Rate Increase

	FY 08 Tax Bill Without 18.49% Increase	Estimated FY 08 Tax Bill	Proposed Tax Cut	Rebate	FY 08 Tax Bill After Tax Cut & Rebate	Change in Taxes Higher / (Lower)
Average for Manhattan:						
Single Family Home	\$21,673	\$25,706	(\$1,264)	(\$400)	\$24,042	\$2,369
Co-op	5,682	6,733	(329)	(400)	6,004	322
Condo	8,207	9,725	(475)	(400)	8,850	643
Average for Other Boroughs:						
Single Family Home	\$2,565	\$3,042	(\$150)	(\$400)	\$2,492	(\$73)
Co-op	1,757	2,082	(102)	(400)	1,580	(177)
Condo	1,616	1,915	(94)	(400)	1,421	(195)

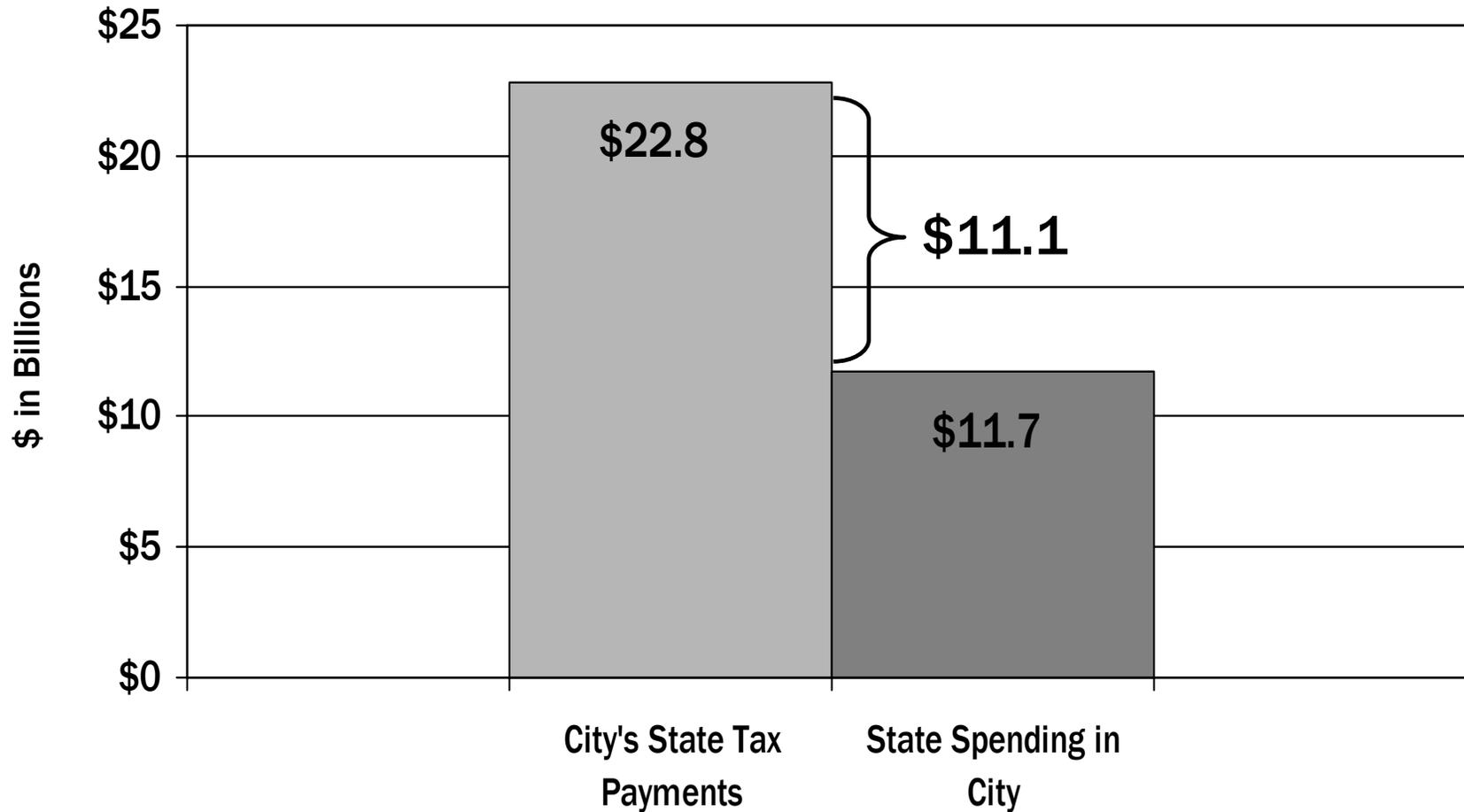
Note: All Tax Values Reported Use FY 2008 Tentative Roll Valuations and Preliminary Estimated FY 2008 Tax Rates

V. State and Federal Agenda

New York City Contributes 48.6% of All New York State Tax Revenues

- ❖ **New York City contributes 56.3% of New York State's Personal Income Tax revenues**
- ❖ **New York City contributes 45.5 % of New York State's Business Tax revenues**

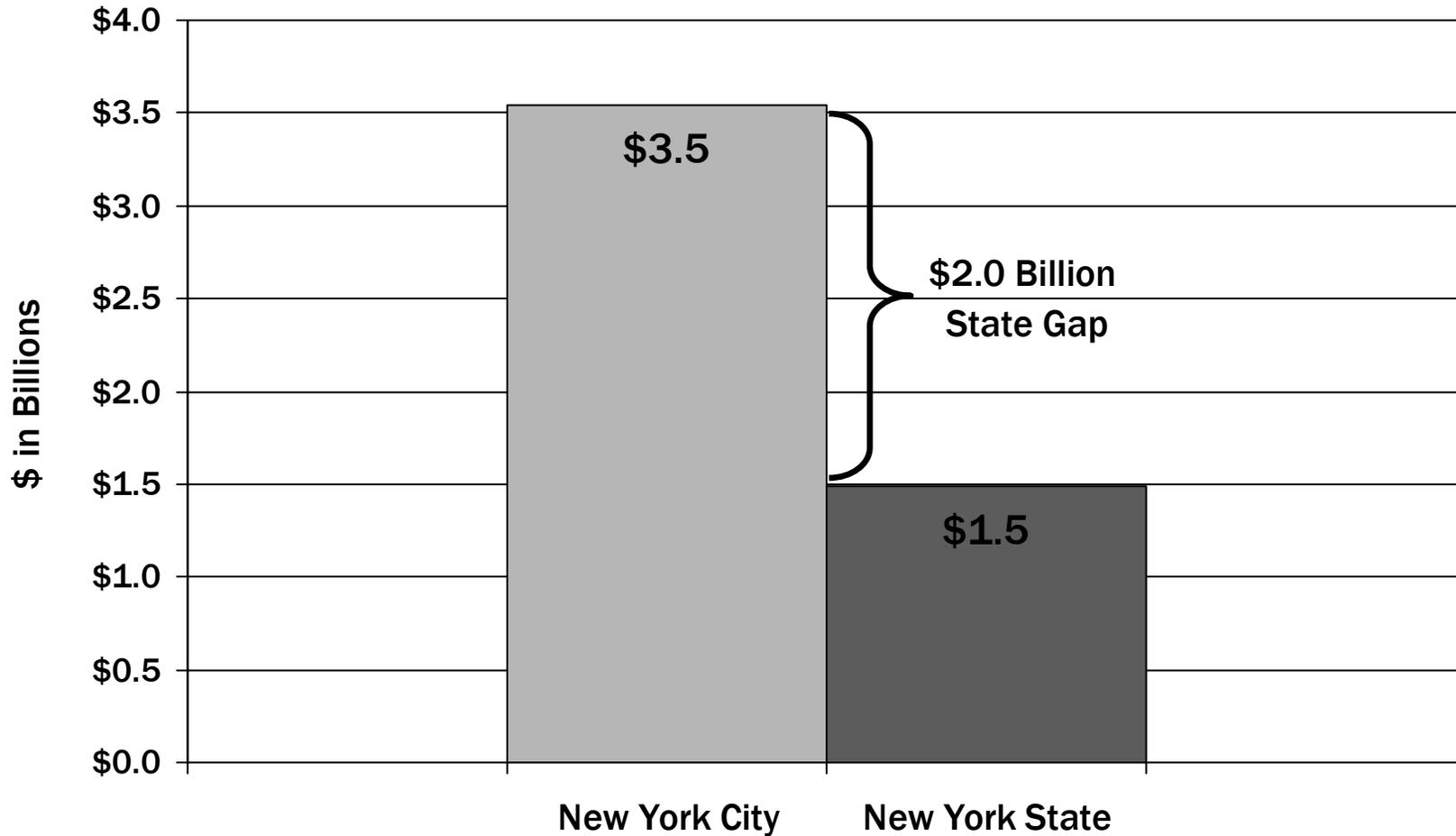
New York City Pays \$11.1 Billion More in State Taxes Than It Gets in Funding



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

NYC Has Increased Its Contribution to Department of Education by \$3.5 Billion Since FY 02 While New York State Has Only Increased Its Contribution by \$1.5 Billion

Department of Education: Funding Growth from FY 02 to FY 07



Education Funding Partnership

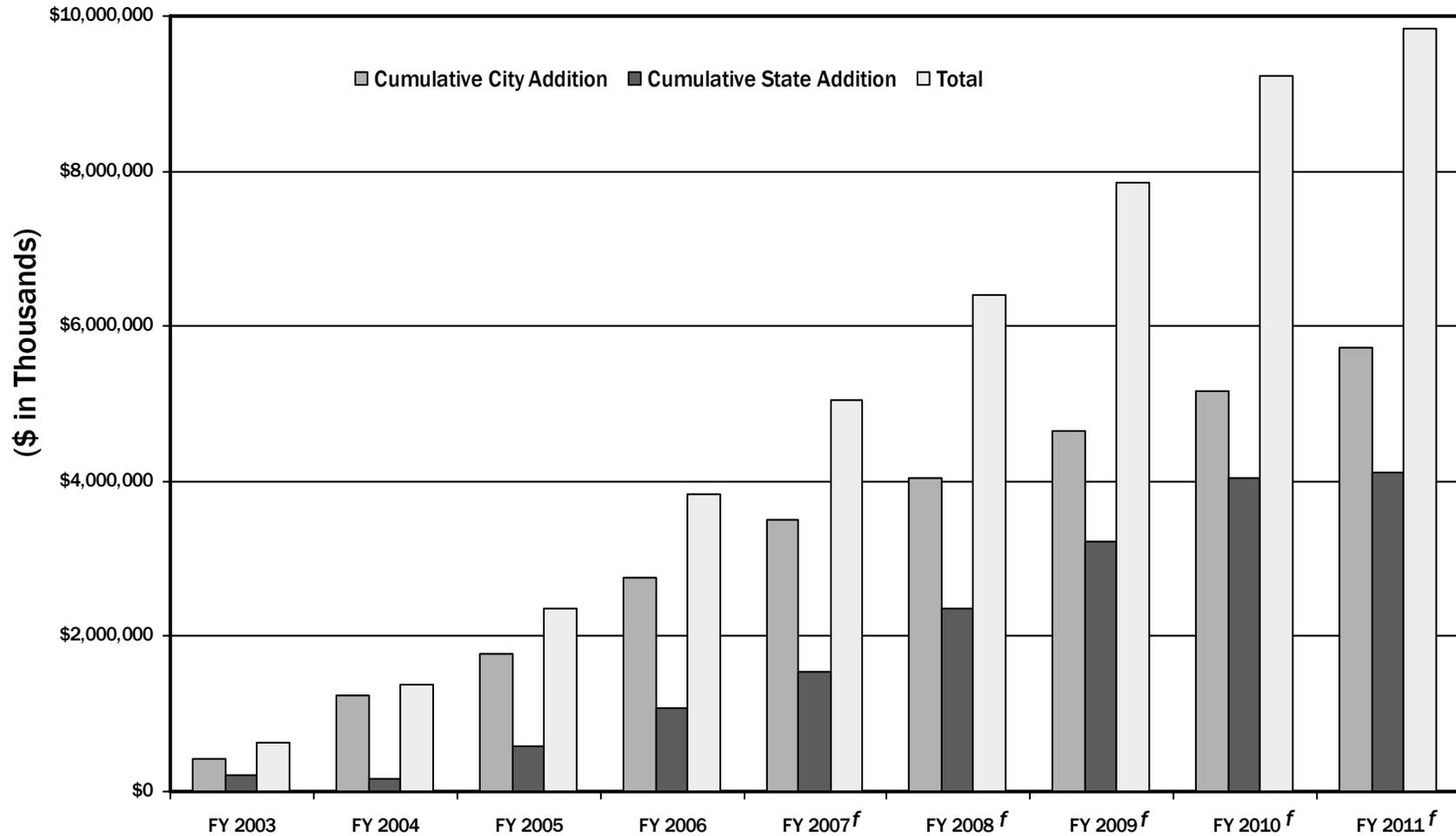
New York City has assumed in this budget that NYS provides the City with additional education funding meeting the court-ordered CFE mandate of \$1.9 billion annually, adjusted for inflation since 2004.

The exact amount of additional aid that NYS will provide is subject to the NYS budget.

	\$ in Millions			
	FY 2008	FY 2009	FY 2010	FY 2011
Assumed Additional State Education Funding Meeting CFE Mandate	\$723	\$1,475	\$2,256	\$2,302
Additional City Education Funding	532	1,127	1,661	2,223
Total	\$1,255	\$2,602	\$3,917	\$4,525

Cumulative City and State Additions to Education Funding in New York City, FY 2003 - FY 2011

(\$ in Thousands)



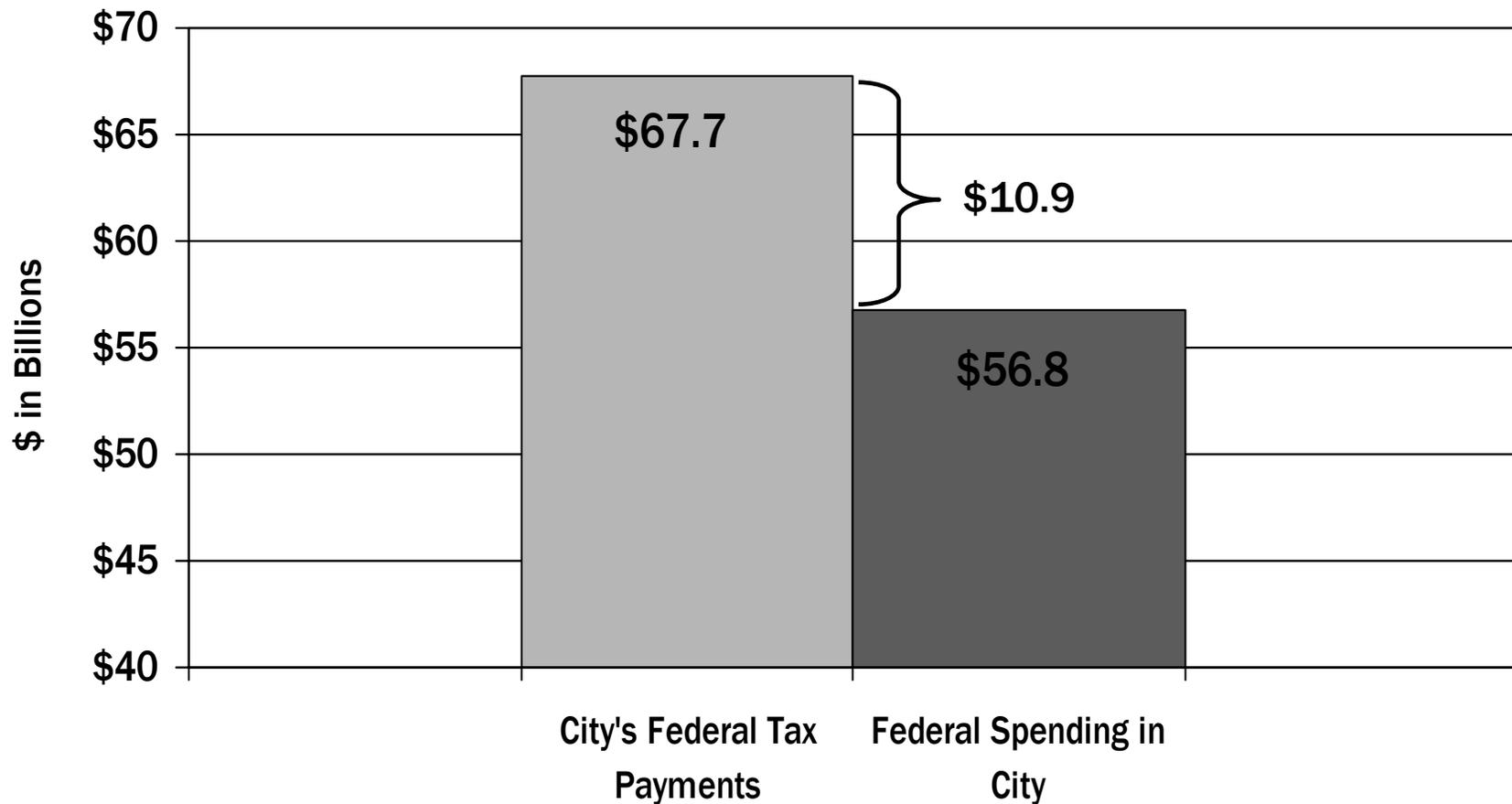
*New York City has assumed in this budget that NYS will provide additional education funding to the City meeting the CFE mandate of \$1.9 billion annually, adjusted for inflation since 2004. The exact amount of additional aid that NYS will provide is subject to the NYS budget.

State Initiatives

	\$ in Millions			
	2008	2009	2010	2011
Invest in Child Care	50.0	50.0	50.0	50.0
Invest in Employment Programs	50.0	50.0	50.0	50.0
Update State Reimbursement Rates and Charges	144.0	144.0	144.0	144.0
Adjust Retroactive Overcharge for OCFS Training School Rates	40.0	30.0	---	---
Institute Tort Reform Initiatives	80.0	83.0	86.0	90.0
Lower the Cost of Capital Construction by Repealing the Wicks Law	62.8	108.7	134.3	154.7
Reform CUNY Reimbursement Process	48.0	---	---	---
Increase the City's Cigarette Tax from \$1.50 to \$2.00 and Strengthen Enforcement*	30.6	30.1	29.6	29.1
Allow New York City to Share Equally in Revenue Sharing Increases	32.8	36.1	40.0	44.4
Reduce State-Imposed Mandates on OTB	10.0	10.0	10.0	10.0
Reduce Local Debt Service Costs	5.4	5.4	5.4	5.4
Enact Pension Reform	TBD	TBD	TBD	TBD
Total	\$553.6	\$542.3	\$549.3	\$577.6

*A portion of this revenue will be dedicated to smoking prevention and cessation programs.

New York City Pays \$10.9 Billion More in Federal Taxes Than it Gets in Funding



Source: OMB estimate based on "Tax Foundation Special Report" for Federal FY 2004, March 2006, No. 139 and Consolidated Federal Funds Report FY 2004.

Federal Initiatives

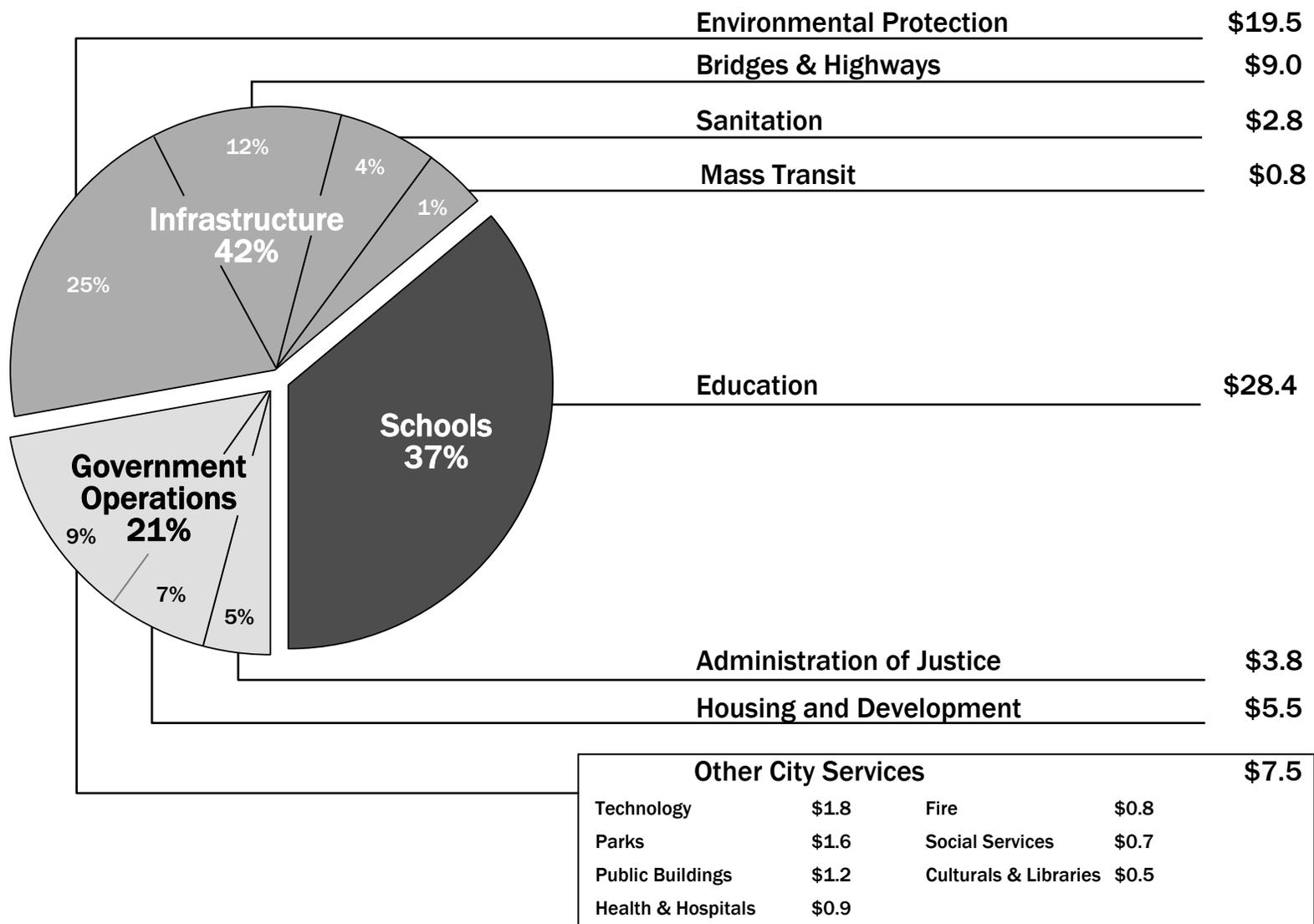
	\$ in Millions			
	2008	2009	2010	2011
Fully Fund "No Child Left Behind" (NCLB)	\$905.2	\$944.6	\$983.3	\$1,023.9
Fully Fund Criminal Justice Program	72.0	76.0	76.0	76.0
Provide Adequate Child Care Funding to Meet TANF Work Requirements	75.0	75.0	75.0	75.0
Provide Reimbursement for UN Protection and Adequate Future Funding	56.0	8.0	8.0	8.0
Allow Access to Wage Reporting System	20.0	10.0	10.0	10.0
Provide Flexibility for Community Development Block Grant (CDBG) Funds	15.0	15.0	15.0	15.0
Revise Foster Care Eligibility	9.0	18.0	25.0	25.0
Reimburse the City for Outstanding Foreign Dignitary Parking Tickets	9.0	9.0	1.0	1.0
Extend Health Coverage For Children	3.0	3.0	3.0	3.0
Increase Funding for 9/11 Health and Compensation	TBD	TBD	TBD	TBD
Total	\$1,164.2	\$1,158.6	\$1,196.3	\$1,236.9

VI. Capital

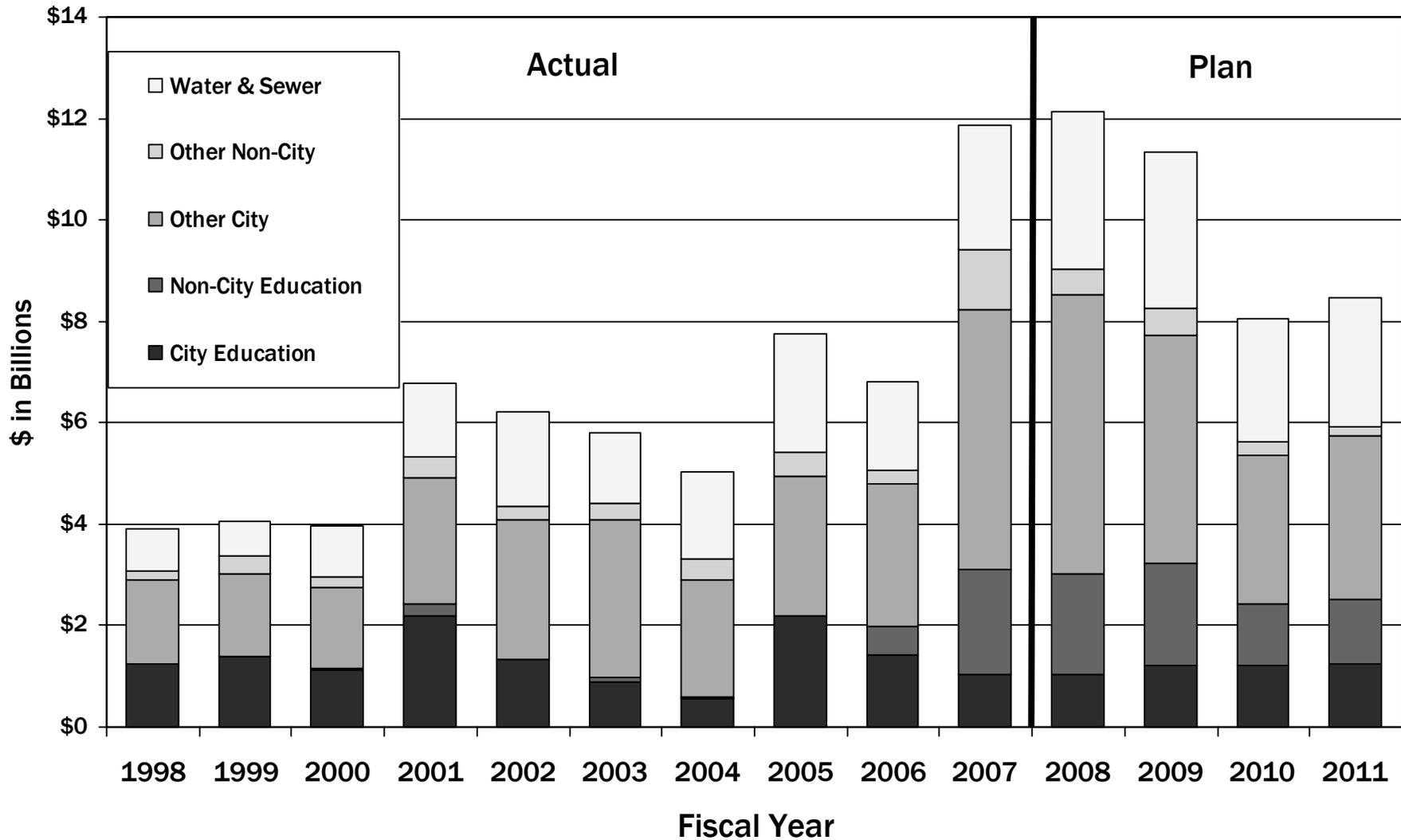
Preliminary Ten-Year Capital Strategy 2008-2017

Totals \$77.3 Billion in All Funds

\$ in Billions



Capital Commitments – All Funds



Economic Development Capital Highlights

Highlights

\$ in Millions

❖ Hudson Yards	\$ 440
❖ Hudson River Park	350
❖ Javits Center	350
❖ Coney Island Development	320
❖ Staten Island Developments	260
❖ Fresh Kills Park	222
❖ Atlantic Yards	205
❖ Greenpoint – Williamsburg Open Space	202
❖ Brooklyn Navy Yard	198
❖ Cruise Industry Development	183

Highlights of the Preliminary Capital Plan

Highlights	\$ in Millions
❖ Educational Facilities	\$28,400
❖ Bridges	5,409
➤ East River, Harlem River and Belt Parkway Bridges	1,834
➤ All Other Bridges	3,575
❖ Mayor's Affordable Housing Plan	3,268
❖ Street Reconstruction (261 linear miles)	2,135
❖ Croton Water Filtration Facility	1,945
➤ Bronx Park Development	197
❖ Street Resurfacing (9,900 lane miles)	1,348
❖ Marine Transfer Stations For Solid Waste Management Plan	514
❖ Construction and Renovation of Police Facilities including New Police Precincts	402
❖ Gilboa Dam Reconstruction	332
❖ Infrastructure and Parks for New Yankee and Shea (CitiField) Stadiums	287
❖ Rehabilitate Fire Facilities including Firehouses and EMS Stations	250
❖ Lincoln Center Redevelopment	223
❖ Automated Water Meter Readers	201
❖ Greenpoint-Williamsburg Waterfront Development	139
❖ Energy Efficiency Investments	53

Note: Figures Are All in Funds

Highlights of the Preliminary Capital Plan

Highlights

\$ in Millions

❖ Retaining Walls	\$ 52
❖ New York Aquarium Master Plan	44
❖ Electronic Voting Machines	40
❖ Humanities and Social Sciences Library Façade	38
❖ New York Botanical Garden	34
❖ Queens Museum of Art Expansion	30
❖ Queens Library-Children's Library Discovery Center	28
❖ Snug Harbor Cultural Center Site-Wide Improvements	22
❖ Brooklyn Public Library-Central Library Plaza	19
❖ New York Public Library Technology Upgrade Projects	18
❖ Lower Manhattan Security Initiative	15
❖ Mariner's Harbor-New Branch Library	9
❖ Acquisition and Renovation of the Kingsbridge Branch Library	8
❖ Macomb's Bridge New Branch Library	8

VII. Tables

Financial Plan Revenues and Expenditures

\$ in Millions

Revenues	2007	2008	2009	2010	2011
Revenues					
Taxes					
General Property Tax	\$12,941	\$14,227	\$15,377	\$16,506	\$17,459
Other Taxes	22,142	21,987	21,428	22,357	23,513
Tax Audit Revenue	859	559	559	560	560
Tax Reduction Program	---	(1,298)	(1,403)	(1,489)	(1,584)
Miscellaneous Revenues	5,422	5,440	4,818	4,844	4,867
Unrestricted Intergovernmental Aid	340	340	340	340	340
Less: Intra-City Revenue	(1,417)	(1,337)	(1,344)	(1,345)	(1,345)
Disallowances Against Categorical Grants	(15)	(15)	(15)	(15)	(15)
Subtotal: City Funds	\$40,272	\$39,903	\$39,760	\$41,758	\$43,795
Other Categorical Grants	1,061	991	1,003	1,009	1,004
Inter-Fund Revenues	416	406	388	387	386
Total City Funds and Inter-Fund Revenues	\$41,749	\$41,300	\$41,151	\$43,154	\$45,185
Federal Categorical Grants	5,690	5,218	5,248	5,250	5,255
State Categorical Grants	9,981	10,588	11,335	12,112	12,161
Total Revenues	\$57,420	\$57,106	\$57,734	\$60,516	\$62,601
Expenditures					
Personal Service					
Salaries and Wages	\$19,848	\$20,963	\$22,011	\$23,202	\$24,052
Pensions	4,866	5,575	6,151	6,208	6,208
Fringe Benefits	7,109	6,936	6,759	7,023	7,322
Subtotal: Personal Service	\$31,823	\$33,474	\$34,921	\$36,433	\$37,582
Other Than Personal Service					
Medical Assistance	\$4,948	\$5,380	\$5,222	\$5,376	\$5,535
Public Assistance	1,210	1,200	1,200	1,200	1,200
Pay-As-You-Go Capital	200	200	200	200	200
All Other ⁽⁴⁾	16,703	16,475	16,936	17,381	17,710
Subtotal: Other Than Personal Service	\$23,061	\$23,255	\$23,558	\$24,157	\$24,645
General Obligation, Lease and MAC Debt Service ⁽⁴⁾	3,667	3,975	4,292	4,652	5,040
FY 2006 Budget Stabilization and Discretionary Transfers ⁽⁴⁾	(3,751)	---	---	---	---
FY 2007 Budget Stabilization and Discretionary Transfers ⁽²⁾	3,937	(3,937)	---	---	---
FY 2008 Budget Stabilization and Discretionary Transfers ⁽³⁾	---	1,376	(1,376)	---	---
General Reserve	100	300	300	300	300
Subtotal	\$58,837	\$58,443	\$61,695	\$65,542	\$67,567
Less: Intra-City Expenses	(1,417)	(1,337)	(1,344)	(1,345)	(1,345)
Total Expenditures	\$57,420	\$57,106	\$60,351	\$64,197	\$66,222
Gap To Be Closed	\$ ---	\$ ---	(\$2,617)	(\$3,681)	(\$3,621)

⁽⁴⁾Fiscal Year 2006 Budget Stabilization and Discretionary Transfers total \$3.751 billion, including prepayments of subsidies of \$473 million lease debt service of \$74 million and Budget Stabilization of \$3.204 Billion.

⁽²⁾Fiscal Year 2007 Budget Stabilization and Discretionary Transfers total \$3.937 billion, including prepayments of subsidies of \$524 million lease debt service of \$100 million and Budget Stabilization of \$3.313 billion.

⁽³⁾Fiscal Year 2008 Budget Stabilization payments total \$1.376 billion

Financial Plan Update

Changes from the November 2006 Financial Plan

	\$ in Millions				
(Increase Gap) / Decrease Gap	2007	2008	2009	2010	2011
Gaps to be Closed – November 2006 Plan	\$ ---	(\$510)	(\$4,068)	(\$3,608)	(\$3,090)
Revenue Changes					
Property Tax Forecast	(\$30)	\$375	\$869	\$1,319	1,561
Other Tax Revenue Forecast	1,281	1,296	686	623	790
Non-Tax Revenue	168	234	22	19	14
Total Revenues Increase / (Decrease)	\$1,419	\$1,905	\$1,577	\$1,961	\$2,365
Expenses Changes					
Poverty Initiative	(\$15)	(\$65)	(\$65)	(\$65)	(\$65)
Energy	66	50	19	13	17
Collective Bargaining (UFT)	(40)	(116)	(97)	(125)	(126)
Education	---	---	---	(356)	(836)
Other Agency Needs	(168)	(244)	(294)	(316)	(436)
Subtotal Agency Expenses (Increase) / Decrease	(\$157)	(\$375)	(\$437)	(\$849)	(\$1,446)
Fringe Benefits	(\$1)	(\$48)	(\$53)	(\$57)	(63)
Pension Funding Improvements	---	---	(200)	(200)	(200)
Other Pension Changes	3	20	9	(15)	11
HHC / Medical Assistance	(13)	(247)	70	70	(100)
Debt Service	140	140	213	206	185
Reserve for Prior Year Expenses	400	---	---	---	---
General Reserve	200	---	---	---	---
Subtotal Uncontrollable Expense (Increase)/Decrease	\$729	(\$135)	\$39	\$4	(\$167)
Total Expense (Increase)/Decrease	\$572	(\$510)	(\$398)	(\$845)	(\$1,613)
Total January Plan 2007 Changes	\$1,991	\$1,395	\$1,179	\$1,116	\$752
Prepayments of 2008 Expenses	(\$1,991)	\$1,991	\$ ---	\$ ---	\$ ---
Prepayments of 2009 Expenses	---	(\$1,376)	\$1,376	---	---
Gap to Be Closed January 2007 Plan	\$ ---	\$1,500	(\$1,513)	(\$2,492)	(\$2,338)
(Uses) of Remaining Funds					
Retiree Health Benefits Trust Fund	---	(500)	---	---	---
Property Tax Reduction	---	(750)	(810)	(868)	(917)
Other Tax Reduction	---	(250)	(294)	(321)	(366)
Remaining Surplus/(Gap)	\$ ---	\$ ---	(\$2,617)	(\$3,681)	(\$3,621)
Out Year Gap Closing Program					
City Actions	\$ ---	\$ ---	\$1,207	\$1,200	\$1,200
State and Federal Actions	---	---	600	600	600
Restore Property Tax	---	---	810	868	917
	\$ ---	\$ ---	\$ ---	(\$1,013)	(\$904)