



The City of New York  
**Office of Management and Budget**

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**Mark Page**  
*Director*

**MEMO TO:** Agency Heads

**FROM:** Mark Page

**SUBJECT:** January 2010 Preliminary Budget and Financial Plan

**DATE:** November 16, 2009

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At the end of June, the City adopted its budget for FY2010, which began on July 1<sup>st</sup>, 2009. At that time, we forecast that the FY2010 budget was balanced and that we faced a gap of \$4.9 billion next year, FY2011. Although our tax collections year-to-date through October are marginally above our June forecast, the local economic outlook remains uncertain. Our economic forecast expects the City will continue to lose jobs through this fiscal year before the economy begins to slowly grow again in the later part of calendar year 2010.

City revenues dropped considerably between FY 2008 and FY 2009 and our forecast last June included a continued decline in revenue between FY 2009 and FY 2010. Forecast spending has continued to increase from year to year and although we expect economic growth to resume in FY 2011, we are starting from a diminished base and the disparity between spending and revenues remains the problem we saw in June, and continues into the future.

Controlling spending on City services will have to be a fundamental component both of our plan for balancing FY2011 and to achieve balance for City operations in the future. Over time we have already taken over \$3 billion of gap-closing actions to reduce the gap between revenues and expenditures. We are now faced with the necessity of doing more. This letter conveys the reductions required for each City agency, both for the remainder of this year and for FY 2011 and beyond. Agency FY 2010 targets have been set at 1.5% for the Department of Education, 2% for the uniformed forces and 4% for all other agencies. The target savings Citywide for FY2010 is approximately \$550 million. For FY 2011, the targets are 4% for the Department of Education and uniformed forces, and 8% for all other agencies. The target savings Citywide for FY2011 is approximately \$1.2 billion. The target for the Department of Education will preserve the City's State mandated maintenance of local funding effort.

The detailed reductions required by this letter, as has been the case for PEG processes for each budget we have done, will give us the basis for determining final resource allocations with the Mayor for the Preliminary Budget for FY2011. The Preliminary Budget for FY2011 must be published in January and must demonstrate how we will balance the year beginning July 1, 2010.

As a general guideline, you must submit proposals that meet the total amount of your target. The target can be met by reductions in personal service costs or other than personal service costs and/or assured, recurring revenue actions. In cases where you are submitting reductions to personal service costs, you should include the value of any fringe benefit savings that will be achieved as a result of these reductions. Instructions as to how to calculate the fringe benefit savings are attached. The programs and areas to be cut and the resulting level of services that will be provided should be indicated in the descriptions of your proposals. Your proposals should be prioritized in order of preferred implementation. (One should reflect the top ranked proposal.) Any requests for additional funding must be self-funded within your agency's existing budget.

The proposed reductions you submit do not necessarily represent the final outcome of resource allocation for your agency. Particularly following upon previous reductions and in a context of continuing diminution in revenues, judgments and choices reflecting service priorities are likely to be required. Your own priorities should be clear in the reductions you propose. If you believe lay-offs, or other extraordinary actions would be necessary to meet your target, these should be reflected in your submission. As always, OMB intends to work collaboratively with each of you to find recurring savings in your agencies.

We need to find ways to revise the services we provide and how we provide them, to achieve long term cost containment without impairing the quality of life we are able to provide to the people and businesses of New York City. If you have proposals which will require transition time or resources to achieve but will enhance your ultimate ability to best meet your service priorities, please describe them.

We look forward to working with you to further strengthen the City's ability to serve its constituents well through cost-effective, well-managed and prioritized government services.

Please return your proposals to meet your agency's target to OMB no later than Thursday, December 3, 2009. The City's financial management system (FMS) provides the capability to submit your proposals electronically rather than via paper forms. Instructions on the submission of your proposals are attached.

Thank you very much.

#### Attachments

cc: Mayor Michael R. Bloomberg  
First Deputy Mayor Patricia E. Harris  
Deputy Mayor Linda Gibbs  
Deputy Mayor Robert Lieber  
Deputy Mayor Carol A. Robles-Roman  
Deputy Mayor Kevin Sheekey  
Deputy Mayor Edward Skyler  
Deputy Mayor Dennis M. Walcott