

# NEW YORK CITY HOUSING AUTHORITY

NEW YORK, NEW YORK



**A Component Unit of The City of New York**

COMPREHENSIVE  
ANNUAL FINANCIAL REPORT  
FOR THE  
YEARS ENDED  
DECEMBER 31, 2017 AND 2016





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**New York City Housing Authority**  
**New York**

For its Comprehensive Annual  
Financial Report  
for the Fiscal Year Ended

**December 31, 2016**

*Christopher P. Morill*

Executive Director/CEO



# **New York City Housing Authority**

**New York, New York**

Comprehensive Annual Financial Report

For the Years Ended December 31, 2017 and 2016

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Chelsea Houses, Borough of Manhattan





Kingsborough Houses, Borough of Brooklyn





**NEW YORK CITY HOUSING AUTHORITY**

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**STANLEY BREZENOFF**

INTERIM CHAIR & CHIEF EXECUTIVE OFFICER

June 15, 2018

Members of the Authority  
New York City Housing Authority  
250 Broadway – 12<sup>th</sup> Floor  
New York, New York 10007

The Real Estate Assessment Center (“REAC”) of the U.S. Department of Housing and Urban Development (“HUD”) requires that all public housing authorities publish, within nine months of the close of each fiscal year, a complete set of financial statements presented in conformity with accounting principles generally accepted in the United States of America (“GAAP”) and audited in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* by a firm of independent certified public accountants. Pursuant to that requirement, we hereby issue the Comprehensive Annual Financial Report (“CAFR”) of the New York City Housing Authority (the “Authority” or “NYCHA”) for the year ended December 31, 2017.

This report consists of management’s representations concerning the finances of the Authority. Consequently, management is responsible for the completeness and reliability of all the information presented in this report. To provide for a reasonable basis for making these representations, management of the Authority has established a comprehensive internal control framework that is designed both to protect its assets from loss, theft, or misuse and to compile sufficient reliable information for the preparation of the Authority’s financial statements in conformity with GAAP. Because the cost of internal controls should not outweigh its benefits, the Authority’s comprehensive framework of internal controls has been designed to provide reasonable rather than absolute assurance that the financial statements will be free of material misstatement. As management, we assert that to the best of our knowledge and belief, this financial report is complete and reliable in all material respects.

The Authority’s 2017 financial statements have been audited by independent public accountants, Deloitte & Touche, LLP. The purpose of the independent audit is to provide reasonable assurance that the financial statements of the Authority present fairly, in all material respects, the financial position of the Authority.

The independent audit involved performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors’ judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Authority’s preparation and fair presentation of the financial statements in order to design audit procedures

that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

The independent auditors issued an unmodified opinion on the Authority's financial statements for the years ended December 31, 2017 and December 31, 2016, indicating that they were fairly presented, in all material respects, and in conformity with GAAP. The independent auditors' report is presented as the first component of the financial section of this CAFR.

GAAP requires that management provide a narrative introduction, overview, and analysis to accompany the basic financial statements in the form of Management's Discussion and Analysis ("MD&A"). This letter of transmittal is designed to complement MD&A and should be read in conjunction with it. The Authority's MD&A can be found immediately following the independent auditors' report.

### **Profile of the Authority**

The Authority, created in 1934, is a public benefit corporation chartered under New York State Public Housing Law. The Authority is a component unit of The City of New York.

The Authority provides affordable housing to approximately 400,000 low and moderate-income New York City residents in 325 housing developments with approximately 176,000 apartments in the five boroughs. Through the Section 8 Housing Choice Voucher Program, the Authority assists approximately 86,000 families in locating and renting housing in privately owned buildings, housing approximately 202,000 residents. Additionally, the Authority oversees a network of over 400 community-based facilities that include community and senior centers, healthcare terminals, day care centers, and Head Start educational centers.

The Authority's basic financial statements consist of a single enterprise fund, which includes the following programs:

- Low Rent Housing Program
- Public Housing Capital Fund Program
- Section 8 Housing Choice Voucher Program
- Section 8 Rental New Construction Program
- Other Grant Programs

Please refer to Note 1 to the financial statements for a description of Authority programs. For further analysis, we have also included supplemental financial schedules for the programs individually, which can be found following the notes to the basic financial statements.

The Authority's basic financial statements also include the following blended component units:

- NYCHA Public Housing Preservation I, LLC
- NYCHA Public Housing Preservation II, LLC

Please refer to Note 20 to the financial statements for a description of these component units.

### **Factors Affecting Financial Condition**

To assess the Authority's overall financial condition, the following information contained within the Authority's financial statements should be considered in connection with an understanding of the following major factors affecting its financial condition:

***Congressional Budget and HUD Policy.*** As a public housing authority ("PHA"), the Authority's primary source of funding is HUD. The amount of funding received from HUD is affected by Congressional housing legislation and the federal budget. The Authority continually monitors changes and trends in the Congressional Budget and HUD policy and adjusts its strategy and financial planning accordingly.

***Operating Fund Rule.*** HUD's operating fund rule became effective on November 18, 2005. The rule amended the Public Housing Operating Fund Program's regulations and provided a new formula for the distribution of operating subsidies to PHAs. This rule converted public housing to a development-based system of management, accounting and funding. It also required PHAs to convert within five years of the effective date. The change was driven by the real property concept of asset management, in which a property manager considers both the short-term needs and the long-term positioning of real estate assets.

The rule was estimated to reduce the Authority's annual funding by over \$60 million. For PHAs which would not benefit from the new formula funding, HUD provided additional incentive funding for early conversion on a sliding scale over a five-year period. On December 21, 2008, HUD approved the Authority's Year 2 "Stop-Loss" package, which has the effect of increasing NYCHA's subsidy eligibility by about \$46 million annually.

***2017 Subsidy.*** During 2017, the Authority was allocated \$890 million or 93.1 percent of its eligible operating subsidy from HUD, and \$247 million in funding from HUD for the Public Housing Capital Fund Program. Also, during 2017, the Authority received \$1,101 million in subsidies from HUD for the Section 8 Housing Voucher Programs.

### ***2017 Subsidy and the Impact of Proration.***

If NYCHA were to be awarded 100 percent of its total subsidy eligibility, there would not be an operating deficit in the Authority's Five-Year Plan. In fact, NYCHA would have additional resources to meet the needs of residents by supporting critically needed frontline staff, such as maintenance workers, caretakers, and skilled trade persons. However, appropriations have generally fallen short of the funding levels required to fully fund public housing operations in accordance with HUD's eligibility formula. Additionally, while HUD's formula takes location into account, New York City has long advocated that the system is inequitable when one considers the City's uniquely high construction costs as well as higher employment costs in comparison to Authorities across the US. In FY 2017, PHAs nationwide were eligible to receive 4.6 billion. However, the amount available for distribution was \$4.3 billion, which translates to 93.1 cents for every dollar needed (effective proration of 93.1 percent). The FY 2018 Plan assumes an expected loss of funding of approximately \$108 million. Any adverse changes in funding appropriation would have a negative impact on the Authority's funding levels.

**Capital Fund Financing Program.** On September 10, 2013, the Authority entered into a Loan Agreement with the New York City Housing Development Corporation (“HDC”), borrowing approximately \$701 million of bond proceeds issued under the Capital Fund Grant Revenue Bond Program at a weighted average interest rate of 4.8%. The face amount of the bonds consisted of \$185,785,000 of Series 2013A bonds (“Series A bonds”) and \$470,300,000 of Series 2013B (“Series B bonds”). The Series B bonds had two sub-series: Series 2013B-1 \$348,130,000 and Series 2013B-2 \$122,170,000. The bond premiums were \$15,020,118 and \$29,695,129 on the Series A bonds and Series B bonds, respectively.

The Series 2013A bonds proceeds were used together with other available funds in the prior Series 2005A bond program as an advance refund of the remaining balance of the pre-existing Series 2005A bonds and to decrease the existing debt. The Series 2013 B bond proceeds were used to fund acquisition, construction or rehabilitation, and make capital improvement at up to 39 specified Authority developments. Capital improvements primarily includes “building envelope” work on roofs, brickwork, and windows, etc. The proceeds of these bonds were loaned to the Authority by HDC.

**Federalization of New York State and City of New York Developments.** Subsidy funding for 21 developments originally built by the State of New York and the City of New York was eliminated by the State in 1998 and by the City in 2003. These unsubsidized public housing units have contributed significantly to NYCHA’s structural operating deficit through the years.

A first step in addressing the funding shortfall for these 21 State and City-built developments was taken on September 21, 2008, when the Authority received approval of its management plan for its Section 8 Voluntary Conversion Program. The Section 8 Voluntary Conversion program called for a total of approximately 8,400 unfunded public housing units in the 21 State and City-built developments to be transitioned into the federally subsidized Section 8 program. Through the end of 2017, the Authority had converted nearly 4,200 units in the State and City-built developments to Section 8 funding. The Authority’s 2018 Five Year Operating Plan contains an initiative to accelerate conversion of approximately 185 units annually from 2018 to 2022.

The American Recovery and Reinvestment Act of 2009 (ARRA) presented PHAs across the country with an opportunity to re-invest in and develop public housing units. NYCHA capitalized on this opportunity to seek funding for the 21 State and City-built developments. On February 23, 2010, New York State passed new legislation that authorized the Authority to transfer the 21 State and City-built developments to two ownership entities (NYCHA Public Housing Preservation I, LLC and NYCHA Public Housing Preservation II, LLC). This was a significant event in support of the Authority’s Federalization effort. The Governor signed this bill on March 3, 2010.

On March 16, 2010, the Authority closed on the Federalization mixed-finance development plan, through which it has received more than \$400 million in public and private funds to address needed capital improvements at the 21 developments. The majority of this funding has been invested in capital improvements at these developments. Through 2015, the investors of NYCHA Public Housing Preservation I, LLC (“LLC I”) have provided \$228 million of this funding in equity payments in return for low income housing tax credit benefits. The rehabilitation work was completed at all 21 developments during 2013. In addition to the capital funding, NYCHA became eligible to receive approximately \$65 million in recurring annual operating and capital subsidies for nearly 12,000 units at these developments. The first operating subsidy payments for these units were effective October 2010, and amounted to \$15



million. During 2017, 2016, and 2015 the Authority received \$61 million, \$62 million, and \$63 million, respectively, in operating subsidies for these units. These additional subsidies for previously unfunded public housing units have helped to address NYCHA's structural operating needs.

## **Financial Results and Outlook**

The Authority's *Loss before capital contributions* for 2017 was \$329 million, compared to a loss of \$361 million for 2016. The decrease in the loss for 2017 was mainly the result of increases in operating revenues and non-operating revenues and expenses totaling \$31 million. While the Federalization of the State and City-built developments has helped to reduce the Authority's historical budget deficits, ongoing structural operating deficits are projected to continue, primarily attributable to federal underfunding of public housing and increased employee entitlement costs. NYCHA's 2018-2022 Five Year Operating Plan includes initiatives to increase income, contain costs, and reduce the operating deficit. These include:

**Increased Revenue.** Rent provides a significant portion of the Authority's income. Beginning in 2006, the Authority began phasing in a series of rent increases targeted to residents who were paying less than 30 percent of their income towards rent. In accordance with HUD requirements and changes in federal law, NYCHA started increasing flat rent charged in 2014 to 80 percent of Fair Market Rent (FMR), up to 30% of household income. The HUD mandated flat rent increase was completed in 2017. Now the flat rent is increased based on increases in the FMR. Flat Rents are the maximum rents charged for rent and are based on rent charged for similar units in the private non-subsidized rental market.

**Reduce Central Office Costs.** As part of NYCHA's continuing efforts to eliminate its structural operating deficit, it is critical that costs at its central office are addressed. As part of the planning process to help address controllable expenses, the following measures were implemented with the Department of Financial Planning and Analysis in the lead:

- Reviewed departmental inefficiencies: Departmental executives reviewed their departmental functions and submitted proposals to address identified inefficiencies.
- Targeted headcount reduction of 3% to 5%.
- Discretionary spending reduction: The 2018 Plan includes cuts across all central office departments' discretionary contracts and supplies, where possible.

NYCHA will continue to seek opportunities to streamline its central office operations. The benefits that result from this integration along with the realignment of operations will allow NYCHA to reduce its central office staff further by attrition. It is important to note that changes implemented in this plan will have no service level impact ensuring quality service to residents is maintained. The Authority's OPEB liability at December 31, 2017 is nearly \$2.6 billion, and NYCHA continues to use a "pay-as-you-go" approach to OPEB costs. Due to NYCHA's funding challenges, as with many other governmental entities, this liability remains unfunded, and there is no clear source of future funding.

**Energy Conservation.** As part of the Authority's strategic capital plan to preserve the NYCHA portfolio, and in support of the Authority's comprehensive sustainability agenda, the Authority is actively pursuing an ambitious, multi-phase energy-conservation program. As a key component of the agenda, NYCHA has partnered with HUD and DOE on the Better Building Challenge and committed to reduce its per-square-foot energy use by 20% by 2025, resulting in avoided emissions of 247,000 tons of CO<sub>2</sub>e, equivalent to taking 52,500 cars off the road daily. To achieve this ambitious goal, the Authority plans to perform energy

and sustainability retrofits throughout the NYCHA portfolio through private/public partnerships, including \$300 million through Energy Performance Contracts and \$30 million through other public/private subsidy programs by 2025.

*\$18 million Energy Performance Contract* - In 2012 the Authority developed an \$18 million Energy Performance Contract (“EPC”) to upgrade lighting at 17 developments and to upgrade heating systems at six developments. This EPC is in its fifth year of performance monitoring, and as in past years, is performing satisfactorily. As of 2017, NYCHA received an additional EPC Rate Reduction Incentive, which in 2017 totaled \$1.2 million for the 17 sites.

*\$300 million Energy Performance Contract Series* – In December 2016, NYCHA received HUD approval for a series of large-scale EPCs. The first of the series, a \$56 million EPC, “Ameresco-A”, is to upgrade lighting at 16 developments, and to provide a comprehensive heating plant replacement and control system upgrade at one development. Construction for Ameresco-A began in March 2017. In December 2017, NYCHA received HUD approval for a \$68 million EPC “BQDM” for 23 developments and a \$43 million EPC “Sandy A” for 18 developments. NYCHA also submitted a \$110 million EPC “Ameresco-B” to HUD in December 2017.

The series of planned EPCs are intended to fund improvements that provide brighter and more efficient lights, consistent and comfortable heating, and new water conserving fixtures. Through those EPCs, NYCHA will:

1. Install indoor temperature controls and energy-efficient lighting fixtures in 75% of large-campus developments by 2020.
2. Upgrade ventilation in all buildings with mechanical exhaust systems, ensuring that stale air and excess moisture are removed from apartments.
3. Implement water conservation retrofits, with support from NYC Department of Environmental Protection.
4. Install exterior lighting and grounds lighting improvements.

*DOE Weatherization and Utility Programs* - In 2015, NYCHA began to work with energy-efficiency programs that specialize in upgrades to small buildings comprised of one to four family homes, walk-up multifamily buildings, and small elevator buildings. NYCHA worked with the New York State Weatherization Assistance Program (“WAP”) to extend the benefits of WAP to NYCHA buildings. As of December 2016, NYCHA had pre-qualified 7,300 apartments, which translates to a multi-year total potential subsidy of \$40 million. The agreement for the first \$1.3 million WAP pilot project of 222 apartments at two developments was executed in April 2016. NYCHA completed the first phase of construction at Howard Houses and construction on the 2nd phase began in October 2017. For the 2017-2018 WAP program year NYCHA has entered into contracts for 990 units in 12 NYCHA developments with 6 WAP agencies. Audits are underway for 5 developments for the 2018-2019 program year.

*Resident Engagement Programs* – The Authority has collaborated with Green City Force (“GCF”), an AmeriCorps program, to create resident-to-resident engagement efforts to empower residents to save energy, conserve water, recycle, and properly dispose of waste oil driven by GCF's Corps Members, young NYCHA residents in training for careers in sustainability. Through the “Love Where You Live Challenge” 20,000 residents were educated about energy conservation measures. Additionally, in partnership with the

NYC Department of Sanitation (DSNY) and the NYC Department of Environmental Protection (NYC DEP) GCF teams conducted outreach blitzes to engage NYCHA residents around recycling and proper grease and waste water disposal, respectively. Corps Members have educated 5,700 residents about "NYCHA Recycles!" and 2,800 residents about "Cease the Grease."

*Farms at NYCHA* is part of Building Healthy Communities, a city-wide partnership led by the Mayor's Office of Strategic Partnerships and the Fund for Public Health NYC to improve opportunities for physical activity, expand access to healthy, affordable food, and promote public safety in 12 priority neighborhoods. Through *Farms at NYCHA*, GCF has constructed 5 active farm sites which have grown and distributed over 32,000 lbs. of organic produce to NYCHA residents and collected over 8,600 lbs. of food scraps from residents to compost, with the help of local partners and local resident volunteers. As of 2018, GCF has an additional farm in construction on a NYCHA campus.

Starting in 2015, GCF partnered with NYCHA and the Mayor's Office of Criminal Justice (MOCJ) to target GCF training recruitment and service activities in the 15 sites that are the focus on the Mayor's Action Plan (MAP) to reduce violence in NYCHA. NYCHA's Office of Resident Economic Empowerment & Sustainability (REES) continues to work closely with GCF on recruiting NYCHA residents citywide into GCF service and training opportunities. Since program inception nearly 400 NYCHA residents have graduated from GCF's programs. In addition to the experience, skills and leadership opportunities gained through the corps, GCF members work towards an AmeriCorps educational award towards college or continued education. Graduates are currently working in all areas of sustainable buildings and communities with employer partners ranging from major corporations to community organizations: energy efficiency, solar, building maintenance and operations, green landscaping, urban agriculture, community organizing, entrepreneurship and union apprenticeships.

**Information Technology.** In 2017, the Authority continued to advance in the area of information technology to support its NextGeneration NYCHA business goals. These projects support NYCHA's efforts to achieve short term financial stability and diversify funding for the long term; operate as an efficient and effective landlord; and develop best-in-class resident services and resident engagement models. The projects below are examples of enabling information technology activities that the Authority has deployed in support of its NextGen business goals in 2017:

## **Operate as an Efficient and Effective Landlord**

### ***I. Self Service Initiatives for Public Housing Residents***

- **Public Housing Annual Reviews**

In 2017, we completed the phased deployment to NYCHA public housing residents the online self-service Annual Review process first developed in 2015. Also in 2017, we released functionality to NYCHA's public housing residents across all NYCHA's 326 developments. As of December 2017, close to 100,000 public housing annual re-certifications were submitted online. The portion of public housing re-certifications that are being submitted online is trending up, with 94% of all public housing recertification forms being submitted online in 2017.

- **Online Self-Service Options**

NYCHA's Self-Service Portal continued to grow in 2017, with new online services added to provide our applicants, residents, and Section 8 voucher holders with better access to services and information. Last year, the following online functions were added:

- Completing interim Section 8 Re-certifications.
- Requesting emergency and non-emergency transfers, for Section 8 and for NYCHA Public Housing residents (VAWA compliant).
- Making portability requests.
- New languages available through Google Translate.
- Support for Violence Against Women Act (VAWA).

## ***II. Improve Back Office Operations***

- **Tenant Management and Rent Collection System**

NYCHA has begun the Replacement of NYCHA's legacy tenant management and rent collection systems with new technology that will enable improved processing, self-service, and reporting. NYCHA is currently in the process of gathering requirements for the new system; an outcome of the requirements gathering will be a full business case, with cost-benefits and potential key performance indicators.

- **Work Order Management**

As of December 2017, NYCHA completed the rollout of hand held devices to approximately 3,750 NYCHA staff, who were trained in using the devices. Included in the training were Maintenance Workers, Superintendents, Assistant Superintendents, Housing Managers, Supervisors of Caretakers, and Supervisors of Groundskeepers. Borough-based skilled trades staff were also trained: Bricklayers, Carpenters, Electricians, Elevator Mechanics, Exterminators, Heating-Plant-Technicians, Lead Abatement Workers, Painters, Plasterers, Plumbers, Roofers, and Welders. The following mobile inspections were added in 2017:

- Exterminators
- Apartment and Move-out
- Mold/Mildew
- Lead
- Common Spaces

Also, in 2017, NYCHA continued to enhance and broaden the functionality of its work order management and asset management system (Maximo). In addition to various system enhancements and upgrades, the following support was added:

- System enhancements to support improved management and reporting of work orders related to critical tasks, including, mold/mildew, lead, CCTV, heat and hot water, exterminator, violations and court-ordered repairs.
- New inspections functionality for Fuel Oil Management.
- Implemented Second Pass Scheduling for apartment inspections, which allows scheduling for apartments that were not inspected for various reasons at first pass.

- **Storeroom Inventory**

Continue to enhance the inventory management at development storerooms through the integration of the work-order management system with the materials management system.

- **HR Digital Files**

In 2017, NYCHA digitized over 11,700 employee paper folders and files and deployed a system to continue storing all future HR employee files electronically, thus reducing manual labor associated with hardcopy files.

- **On-Premises Systems to the Cloud**

Since 2014, NYCHA has espoused a "cloud-first" strategy. In 2017:

- NYCHA's email exchange server and productivity suite were upgraded to Microsoft O365, providing all NYCHA users with cloud-based access to their email and applications.
- AirWatch mobile device management was implemented to manage NYCHA phones and tablets.
- Began migrating NYCHA's time and attendance system (Kronos).
- Began migrating QMatic NYCHA's Contact Center queue management system.
- Conducted study to assess the feasibility of moving its data center to a cloud facility. The results of the study supported NYCHA's hybrid approach of combining cloud and on-premises infrastructure, as a full cloud solution would be cost-prohibitive for NYCHA.

- **Next Gen Office**

NextGen Office, an umbrella program under which NYCHA is upgrading, replacing and enhancing its technology infrastructure, was kicked off in 2017. Completed in 2017:

- The replacement of over 4,500 desktop computers (and counting) with new Windows 10 / Office 365 computers at the management and borough offices. Installation of 215 VoIP telephones at six Pilot developments and the Borough Management Offices.
- Improved internet and cloud access for development sites via router and switch hardware upgrade.
- Piloted Smart Screens technology at two developments.

- **Expand Bandwidth at Management Offices**

Several NYCHA field sites still use DSL or T1 and perform poorly when interacting with NYCHA systems like Microsoft Exchange and Maximo. NYCHA has identified a solution that will ameliorate performance issues at those locations. NYCHA will be implementing Verizon's Ethernet Service (E-LAN) – to improve communications links and realize faster performance. The increased bandwidth will support video conferencing and online learning. Full rollout is expected to be completed within 1-3 years depending on service availability.

- **Expansion of CCC IVR services**

In 2017, NYCHA built on its IVR platform to release additional functionality for residents who wish to call in service requests. The new functions included Spanish language, additional work order types, such as, painting/plastering requests, stoppages, pest control, leaks, and repairs for doors, windows, and refrigerators. These IVR self-service enhancements will increase efficiency by reducing call volume to the CCC call agents and improve customer experience.

- **Section 8 Owner App**

NYCHA's Owner Extranet is the online platform for over 35,000 NYCHA Section 8 Owners, who are able to submit lease renewals and repair certifications, apply for direct deposit, access

tax documents and other functions. Newly added in 2017 are Lead Based Paint Certifications (059.740) and 24-Hour Violations.

In **2018**, the Authority will continue on improving on technology support of NYCHA's NextGen business strategy by further expanding Self-Service and Customer Management solutions as well as refining its back end support systems. These projects support NYCHA's efforts to develop best-in-class resident services and resident engagement solutions. The projects below are examples of information technology activities the Authority is working to deploy during 2018:

## **Operate as an Efficient and Effective Landlord (2018)**

### ***I. Self-Service Initiatives for Residents (2018)***

- **Opportunity Connect**

- NYCHA's Self-Service Portal also provides access to Opportunity NYCHA, where residents and other stakeholders can access information on training, financial services, job and business opportunities. This year, the following functions were added to the platform:
  - Capturing customer intake information, and program eligibility determination.
  - Making online referrals and self-referrals.
  - Managing events and RSVPs.
  - Managing the NYCHA Resident Training Academy.
  - Managing contracts created between Employer and REES.
  - Maintaining Provider and Employer profiles.
  - Managing NYCHA's Section 3 program

### ***II. Improve Backoffice Operations (2018)***

- **Digitizing Resident Files**

Existing resident paper folders and files will be digitized, and system established to continue storing all future resident files electronically, reducing manual labor associated with hardcopy files. Anticipated benefits include improved DR planning, better safe-guarding tenant information, and reducing the costs associated with managing paper files and lost files and information.

- **Tenant Management and Rent Collection System**

NYCHA has begun the Replacement of NYCHA's legacy tenant management and rent collection systems with new technology that will enable improved processing, self-service, and reporting. NYCHA is currently in the process of gathering requirements for the new system; an outcome of the requirements gathering will be a full business case, with cost-benefits and potential key performance indicators.

### ***III. Improve Back Office Operations (2018)***

- **Primavera Replacement with eBuilder**

Replaces NYCHA's current project management software used by CPD and with a new to a cloud-based solution (e-Builder), thereby upgrading NYCHA to a supported, industry-standard software for the management of capital projects.

- **Legal Case Management System**

This project will implement a cloud-based case management system to replace two legacy systems that do not meet the needs of the Law Department and are no longer supported by the vendors. This initiative upgrades NYCHA to a supported, industry-standard software for the management of legal matters.

- **New Forms Management System**

Project will replace NYCHA's automated forms submission software (Movaris) with Adobe Experience Manager (EAM), thereby upgrading NYCHA to a supported, industry-standard software for the management of forms and work flow.

- **Resident Files**

As part of the Tenant Management and Rent Collection System replacement project NYCHA will digitize existing resident paper folders and files; establish a system to continue storing all future resident files electronically and reduce manual labor associated with hardcopy files.

- **Maximo including Mobile**

NYCHA continues to expand the functionality of the handheld devices issue to skilled trade workers, supervisors of caretakers, and supervisors of grounds workers and maintenance workers. Refine work order management, inspection and compliance processes around Lead and Mold detection and remediation as well as refine heating preventive and corrective maintenance.

- **Floor Switches**

Continue the technology refresh project of aging network switches on all floors at the 90 Church Street, 250 Broadway, LIC and Borough Management Offices.

#### ***IV. Rebuild, expand, and preserve public and affordable housing stock (2018)***

- **Primavera Replacement**

Began the replacement of NYCHA's current project management software used by its Capital Projects Department with a new cloud-based solution, thereby upgrading NYCHA to a supported, industry-standard software for the management of capital projects.

***Public Housing Assessment System.*** In 1999, HUD instituted the Public Housing Assessment System (“PHAS”) process which measures the performance of PHAs in four categories: Physical Assessment, Financial Condition, Management Operations, and Resident Satisfaction. The Financial component is used to determine if the PHA has sufficient financial resources and is managing those resources effectively to support its operations. During 2011, HUD issued the PHAS Interim Rule, which revised the previous PHAS guidelines. Under the PHAS Interim Rule, the performance of PHAs is measured in the following categories: Physical Assessment, Financial Condition, Management Operations, and Capital Fund Program. One significant change pertains to the financial performance. Under the Interim Rule, HUD will use indicators that cover both the Financial Condition and Management Operations components to assess the financial performance of PHAs. The overall score for 2016, under the Interim Rule, has not yet been released by HUD.

The score for the year 2017 will not be received from HUD until after the submission of the audited Financial Data Schedule.

**Risk Management.** The Authority's risk management program minimizes its exposure to potential losses. The Risk Finance Department's risk control efforts were developed to support the Authority's insurance program and to guard the health and safety of the Authority's staff. Risk Finance and The Office of Safety & Security work collaboratively to create and implement a multi-faceted safety strategy through its efforts with stakeholders both inside and outside the Authority. Mitigation of hazards is addressed through proper identification of high injury rate locations. Focus Groups and safety committees help address safe work practices and ensure safe conditions within the workplace.

The 1,730 reported employee claims in 2017 was the lowest since Risk Finance began tracking this statistic in 1995, when there were 3,520 claims. In 2017, the Authority finished the year with 1,115 injuries. The 2017 injury rate of 8.8 cases per 200,000 hours worked represents a 31% decrease from 2016.

The Authority remains committed to the safety of its staff and continues to work on creating safe work procedures and providing safety training to this end. Engagement of staff is accomplished through management/labor safety committees, working collaboratively to identify, evaluate and control workplace hazards.

The Authority continues to enhance its Transitional Return to Work Program ("TRTW"). The goals of the TRTW Program include accelerating an employee's ability to return to work by focusing on post-accident capabilities, facilitating transition from a temporary or a modified job assignment back to pre-accident work abilities, increasing productivity by decreasing the number of lost workdays, increasing employee morale by allowing the employee to return and remain at work, and decreasing overall workers' compensation costs. At the end of 2017, 34 employees have participated in this program, thus saving 2,771 days. This is equivalent to 11 full time employees.

### **Awards and Acknowledgements**

**GFOA.** The Government Finance Officers Association of the United States and Canada ("GFOA") awarded a *Certificate of Achievement for Excellence in Financial Reporting* to the Authority for its comprehensive annual financial report for the fiscal year ended December 31, 2016. This was the fourteenth consecutive year that the Authority achieved this prestigious award. In order to be awarded a Certificate of Achievement, a government unit must publish an easily readable and efficiently organized comprehensive annual financial report that demonstrates a constructive "spirit of full disclosure". This report must satisfy both generally accepted accounting principles and applicable legal requirements. A copy of the 2016 *Certificate of Achievement for Excellence in Financial Reporting* can be found at the front of this CAFR.

The Authority has issued its audited financial statements for the year ended December 31, 2017 and accompanying Single Audit Report three months earlier than required by HUD. This timely issuance has once again afforded the Authority the opportunity to compete for the Government Finance Officers Association's *Certificate of Achievement for Excellence in Financial Reporting*. We believe that the current comprehensive annual financial report continues to meet the Certificate of Achievement Program's rigorous requirements. NYCHA will submit the CAFR for the year ending December 31, 2017 to the GFOA for award consideration.



**Citizens Budget Commission (CBC).** Through the Prize for Public Service Innovation, the Citizens Budget Commission (CBC) seeks to identify and highlight a New York City or State government agency that demonstrates an innovative approach to providing government services. The CBC awards this prize both to celebrate creative thinking and to share government achievements with the public and other agencies.

The **CBC Prize for Public Service Innovation** recognition was given to NYCHA for its NextGeneration NYCHA Digital Initiatives.

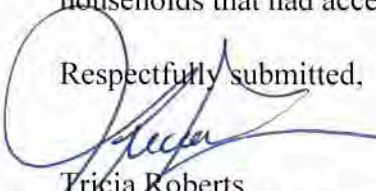
NextGeneration NYCHA is the 10-year strategic plan of the New York City Housing Authority, the largest public housing authority in the nation. As part of NextGeneration NYCHA, the Housing Authority has implemented several digital initiatives to increase efficiency, reduce operating costs, and improve customer service. These initiatives include the MyNYCHA App; a handheld Mobile Device for Field Staff; and Online Annual Recertification.

Launched in late 2015, the MyNYCHA App is a free downloadable application enabling NYCHA residents to file, schedule and track digitally their requests for maintenance service, which total 2,400,000 annually. The handheld Mobile Device for Field Staff seeks to eliminate the need for paper-based communications between development offices and maintenance staff, allowing staff to create, edit and close maintenance work tickets in real-time. The Online Annual Recertification enables NYCHA to verify household income and family information digitally.

As of December 2017, there have been more than 96,000 downloads of the app, and MyNYCHA work orders accounted for 32 percent of the maintenance work orders created. In addition, a total of 80,074 residents completed their annual recertification using the online portal, and approximately 20,000 residents have accessed the Digital Vans. Savings already exceeds \$3.7 million, with service and efficiency enhanced, and there is significant potential for greater savings and improvements as the initiative scales further.

**Best of New York City Technology Award.** Best of New York City Technology Award, Government Technology magazine and the Center for Digital Government in conjunction with DoITT award for Demonstrated Excellence in Project Management for the delivery of NYCHA's Self-Service Public Housing Annual Review Portal. As part of its NextGen NYCHA goal to enhance customer service, NYCHA launched a Self-Service Portal – an internet-based site that allows Public Housing residents to complete their mandatory annual recertification requirements online, 24 hours a day, 7 days a week. In 2017, over 90% of Public Housing households that had access to the self-service system, completed their re-certifications online.

Respectfully submitted,



Tricia Roberts  
Vice-President for Finance  
Office of the Chief Financial Officer





George Washington Houses, Borough of Manhattan









Marble Hill Houses, Borough of The Bronx





**NEW YORK CITY HOUSING AUTHORITY**  
**LIST OF PRINCIPAL OFFICIALS**  
**June 15, 2018**

| <b>NAME</b>              | <b>TITLE</b>  |
|--------------------------|---|
| <b>NYCHA BOARD</b>       |   |
| Stanley Brezenoff.....   | Interim Chair & Chief Executive Officer                             |
| Jacqueline Arroyo.....   | Resident Board Member   |
| Derrick Cephas.....      | Vice Chair  |
| Zaire Dinzey-Flores..... | Board Member  |
| Victor A. Gonzalez.....  | Resident Board Member   |
| Nnenna Lynch.....        | Board Member  |
| Jacqueline Young.....    | Resident Board Member   |
| <b>SENIOR MANAGEMENT</b> |   |
| Vito Mustaciuolo.....    | General Manager & Chief Operating Officer                           |
| Deborah Goddard.....     | Executive Vice-President for Capital Projects                       |
| Kerri Jew.....           | Executive Vice-President & Chief Administrative Officer             |
| Kelly MacNeal.....       | Acting Executive Vice-President for Legal Affairs & General Counsel |
| Robert Marano.....       | Executive Vice-President & Chief Information Officer                |
| Lakesha Miller.....      | Executive-Vice President for Leased Housing                         |
| Cathy Pennington.....    | Executive Vice-President for Operations                             |
| David Pristin.....       | Executive Vice-President for External Affairs                       |
| Sideya Sherman.....      | Executive Vice-President Community Engagement & Partnerships        |
| Edna Wells Handy.....    | Acting Executive-Vice-President & Chief Compliance Officer          |
| Takisia Whites.....      | Executive Vice-President for Real Estate                            |
| Tricia Roberts.....      | Vice-President for Finance  |
| Daniel Frydberg.....     | Acting Controller   |



## FINANCIAL SECTION



Beach 41<sup>ST</sup> Street Houses, Borough of Queens



## REPORT OF INDEPENDENT AUDITORS



Douglass Houses, Borough of Manhattan



## **INDEPENDENT AUDITORS' REPORT**

Board of Directors and the Audit Committee of the  
New York City Housing Authority

### **Report on the Financial Statements**

We have audited the accompanying statements of net position of the New York City Housing Authority (the "Authority"), a component unit of The City of New York, as of December 31, 2017 and 2016, and the related statements of revenues, expenses and changes in net position and cash flows for the years then ended, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements as listed in the table of contents.

#### ***Management's Responsibility for the Financial Statements***

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of the financial statements that are free from material misstatement, whether due to fraud or error.

#### ***Auditors' Responsibility***

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Authority's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

## ***Opinion***

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Authority as of December 31, 2017 and 2016, and the changes in financial position and cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

## ***Emphasis of Matter***

As discussed in Note 2 to the financial statements, the Authority restated its beginning net position as of January 1, 2016, to reflect the impact of implementation of Governmental Accounting Standards Board Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other than Pensions*. Our opinion is not modified with respect to this matter.

## ***Other Matters***

### ***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, Schedule of Changes in NYCHA's Total OPEB Liability and Related Ratios, Schedule of the Authority's Contributions to the New York City Employees' Retirement System (NYCERS), and Schedule of the Authority's Proportionate Share of the Net Pension Liability of NYCERS, as listed in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audits of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### ***Other Information***

Our audits were conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Authority's basic financial statements. The Introductory Section and Statistical Section, listed in the foregoing table of contents, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The Introductory Section and Statistical Section have not been subjected to the auditing procedures applied in the audits of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on them.

*Deloitte & Touche LLP*

June 15, 2018



**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**(UNAUDITED)**



South Beach Houses, Borough of Staten Island



**NEW YORK CITY HOUSING AUTHORITY**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016**

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The following is a narrative overview and analysis of the Authority's financial activities for the years ended December 31, 2017 and 2016. Please read it in conjunction with the transmittal letter at the beginning of this report, the Authority's financial statements following this section and the notes to the financial statements.

**OVERVIEW OF THE BASIC FINANCIAL STATEMENTS**

The **Statements of Net Position** present the Authority's *assets, deferred outflows, liabilities, and deferred inflows* at the end of the year. *Net position* is the difference between (a) assets and deferred outflows and (b) liabilities and deferred inflows. Over time, increases or decreases in *Net Position* is a useful indicator as to whether the Authority's financial health is improving or deteriorating.

The **Statements of Revenues, Expenses, and Changes in Net Position** report the Authority's operating results and how its Net Position changed during the year. All Revenues, Expenses, and Changes in Net Position are reported on an *accrual basis* of accounting, which reports events as they occur, rather than when cash changes hands (*cash basis* of accounting).

The **Statements of Cash Flows** report how the Authority's cash and cash equivalents increased or decreased during the year. The statement reports how cash and cash equivalents were provided by and used in the Authority's operating, non-capital financing, capital and related financing, and investing activities. The Authority uses the direct method of presenting cash flows, which includes a reconciliation of operating income or loss to cash flows related to operating activities.

The **Notes to the Financial Statements** are an integral part of the financial statements, disclosing information which is essential to a full understanding of the statements.

**REQUIRED SUPPLEMENTARY AND STATISTICAL INFORMATION**

The **Required Supplementary Information** presents information regarding: (1) the Authority's changes in total OPEB Liability and related ratios; (2) the Authority's contributions to the New York City Employees' Retirement System ("NYCERS"), and (3) the Authority's proportionate share of the Net Pension Liability of NYCERS.

The **Statistical Section** provides information on the Authority's overall economic condition. The major categories presented are: (1) financial trends; (2) revenue capacity; (3) debt capacity; (4) demographic and economic information; and (5) operating information.

## FINANCIAL HIGHLIGHTS AND ANALYSIS

The Authority's *Loss before capital contributions* for 2017 was \$329 million, compared to a loss of \$361 million for 2016. This favorable variance of \$32 million is comprised of favorable variances of \$21 million in *Operating Revenues*, \$10 million in *Non-operating revenues, net*, and \$1 million in *Operating Expenses*.

The Authority implemented GASB Statement No. 75 ("GASB 75"), *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions* during 2017 (see Note 1). The financial impact of implementing GASB 75 was a restatement increasing Opening Net Position as of January 1, 2016 by \$144 million (see Note 2).

The \$21 million increase in *Operating Revenues* is comprised of \$10 million in tenant revenue, net, due to an increase in the average monthly rent including households required to pay 30 percent of family income towards rent, plus \$11 million in Other income, primarily representing an \$8 million reduction of contract retention liabilities and \$5 million in Developer Fees recognized in connection with the Section 8 Recap transaction.

The decrease of \$1 million in *Operating Expenses* consists of \$36 million in *Maintenance and operations*, primarily due to a reduction in current year pollution and remediation costs to \$17 million (see Note 11), and \$31 million in *OPEB* due primarily to a decrease in the interest rate. These decreases were mostly offset by increases of \$46 million in *Rent for leased dwellings* due to an increase in the average per unit costs and additional units arising from the Oceanside-Bayside Rental Assistance Demonstration mixed finance transaction and \$20 million in *Utilities*, primarily representing higher costs for electricity and heating gas.

The \$10 million increase in *Non-operating revenues and expenses, net*, is primarily comprised of an increase of \$30 million in *Subsidies and grants*, partially offset by decreases of \$9 million in investment income, primarily representing interest income of \$13 million on the Section 8 Recap Note, received in March 2017, but fully recognized as income in 2016 (see Note 20), and \$6 million in insurance recoveries. The increase in subsidies is primarily comprised of increases of \$28 million in subsidy from Federal Emergency Management Agency ("FEMA") for excess fuel costs related to Superstorm Sandy, and \$28 million in Section 8 Housing Assistance Payments ("HAP") subsidy to cover the increased costs in the Leased Housing Program, partially offset by a decrease of \$22 million in Federal Operating Subsidy, due to a reduction in subsidy eligibility, and \$5 million in City of New York Subsidies (see Note 18).

In December 2017, the Authority entered into two 20-year Equipment Lease/Purchase Agreements with Banc of America Public Capital Corp ("BAPCC") in the amounts of \$60 million and \$43 million, respectively, to finance Energy Performance Contracts ("EPC"). The first financing agreement and EPC will enable the Authority to upgrade common area and apartment lighting, and apartment heating controls at twenty-three (23) developments. The second financing agreement and EPC will enable the Authority to upgrade common area and apartment lighting at eighteen (18) developments, heating controls at 17 developments and ventilation repairs at 9 developments. Both Equipment Lease/Purchase Agreements with BAPCC will mature in December 2037. These EPC plans provide HUD-sponsored EPC funding at these developments, thereby enabling the Authority to use its Federal Capital funds for other capital improvements pursuant to the Authority's Five-Year Capital Plan.

## Summary of Net Position (\$ in thousands)

|                                       | 2017                | 2016<br>Restated    | 2015                |
|---------------------------------------|---------------------|---------------------|---------------------|
| Current and other assets              | \$ 2,577,292        | \$ 2,406,787        | \$ 2,032,996        |
| Capital assets, net                   | 6,581,745           | 6,286,574           | 5,933,251           |
| <b>Total Assets</b>                   | <b>9,159,037</b>    | <b>8,693,361</b>    | <b>7,966,247</b>    |
| <b>Deferred Outflows of Resources</b> | <b>172,927</b>      | <b>247,616</b>      | <b>89,446</b>       |
| Current liabilities                   | 1,051,354           | 923,574             | 762,632             |
| Non-current liabilities               | 5,088,319           | 5,158,165           | 5,048,265           |
| <b>Total Liabilities</b>              | <b>6,139,673</b>    | <b>6,081,739</b>    | <b>5,810,897</b>    |
| <b>Deferred Inflows of Resources</b>  | <b>259,180</b>      | <b>283,875</b>      | <b>93,706</b>       |
| Net investment in capital assets      | 5,995,349           | 5,692,787           | 5,407,064           |
| Unrestricted deficit                  | (3,062,238)         | (3,117,424)         | (3,255,974)         |
| <b>Total Net Position</b>             | <b>\$ 2,933,111</b> | <b>\$ 2,575,363</b> | <b>\$ 2,151,090</b> |

### December 31, 2017 vs. December 31, 2016 Restated (\$ in thousands)

- The Authority's *Net Position* increased by \$357,748 from the prior year, comprised of *Capital contributions* of \$686,619, net of a *Loss before capital contributions* of \$328,871.
- The \$170,505 increase in *Current and other assets* is due primarily to increases of \$215,930 in Accounts receivable, net (see Note 4) and \$27,784 in deposits and investments, partially offset by a decrease of \$71,102 in Notes and loans receivable, net (Note 5). The increase in Accounts receivable, net primarily represents \$237,053 due from FEMA, based on a certain funding agreement. The decrease in Notes and loans receivable, net primarily consists of \$103,834 from the Section 8 Transaction partially offset by an increase of \$41,762 for the Ocean Bay Rental Assistance Demonstration ("RAD") program.
- The increase of \$295,171 in *Capital assets, net* is comprised of the current year additions of \$671,262 less Depreciation expense of \$370,938, and the net book value of the capital assets sold or retired (see Note 8).
- The decrease of \$74,689 in *Deferred Outflows of Resources* from \$247,616 to \$172,927 is primarily comprised of a decrease of \$108,148 in deferred amount on pensions, due primarily to the favorable difference between projected and actual investment earnings on pension plan investments during fiscal year 2017. This is partially offset by an increase of \$34,735 in deferred amount on OPEB due primarily to changes in assumptions.
- The increase of \$127,780 in *Current liabilities* primarily represents \$185,518 in funds received from or amounts billed to FEMA (see Note 13) for costs not yet incurred, in accordance with the funding agreement, partially offset by a decrease of \$51,349 in Accounts Payable (see Note 9).
- The \$69,846 decrease in *Non-current liabilities* primarily represents a decrease of \$181,387 in the Net pension liability due primarily to (1) favorable variances between projected and actual investment earnings on pension plan investments; (2) favorable variances between expected and actual experience, due to changes in demographic data; and (3) a decrease in the Authority's employer allocation percentage in fiscal year 2017 (see Note 16). Unearned Revenue from the Development transactions also decreased \$19,783 (see Note 20). These decreases are partially offset by increases of \$78,536 in the unfunded OPEB liability (see Note 16) and \$63,323 in Long-term debt, due primarily to the issuance of new equipment purchase agreements to finance energy performance contracts (see Note 14).

- The *Deferred Inflows of Resources* decrease of \$24,695 is due to a decrease of \$83,317 in deferred inflow amounts on housing assistance payments, partially offset by increases in deferred inflow amounts of \$34,620 on pensions, due to the 2017 difference between projected and actual earnings on the New York City Employees' Retirement System ("NYCERS") pension investment portfolio and \$24,002 on OPEB due primarily to differences between expected and actual experience.

**December 31, 2016 Restated vs. December 31, 2015 (\$ in thousands)**

- The Authority's *Net Position* increased by \$424,273 from the prior year, which includes an increase of \$144,116, representing the cumulative effect of implementing GASB 75. Excluding this adjustment, the Authority's *Net Position* increased by \$280,157, comprised of *Capital contributions* of \$640,887, net of a *Loss before capital contributions* of \$360,730.
- The \$373,791 increase in *Current and other assets* is due primarily to increases of \$147,427 in Accounts receivable, net, \$151,838 in Notes and loans receivable, net, and \$76,524 in deposits and investments. The increase in Accounts receivable, net primarily represents \$102,682 due from the Federal Emergency Management Agency ("FEMA"), based on a certain funding agreement and \$20,395 from Community Development Block Grant Disaster Recovery Funds ("CDBG-DR") in connection with Sandy. The increase in Notes and loans receivable, net primarily consists of \$108,012 from the Section 8 Transaction.
- The increase of \$353,323 in *Capital assets, net* is comprised of the current year additions of \$711,559 less Depreciation expense of \$357,611, and the net book value of the capital assets sold or retired.
- The increase of \$158,170 in *Deferred Outflows of Resources* from \$89,446 to \$247,616 is due primarily to the increase in the Authority's net pension liability of the NYC Employees' Retirement System due to a change in mortality assumptions and the 2016 net difference between projected and actual earnings on pension plan investments.
- The increase of \$160,942 in *Current liabilities* primarily represents \$111,956 in funds received from or amounts billed to FEMA for costs not yet incurred, in accordance with the funding agreement. This amount is partially offset by expenditures of \$60,602 relating to emergency costs, protective services and in-kind repair costs for Sandy accrued in prior years.
- The \$109,900 increase in *Non-current liabilities* is primarily comprised of increases of \$187,500 in the Net pension liability and Unearned revenue of \$105,206 arising from Development Transactions comprised of \$65,517 from the Section 8 Transaction and \$39,689 from the RAD transaction, and \$10,792 in Long-term debt and \$11,865 in Claims Payable. These increases are partially offset by a decrease of \$205,280 in the OPEB Liability due to the implementation of GASB 75 in 2017 (see Note 2).
- The *Deferred Inflows of Resources* increase of \$190,169 is comprised of deferred amounts of \$154,485 on OPEB due to the implementation of GASB 75 and \$83,317 on housing assistance payments, partially offset by a decrease of \$47,633 in deferred amount on pension, due to the 2016 difference between projected and actual earnings on NYCERS pension investment portfolio, which are required to be netted with deferred outflow of resources.

**Summary of Revenues, Expenses, and Changes in Net Position (\$ in thousands)**

|   | 2017                       | 2016<br>Restated           | 2015                       |
|---|----------------------------|----------------------------|----------------------------|
| <b>OPERATING REVENUES:</b>                            |                            |                            |                            |
| Tenant revenue, net                                   | \$ 1,051,628               | \$ 1,041,574               | \$ 990,524                 |
| Other income  | <u>56,766</u>              | <u>45,744</u>              | <u>45,749</u>              |
| <b>Total Operating Revenues</b>                       | <b><u>1,108,394</u></b>    | <b><u>1,087,318</u></b>    | <b><u>1,036,273</u></b>    |
| <b>OPERATING EXPENSES:</b>                            |                            |                            |                            |
| Rent for leased dwellings                             | 987,017                    | 940,722                    | 946,968                    |
| General and administrative                            | 838,400                    | 847,573                    | 810,374                    |
| Utilities   | 554,542                    | 534,797                    | 575,017                    |
| Maintenance and operations                            | 671,615                    | 707,929                    | 619,594                    |
| Depreciation  | 370,938                    | 357,611                    | 344,377                    |
| OPEB expense  | 136,767                    | 168,061                    | (97,357)                   |
| Protective services                                   | 22,353                     | 24,640                     | 22,904                     |
| Tenant services                                       | <u>18,164</u>              | <u>19,307</u>              | <u>22,618</u>              |
| <b>Total Operating Expenses</b>                       | <b><u>3,599,796</u></b>    | <b><u>3,600,640</u></b>    | <b><u>3,244,495</u></b>    |
| <b>OPERATING LOSS</b>                                 | <b>(2,491,402)</b>         | <b>(2,513,322)</b>         | <b>(2,208,222)</b>         |
| <b>NON-OPERATING REVENUES (EXPENSES):</b>             |                            |                            |                            |
| Subsidies and grants                                  | 2,154,174                  | 2,124,415                  | 2,213,763                  |
| Insurance recoveries                                  | 809                        | 6,701                      | 45,027                     |
| Investment income                                     | 16,080                     | 25,231                     | 10,249                     |
| Gain on the sales of capital assets                   | 22,397                     | 28,730                     | 12,579                     |
| Interest expense                                      | (30,005)                   | (29,169)                   | (29,911)                   |
| Debt financing costs                                  | (179)                      | (185)                      | (353)                      |
| Change in fair value of investments                   | <u>(745)</u>               | <u>(3,131)</u>             | <u>(3,700)</u>             |
| <b>Total Non-Operating Revenues, Net</b>              | <b><u>2,162,531</u></b>    | <b><u>2,152,592</u></b>    | <b><u>2,247,654</u></b>    |
| <b>GAIN (LOSS) BEFORE CAPITAL CONTRIBUTIONS</b>       | <b>(328,871)</b>           | <b>(360,730)</b>           | <b>39,432</b>              |
| <b>CAPITAL CONTRIBUTIONS</b>                          | <u>686,619</u>             | <u>640,887</u>             | <u>433,505</u>             |
| <b>CHANGE IN NET POSITION</b>                         | <b>357,748</b>             | <b>280,157</b>             | <b>472,937</b>             |
| NET POSITION, BEGINNING OF YEAR, as previously stated | 2,575,363                  | 2,151,090                  | 1,678,153                  |
| Cumulative effect of implementing GASB 75             | <u>-</u>                   | <u>144,116</u>             | <u>-</u>                   |
| NET POSITION, BEGINNING OF YEAR, as restated          | <u>2,575,363</u>           | <u>2,295,206</u>           | <u>1,678,153</u>           |
| <b>NET POSITION, END OF YEAR</b>                      | <b><u>\$ 2,933,111</u></b> | <b><u>\$ 2,575,363</u></b> | <b><u>\$ 2,151,090</u></b> |

### **2017 vs. 2016 Restated (\$ in thousands)**

- The *Operating Loss* for the Authority decreased \$21,920, from \$2,513,322 in 2016 to \$2,491,402 in 2017, due to a \$21,076 increase in *Operating Revenues*, plus an \$844 decrease in *Operating Expenses*.
- The \$21,076 increase in *Operating Revenues* is comprised of \$10,054 in tenant revenue, net, due to an increase in the average monthly rent including households required to pay 30 percent of family income towards rent, plus \$11,022 in Other income, primarily representing an \$8,077 reduction of contract retention liabilities and \$5,309 in Developer Fees recognized primarily in connection with the Section 8 Recap transaction.
- The \$844 decrease in *Operating Expenses* is led by decreases of \$36,314 in *Maintenance and operations*, primarily current year pollution and remediation costs (see Note 11), and \$31,294 in OPEB, comprised primarily of a decrease in interest of \$10,854 due to a decrease in the discount rate from 3.71% to 3.16%. These decreases were mostly offset by an increase of \$46,295 in *Rent for leased dwellings* due to an increase in the average per unit voucher costs and additional units arising from the Oceanside-Bayside Rental Assistance Demonstration mixed finance transaction, plus an increase of \$19,745 in *Utilities*, primarily representing higher costs for electricity and heating gas.
- *Non-operating revenues and expenses, net*, increased by \$9,939, primarily representing an increase of \$29,759 in *Subsidies and grants*, partially offset by decreases of \$9,151 in investment income, primarily representing interest income on the Section 8 Recap Note, received in March 2017, but fully recognized as income in 2016 (see Note 20), and \$5,892 in insurance recoveries. The increase in subsidies is primarily comprised of increases of \$28,180 in subsidy from FEMA mainly for the excess fuel costs for the mobile boilers related to Superstorm Sandy (see Note 21), and \$28,266 in Section 8 HAP subsidy to cover the increased costs in the Leased Housing Program (see above bullet), partially offset by a decrease of \$22,454 in Federal Operating Subsidy, due to a reduction in subsidy eligibility, and \$5,282 in City of New York Subsidies.
- *Capital Contributions* increased \$45,732 to \$686,619. The current year contributions are primarily comprised of \$289,068 from FEMA, \$193,278 for the Capital Fund Program, and \$51,040 for CDBG-DR relating to Superstorm Sandy.

### **2016 Restated vs. 2015 (\$ in thousands)**

- The *Operating Loss* for the Authority increased \$305,100, from \$2,208,222 in 2015 to \$2,513,322 in 2016, due to a \$356,145 increase in *Operating Expenses*, partially offset by a \$51,045 increase in *Operating Revenues*.
- The \$51,045 increase in *Operating Revenues* is primarily due to an increase in the average monthly rent including households required to pay 30 percent of family income towards rent.
- The \$356,145 increase in *Operating Expenses* is led by an increase of \$265,418 in *OPEB expense*, due to a gain during the prior year resulting from lower than expected premium increases for Medicare Part B, Welfare fund contributions, and medical premiums. *Maintenance and operations* increased by \$88,335 mainly due to operations initiatives including work order reduction, exterminating and tree pruning. *General and administrative* increased \$37,199 of which \$27,508 is due to the forgiveness of PILOT agreed to by the City during the prior year and \$29,863 in pension costs, partially offset by a decrease of \$12,894 in insurance costs, primarily for general liability insurance. These increases are partially offset by a decrease of \$40,220 in *Utilities*, primarily due to lower rates for heating gas and electricity.



- *Non-operating revenues and expenses, net*, decreased by \$95,062, primarily representing a decrease of \$89,348 in *Subsidies and grants*, primarily subsidy from The City to cover collective bargaining general wage increases due to non-recurring retroactive subsidies, and special initiatives.
- *Capital Contributions* increased \$207,382 to \$640,887, primarily representing contributions from FEMA and CDBG-DR relating to Superstorm Sandy.

**Revenues and Expenses on a Gross Basis (\$ in thousands)**

The following table shows revenues and expenses on a gross basis. Non-operating revenues are included in total program revenues and non-operating expenses are included in total program expenses. The components of this table are explained in the commentary following the Summary of Revenues, Expenses, and Changes in Net Position.

|   | 2017                       | 2016<br>Restated           | 2015                       |
|---|----------------------------|----------------------------|----------------------------|
| <b>Program Revenues:</b>                              |                            |                            |                            |
| Subsidies and grants                                  | \$ 2,154,174               | \$ 2,124,415               | \$ 2,213,763               |
| Operating revenues                                    | 1,108,394                  | 1,087,318                  | 1,036,273                  |
| Insurance recoveries                                  | 809                        | 6,701                      | 45,027                     |
| Investment income                                     | 16,080                     | 25,231                     | 10,249                     |
| Gain on the sales of capital assets                   | 22,397                     | 28,730                     | 12,579                     |
| <b>Total Program Revenues</b>                         | <b><u>3,301,854</u></b>    | <b><u>3,272,395</u></b>    | <b><u>3,317,891</u></b>    |
| <b>Program Expenses:</b>                              |                            |                            |                            |
| Operating expenses                                    | 3,599,796                  | 3,600,640                  | 3,244,495                  |
| Interest expense                                      | 30,005                     | 29,169                     | 29,911                     |
| Debt financing costs                                  | 179                        | 185                        | 353                        |
| Change in fair value of investments                   | 745                        | 3,131                      | 3,700                      |
| <b>Total Program Expenses</b>                         | <b><u>3,630,725</u></b>    | <b><u>3,633,125</u></b>    | <b><u>3,278,459</u></b>    |
| <b>Gain (Loss) before Capital Contributions</b>       | <b>(328,871)</b>           | <b>(360,730)</b>           | <b>39,432</b>              |
| <b>Capital Contributions</b>                          | <b><u>686,619</u></b>      | <b><u>640,887</u></b>      | <b><u>433,505</u></b>      |
| <b>Change in Net Position</b>                         | <b>357,748</b>             | <b>280,157</b>             | <b>472,937</b>             |
| Net Position, Beginning of Year, as previously stated | 2,575,363                  | 2,151,090                  | 1,678,153                  |
| Cumulative effect of implementing GASB 75             | -                          | 144,116                    | -                          |
| Net Position, Beginning of Year, as restated          | <u>2,575,363</u>           | <u>2,295,206</u>           | <u>1,678,153</u>           |
| <b>Net Position, End of Year</b>                      | <b><u>\$ 2,933,111</u></b> | <b><u>\$ 2,575,363</u></b> | <b><u>\$ 2,151,090</u></b> |

## CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets, net and the debt related to capital assets for the three years ended December 31 are as follows:

### Net Investment in Capital Assets (\$ in thousands)

|   | 2017                       | 2016                       | 2015                       |
|---|----------------------------|----------------------------|----------------------------|
| Land                                    | \$ 689,847                 | \$ 689,847                 | \$ 689,847                 |
| Construction in progress                | 1,235,972                  | 1,050,432                  | 1,338,926                  |
| Buildings                               | 3,173,239                  | 3,178,487                  | 3,175,077                  |
| Building improvements                   | 9,170,548                  | 8,757,216                  | 7,817,510                  |
| Facilities and other improvements       | 489,879                    | 477,498                    | 467,446                    |
| Furniture and equipment                 | 829,440                    | 797,444                    | 790,158                    |
| Leasehold improvements                  | 112,994                    | 112,994                    | 112,994                    |
| <b>Total Capital Assets</b>             | <b>15,701,919</b>          | <b>15,063,918</b>          | <b>14,391,958</b>          |
| Less accumulated depreciation           | 9,120,174                  | 8,777,344                  | 8,458,707                  |
| <b>Capital Assets, net</b>              | <b>6,581,745</b>           | <b>6,286,574</b>           | <b>5,933,251</b>           |
| Less related debt                       | 586,396                    | 593,787                    | 526,187                    |
| <b>Net Investment in Capital Assets</b> | <b><u>\$ 5,995,349</u></b> | <b><u>\$ 5,692,787</u></b> | <b><u>\$ 5,407,064</u></b> |

For additional information on Capital Assets and Long-Term Debt see Note 8 and Note 14, respectively.

## BASIC FINANCIAL STATEMENTS



Sandy Recovery to Resiliency, Redfern Houses, Borough of Queens

October 30, 2017



# NEW YORK CITY HOUSING AUTHORITY

## STATEMENTS OF NET POSITION DECEMBER 31, 2017 AND 2016

|   | <b>2017</b>                | <b>2016</b>                |
|---|----------------------------|----------------------------|
|   |                            | <b>Restated</b>            |
|   | <b>(\$ in Thousands)</b>   |                            |
| <b>CURRENT ASSETS:</b>                          |                            |                            |
| Cash and cash equivalents                       | \$ 505,796                 | \$ 447,026                 |
| Accounts receivable, net                        | 634,988                    | 419,058                    |
| Notes and loans receivable, net                 | 107,819                    | 178,921                    |
| Investments                                     | 276,907                    | 337,797                    |
| Prepaid expenses                                | 101,963                    | 103,584                    |
| Inventories, net                                | <u>12,575</u>              | <u>13,061</u>              |
| Total current assets                            | <u>1,640,048</u>           | <u>1,499,447</u>           |
| <b>NON-CURRENT ASSETS:</b>                      |                            |                            |
| Land and construction in progress               | 1,925,819                  | 1,740,279                  |
| Other capital assets, net of depreciation       | 4,655,926                  | 4,546,295                  |
| Cash for claims payable                         | 66,698                     | 29,406                     |
| Investments for claims payable                  | 315,992                    | 354,745                    |
| Restricted cash and cash equivalents            | 523,203                    | 491,847                    |
| Restricted investments                          | <u>31,351</u>              | <u>31,342</u>              |
| Total non-current assets                        | <u>7,518,989</u>           | <u>7,193,914</u>           |
| Total assets                                    | <u>9,159,037</u>           | <u>8,693,361</u>           |
| <b>DEFERRED OUTFLOWS OF RESOURCES:</b>          |                            |                            |
| Deferred amount on refunding                    | 3,491                      | 4,767                      |
| Deferred amount on OPEB                         | 34,735                     | -                          |
| Deferred amount on pensions                     | <u>134,701</u>             | <u>242,849</u>             |
| Total deferred outflows of resources            | <u>172,927</u>             | <u>247,616</u>             |
| <b>CURRENT LIABILITIES:</b>                     |                            |                            |
| Accounts payable                                | 125,893                    | 177,242                    |
| Accrued liabilities                             | 293,489                    | 284,137                    |
| Claims payable                                  | 82,980                     | 80,583                     |
| Current portion of long-term debt               | 36,647                     | 35,145                     |
| Accrued leave time                              | 75,770                     | 73,962                     |
| Pollution remediation obligations               | 20,101                     | 21,174                     |
| Unearned revenues and other current liabilities | <u>416,474</u>             | <u>251,331</u>             |
| Total current liabilities                       | <u>1,051,354</u>           | <u>923,574</u>             |
| <b>NON-CURRENT LIABILITIES:</b>                 |                            |                            |
| Long-term debt                                  | 763,520                    | 700,197                    |
| Claims payable                                  | 382,690                    | 384,151                    |
| Unearned revenue                                | 222,889                    | 242,672                    |
| Accrued leave time                              | 112,122                    | 117,098                    |
| Net pension liability                           | 1,032,725                  | 1,214,112                  |
| OPEB liability                                  | 2,562,879                  | 2,484,343                  |
| Pollution remediation obligations               | 1,798                      | 3,698                      |
| Other liabilities                               | <u>9,696</u>               | <u>11,894</u>              |
| Total non-current liabilities                   | <u>5,088,319</u>           | <u>5,158,165</u>           |
| Total liabilities                               | <u>6,139,673</u>           | <u>6,081,739</u>           |
| <b>DEFERRED INFLOWS OF RESOURCES:</b>           |                            |                            |
| Deferred amount on housing assistance payments  | -                          | 83,317                     |
| Deferred amount on OPEB                         | 178,487                    | 154,485                    |
| Deferred amount on pensions                     | <u>80,693</u>              | <u>46,073</u>              |
| Total deferred inflows of resources             | <u>259,180</u>             | <u>283,875</u>             |
| <b>NET POSITION:</b>                            |                            |                            |
| Net investment in capital assets                | 5,995,349                  | 5,692,787                  |
| Unrestricted deficit                            | <u>(3,062,238)</u>         | <u>(3,117,424)</u>         |
| <b>TOTAL NET POSITION</b>                       | <u><u>\$ 2,933,111</u></u> | <u><u>\$ 2,575,363</u></u> |

See notes to the financial statements.

# NEW YORK CITY HOUSING AUTHORITY

## STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016

|  | 2017                | 2016<br>Restated    |
|--|---------------------|---------------------|
| OPERATING REVENUES:                                    |                     |                     |
| Tenant revenue, net                                    | \$ 1,051,628        | \$ 1,041,574        |
| Other income   | 56,766              | 45,744              |
| Total operating revenues                               | <u>1,108,394</u>    | <u>1,087,318</u>    |
| OPERATING EXPENSES:                                    |                     |                     |
| Rent for leased dwellings                              | 987,017             | 940,722             |
| General and administrative                             | 838,400             | 847,573             |
| Utilities  | 554,542             | 534,797             |
| Maintenance and operations                             | 671,615             | 707,929             |
| Depreciation   | 370,938             | 357,611             |
| OPEB   | 136,767             | 168,061             |
| Protective services                                    | 22,353              | 24,640              |
| Tenant services  | 18,164              | 19,307              |
| Total operating expenses                               | <u>3,599,796</u>    | <u>3,600,640</u>    |
| OPERATING LOSS   | <u>(2,491,402)</u>  | <u>(2,513,322)</u>  |
| NON-OPERATING REVENUES (EXPENSES):                     |                     |                     |
| Subsidies and grants                                   | 2,154,174           | 2,124,415           |
| Insurance recoveries                                   | 809                 | 6,701               |
| Investment income                                      | 16,080              | 25,231              |
| Gain on the sales of capital assets                    | 22,397              | 28,730              |
| Interest expense                                       | (30,005)            | (29,169)            |
| Debt financing costs                                   | (179)               | (185)               |
| Change in fair value of investments                    | (745)               | (3,131)             |
| Total non-operating revenues, net                      | <u>2,162,531</u>    | <u>2,152,592</u>    |
| LOSS BEFORE CAPITAL CONTRIBUTIONS                      | (328,871)           | (360,730)           |
| CAPITAL CONTRIBUTIONS                                  | <u>686,619</u>      | <u>640,887</u>      |
| CHANGE IN NET POSITION                                 | 357,748             | 280,157             |
| NET POSITION, BEGINNING OF YEAR, as previously stated  | 2,575,363           | 2,151,090           |
| Cumulative effect of implementing GASB 75 (see Note 2) | -                   | 144,116             |
| NET POSITION, BEGINNING OF YEAR, as restated           | <u>2,575,363</u>    | <u>2,295,206</u>    |
| NET POSITION, END OF YEAR                              | <u>\$ 2,933,111</u> | <u>\$ 2,575,363</u> |

See notes to the financial statements.

# NEW YORK CITY HOUSING AUTHORITY

## STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016

|   | 2017                | 2016               |
|---|---------------------|--------------------|
|   | <u>Restated</u>     |                    |
|   | (\$ in Thousands)   |                    |
| <b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>                            |                     |                    |
| Cash received from tenants  | \$ 1,044,198        | \$ 1,026,465       |
| Other operating receipts  | 62,220              | 39,932             |
| Cash payments to employees  | (1,213,753)         | (1,133,228)        |
| Cash payments for other operating expenses                              | <u>(2,068,283)</u>  | <u>(1,940,421)</u> |
| Net cash used in operating activities                                   | <u>(2,175,618)</u>  | <u>(2,007,252)</u> |
| <b>CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES:</b>                |                     |                    |
| Subsidies and grants received   | 2,050,990           | 2,117,909          |
| Insurance recoveries  | <u>4,275</u>        | <u>40,694</u>      |
| Net cash provided by non-capital financing activities                   | <u>2,055,265</u>    | <u>2,158,603</u>   |
| <b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:</b>        |                     |                    |
| Contributions for capital   | 619,509             | 588,762            |
| Proceeds from the sale of long term debt                                | 115,738             | 51,642             |
| Proceeds from development transactions                                  | 95,311              | 134,999            |
| Sale of capital assets  | 7,767               | 5,916              |
| Development and modernization costs                                     | (600,127)           | (658,435)          |
| Payments on long-term debt  | (46,050)            | (33,637)           |
| Interest payments on bonds and mortgages                                | (34,368)            | (34,024)           |
| Notes and Loans Receivable  | (24,209)            | (151,838)          |
| Debt financing costs  | <u>(179)</u>        | <u>(185)</u>       |
| Net cash provided by (used in) capital and related financing activities | <u>133,392</u>      | <u>(96,800)</u>    |
| <b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>                            |                     |                    |
| Purchase of investment securities                                       | (153,770)           | (683,549)          |
| Proceeds from sale and maturities of investment securities              | 252,659             | 783,871            |
| Interest on investments   | <u>15,490</u>       | <u>25,104</u>      |
| Net cash provided by investing activities                               | <u>114,379</u>      | <u>125,426</u>     |
| <b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>                        | <b>127,418</b>      | <b>179,977</b>     |
| <b>CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR:</b>                    |                     |                    |
| Cash and cash equivalents, including cash for claims payable            | 476,432             | 410,765            |
| Restricted cash and cash equivalents                                    | <u>491,847</u>      | <u>377,537</u>     |
| Total cash and cash equivalents, beginning of year                      | <u>968,279</u>      | <u>788,302</u>     |
| <b>CASH AND CASH EQUIVALENTS, END OF YEAR:</b>                          |                     |                    |
| Cash and cash equivalents, including cash for claim payable             | 572,494             | 476,432            |
| Restricted cash and cash equivalents                                    | <u>523,203</u>      | <u>491,847</u>     |
| Total cash and cash equivalents, end of year                            | <u>\$ 1,095,697</u> | <u>\$ 968,279</u>  |

See notes to the financial statements.

(continued on the following page)

# NEW YORK CITY HOUSING AUTHORITY

## STATEMENTS OF CASH FLOWS (continued) FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016

|  | 2017                  | 2016                  |
|--|-----------------------|-----------------------|
|  | <u>Restated</u>       |                       |
|  | (in Thousands)        |                       |
| RECONCILIATION OF OPERATING LOSS TO NET CASH<br>USED IN OPERATING ACTIVITIES:  |                       |                       |
| OPERATING LOSS   | \$ (2,491,402)        | \$ (2,513,322)        |
| Adjustments to reconcile operating loss to net cash used in operating activities:  |                       |                       |
| Depreciation   | 370,938               | 357,611               |
| Cumulative effect of implementing GASB 75 for OPEB   | -                     | 144,116               |
| (Increase) decrease in assets and deferred outflows:   |                       |                       |
| Tenants accounts receivable  | (21,554)              | (3,111)               |
| Accounts receivable - other  | (1,295)               | 2,409                 |
| Prepaid expenses   | 1,621                 | 1,665                 |
| Inventories, net   | 486                   | 333                   |
| Deferred outflows on pensions  | 108,148               | (159,687)             |
| Deferred outflows on OPEB  | (34,735)              | -                     |
| Increase (decrease) in allowance for doubtful accounts - tenants   | 12,080                | (12,576)              |
| Increase (decrease) in allowance for doubtful accounts - other,<br>net of non-capital financing activities                         | 1,282                 | (8,232)               |
| Increase (decrease) in liabilities and deferred inflows:   |                       |                       |
| Accounts payable   | (51,349)              | 21,737                |
| Accrued liabilities, net of interest and capital items   | (19,865)              | (14,012)              |
| Claims payable   | 936                   | 10,781                |
| Accrued leave time   | (3,168)               | 2,385                 |
| Unearned revenues and other current liabilities, net of prepaid subsidy<br>and current portion of Section 8 Recap unearned revenue | 1,659                 | 88                    |
| Net pension liability  | (181,387)             | 187,500               |
| OPEB liability   | 78,536                | (205,280)             |
| Pollution remediation obligations  | (2,973)               | (9,928)               |
| Other non-current liabilities  | (2,198)               | 102                   |
| Deferred inflows on housing assistance payments  | -                     | 83,317                |
| Deferred inflows on OPEB   | 24,002                | 154,485               |
| Deferred inflows on pensions   | 34,620                | (47,633)              |
| Total adjustments  | <u>315,784</u>        | <u>506,070</u>        |
| NET CASH USED IN OPERATING ACTIVITIES  | <u>\$ (2,175,618)</u> | <u>\$ (2,007,252)</u> |
| SUPPLEMENTAL DISCLOSURES OF NON CASH ACTIVITIES:   |                       |                       |
| Investing activities:  |                       |                       |
| Unrealized loss on investments   | \$ (745)              | \$ (3,131)            |
| Capital and related financing activities:  |                       |                       |
| Amortization of deferred amount on refunding   | (1,276)               | (1,517)               |
| Amortization of bond premium   | 4,683                 | 5,705                 |
| Capital Contributions  | 41,142                | -                     |

See notes to the financial statements.



# NEW YORK CITY HOUSING AUTHORITY

## NOTES TO THE FINANCIAL STATEMENTS YEARS ENDED DECEMBER 31, 2017 AND 2016

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### 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

#### A. Organization

The New York City Housing Authority (the “Authority”), created in 1934, is a public benefit corporation chartered under New York State Public Housing Law. The Authority develops, constructs, manages and maintains affordable housing for eligible low-income families in the five boroughs of New York City. At December 31, 2017, the Authority maintained 325 housing developments encompassing approximately 176,000 total units, including 167,000 federally funded units, housing approximately 392,000 residents. The Authority also operates a leased housing program, which provides housing assistance payments to approximately 86,000 families, housing approximately 202,000 residents.

Substantial operating losses result from the costs of essential services that the Authority provides exceeding revenues. To meet the funding requirements of these operating losses, the Authority receives subsidies from: (a) the federal government, primarily the U.S. Department of Housing and Urban Development (“HUD”), in the form of annual grants for operating assistance, debt service payments, contributions for capital and reimbursement of expenditures incurred for certain federal housing programs; (b) New York State in the form of debt service and capital payments; and (c) The City of New York in the form of subsidies and capital payments. Subsidies are established through budgetary procedures, which establish amounts to be funded by the grantor agencies.

The Authority maintains its accounting records by program. The following programs are operated by the Authority:

***Federal Programs*** - The Authority receives federal financial assistance from HUD in the form of annual contributions for debt service and operating subsidies for public housing developments, as well as rent subsidies for the Section 8 Housing Choice Voucher Program (“HCVP”). In addition, assistance is received under HUD’s Public and Indian Housing Development Programs, Capital Fund Program, and other programs.

Funds received are used to provide maintenance, operating, and administrative services to federally aided low rent public housing developments. HCVP funds are used to reimburse private landlords for their participation in providing housing for low-income families at reduced rents. The funds cover the differential between the reduced rents charged to tenants and prevailing fair market rates based on rent reasonableness. Debt service fund contributions provide for the payment of principal and interest on outstanding debt as it matures. Contributions for capital provide for modernization and development costs.

***New York State and The City of New York Programs*** - The Authority receives financial assistance from New York State (the “State”) in the form of annual contributions for debt service and capital. The Authority also receives financial assistance from the City in the form of subsidies and contributions for capital.

***Other Programs*** - The Authority receives funding for other programs, including Federal assistance from the U.S. Department of Agriculture for child and adult care food and summer food service programs, and from HUD, the State, and the City for several other grant programs.

## **B. Reporting Entity**

The Authority is a component unit of the City, based upon criteria for defining the *reporting entity* as identified and described in the Governmental Accounting Standards Board’s (“GASB”) *Codification of Governmental Accounting and Financial Reporting Standards, Sections 2100 and 2600*.

The Authority’s operations include two blended component units which are included in the Authority’s basic financial statements, in compliance with GASB 61 *The Financial Reporting Entity: Omnibus – an amendment of GASB Statement No. 14 and No. 34*. These are legally separate entities with the same governing body as the Authority for which the Authority has operational responsibility and are controlled by the Authority. There is a financial benefit/burden relationship between the Authority and the component units since the Authority is responsible for providing operating and capital subsidies to the component units. The blended component units include:

- NYCHA Public Housing Preservation I, LLC
- NYCHA Public Housing Preservation II, LLC

Additional information relating to these blended component units can be found in Note 25 to the financial statements. NYCHA Public Housing Preservation I, LLC (“LLC I”) and NYCHA Public Housing Preservation II, LLC (“LLC II”) both issue stand-alone financial reports. These reports can be obtained from The New York City Housing Authority, 250 Broadway, New York, New York, 10007.

## **C. Basis of Accounting**

The Authority’s financial statements are prepared in accordance with generally accepted accounting principles as prescribed by the GASB, using the economic resources measurement focus and the accrual basis of accounting wherein revenues are recognized when earned, and expenses are recognized when the liability is incurred.

The Authority’s primary source of nonexchange revenue relates to subsidies and grants. Subsidies and grants revenue is recognized at the time eligible program expenditures occur and/or the Authority has complied with the grant and subsidy requirements, in accordance with GASB Statement No. 33, *Accounting and Financial Reporting for Nonexchange Transactions*.

The Authority applies Governmental Accounting Standards Board (“GASB”) Codification of Governmental Accounting and Financial Reporting Standards (“GASB Codification”) Section P80, *Proprietary Accounting and Financial Reporting*.

### *Recently Adopted Accounting Standards*

GASB Statement No. 74 (“GASB 74”), *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*. The objective of this Statement is to improve the usefulness of information about postemployment benefits other than pensions (other postemployment benefits or OPEB) included in the general purpose external financial reports of state and local governmental OPEB plans for making decisions and assessing accountability. This Statement results from a comprehensive review of the effectiveness of existing standards of accounting and financial reporting for all postemployment benefits (pensions and OPEB) with regard to providing decision-useful information, supporting assessments of accountability and inter-period equity, and creating additional transparency.

This Statement replaces Statements No. 43, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, as amended, and No. 57, *OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans*. It also includes requirements for defined contribution OPEB plans that replace the requirements for those OPEB plans in Statement No. 25, *Financial Reporting for Defined Benefit Pension Plans and Note Disclosures for Defined Contribution Plans*, as amended, Statement No. 43, and Statement No. 50, *Pension Disclosures*.

The scope of Statement No. 74 includes OPEB plans—defined benefit and defined contribution—administered through trusts that meet the following criteria: 1) Contributions from employers and non-employer contributing entities to the OPEB plan and earnings on those contributions are irrevocable. 2) OPEB plan assets are dedicated to providing OPEB to plan members in accordance with the benefit terms. 3) OPEB plan assets are legally protected from the creditors of employers, non-employer contributing entities, and the OPEB plan administrator. If the plan is a defined benefit OPEB plan, plan assets also are legally protected from creditors of the plan members. This Statement also includes requirements to address financial reporting for assets accumulated for purposes of providing defined benefit OPEB through OPEB plans that are not administered through trusts that meet the specified criteria.

The requirements of this Statement were effective for fiscal years beginning after June 15, 2016. The Authority adopted this Statement in December of 2017.

The implementation of this standard did not have an impact on the Authority’s financial statements.

GASB Statement No. 75 (“GASB 75”), *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. The primary objective of this Statement is to improve accounting and financial reporting by state and local governments for postemployment benefits other than pensions (other postemployment benefits or OPEB). It also improves information provided by state and local governmental employers about financial support for OPEB that is provided by other entities. This Statement results from a comprehensive review of the effectiveness of existing standards of accounting and financial reporting for all postemployment benefits (pensions and OPEB) with regard to providing decision-useful information, supporting assessments of accountability and interperiod equity, and creating additional transparency.

**Recently Adopted Accounting Standards (continued)**

This Statement replaces the requirements of Statements No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, as amended, and No. 57, *OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans, for OPEB*. Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, establishes new accounting and financial reporting requirements for OPEB plans.

The scope of this Statement addresses accounting and financial reporting for OPEB that is provided to the employees of state and local governmental employers. This Statement establishes standards for recognizing and measuring liabilities, deferred outflows of resources, deferred inflows of resources, and expense/expenditures. For defined benefit OPEB, Statement No. 75, identifies the methods and assumptions that are required to be used to project benefit payments, discount projected benefit payments to their actuarial present value, and attribute that present value to periods of employee service. Note disclosure and required supplementary information requirements about defined benefit OPEB also are addressed.

In addition, this Statement details the recognition and disclosure requirements for employers with payables to defined benefit OPEB plans that are administered through trusts that meet the specified criteria and for employers whose employees are provided with defined contribution OPEB. This Statement also addresses certain circumstances in which a non-employer entity provides financial support for OPEB of employees of another entity.

In this Statement, distinctions are made regarding the particular requirements depending upon whether the OPEB plans through which the benefits are provided are administered through trusts that meet the following criteria: 1) Contributions from employers and non-employer contributing entities to the OPEB plan and earnings on those contributions are irrevocable. 2) OPEB plan assets are dedicated to providing OPEB to plan members in accordance with the benefit terms. 3) OPEB plan assets are legally protected from the creditors of employers, non-employer contributing entities, the OPEB plan administrator, and the plan members.

The requirements of this Statement were effective for fiscal years beginning after June 15, 2017. The Authority early adopted this Statement in December of 2017.

The most significant change is that, since the OPEB plan does not have assets sufficient to cover the projected benefit payments, a discount rate reflecting a 20-year tax-exempt municipal bond yield must be used. This has resulted in a reduction of the discount rate from 4% previously used to 3.17%. Implementation of GASB 75 also resulted in significantly more financial statement disclosures. In addition, the adoption resulted in a restatement of NYCHA's 2016 financial statements to reflect the reporting of the net OPEB liabilities, deferred inflows of resources, deferred outflows of resources, and the recognition of OPEB expense in accordance with the provisions of the Statement (see Note 2).

**Recently Adopted Accounting Standards (continued)**

GASB Statement No. 82 (“GASB 82”), *Pension Issues*. The objective of GASB Statement No. 82 is to address certain issues that have been raised with respect to Statements No. 67, *Financial Reporting for Pension Plans*, Statement No. 68, *Accounting and Financial Reporting for Pensions*, and Statement No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68*. Specifically, this Statement addresses issues regarding (1) the presentation of payroll-related measures in required supplementary information, (2) the selection of assumptions and the treatment of deviations from the guidance in an Actuarial Standard of Practice for financial reporting purposes, and (3) the classification of payments made by employers to satisfy plan member contribution requirements.

The requirements of this Statement were effective for reporting periods beginning after June 15, 2016, except for the requirements of this Statement for the selection of assumptions in a circumstance in which an employer’s pension liability is measured as of a date other than the employer’s most recent fiscal year-end. In that circumstance, the requirements for the selection of assumptions are effective for that employer in the first reporting period in which the measurement date of the pension liability is on or after June 15, 2017.

The implementation of this standard did not have a significant impact on the Authority’s financial statements.

GASB Statement No. 84 (“GASB 84”), *Fiduciary Activities*. The objective of this Statement is to improve guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported.

This Statement establishes criteria for identifying fiduciary activities of all state and local governments. The focus of the criteria generally is on (1) whether a government is controlling the assets of the fiduciary activity and (2) the beneficiaries with whom a fiduciary relationship exists. Separate criteria are included to identify fiduciary component units and postemployment benefit arrangements that are fiduciary activities.

An activity meeting the criteria should be reported in a fiduciary fund in the basic financial statements. Governments with activities meeting the criteria should present a statement of fiduciary net position and a statement of changes in fiduciary net position. An exception to that requirement is provided for as a business-type activity that normally expects to hold custodial assets for three months or less.

The requirements of this Statement are effective for reporting periods beginning after December 15, 2018. Earlier application is encouraged. The Authority early adopted this Statement in December of 2017.

The implementation of this standard did not have a significant impact on the Authority’s financial statements.

**Recently Adopted Accounting Standards (continued)**

GASB Statement No. 86 (“GASB 86”), *Debt Extinguishment Issues*. The primary objective of this Statement is to improve consistency in accounting and financial reporting for in-substance defeasance of debt by providing guidance for transactions in which cash and other monetary assets acquired with only existing resources—resources other than the proceeds of refunding debt—are placed in an irrevocable trust for the sole purpose of extinguishing debt. This Statement also improves accounting and financial reporting for prepaid insurance on debt that is extinguished and notes to financial statements for debt that is defeased in substance.

*In-Substance Defeasance of Debt Using Only Existing Resources:*

Statement No. 7, *Advance Refundings Resulting in Defeasance of Debt*, requires that debt be considered defeased in substance when the debtor irrevocably places cash or other monetary assets acquired with refunding debt proceeds in a trust to be used solely for satisfying scheduled payments of both principal and interest of the defeased debt. The trust also is required to meet certain conditions for the transaction to qualify as an in-substance defeasance. This Statement establishes essentially the same requirements for when a government places cash and other monetary assets acquired with only existing resources in an irrevocable trust to extinguish the debt. However, in financial statements using the economic resources measurement focus, governments should recognize any difference between the reacquisition price (the amount required to be placed in the trust) and the net carrying amount of the debt defeased in substance using only existing resources as a separately identified gain or loss in the period of the defeasance. Governments that defease debt using only existing resources should provide a general description of the transaction in the notes to financial statements in the period of the defeasance. In all periods following an in-substance defeasance of debt using only existing resources, the amount of that debt that remains outstanding at period-end should be disclosed.

*Prepaid Insurance Related to Extinguished Debt:*

For governments that extinguish debt, whether through a legal extinguishment or through an in-substance defeasance, this Statement requires that any remaining prepaid insurance related to the extinguished debt be included in the net carrying amount of that debt for the purpose of calculating the difference between the reacquisition price and the net carrying amount of the debt.

*Additional Disclosure for All In-Substance Defeasance Transactions:*

One of the criteria for determining an in-substance defeasance is that the trust hold only monetary assets that are essentially risk-free. If the substitution of essentially risk-free monetary assets with monetary assets that are not essentially risk-free is not prohibited, governments should disclose that fact in the period in which the debt is defeased in substance. In subsequent periods, governments should disclose the amount of debt defeased in substance that remains outstanding for which that risk of substitution exists.

The requirements of this Statement are effective for reporting periods beginning after June 15, 2017. Earlier application is encouraged. The Authority early adopted this Statement in December of 2017.

The implementation of this standard did not have a significant impact on the Authority’s financial statements

### Accounting Standards Issued But Not Yet Adopted

GASB has issued the following pronouncements that may affect future financial position, results of operations, cash flows, or financial presentation of the Authority upon implementation. Management has not yet evaluated the effect of implementation of these standards.

| <u>GASB</u><br><u>Statement No.</u> | <u>GASB Accounting Standard</u>   | <u>Effective</u><br><u>Calendar Year</u> |
|-------------------------------------|---|--|
| 83                                  | <i>Certain Asset Retirement Obligations</i>   | 2019                                     |
| 85                                  | <i>Omnibus 2017</i>   | 2018                                     |
| 87                                  | <i>Leases</i>   | 2020                                     |
| 88                                  | <i>Certain Disclosures Related to Debt, including Direct Borrowings and Direct Payments</i> | 2019                                     |

#### **D. Cash and Cash Equivalents**

Cash includes amounts on deposit with financial institutions, including bank accounts and certificates of deposit. The Authority considers investments in repurchase agreements and investments with a maturity of less than 90 days as cash equivalents. The Authority considers cash and cash equivalents held for the repayment of the non-current portion of Claims payable to be non-current assets.

#### **E. Accounts Receivable**

Rents are due from tenants on the first day of each month. As a result, tenants receivable balances primarily consist of rents past due and due from vacated tenants. An allowance for uncollectable accounts is established to provide for accounts which may not be collected in the future for any reason.

The Authority recognizes receivables from HUD and other governmental agencies for amounts earned and billed but not received and for amounts earned but unbilled as of year-end.

#### **F. Notes Receivable**

Notes receivable are recorded based on the principal amount indicated in the underlying note agreement. An allowance is established where there is uncertainty regarding the collection of the note.

#### **G. Investments**

Investments with maturities of less than twelve months from the time of acquisition are carried at cost. Investments in guaranteed investment contracts are reported at an amount equal to principal and accrued interest. All other investments are recorded at fair value, which are based on quoted market prices. Income from investments is recognized on the accrual basis. Realized gains or losses on sales of investment securities are accounted for using the *specific identification* method. The Authority combines realized and unrealized gains and losses on investments.

## H. Prepaid Expenses

Prepaid expenses represent amounts paid as of year-end which will benefit future operations.

## I. Inventories

Inventories consist of materials and supplies at the central warehouses, and fuel oil. Materials and supplies are valued using the *average moving cost* method on a first in – first out basis. Fuel oil is valued using *weighted average cost*. Materials and supplies are expensed when shipped from central warehouses to the developments. The Authority maintains an allowance for obsolete inventory.

## J. Capital Assets

Capital assets include land, structures and equipment recorded at cost and is comprised of initial development costs, property betterments and additions, and modernization program costs. The Authority depreciates these assets over their estimated useful lives, under normal operating conditions, using the straight-line method of depreciation. The Capitalization Policy is as follows:

| <b>Capital Asset Category</b>   | <b>Capitalization Threshold</b> | <b>Useful Life-Years</b> |
|---------------------------------|---------------------------------|--------------------------|
| Buildings                       | \$50,000                        | <b>40</b>                |
| Building Improvements           | \$50,000                        | <b>25</b>                |
| Leasehold Improvements          | \$50,000                        | <b>Up to 15</b>          |
| Facilities & Other Improvements | \$50,000                        | <b>10</b>                |
| Computer Software               | \$50,000                        | <b>5</b>                 |
| Telecommunication Equipment     | \$50,000                        | <b>5</b>                 |
| Computer Hardware               | \$5,000                         | <b>5</b>                 |
| Furniture and Equipment         | \$5,000                         | <b>5 to 10</b>           |
| Ranges and Refrigerators        | All                             | <b>10</b>                |

## K. Accrued Liabilities

The Authority recognizes a liability for goods and services received but not paid for as of year-end. The Authority recognizes a liability for wages and fringe benefits relating to expired collective bargaining agreements based on its best estimate of such future payments. These estimates are based on prior patterns and the current status of negotiations among other factors. Accrued expenses include estimates of expenses incurred in relation to Superstorm Sandy.



#### **L. Claims Payable**

The Authority recognizes a liability for general liability and workers' compensation claims based upon an estimate of all probable losses incurred, both reported and not reported. The liability for these claims is reported in the Statement of Net Position at a discounted amount.

#### **M. Accrued Leave Time**

Accumulated unpaid leave time is accrued at the estimated amounts of future benefits attributable to services already rendered.

#### **N. Unearned Revenue**

The Authority's unearned revenue consists of the prepayment of rent by residents and the receipt of governmental program funding where certain eligibility requirements have not been met. Unearned revenue relating to the Section 8 Transaction and the Ocean Bayside RAD transaction are being recognized over the fifteen year low income housing tax credit compliance period.

#### **O. Premium Amortization**

The Authority amortizes debt premium amounts over the life of the bonds using the *effective interest rate through maturity* methodology.

#### **P. Deferred Outflows and Inflows of Resources**

In accordance with GASB 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*, the Authority reports deferred outflows of resources in the *Statement of Financial Position* in a separate section following Assets and deferred inflows of resources in a separate section following liabilities. Gains and losses in connection with advanced refunding of debt are recorded as either a deferred outflow (loss) or as a deferred inflow (gain) of resources and amortized as a component of interest expense over the shorter of the remaining life of the old or the new debt. Pension contributions made to NYCERS subsequent to the actuarial measurement date and prior to the Authority's fiscal year-end are reported as deferred outflows of resources. The net differences between projected and actual earnings on pension plan investments, changes in assumptions for pensions and OPEB, and differences in expected and actual experience for pensions and OPEB are recorded as either a deferred outflow or as a deferred inflow. Section 8 Housing Choice Voucher Subsidies received prior to the funding period are reported as deferred inflow of resources.

#### **Q. Use of Restricted Net Position**

When both restricted and unrestricted resources are available for a particular restricted use, it is the Authority's policy to use restricted resources first, and then unrestricted resources as needed.

## R. Operating Revenues and Expenses

The Authority defines its operating revenues as income derived from charges to residents and others for rent and services provided. Its operating expenses are costs incurred in the operation of its program activities to provide services to residents and others. The Authority classifies other revenues and expenses as non-operating.

## S. Capital Contributions

Capital Contributions are recognized at the time eligible program expenditures occur and/or the Authority has complied with the grant requirements.

## T. Taxes

The Authority is a public benefit corporation chartered under the New York State Public Housing Law and as such is exempt from income taxes and certain other Federal, state and local taxes.

## U. Other Postemployment Benefits

The Authority's Total OPEB Liability is calculated based on an amount that is actuarially determined (see Note 16). With the implementation of GASB 75, the Authority restated the Total OPEB Liability for 2016 (see Note 2).

## V. Net Pension Liability

The Authority's proportionate share of the net pension liability, deferred outflows of resources and deferred inflows of resources, and expense associated with the Authority's requirement to contribute to the New York City Employees' Retirement System ("NYCERS") have been determined on the same basis as they are reported by NYCERS.

## 2. IMPLEMENTATION OF GASB 75

In accordance with GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, which was adopted during 2017, the Authority restated amounts previously reported for 2016, as follows (\$ in thousands):

| Description                         | As Previously<br>Reported | Adjustments  | As Restated  |
|-------------------------------------|---------------------------|--------------|--------------|
| OPEB Liability                      | \$ 2,833,465              | \$ (349,122) | \$ 2,484,343 |
| Deferred Inflow of Resources        | -                         | 154,485      | 154,485      |
| OPEB Expense                        | 231,582                   | (50,521)     | 181,061      |
| Implicit Rate Subsidy               | (13,000)                  | -            | (13,000)     |
| Net Position, Beginning of the Year | 2,151,090                 | 144,116      | 2,295,206    |
| Change in Net Position              | 229,636                   | 50,521       | 280,157      |
| Net Position, End of the Year       | 2,380,726                 | 194,637      | 2,575,363    |

## 2. IMPLEMENTATION OF GASB 75 (continued)

The following amounts were also restated on the Cash Flow Statement for 2016, due to the implementation of GASB 75 (\$ in thousands):

| <u>Description</u>  | <u>As Previously<br/>Reported</u> | <u>Adjustments</u> | <u>As Restated</u> |
|---|-----------------------------------|--------------------|--------------------|
| Operating Loss  | \$ (2,563,843)                    | \$ 50,521          | \$ (2,513,322)     |
| Adjustments to reconcile operating loss to net cash used in operating activities: |                                   |                    |                    |
| Cumulative effect of implementing GASB 75   | -                                 | 144,116            | 144,116            |
| Increase (Decrease) in OPEB Liability   | 143,842                           | (349,122)          | (205,280)          |
| Increase in Deferred inflows on OPEB  | -                                 | 154,485            | 154,485            |

## 3. DEPOSITS AND INVESTMENTS

### Deposits

At December 31, 2017, the Authority's deposits had a carrying amount of \$641,280,000 and a bank balance of \$638,625,000. These deposits were insured up to \$250,000 per bank by the Federal Deposit Insurance Corporation ("FDIC"). Deposits in excess of FDIC coverage were fully collateralized, with the collateral being held in segregated custodial accounts in the Authority's name. Collateral coverage is monitored and maintained on a daily basis.

Deposits were comprised of the following at December 31, 2017 and 2016 (\$ in thousands):

| <u>Unrestricted</u>   | <u>Bank Balance</u> |                   |
|-----------------------|---------------------|-------------------|
|                       | <u>2017</u>         | <u>2016</u>       |
| FDIC insured          | \$ 1,567            | \$ 1,792          |
| Collateralized        | <u>121,788</u>      | <u>115,407</u>    |
| Subtotal              | <u>123,355</u>      | <u>117,199</u>    |
| <br><u>Restricted</u> |                     |                   |
| FDIC insured          | 42,888              | 43,031            |
| Collateralized        | <u>472,382</u>      | <u>358,290</u>    |
| Subtotal              | <u>515,270</u>      | <u>401,321</u>    |
| Total Deposits        | <u>\$ 638,625</u>   | <u>\$ 518,520</u> |

Unrestricted deposits totaling \$123,355,000 were largely comprised of replacement reserves for LLC I and operating balances for both LLC I and LLC II, totaling \$112,107,000. The remaining balances totaling \$11,248,000 are eligible for working capital and funding future liabilities, including self-insurance programs. The Authority's unrestricted deposits are held at various banks in interest-bearing accounts and demand deposit accounts (DDA) without interest. The maximum exposure of deposits, represented by the highest daily cash balance held in all deposit accounts maintained by the Authority during the year, was \$284,852,000.

### 3. DEPOSITS AND INVESTMENTS (continued)

At December 31, 2017, restricted deposits totaling \$515,270,000 included funds held in depository accounts on behalf of Sandy Recovery, escrow funds for several Energy Performance Contracts, escrow funds for vendor retention, reserves supporting the 2010 mixed-finance transaction, Certificates of Deposit for tenant security, and tenant participation activity HUD subsidies for use by resident councils for residents. In addition, a small part of the total restricted deposits included funds held by NYC Housing Development Corporation (“HDC”) relating to the 2010 mixed-finance transaction. The Certificates of Deposits for tenant security will be maturing on March 30, 2018, and will be reinvested for one year through March 29, 2019. The liability related to these deposits is included in unearned revenues and other current liabilities (see Note 13).

#### Investments

In accordance with GASB 72, NYCHA discloses its investments at fair market value. The Authority invests only in securities that fall under GASB’s Level 2 fair market valuation grouping (there are 3 levels in total), as there are comparable and observable traded securities that can be used to accurately value the Authority’s portfolio of securities. The Authority uses the Bloomberg financial data system to determine the fair market value of its entire portfolio of securities. As of December 31, 2017 and 2016, all of the Authority’s long-term investment holdings were in U.S. Governmental agency securities and GASB 72 requires their fair market value be based on similar bonds that are being traded.

#### Unrestricted Investments

The Authority’s investment policies comply with HUD’s guidelines. These policies restrict the Authority’s investments to obligations of the U.S. Treasury, U.S. Government agencies, and their instrumentalities. All investments are held in a secured custody account in the name of the Authority. All investments are publicly traded, and the fair market value was based on published quoted values. Accrued interest receivable on unrestricted investments was \$2,293,000 and \$1,785,000 at December 31, 2017 and 2016.

Unrestricted investments stated at fair market value, consist of the following at December 31, 2017 and 2016 (\$ in thousands):

| <u>Unrestricted</u>  | <u>2017</u>       | <u>2016</u>       |
|--|-------------------|-------------------|
| U.S. Government Agency Securities                          | \$ 592,899        | \$ 692,542        |
| Repurchase Agreements                                      | <u>447,000</u>    | <u>438,500</u>    |
| Total Unrestricted investments, including cash equivalents | 1,039,899         | 1,131,042         |
| Less: amount reported as unrestricted cash equivalents     | <u>447,000</u>    | <u>438,500</u>    |
| Total Unrestricted investments                             | <u>\$ 592,899</u> | <u>\$ 692,542</u> |

Cash equivalents include investments in repurchase agreements. The maximum exposure of investments held in repurchase agreements during the year was \$642,785,000. At December 31, 2017, the Authority held \$447,000,000 in repurchase agreements yielding 1.65 percent. At December 31, 2016, the Authority held \$438,500,000 in repurchase agreements yielding 0.40 percent.

### 3. DEPOSITS AND INVESTMENTS

#### Unrestricted Investments (continued)

The maturities of the Authority's unrestricted investments at December 31, 2017 and 2016 are as follows (\$ in thousands):

| Security Type               | As of December 31, 2017 |                  |                   |                   | As of December 31, 2016 |                   |                   |                  |
|-----------------------------|-------------------------|------------------|-------------------|-------------------|-------------------------|-------------------|-------------------|------------------|
|                             | Total                   | < 1 year         | 1- 5 years        | > 5 year          | Total                   | < 1 year          | 1- 5 years        | > 5 year         |
| U.S. Govt Agency Securities | <u>\$ 592,899</u>       | <u>\$ 96,269</u> | <u>\$ 337,908</u> | <u>\$ 158,722</u> | <u>\$ 692,542</u>       | <u>\$ 198,972</u> | <u>\$ 405,377</u> | <u>\$ 88,193</u> |

At December 31, 2017 and 2016, the Authority's weighted average term to maturity for unrestricted investments is 3.33 years and 2.94 years, respectively. The Authority determines maturity levels based upon current available interest rates, expectations for future rates and the appropriate amount of liquidity needed for operations. While HUD's policy limits the maturities of investments held by housing authorities to three years, the Authority has received a HUD waiver to invest long-term reserves up to seven years.

#### Restricted Investments

At December 31, 2017 and 2016, NYCHA's total restricted investments had a fair market value of \$38,768,000 and \$37,796,000, respectively. These funds were held in Trust supporting loans from NYC HDC for the 2013 Capital Fund Financing Program Bonds and the 2010 mixed-finance transaction. The restricted total was comprised of \$31,351,000 in restricted investments and \$7,417,000 in restricted cash equivalents at December 31, 2017 and \$31,342,000 in restricted investments and \$6,454,000 in restricted cash equivalents at December 31, 2016.

Of the \$31,351,000 in restricted investments, \$29,824,000 represents debt service reserves for the 2013 Capital Fund Financing Program Bonds, and the remaining \$1,527,000 represents debt service reserves for the 2010 mixed-finance transaction. Accrued interest receivable on restricted investments was \$874,000 and \$792,000 at December 31, 2017 and 2016.

### 3. DEPOSITS AND INVESTMENTS

#### Restricted Investments (continued)

Restricted investments stated at fair market value, consisted of the following at December 31, 2017 and 2016 (\$ in thousands):

| <b>Restricted</b>   | <b>2017</b>      | <b>2016</b>      |
|---|------------------|------------------|
| Forward Delivery Agreement (debt service reserves)            | \$ 29,824        | \$ 29,824        |
| Repurchase Agreements   | 7,417            | 6,454            |
| Municipal Bonds   | 1,527            | 1,518            |
| Total Restricted investments, including cash equivalents      | 38,768           | 37,796           |
| Less amount reported as restricted cash equivalents           | 7,417            | 6,454            |
| Total Restricted investments (not including cash equivalents) | <u>\$ 31,351</u> | <u>\$ 31,342</u> |

The maturities of the Authority restricted investments at December 31, 2017 and 2016 were as follows (\$ in thousands):

#### **Investment Maturities**

| Security Type              | As of December 31, 2017 |                 |                  | As of December 31, 2016 |             |                  |
|----------------------------|-------------------------|-----------------|------------------|-------------------------|-------------|------------------|
|                            | Total                   | 1- 5 years      | > 5 year         | Total                   | 1- 5 years  | > 5 year         |
| Forward Delivery Agreement | \$ 29,824               | \$ -            | \$ 29,824        | \$ 29,824               | \$ -        | \$ 29,824        |
| Municipal Bonds            | <u>\$ 1,527</u>         | <u>\$ 1,527</u> | <u>\$ -</u>      | <u>\$ 1,518</u>         | <u>\$ -</u> | <u>\$ 1,518</u>  |
| Total                      | <u>\$ 31,351</u>        | <u>\$ 1,527</u> | <u>\$ 29,824</u> | <u>\$ 31,342</u>        | <u>\$ -</u> | <u>\$ 31,342</u> |

At December 31, 2017 and 2016, the Authority's weighted average term to maturity for restricted investments is 14.94 years and 15.94 years, respectively. The Fiscal Agents determine maturity levels based upon current available interest rates, expectations for future rates and the appropriate amount of liquidity needed for NYCHA's operations.

*Policies governing investments:* The Authority has adopted the HUD investment policy outlined in HUD Notice PIH-2002-13 (HA), as its formal investment policy. In accordance with its Annual Contributions Contract (the "ACC") with HUD, the Authority is required to comply with this HUD Notice. These guidelines require the Authority to deposit funds in accordance with the terms of a General Depository Agreement, which must be in a form approved by HUD and executed between the Authority and its depository institutions, and restricts the Authority's investments to HUD-authorized securities, such as those issued by the U.S. Treasury, U.S. Government agencies and their instrumentalities, and requires that all investments be held in a segregated custodial account in the name of the Authority.

### 3. DEPOSITS AND INVESTMENTS

#### Restricted Investments (continued)

The Authority's current investment strategy involves consideration of the basic risks of fixed-income investing, including interest rate risk, market risk, credit risk, and concentration risk. In managing these risks, the primary factors considered are safety of principal, yield, liquidity, maturity, and administrative costs.

*Interest rate risk:* Interest rate risk is the risk that changes in interest rates will adversely affect the fair market value of the Authority's investment portfolio. In accordance with the Authority's investment policy, interest rate risk is mitigated by holding the securities in the Authority's portfolio until maturity, except when a reinvestment strategy may be appropriate. As an additional manner of minimizing interest rate risk, the securities of the Authority's fixed income portfolio have historically only had fixed coupon rates, and therefore the cash flows will not fluctuate with changes in interest rates.

*Credit Risk:* It is the Authority's policy to limit its investments to HUD-authorized investments issued by the U.S. Government, by a U.S. Government agency, or by a Government-sponsored agency. The Authority's policy is to invest mostly in Governmental agency and U.S. Treasury securities which are AA+ and Aaa rated by Standard and Poor's ("S&P") or Moody's, or to place balances in fully collateralized money market deposit accounts and interest-bearing bank accounts at banks rated A or better by Moody's or S&P. As of December 31, 2017 each of the agency securities that were in the NYCHA investment portfolio had bond ratings as follows: Moody's Aaa and S&P AA+. Depository bank accounts maintaining federal funds are fully collateralized, in excess of FDIC insurance, with Treasury and/or Governmental agency securities.

*Concentration Risk:* The Authority strives to invest in only AA+ and Aaa rated Governmental Agency and/or U.S. Treasury securities. Therefore, the Authority's policy does not place a limit on investments with any one issuer. The Authority's cash deposits are maintained in fully collateralized money market deposit accounts and fully collateralized interest-bearing and non-interest bearing (if required) bank accounts. Consequently, the Authority does not limit deposits to any one bank. Nonetheless, the Authority strives to diversify holdings in investments, cash and cash equivalents, whenever possible, to further minimize any potential concentration risk.

*Custodial credit risk:* The Authority maintains a perfected security interest in the collateral held on its behalf by its custodial agents. Custodial credit risk is the risk that the Authority will not be able to recover its collateral held by a third-party custodian, in the event that the custodian defaults. The Authority has no custodial credit risk due to the Authority's perfected security interest in its collateral in a segregated custodian account, which is registered in the Authority's name. The Authority's policy requires that all securities shall be maintained in a third-party custodian account and the manner of collateralization shall provide the Authority with a continuing perfected security interest in the collateral for the full term of the deposit, in accordance with applicable laws and Federal regulations. Such collateral shall, at all times, have a market value at least equal to the amount of deposits so secured.

#### 4. ACCOUNTS RECEIVABLE

Accounts receivable at December 31, 2017 and 2016 are comprised of the following (\$ in thousands):

|  | <u>2017</u>       | <u>2016</u>       |
|--|-------------------|-------------------|
| U.S. Department of Housing and Urban Development | \$ 73,842         | \$ 155,090        |
| Federal Emergency Management Agency              | 352,698           | 115,645           |
| Due from other government agencies               | 166,401           | 107,367           |
| Tenants accounts receivable                      | 84,763            | 63,209            |
| Due from insurance carriers                      | -                 | 3,466             |
| Other  | <u>22,371</u>     | <u>26,102</u>     |
| Total accounts receivable                        | 700,075           | 470,879           |
| Less allowance for uncollectable accounts        | <u>65,087</u>     | <u>51,821</u>     |
| Accounts receivable, net                         | <u>\$ 634,988</u> | <u>\$ 419,058</u> |

Accrued interest receivable on investments of \$3,167,000 and \$2,577,000 at December 31, 2017 and 2016, respectively, is included in Other.

The allowance for uncollectable accounts at December 31, 2017 and 2016 consists of the following (\$ in thousands):

|  | <u>2017</u>      | <u>2016</u>      |
|--|------------------|------------------|
| Tenants accounts receivable                | \$ 53,477        | \$ 41,397        |
| Due from other government agencies         | -                | 94               |
| Other                                      | <u>11,610</u>    | <u>10,330</u>    |
| Total allowance for uncollectable accounts | <u>\$ 65,087</u> | <u>\$ 51,821</u> |

The provision for bad debts related to tenant revenue is \$22,282,000 and \$8,769,000 for 2017 and 2016, respectively.



## 5. NOTES AND LOANS RECEIVABLE

Notes and Loans Receivable at December 31, 2017 and 2016 are comprised of the following (\$ in thousands):

|   | <u>2017</u>       | <u>2016</u>       |
|---|-------------------|-------------------|
| Ocean Bay - RAD                           | \$ 108,249        | \$ 66,487         |
| Section 8 Transaction                     | 54,404            | 158,238           |
| Randolph                                  | 39,682            | 39,682            |
| Prospect II                               | 12,718            | 11,814            |
| Prospect I                                | 9,552             | 9,552             |
| Multifamily Home Ownership Program        | 8,558             | 8,558             |
| 1070 Washington Avenue                    | 5,064             | 5,064             |
| Fulton                                    | 2,000             | 2,000             |
| Other                                     | 17,137            | 15,116            |
| Total Notes and Loans Receivable          | <u>257,364</u>    | <u>316,511</u>    |
| Less allowance for uncollectable accounts | <u>149,545</u>    | <u>137,590</u>    |
| Notes and Loans Receivable, net           | <u>\$ 107,819</u> | <u>\$ 178,921</u> |

## 6. PREPAID EXPENSES

Prepaid expenses at December 31, 2017 and 2016 are comprised of the following (\$ in thousands):

|                        | <u>2017</u>       | <u>2016</u>       |
|------------------------|-------------------|-------------------|
| Water charges          | \$ 85,771         | \$ 86,179         |
| Insurance premiums     | 13,311            | 14,547            |
| Rent, leases and other | 2,881             | 2,858             |
| Total prepaid expenses | <u>\$ 101,963</u> | <u>\$ 103,584</u> |

## 7. INVENTORIES

Inventories at December 31, 2017 and 2016 are summarized as follows (\$ in thousands):

|                                  | <u>2017</u>      | <u>2016</u>      |
|----------------------------------|------------------|------------------|
| Supplies inventory               | \$ 8,086         | \$ 8,673         |
| Allowance for obsolete inventory | <u>(545)</u>     | <u>(483)</u>     |
| Supplies inventory (net)         | 7,541            | 8,190            |
| Fuel oil inventory               | <u>5,034</u>     | <u>4,871</u>     |
| Total inventories                | <u>\$ 12,575</u> | <u>\$ 13,061</u> |

## 8. CAPITAL ASSETS, NET

A summary of the changes in capital assets, net, which is comprised of land, structures and equipment, is as follows:

### Summary of Changes in Capital Assets, Net (\$ in thousands)

| Description  | January 1,<br>2017  | Additions/<br>Transfers In | Deletions/<br>Transfers Out | December 31,<br>2017 |
|--|---------------------|----------------------------|-----------------------------|----------------------|
| <b>Capital Assets not being depreciated:</b>       |                     |                            |                             |                      |
| Land   | \$ 689,847          | \$ -                       | \$ -                        | \$ 689,847           |
| Construction in progress                           | 1,050,432           | 671,262                    | (485,722)                   | 1,235,972            |
| <b>Total Capital Assets not being depreciated</b>  | <b>1,740,279</b>    | <b>671,262</b>             | <b>(485,722)</b>            | <b>1,925,819</b>     |
| <b>Capital Assets being depreciated:</b>           |                     |                            |                             |                      |
| Buildings  | 3,178,487           | -                          | (5,248)                     | 3,173,239            |
| Building improvements                              | 8,757,216           | 432,264                    | (18,932)                    | 9,170,548            |
| Facilities and other improvements                  | 477,498             | 12,381                     | -                           | 489,879              |
| Furniture and equipment                            | 797,444             | 41,077                     | (9,081)                     | 829,440              |
| Leasehold improvements                             | 112,994             | -                          | -                           | 112,994              |
| <b>Total Capital Assets being depreciated</b>      | <b>13,323,639</b>   | <b>485,722</b>             | <b>(33,261)</b>             | <b>13,776,100</b>    |
| <b>Less Accumulated Depreciation:</b>              |                     |                            |                             |                      |
| Buildings  | 2,911,809           | 23,419                     | (5,122)                     | 2,930,106            |
| Building improvements                              | 4,625,164           | 306,278                    | (16,824)                    | 4,914,618            |
| Facilities and other improvements                  | 441,235             | 6,846                      | -                           | 448,081              |
| Furniture and equipment                            | 703,388             | 31,049                     | (6,162)                     | 728,275              |
| Leasehold improvements                             | 95,748              | 3,346                      | -                           | 99,094               |
| <b>Total Accumulated Depreciation</b>              | <b>8,777,344</b>    | <b>370,938</b>             | <b>(28,108)</b>             | <b>9,120,174</b>     |
| <b>Total Capital Assets being depreciated, net</b> | <b>4,546,295</b>    | <b>114,784</b>             | <b>(5,153)</b>              | <b>4,655,926</b>     |
| <b>Capital Assets, Net</b>                         | <b>\$ 6,286,574</b> | <b>\$ 786,046</b>          | <b>\$ (490,875)</b>         | <b>\$ 6,581,745</b>  |

8. CAPITAL ASSETS, NET (continued)

Summary of Changes in Capital Assets, Net (\$ in thousands)

| Description  | January 1,<br>2016         | Additions/<br>Transfers In | Deletions/<br>Transfers Out  | December 31,<br>2016       |
|--|----------------------------|----------------------------|------------------------------|----------------------------|
| <b>Capital Assets not being depreciated:</b>       |                            |                            |                              |                            |
| Land   | \$ 689,847                 | \$ -                       | \$ -                         | \$ 689,847                 |
| Construction in progress                           | 1,338,926                  | 711,559                    | (1,000,053)                  | 1,050,432                  |
| <b>Total Capital Assets not being depreciated</b>  | <b><u>2,028,773</u></b>    | <b><u>711,559</u></b>      | <b><u>(1,000,053)</u></b>    | <b><u>1,740,279</u></b>    |
| <b>Capital Assets being depreciated:</b>           |                            |                            |                              |                            |
| Buildings  | 3,175,077                  | 6,396                      | (2,986)                      | 3,178,487                  |
| Building improvements                              | 7,817,510                  | 964,080                    | (24,374)                     | 8,757,216                  |
| Facilities and other improvements                  | 467,446                    | 10,052                     | -                            | 477,498                    |
| Furniture and equipment                            | 790,158                    | 19,525                     | (12,239)                     | 797,444                    |
| Leasehold improvements                             | 112,994                    | -                          | -                            | 112,994                    |
| <b>Total Capital Assets being depreciated</b>      | <b><u>12,363,185</u></b>   | <b><u>1,000,053</u></b>    | <b><u>(39,599)</u></b>       | <b><u>13,323,639</u></b>   |
| <b>Less Accumulated Depreciation:</b>              |                            |                            |                              |                            |
| Buildings  | 2,890,698                  | 24,041                     | (2,930)                      | 2,911,809                  |
| Building improvements                              | 4,367,515                  | 281,464                    | (23,815)                     | 4,625,164                  |
| Facilities and other improvements                  | 434,416                    | 6,819                      | -                            | 441,235                    |
| Furniture and equipment                            | 673,779                    | 41,838                     | (12,229)                     | 703,388                    |
| Leasehold improvements                             | 92,299                     | 3,449                      | -                            | 95,748                     |
| <b>Total Accumulated Depreciation</b>              | <b><u>8,458,707</u></b>    | <b><u>357,611</u></b>      | <b><u>(38,974)</u></b>       | <b><u>8,777,344</u></b>    |
| <b>Total Capital Assets being depreciated, net</b> | <b><u>3,904,478</u></b>    | <b><u>642,442</u></b>      | <b><u>(625)</u></b>          | <b><u>4,546,295</u></b>    |
| <b>Capital Assets, Net</b>                         | <b><u>\$ 5,933,251</u></b> | <b><u>\$ 1,354,001</u></b> | <b><u>\$ (1,000,678)</u></b> | <b><u>\$ 6,286,574</u></b> |

## 9. ACCOUNTS PAYABLE

Accounts payable at December 31, 2017 and 2016 consist of the following (\$ in thousands):

|                        | <u>2017</u>       | <u>2016</u>       |
|------------------------|-------------------|-------------------|
| Contract retentions    | \$ 39,980         | \$ 57,104         |
| Vouchers payable       | 23,010            | 42,123            |
| Employee benefits      | 25,731            | 16,042            |
| Other                  | <u>37,172</u>     | <u>61,973</u>     |
| Total accounts payable | <u>\$ 125,893</u> | <u>\$ 177,242</u> |

## 10. ACCRUED LIABILITIES

Accrued liabilities at December 31, 2017 and 2016 consist of the following (\$ in thousands):

|                           | <u>2017</u>       | <u>2016</u>       |
|---------------------------|-------------------|-------------------|
| Operating Programs        | \$ 68,838         | \$ 90,651         |
| Wages and payroll taxes   | 45,145            | 44,576            |
| Utilities                 | 34,018            | 32,930            |
| Capital programs          | 124,999           | 95,006            |
| Interest                  | 13,918            | 14,694            |
| Other                     | <u>6,571</u>      | <u>6,280</u>      |
| Total accrued liabilities | <u>\$ 293,489</u> | <u>\$ 284,137</u> |

## 11. POLLUTION REMEDIATION OBLIGATIONS

The Authority accounts for its pollution remediation obligations (“PRO”) in accordance with GASB Statement No. 49 (“GASB 49”) *Accounting and Financial Reporting for Pollution Remediation Obligations*. As a result, the Authority has recorded in the statements of net position a PRO liability in the amount \$21,899,000 and \$24,872,000 as of December 31, 2017 and 2016, respectively. The Authority’s PRO is measured based on the expected costs of future activities, estimating a reasonable range of potential outlays and multiplying these outlays by their probability of occurring. The estimate of the liability does not include cost components that are not yet reasonably measurable.

The Authority has separated its pollution remediation obligations into two groups: fuel storage tanks and oil spills, and lead based paint and asbestos remediation.

## 11. POLLUTION REMEDIATION OBLIGATIONS (continued)

### Fuel Storage Tanks and Oil Spills

On April 6, 2006, the Authority signed a consent order with the New York State Department of Environmental Conservation (“DEC”), at which point the Authority became a potentially responsible party. To comply with this consent order, the Authority is continuing a program started in 1992 to remediate contaminated soil and to replace fuel storage tanks, as required.

As of December 31, 2017 and 2016, the number of open active fuel oil spills on record with DEC was 56 and 80, respectively. The spills are categorized by the Authority as either Class A spills which are pending closure, Class B spills which require further investigation or Class C spills which have been investigated and have a remedial plan in place. The number of open active fuel oil spills is as follows:

| <b>Description of Oil Spills</b>                         | <b>2017</b>      | <b>2016</b>      |
|--|------------------|------------------|
| Pending closure  | 10               | 14               |
| Require further investigation                            | 29               | 34               |
| Have been investigated and have a remedial plan in place | <u>17</u>        | <u>32</u>        |
| <b>Total number of spills on record with the DEC</b>     | <b><u>56</u></b> | <b><u>80</u></b> |

In connection with petroleum bulk storage remediation, the Authority’s liability was \$4,798,000 and \$6,698,000 as of December 31, 2017 and 2016, respectively, as shown below, which represents the remaining estimated cost to close the Class A spills, investigate the Class B spills, and remediate and re-investigate the Class C spills.

### **Liability to Remediate Oil Spills (\$ in thousands)**

| <b>Description of Oil Spills</b>                         | <b>2017</b>            | <b>2016</b>            |
|--|------------------------|------------------------|
| Pending closure  | \$ 43                  | \$ 62                  |
| Require further investigation                            | 1,366                  | 1,596                  |
| Have been investigated and have a remedial plan in place | <u>3,389</u>           | <u>5,040</u>           |
| <b>Total Liability to Remediate Oil Spills</b>           | <b><u>\$ 4,798</u></b> | <b><u>\$ 6,698</u></b> |

The Authority has estimated the remaining cost of outlays and time to remediate the Class C spills based on an evaluation of each oil spill. Using that data, the liability was measured using the expected cash flow technique. The Authority has not recognized any clean-up remediation activity liabilities for Class B spills since those costs are not reasonably estimable. The Authority does not expect any recoveries related to fuel oil spills.

**11. POLLUTION REMEDIATION OBLIGATIONS (continued)**

**Lead Based Paint and Asbestos Remediation**

During the course of building rehabilitation and modernization, the exposure of lead based paint or asbestos presents a threat to the health of residents and workers. Upon commencement of the rehabilitation and modernization projects these hazards are identified and remediated, and the remediation costs are expensed. As of December 31, 2017 and 2016, commitments related to the remediation of lead based paint and asbestos portions of active contracts were \$17,101,000 and \$18,174,000, respectively. A portion of building rehabilitation and modernization outlays are reimbursable from HUD through its Capital Fund Program.

The Authority's total pollution remediation obligations for 2017 and 2016 are summarized as follows (\$ in thousands):

| <b>Description</b>                    | <b>TOTAL</b>            | <b>Oil Spills</b>      | <b>Asbestos<br/>&amp; Lead</b> |
|---------------------------------------|-------------------------|------------------------|--------------------------------|
| <b>Liability at December 31, 2015</b> | <b>\$ 34,800</b>        | <b>\$ 7,255</b>        | <b>\$ 27,545</b>               |
| Current year costs                    | 54,619                  | 2,359                  | 52,260                         |
| Payments made during the year         | <u>(64,547)</u>         | <u>(2,916)</u>         | <u>(61,631)</u>                |
| <b>Liability at December 31, 2016</b> | <b>24,872</b>           | <b>6,698</b>           | <b>18,174</b>                  |
| Current year costs                    | 17,422                  | 901                    | 16,521                         |
| Payments made during the year         | <u>(20,395)</u>         | <u>(2,801)</u>         | <u>(17,594)</u>                |
| <b>Liability at December 31, 2017</b> | <b><u>\$ 21,899</u></b> | <b><u>\$ 4,798</u></b> | <b><u>\$ 17,101</u></b>        |

The above liability is subject to change due to price increases or reductions, changes in technology, or changes in applicable laws or regulations. The Authority classifies the total pollution remediation obligations as of December 31, 2017 and 2016 as follows (\$ in thousands):

| <b>Description</b>                      | <b>2017</b>             | <b>2016</b>             |
|---|-------------------------|-------------------------|
| Current portion                         | \$ 20,101               | \$ 21,174               |
| Long-term portion                       | <u>1,798</u>            | <u>3,698</u>            |
| Total pollution remediation obligations | <b><u>\$ 21,899</u></b> | <b><u>\$ 24,872</u></b> |

## 12. CLAIMS PAYABLE

**General Liability** - The Authority maintains a self-insurance program to provide for all claims arising from injuries to persons other than employees. The Authority has insurance to cover all liabilities in excess of a self-insured retention. From January 1, 2016 through July 31, 2016, the Authority's insurance coverage was \$100,000,000 per occurrence and \$125,000,000 in the aggregate, with a self-insured retention of \$1,000,000 per occurrence. From August 1, 2016 through July 31, 2017, the Authority's insurance coverage was \$100,000,000 per occurrence and \$130,000,000 in the aggregate, with a self-insured retention of \$1,000,000 per occurrence. From August 1, 2017 through December 31, 2017, the Authority's insurance coverage was \$100,000,000 per occurrence and \$130,000,000 in the aggregate with a self-insured retention of \$1,000,000 per occurrence. The self-insured retention for Employee Benefits Liability limit (a component of the General Liability program) is \$500,000 per occurrence. In addition, contractors performing work for the Authority are required to carry liability insurance protecting the contractor and the Authority.

The general liability program is primarily funded based upon an amount which is actuarially determined and charged to individual developments. In addition, a liability is established based upon an estimate of all probable losses, including an estimate of losses incurred but not yet reported. At December 31, 2017 and 2016, the total undiscounted liability for such claims was \$176,265,000 and \$163,678,000, respectively.

At December 31, 2017 and 2016, the liability for these claims was reported at discounted amounts of \$168,226,000 using a discount rate of 1.50 percent and \$157,358,000 using a discount rate of 1.25 percent, respectively. Payments made for claims amounted to \$34,083,000 and \$33,413,000 for the years ended December 31, 2017 and 2016, respectively.

**Workers' Compensation** – The Authority maintains a self-insurance program for workers' compensation claims. The workers' compensation program is primarily funded based upon an amount which is actuarially determined and charged to individual developments. At December 31, 2017 and 2016, the total undiscounted liability for such claims was \$356,645,000 and \$360,773,000, respectively.

At December 31, 2017 and 2016, these amounts were reported at discounted amounts of \$297,444,000 using a discount rate of 2.50 percent and \$307,376,000 using a discount rate of 2.25 percent, respectively. Payments made for claims amounted to \$39,176,000 and \$40,361,000 for the years ended December 31, 2017 and 2016, respectively.

The Authority's total claims payable for 2017 and 2016 are summarized as follows (\$ in thousands):

### Summary of Claims Payable (\$ in thousands)

| Description                               | TOTAL             | General Liability | Workers' Comp.    |
|---|-------------------|-------------------|-------------------|
| <b>Claim Reserve at December 31, 2015</b> | <b>\$ 453,953</b> | <b>\$ 158,203</b> | <b>\$ 295,750</b> |
| Losses incurred during the year           | 84,555            | 32,568            | 51,987            |
| Losses paid during the year               | (73,774)          | (33,413)          | (40,361)          |
| <b>Claim Reserve at December 31, 2016</b> | <b>464,734</b>    | <b>157,358</b>    | <b>307,376</b>    |
| Losses incurred during the year           | 74,195            | 44,951            | 29,244            |
| Losses paid during the year               | (73,259)          | (34,083)          | (39,176)          |
| <b>Claim Reserve at December 31, 2017</b> | <b>\$ 465,670</b> | <b>\$ 168,226</b> | <b>\$ 297,444</b> |

## 12. CLAIMS PAYABLE (continued)

The claim reserves are reported by management at the 75 percent confidence level for 2017 and 2016. The Authority classifies the estimated claims that will be paid out in the next year as a current liability and the balance as a non-current liability, as shown below for the years ended December 31, 2017 and 2016 (\$ in thousands):

| Description  | Total             |                   | General Liability |                   | Workers' Comp.    |                   |
|--------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|
|              | 2017              | 2016              | 2017              | 2016              | 2017              | 2016              |
| Current      | \$ 82,980         | \$ 80,583         | \$ 39,781         | \$ 36,781         | \$ 43,199         | \$ 43,802         |
| Non-current  | 382,690           | 384,151           | 128,445           | 120,577           | 254,245           | 263,574           |
| <b>Total</b> | <b>\$ 465,670</b> | <b>\$ 464,734</b> | <b>\$ 168,226</b> | <b>\$ 157,358</b> | <b>\$ 297,444</b> | <b>\$ 307,376</b> |

## 13. UNEARNED REVENUES AND OTHER CURRENT LIABILITIES

Unearned revenues and other current liabilities at December 31, 2017 and 2016 are comprised of the following (\$ in thousands):

|   | 2017              | 2016              |
|---|-------------------|-------------------|
| FEMA - Superstorm Sandy                               | \$ 297,474        | \$ 111,956        |
| Tenant security deposits                              | 42,462            | 41,826            |
| Dormitory Authority - State of New York               | 28,862            | 42,250            |
| Tenant prepaid rent                                   | 21,457            | 20,280            |
| Development transactions                              | 19,782            | 19,782            |
| Prepaid subsidy                                       | 3,124             | 11,770            |
| Other   | 3,313             | 3,467             |
| Total unearned revenues and other current liabilities | <u>\$ 416,474</u> | <u>\$ 251,331</u> |

## 14. LONG - TERM DEBT

### HDC Loans

On September 10, 2013, the Authority entered into a Loan Agreement with New York City Housing Development Corporation (“HDC”), borrowing approximately \$701 million of bond proceeds issued under the Capital Fund Grant Revenue Bond Program at a weighted average interest rate of 4.8%. The face amount of the bonds consisted of \$185,785,000 of Series 2013 A bonds (“Series A bonds”) and \$470,300,000 of Series 2013 B (“Series B bonds”). The Series B bonds had two sub-series: Series 2013 B-1 \$348,130,000 and Series 2013 B-2 \$122,170,000. The bond premiums were \$15,020,118 and \$29,695,129 on the Series A bonds and Series B bonds, respectively. The proceeds of the face amount of these bonds were loaned to the Authority by HDC.



## 14. LONG-TERM DEBT

### HDC Loans (continued)

The Series 2013 A bonds proceeds were issued at a weighted average rate of 4.4% and were used together with other available funds from the prior Series 2005 A bond issuance as an advance refund of the remaining balance of the pre-existing Series 2005 A bonds and to defease the existing debt. The bond proceeds of the new Series 2013 A bonds were deposited in an irrevocable trust with an escrow agent to provide for all remaining debt service payments on the Series 2005 A bonds. The 2005 A bonds were fully paid in July 2005. The advance refunding resulted in a difference between the reacquisition price and the net carrying amount of the old debt of \$10,388,000. This difference, a deferred amount on refunding, is being amortized through the year 2025 using the effective-interest method. The Authority completed the advance refunding to reduce total debt service payments over 11 years by \$7.0 million and to obtain an economic gain of \$2.9 million.

The Series 2013 B bond proceeds were issued with a weighted average rate of 5.0% to fund acquisition, construction or rehabilitation, and to make capital improvement at 34 Authority developments. Capital improvements primarily include “building envelope” work on roofs, brickwork, and windows, etc. The proceeds of these bonds that have been loaned to the Authority by HDC were placed in escrow accounts with the Trustee banks. The capital improvements for this program was completed and on June 7, 2017, the Authority made its final draw of the loan proceeds.

### Certificates of Indebtedness

The State of New York has loaned the Authority funds to finance the construction of State-aided developments from proceeds of State Housing Bonds. The Authority has acknowledged its indebtedness for such loans by issuance of Certificates of Indebtedness. Debt service payments are made from funds provided by the State of New York.

### Mortgage Loans

As part of the Authority’s March 16, 2010 mixed-finance transaction (see Note 22), HDC issued bonds totaling \$477,455,000. The bonds issued by HDC were comprised of seven different series as follows: \$23,590,000 2009 Series L-1, \$68,000,000 2009 Series L-2, \$150,000,000 2010 Series B (Bridge Bonds), \$140,000,000 2011 Series A (Bridge Bonds), \$25,325,000 2010 Series A-1, \$3,000,000 2010 Series A-2 (Fixed-Rate Taxable Bonds), and \$67,540,000 2012 Series A (Index Floating Rate).

The bond proceeds were used to provide financing in the form of mortgage loans to LLC I and LLC II. Of the seven different series of bonds issued as part of the mixed-finance transaction, four series were paid in full in 2013, and three series were outstanding as of December 31, 2017. Specifically, 2009 Series L-2, 2010 Series B, 2011 Series A, and 2012 Series A were paid in full, while the three outstanding are 2009 Series L-1, 2010 Series A-1, and 2010 Series A-2. In September 2013, the three remaining loans were converted from construction to permanent loans, with principal and interest payable monthly.

## 14. LONG-TERM DEBT

### *Mortgage Loans (continued)*

For LLC I, the proceeds from the mortgage issued in connection with the \$23,590,000 2009 Series L-1 Bonds were used to finance the acquisition of the developments. These mortgage loans are secured by the net operating income of the respective development's Section 8 rental revenue.

The LLC II financing structure for rehabilitation provided private activity bond proceeds from a long-term bond issue of \$25,325,000 2010 Series A-1 Bonds. Similarly, acquisition funds were provided from the proceeds of the \$3,000,000 2010 Series A-2 Bonds. These mortgage loans are secured by the net operating income of the respective development's Section 8 rental revenue.

### *2013 Equipment Lease/Purchase Agreement*

In January 2013, the Authority entered into a 13-year Equipment Lease/Purchase Agreement with Banc of America Public Capital Corp ("BAPCC") in the amount of \$18,046,000 to finance an Energy Performance Contract ("EPC"). This financing agreement and EPC have enabled the Authority to upgrade boilers, instantaneous water heaters, apartment temperature sensors, and upgrade computerized heating automated systems at six developments, and upgrade apartment convectors at one of these six developments. The Equipment Lease/Purchase Agreement with BAPCC will mature in 2026. This EPC plan provides HUD-sponsored EPC funding for projects at these six developments, which were previously earmarked to be funded with Federal Capital subsidies, thereby enabling the Authority to use its Federal Capital funds for other critical capital improvements pursuant to the Authority's Five-Year Capital Plan.

### *2016 Equipment Lease/Purchase Agreement*

In December 2016, the Authority entered into a 20-year Equipment Lease/Purchase Agreement with Banc of America Public Capital Corp ("BAPCC") in the amount of \$51,548,000 to finance an Energy Performance Contract ("EPC"). This financing agreement and EPC will enable the Authority to upgrade common area and apartment lighting at sixteen (16) developments and to replace a boiler plant and upgrade a comprehensive heating system at one development. The Equipment Lease/Purchase Agreement with BAPCC will mature in June 2036. This EPC plan provides HUD-sponsored EPC funding at these sixteen developments, thereby enabling the Authority to use its Federal Capital funds for other capital improvements pursuant to the Authority's Five-Year Capital Plan.

#### **14. LONG - TERM DEBT (continued)**

##### **2016 Unsecured Line of Credit / Loan Agreement**

In December 2016, the Authority entered into a Loan Agreement with the NY Green Bank, a division of New York State Energy Research and Development Authority, providing the Authority with an \$11 million unsecured line of credit. The term of the loan was 12 months, with cumulative draws totaling approximately \$11 million, exclusive of interest and fees. The proceeds of this loan were used to partially finance energy efficiency upgrades at twenty-three (23) developments associated with a HUD approved EPC. This financing agreement enabled the Authority to complete lighting installations that reduce the Authority's electricity demand in the Brooklyn and Queens boroughs of New York. The installation and other associated work enabled the Authority to receive incentive funds from Con Edison in an amount ranging from \$5.5 million up to \$8 million in an ongoing ConEd demand reduction program. This loan was paid off prior to maturity in December 2017.

##### **2017 Equipment Lease/Purchase Agreement for Sandy-A**

In December 2017, the Authority entered into a 20-year Equipment Lease/Purchase Agreement with Banc of America Public Capital Corp ("BAPCC") in the amount of \$43,000,000 to finance an Energy Performance Contract ("EPC"). This financing agreement and EPC will enable the Authority to upgrade common area and apartment lighting at eighteen (18) developments, heating controls at 17 developments and ventilation repairs at 9 developments. The Equipment Lease/Purchase Agreement with BAPCC will mature in December 2037. This EPC plan provides HUD-sponsored EPC funding at these 18 developments, thereby enabling the Authority to use its Federal Capital funds for other capital improvements pursuant to the Authority's Five-Year Capital Plan.

##### **2017 Equipment Lease/Purchase Agreement for Brooklyn Queens Demand Management ("BQDM")**

In December 2017, the Authority entered into a 20-year Equipment Lease/Purchase Agreement with Banc of America Public Capital Corp ("BAPCC") in the amount of \$60,133,000 to finance an Energy Performance Contract ("EPC"). This financing agreement and EPC will enable the Authority to upgrade common area and apartment lighting, and apartment heating controls at twenty-three (23) developments. The Equipment Lease/Purchase Agreement with BAPCC will mature in December 2037. This EPC plan provides HUD-sponsored EPC funding at these developments, thereby enabling the Authority to use its Federal Capital funds for other capital improvements pursuant to the Authority's Five-Year Capital Plan.

## 14. LONG TERM DEBT (continued)

The tables that follow provide information about the change in long term debt over the past two years for the Authority and its blended component units (\$ in thousands):

| Description of Long Term Debt   | Jan. 1, 2017      | Proceeds          | Payments &<br>Amortization | Dec. 31, 2017     | Due Within<br>One Year |
|---|-------------------|-------------------|----------------------------|-------------------|------------------------|
| <b>Bonds:</b>   |                   |                   |                            |                   |                        |
| State Guaranteed Certificates of Indebtedness Outstanding (State Program) three issues remaining bearing interest of 3.5% to 3.75% per annum maturing annually through July 2024.                                     | \$ 10,789         | -                 | \$ (2,225)                 | \$ 8,564          | \$ 1,462               |
| State Guaranteed Certificates of Indebtedness Outstanding (incorporated into the Federal Housing Program), three issues remaining bearing interest of 3.5% to 4.75% per annum, maturing annually through July 2024.   | 1,642             | -                 | (243)                      | 1,399             | 244                    |
| <b>Loans Funded by:</b>   |                   |                   |                            |                   |                        |
| HDC Capital Fund Program Revenue Bonds, Series 2013 A (\$185,785,000);<br>Loan Agreement with an interest rate of 3.0% to 5.0% per annum,<br>maturing annually through July 2025.                                     | 150,555           | -                 | (13,740)                   | 136,815           | 14,415                 |
| HDC Capital Fund Program Revenue Bonds, Series 2013 B-1 (\$348,130,000);<br>Loan Agreement with an interest rate of 5.0% to 5.25% per annum,<br>maturing annually through July 2033.                                  | 310,160           | -                 | (16,625)                   | 293,535           | 17,465                 |
| HDC Capital Fund Program Revenue Bonds, Series 2013 B-2 (\$122,170,000);<br>Loan Agreement with an interest rate of 5.0% to 5.25% per annum,<br>maturing annually through July 2032.                                  | 122,170           | -                 | -                          | 122,170           | -                      |
| Loan Payable - 2013 Equipment Lease/Purchase Agreement;<br>with BAPCC for Energy Performance Contract (\$18,045,580)<br>at an interest rate of 1.98% per annum, maturing January 19, 2026.                            | 15,140            | -                 | (1,328)                    | 13,812            | 1,392                  |
| Loan Payable - 2016 Equipment Lease/Purchase Agreement;<br>with BAPCC for Energy Performance Contract (\$51,548,356)<br>at an interest rate of 3.27% per annum, maturing June 28, 2036.                               | 51,548            | 1,699             | -                          | 53,247            | 730                    |
| Loan Payable - 2016 Multi-draw term loan facility;<br>with NY Green Bank (\$11,000,000) at rate of 3.5% per annum on the used portion<br>and at 0.50% per annum on the unused portion, paid off on December 18, 2017. | 94                | 10,906            | (11,000)                   | -                 | -                      |
| Loan Payable - 2017 Equipment Lease/Purchase Agreement; (BQDM);<br>with BAPCC for Energy Performance Contract (\$60,132,977.75)<br>at an interest rate of 3.6178% per annum, maturing December 15, 2037.              | -                 | 60,133            | -                          | 60,133            | -                      |
| Loan Payable - 2017 Equipment Lease/Purchase Agreement; (SANDY A);<br>with BAPCC for Energy Performance Contract (\$43,000,000)<br>at an interest rate of 3.6178% per annum, maturing December 22, 2037.              | -                 | 43,000            | -                          | 43,000            | -                      |
| HDC 2009 Series L-1 Bonds (\$23,590,000);<br>Permanent Mortgage Loan at an interest rate of 6.3% per annum,<br>maturing November 2043; secured by mortgage.   | 22,634            | -                 | (336)                      | 22,298            | 358                    |
| HDC 2010 Series A-1 Bonds (\$25,325,000);<br>Permanent Mortgage Loan at an interest rate of 5.1% per annum,<br>maturing November 2041; secured by mortgage.   | 23,883            | -                 | (494)                      | 23,389            | 520                    |
| HDC 2010 Series A-2 Bonds (\$3,000,000);<br>Permanent Mortgage Loan at an interest rate of 5.1% per annum,<br>maturing May 2041; secured by mortgage.   | 2,829             | -                 | (59)                       | 2,770             | 61                     |
| <b>Long Term Debt (before Premium)</b>  | <b>711,444</b>    | <b>115,738</b>    | <b>(46,050)</b>            | <b>781,132</b>    | <b>36,647</b>          |
| Add Premium on HDC Revenue Bond Loan Agreements   | 23,898            | -                 | (4,863)                    | 19,035            | -                      |
| <b>TOTAL LONG TERM DEBT</b>   | <b>\$ 735,342</b> | <b>\$ 115,738</b> | <b>\$ (50,913)</b>         | <b>\$ 800,167</b> | <b>\$ 36,647</b>       |

## 14. LONG TERM DEBT (continued)

| Description of Long Term Debt   | Jan. 1, 2016      | Proceeds         | Payments &<br>Amortization | Dec. 31, 2016     | Due Within<br>One Year |
|---|-------------------|------------------|----------------------------|-------------------|------------------------|
| <b>Bonds:</b>   |                   |                  |                            |                   |                        |
| State Guaranteed Certificates of Indebtedness Outstanding (State Program) four issues remaining bearing interest of 3.5% to 3.875% per annum maturing annually through July 2024.                                   | \$ 13,014         | \$ -             | \$ (2,225)                 | \$ 10,789         | \$ 2,225               |
| State Guaranteed Certificates of Indebtedness Outstanding (incorporated into the Federal Housing Program), three issues remaining bearing interest of 3.5% to 4.75% per annum, maturing annually through July 2024. | 1,886             | -                | (244)                      | 1,642             | 244                    |
| <b>Loans Funded by:</b>   |                   |                  |                            |                   |                        |
| HDC Capital Fund Program Revenue Bonds, Series 2013 A (\$185,785,000);<br>Loan Agreement with an interest rate of 3.0% to 5.0% per annum, maturing annually through July 2025.                                      | 163,790           | -                | (13,235)                   | 150,555           | 13,740                 |
| HDC Capital Fund Program Revenue Bonds, Series 2013 B-1 (\$348,130,000);<br>Loan Agreement with an interest rate of 5.0% to 5.25% per annum, maturing annually through July 2033.                                   | 325,985           | -                | (15,825)                   | 310,160           | 16,625                 |
| HDC Capital Fund Program Revenue Bonds, Series 2013 B-2 (\$122,170,000);<br>Loan Agreement with an interest rate of 5.0% to 5.25% per annum, maturing annually through July 2032.                                   | 122,170           | -                | -                          | 122,170           | -                      |
| Loan Payable - 2013 Equipment Lease/Purchase Agreement;<br>with BAPCC for Energy Performance Contract (\$18,045,580)<br>at an interest rate of 1.98% per annum, maturing January 19, 2026.                          | 16,408            | -                | (1,268)                    | 15,140            | 1,329                  |
| Loan Payable - 2016 Equipment Lease/Purchase Agreement;<br>with BAPCC for Energy Performance Contract (\$51,548,356)<br>at an interest rate of 3.27% per annum, maturing June 28, 2036.                             | -                 | 51,548           | -                          | 51,548            | -                      |
| Loan Payable - 2016 multi-draw term loan facility;<br>with NY Green Bank (\$11,000,000) at rate of 3.5% per annum on the used portion<br>and at 0.50% per annum on the unused portion, maturing December 31, 2017.  | -                 | 94               | -                          | 94                | 94                     |
| HDC 2009 Series L-1 Bonds (\$23,590,000);<br>Permanent Mortgage Loan at an interest rate of 6.3% per annum,<br>maturing November 2043; secured by mortgage.   | 22,949            | -                | (315)                      | 22,634            | 336                    |
| HDC 2010 Series A-1 Bonds (\$25,325,000);<br>Permanent Mortgage Loan at an interest rate of 5.1% per annum,<br>maturing November 2041; secured by mortgage.   | 24,352            | -                | (469)                      | 23,883            | 494                    |
| HDC 2010 Series A-2 Bonds (\$3,000,000);<br>Permanent Mortgage Loan at an interest rate of 5.1% per annum,<br>maturing May 2041; secured by mortgage.   | 2,885             | -                | (56)                       | 2,829             | 58                     |
| <b>Long Term Debt (before Premium)</b>  | <b>693,439</b>    | <b>51,642</b>    | <b>(33,637)</b>            | <b>711,444</b>    | <b>35,145</b>          |
| Add Premium on HDC Revenue Bond Loan Agreements   | 29,603            | -                | (5,705)                    | 23,898            | -                      |
| <b>TOTAL LONG TERM DEBT</b>   | <b>\$ 723,042</b> | <b>\$ 51,642</b> | <b>\$ (39,342)</b>         | <b>\$ 735,342</b> | <b>\$ 35,145</b>       |

#### 14. LONG TERM DEBT (continued)

##### Pledged Revenue

**CFFP Series 2013A & B Bonds** - As security for the Series 2013 A, B-1, and B-2 CFFP Bonds which were issued by HDC, the Authority pledged future HUD Capital Fund Program grant revenue to service the bond debt (thereby satisfying the Authority's loans payable to HDC). With HUD's approval, the Authority pledged as sole security for the bonds, a portion of its annual appropriation from HUD. The bonds are payable with pledged revenue through 2033. The Authority has committed to appropriate capital contributions of the Capital Fund Program in amounts sufficient to cover the scheduled principal and interest requirements of the debt. Total principal and interest paid for 2017 and 2016, by the Authority was \$59,529,000 and \$59,517,000, respectively. As of December 31, 2017, total principal and interest remaining on the combined debt for Series 2013 A, B-1, and B-2 are \$552,520,000 and \$234,233,000, respectively, with annual debt service ranging from \$59,544,000 in the coming year 2018 to \$38,792,000 in the final year 2033.

**2013 Equipment Lease/Purchase Agreement** - As security for the Equipment Lease/Purchase Agreement with Banc of America Public Capital Corp, the Authority pledged HUD Operating Subsidy revenue to service the loan debt. With HUD's approval, the Authority pledged as security, a portion of its annual appropriation from HUD that consists of HUD Financial Incentive Payments. The loan is payable with pledged revenue through 2026. The Authority has committed to appropriate HUD Operating Subsidy revenue in amounts sufficient to cover the scheduled principal and interest requirements of the debt. Total principal and interest paid for 2017 and 2016, by the Authority was \$1,622,000 and \$1,586,000 respectively. As of December 31, 2017, total principal and interest remaining on the Equipment Lease/Purchase Agreement are \$13,812,000 and \$1,285,000, with annual debt service ranging from \$1,659,000 in the coming year 2018 to \$853,000 in the final year 2026.

**2016 Equipment Lease/Purchase Agreement** - As security for the Equipment Lease/Purchase Agreement with Banc of America Public Capital Corp, the Authority pledged HUD Operating Subsidy revenue to service the loan debt. With HUD's approval, the Authority pledged as security, a portion of its annual appropriation from HUD that consists of HUD Financial Incentive Payments. The loan is payable with pledged revenue through 2036. The Authority has committed to appropriate HUD Operating Subsidy revenue in amounts sufficient to cover the scheduled principal and interest requirements of the debt. As of December 31, 2017, total principal and interest remaining on the Equipment Lease/Purchase Agreement are \$53,248,000 and \$20,193,000, with annual debt service payments ranging from \$1,614,000 in the coming year 2018 to \$2,439,000 in the final year 2036. During the construction period and prior to beginning debt service payments, the amortized interest will be capitalized. In 2017, the Authority capitalized \$1,699,000 in interest on this loan.

#### 14. LONG-TERM DEBT (continued)

**2017 Equipment Lease/Purchase Agreement for Sandy A** - As security for the Equipment Lease/Purchase Agreement with Banc of America Public Capital Corp, the Authority pledged HUD Operating Subsidy revenue to service the loan debt. With HUD's approval, the Authority pledged as security, a portion of its annual appropriation from HUD that consists of HUD Financial Incentive Payments. The loan is payable with pledged revenue through 2037. The Authority has committed to appropriate HUD Operating Subsidy revenue in amounts sufficient to cover the scheduled principal and interest requirements of the debt. As of December 31, 2017, total principal and interest remaining on the Equipment Lease/Purchase Agreement are \$43,000,000 and \$21,603,000, with no annual debt service payments due during the coming year 2018 to \$4,271,000 in the final year 2037. Debt service payments will begin in June 2020. During the construction period and prior to beginning debt service payments, the amortized interest will be capitalized.

**2017 Equipment Lease/Purchase Agreement for BQDM** - As security for the Equipment Lease/Purchase Agreement with Banc of America Public Capital Corp, the Authority pledged HUD Operating Subsidy revenue to service the loan debt. With HUD's approval, the Authority pledged as security, a portion of its annual appropriation from HUD that consists of HUD Financial Incentive Payments. The loan is payable with pledged revenue through 2037. The Authority has committed to appropriate HUD Operating Subsidy revenue in amounts sufficient to cover the scheduled principal and interest requirements of the debt. As of December 31, 2017, total principal and interest remaining on the Equipment Lease/Purchase Agreement are \$60,133,000 and \$30,063,000, with no annual debt service payments due during the coming year 2018 to \$5,640,000 in the final year 2037. Debt service payments will begin in June 2020. During the construction period and prior to beginning debt service payments, the amortized interest will be capitalized.

#### Combined Debt of the Authority

Future principal and interest payments of all the Authority's outstanding long-term debt (excluding amortized bond premium) at December 31, 2017 are payable as follows (\$ in thousands):

|                         | <u>Years</u> | <u>Principal</u>  | <u>Interest</u>   | <u>Total</u>        |
|-------------------------|--------------|-------------------|-------------------|---------------------|
| Current portion         | 2018         | \$ 36,647         | \$ 36,449         | \$ 73,096           |
| Long-term portion:      |              |                   |                   |                     |
|                         | 2019         | 30,667            | 34,885            | 65,552              |
|                         | 2020         | 44,251            | 33,115            | 77,366              |
|                         | 2021         | 46,674            | 31,066            | 77,740              |
|                         | 2022         | 49,036            | 28,943            | 77,979              |
|                         | 2023-2027    | 231,784           | 110,028           | 341,812             |
|                         | 2028-2032    | 218,226           | 59,796            | 278,022             |
|                         | 2033-2037    | 108,934           | 13,589            | 122,523             |
|                         | 2038-2042    | 13,633            | 2,261             | 15,894              |
|                         | 2043         | 1,280             | 34                | 1,314               |
| Total long-term portion |              | <u>744,485</u>    | <u>313,717</u>    | <u>1,058,202</u>    |
| Total payments          |              | <u>\$ 781,132</u> | <u>\$ 350,166</u> | <u>\$ 1,131,298</u> |

Interest rates on outstanding debt range from 1.98 percent to 6.30 percent. During 2017 and 2016, principal repayments totaled \$46,050,000 and \$33,637,000, respectively.

## 15. ACCRUED LEAVE TIME

Accumulated unpaid leave time is accrued at estimated amounts of future benefits attributable to services already rendered. The liability for compensated absences is calculated for all active employees and is based upon the leave time policy of the Authority, of which two of the major policy factors are retirement eligibility requirements and days eligible for payment.

The liability is comprised of three components: (1) liability for unused leave time (days and hours), (2) liability for bonus retirement leave for employees currently eligible to retire, and (3) liability for bonus retirement leave for employees not currently eligible to retire.

The liability for those employees who are retirement eligible is classified as a current liability, while the liability of those employees not currently eligible to retire is classified as a long-term liability.

The changes in accrued leave time for the years ending December 31, 2017 and 2016 are as follows:

### Summary of Accrued Leave Time (\$ in thousands)

| Description of Liability    | Dec. 31, 2015     | Increases        | Decreases          | Dec. 31, 2016     | Increases        | Decreases          | Dec. 31, 2017     |
|-----------------------------|-------------------|------------------|--------------------|-------------------|------------------|--------------------|-------------------|
| Unused leave time           | \$ 95,012         | \$ 12,614        | \$ (11,421)        | \$ 96,205         | \$ 10,445        | \$ (13,478)        | \$ 93,172         |
| <b>Bonus:</b>               |                   |                  |                    |                   |                  |                    |                   |
| Retirement eligible         | 34,134            | 6,227            | (5,555)            | 34,806            | 7,062            | (5,845)            | 36,023            |
| Not retirement eligible     | 46,162            | 6,494            | (6,070)            | 46,586            | 5,610            | (6,851)            | 45,345            |
| Total Bonus                 | 80,296            | 12,721           | (11,625)           | 81,392            | 12,672           | (12,696)           | 81,368            |
| Subtotal                    | 175,308           | 25,335           | (23,046)           | 177,597           | 23,117           | (26,174)           | 174,540           |
| Employer FICA               | 13,367            | 1,859            | (1,763)            | 13,463            | 1,891            | (2,002)            | 13,352            |
| <b>Leave Time Liability</b> | <b>\$ 188,675</b> | <b>\$ 27,194</b> | <b>\$ (24,809)</b> | <b>\$ 191,060</b> | <b>\$ 25,008</b> | <b>\$ (28,176)</b> | <b>\$ 187,892</b> |

The current and long-term portions of leave time liability as of December 31, 2017 and 2016 are as follows (\$ in thousands):

| Description of Liability        | 2017              | 2016              |
|---------------------------------|-------------------|-------------------|
| Current portion                 | \$ 75,770         | \$ 73,962         |
| Long-term portion               | 112,122           | 117,098           |
| <b>Total accrued leave time</b> | <b>\$ 187,892</b> | <b>\$ 191,060</b> |

## 16. EMPLOYEE BENEFITS

### Deferred Compensation Plan

The Authority does not have its own Deferred Compensation Plan. The Authority's employees participate in The City of New York Deferred Compensation Plan, which offers a 457 Plan, a 401(k) Plan, and a Roth 401(k) Plan, through payroll deductions. Employees may choose to make pre-tax contributions and/or Roth (after-tax) contributions in the 457 Plan. The plan allows employees to save regularly, in certain cases, with before-tax dollars while deferring federal, state and local income taxes. The pre-tax contributions will remain tax deferred until withdrawn through plan benefit payments.



## **Pension Plan**

The Authority follows the provisions of GASB Statement No. 68 *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27*. This Statement establishes financial reporting standards for state and local governments for pensions (see Note 1).

**Plan Description.** Authority employees are members of the New York City Employees' Retirement System, a multiple employer, cost-sharing, public employee retirement system. NYCERS provides retirement, as well as death and disability benefits. The NYCERS plan combines the features of a defined benefit pension plan with those of a defined contribution pension plan, but is considered a defined benefit plan for financial reporting purposes. NYCERS administers the New York City Employees Retirement System qualified pension plan.

NYCERS issues a stand-alone financial report, which is included in The City of New York Comprehensive Annual Financial Report as a pension trust fund. This financial report may be obtained from the New York City Employees' Retirement System, 335 Adams Street, Suite 2300, Brooklyn, N.Y. 11201-3724, or from the website of NYCERS at <http://nycers.org>.

All persons holding permanent civil service positions in the competitive or labor class are required to become members of the system six months after their date of appointment, but may voluntarily elect to join the system prior to their mandated membership date. All other eligible employees have the option of joining the system upon appointment or anytime thereafter.

Tier 1 - All members who joined prior to July 1, 1973.

Tier 2 - All members who joined on or after July 1, 1973 and before July 27, 1976.

Tier 3 - Only certain members who joined on or after July 27, 1976 and prior to April 1, 2012.

Tier 4 - All members (with certain member exceptions) who joined on or after July 27, 1976 but prior to April 1, 2012. Members who joined on or after July 27, 1976 but prior to September 1, 1983 retain all rights and benefits of Tier 3 membership.

Tier 6 – Members who joined on or after April 1, 2012.

The 63/10 Retirement Plan (“Tier 6 Basic Plan”), changed the vesting period from five years of credited service to ten years of credited service.

NYCERS provides three main types of retirement benefits: Service Retirements, Ordinary Disability Retirements, which are non-job-related disabilities, and Accident Disability Retirements, which are job-related disabilities, to participants generally based on salary, length of service, and member Tiers. The Service Retirement benefits provided to Tier 1 participants fall into four categories according to the level of benefits provided and the years of service required. Three of the four categories provide annual benefits of 50% to 55% of final salary after 20 or 25 years of service, with additional benefits equal to a specified percentage per year of service, currently 1.2% to 1.7%, of final salary. The fourth category has no minimum service requirement and instead provides an annual benefit for each year of service equal to a specified percentage, currently 0.7% to 1.53%, of final salary.

**Pension Plan (continued)**

**Funding Policy.** Benefit and contribution provisions, which are contingent upon the time at which the employee last entered qualifying service, salary, and length of credited service, are established by State law and may be amended only by the State Legislature. The plan has contributory and non-contributory requirements, with retirement age of 55 or older depending upon when an employee last entered qualifying service, except for employees in physically taxing titles and those who can retire at age 50 with proper service.

Employees entering qualifying service on or before June 30, 1976 are enrolled in a non-contributory plan. Employees entering qualifying service after June 30, 1976, but before June 29, 1995, are enrolled in a plan which required a 3 percent contribution of their salary. This 3 percent required contribution was eliminated for employees who reached 10 years of service, effective October 1, 2000. Employees entering qualifying service after June 28, 1995 are enrolled in a plan which requires a 4.85 percent contribution of their salary, or a 6.83 percent contribution for physically taxing positions.

Under the Tier 6 Basic Plan, employees who joined NYCERS between April 1, 2012 and March 31, 2013 are required to contribute 3 percent of gross wages. On April 1, 2013 a new contribution structure took effect which ranges from 3 percent to 6 percent dependent upon annual wages earned during the “plan year”. The Authority’s contributions for the years ended December 31, 2017 and 2016 were \$165,240,117 and \$174,206,763 respectively. The Authority’s contractually required contributions for the years ended December 31, 2017 and 2016 as a percentage of covered payroll were 21.99% and 22.86%, respectively.

**Pension Plan (continued)**

**Net Pension Liability.** As of December 31, 2017 and 2016, the Authority reported a liability of \$1,032,725,000 and \$1,214,112,000, respectively, for its proportionate share of NYCERS's net pension liability, as calculated by the New York City Office of the Actuary. The net pension liability was measured as of June 30, 2017 and June 30, 2016 and the total pension liability used to calculate the net pension liability was determined by actuarial valuations as of June 30, 2015 and June 30, 2014, respectively. The Authority's proportion of the net pension liability was based on a projection of the Authority's long-term share of contributions to the pension plan relative to the projected contributions of all participating employers, actuarially determined. At June 30, 2017 and 2016 the Authority's proportion of net pension liability was 4.973% and 4.997%, respectively. For the years ended December 31, 2017 and 2016, the Authority recognized pension expense of \$126,621,000 and \$154,387,000, respectively. At December 31, 2017 and 2016, the Authority reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources (\$ in thousands):

| <b>Deferred Outflows<br/>of Resources - 2017</b>   |                          | <b>Deferred Inflows<br/>of Resources - 2017</b>  |                         |
|--|--------------------------|--|-------------------------|
| Change of assumptions  | \$ 50,908                | Difference between expected and actual experience  | \$ 27,555               |
| Changes in proportion and differences between contributions subsequent to the measurement date | 1,299                    | Net difference between projected and actual earnings on pension plan investments               | 42,197                  |
| Total contributions subsequent to the measurement date   | <u>82,494</u>            | Changes in proportion and differences between contributions subsequent to the measurement date | <u>10,941</u>           |
| <b>Total</b>   | <b><u>\$ 134,701</u></b> |  | <b><u>\$ 80,693</u></b> |

| <b>Deferred Outflows<br/>of Resources - 2016</b>   |                          | <b>Deferred Inflows<br/>of Resources - 2016</b>  |                         |
|--|--------------------------|--|-------------------------|
| Net difference between projected and actual earnings on pension plan investments               | \$ 65,678                | Difference between expected and actual experience  | \$ 34,462               |
| Change of assumptions  | 89,616                   |  |                         |
| Changes in proportion and differences between contributions subsequent to the measurement date | 4,809                    |  |                         |
| Total contributions subsequent to the measurement date   | <u>82,746</u>            | Changes in proportion and differences between contributions subsequent to the measurement date | <u>11,611</u>           |
| <b>Total</b>   | <b><u>\$ 242,849</u></b> |  | <b><u>\$ 46,073</u></b> |

**Pension Plan (continued)**

Deferred outflows of resources related to pensions resulting from Authority contributions subsequent to the measurement date of \$82,494,000 will be recognized as a reduction of the net pension liability in the year ended December 31, 2018. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows (\$ in thousands):

| Year         | Total              |
|--------------|--------------------|
| 2018         | \$ (10,232)        |
| 2019         | 25,383             |
| 2020         | (7,679)            |
| 2021         | (34,126)           |
| 2022         | (1,832)            |
| <b>Total</b> | <b>\$ (28,486)</b> |

**Actuarial Methods and Assumptions.** The total pension liability in the June 30, 2015 and June 30, 2014 actuarial valuations used, respectively, by the Authority in 2017 and in 2016 were both determined using the following actuarial assumptions, applied to all periods included in the measurement:

|                            |   |
|----------------------------|---|
| Investment Rate of Return  | 7% per annum, net of investment expenses  |
| Salary Increases           | 3.0% per annum general, merit and promotion increases plus assumed general wage increases |
| Cost of Living Adjustments | 1.5% and 2.5% per annum for certain tiers   |

In October 2015 the independent actuarial auditor, Gabriel, Roeder, Smith & Company (“GRS”), issued a report on their NYC Charter-mandated actuarial experience studies for the four-year and ten-year periods ended June 30, 2013 (the GRS Report).

Based, in part on the GRS Report, on published studies of mortality improvement, and on input from the City’s outside consultants, the Actuary proposed, and the Boards of Trustees of the NYCERS adopted, new post-retirement mortality tables for use in determining employer contributions beginning in Fiscal Year 2016. The new tables of post-retirement mortality are based primarily on the experience of the NYCERS (the Base Tables) and the application of Mortality Improvement Scale MP-2015, published by the Society of Actuaries in October 2015 (the Valuation Tables). Scale MP-2015 replaced Mortality Improvement Scale AA.

In addition, beginning in Fiscal Year 2016, the Actuary revised the Actuarial Asset Valuation Method to constrain the Actuarial Asset Value to be within a 20% corridor of the Market Value of Assets.

Pursuant to Section 96 of the New York City Charter, studies of the actuarial assumptions used to value liabilities of the five actuarially-funded New York City Retirement Systems (“NYCRS”) are conducted every two years.

**Pension Plan (continued)**

**Expected Rate of Return on Investments.** The long-term expected rate of return on pension plan investments was determined using a building block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighing the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

| Asset Class                             | Target Asset Allocation | Long-Term Expected Real Rates of Return |
|---|-------------------------|---|
| U.S. Public Market Equities             | 29.00%                  | 5.70%                                   |
| International Public Market Equities    | 13.00%                  | 6.10%                                   |
| Emerging Public Market Equities         | 7.00%                   | 7.60%                                   |
| Private Market Equities                 | 7.00%                   | 8.10%                                   |
| Fixed Income                            | 33.00%                  | 3.00%                                   |
| Alternatives (Real Assets, Hedge Funds) | 11.00%                  | 4.70%                                   |
| Total                                   | <u>100.00%</u>          |   |

The City has determined its long-term expected rate of return on investments to be 7%. This is based upon an expected real rate of return ranging from 5.0% to 5.2% and a long-term Consumer Price Inflation assumption of 2.5% per year, which is reduced by investment related expenses.

**Discount Rate.** The discount rate used to measure the total pension liability was 7% as of June 30, 2017 and June 30, 2016. The projection of cash flows used to determine the discount rate assumed that employer contributions will be made based on rates determined by the Actuary. Based on those assumptions, the NYCERS fiduciary net position was projected to be available to make all projected future benefit payments of current active and non-active NYCERS members. Therefore, the long-term expected rate of return on NYCERS investments was applied to all periods of projected payments to determine the total pension liability.

The following presents the Authority's proportionate share of the net pension liability as of December 31, 2017 and 2016, calculated using the discount rate of 7%, as well as what the Authority's proportionate share of the net pension liability would be if it were calculated using a discount rate that is one-percentage point lower (6%) or one-percentage point higher (8%) than the current rate (\$ in thousands):

| NYCHA's proportionate share of the net pension liability | 1% decrease (6%) | Discount rate (7%) | 1% increase (8%) |
|--|------------------|--------------------|------------------|
| 2017   | \$ 1,492,550     | \$ 1,032,725       | \$ 628,766       |
| 2016   | \$ 1,664,672     | \$ 1,214,112       | \$ 836,741       |

The fiduciary net position and additions to and deductions from the fiduciary net position have been determined on the same basis as reported by NYCERS. For this purpose, benefits and refunds are recognized when due and payable in accordance with the terms of the Plan; investments are reported at fair value.

**Other Postemployment Benefits**

The Authority follows the provisions of GASB Statement No. 75 (“GASB 75”), *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, which was implemented in 2017 (see Note 2). GASB 75 replaces the requirements of Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, as amended, and No. 57, *OPEB Measurements by Agent Employers and Agent Multiple-Employee Plans*.

**Plan Description.** The Authority is a component unit of The City and a member of the New York City Health Benefits Program. The New York City Health Benefits Program (the “Plan”), administered by the City of New York, is a single-employer defined benefit healthcare plan which provides OPEB to eligible retirees and beneficiaries. Retirees are eligible to participate if they have at least 10 years of credited service as a member of the NYCERS (5 years of credited service if employed on or before December 31, 2001), 15 years of service if a member of TRS or BERS, or receives a pension check from NYCERS. OPEB includes health insurance, Medicare Part B reimbursements, and welfare fund contributions.

**Funding Policy.** The Administrative Code of The City of New York (“ACNY”) defines OPEB to include Health Insurance and Medicare Part B reimbursements; Welfare Benefits stem from the Authority’s many collective bargaining agreements. The Authority is not required by law or contractual agreement to provide funding for OPEB other than the pay-as-you go amount necessary to provide current benefits to retirees and eligible beneficiaries/dependents. For the calendar years ended December 31, 2017 and 2016, the Authority paid \$69.0 million and \$74.7 million, respectively, to the Plan. Based on current practice, (the Substantive Plan which is derived from ACNY), the Authority pays the full cost of basic coverage for non-Medicare-eligible/Medicare-eligible retiree participants. The costs of these benchmark plans are reflected in the annual June 30<sup>th</sup> actuarial valuations by using age-adjusted premium amounts. Plan retiree participants who opt for other basic or enhanced coverage must contribute 100% of the incremental costs above the premiums for the benchmark plans. The Authority also reimburses covered employees 100% of the Medicare Part B premium rate applicable to a given year. The Authority pays per capita contributions to the welfare funds the amounts of which are based on negotiated contract provisions. There is no retiree contribution to the welfare funds.

**Census Data.** The following table presents the NYCHA census data used in the June 30, 2016 and June 30, 2015 OPEB valuations which were used to measure the Total OPEB Liability at December 31, 2017 and December 31, 2016, respectively.

| Status          | Number of Participants |               |
|-----------------|------------------------|---------------|
|                 | June 30, 2016          | June 30, 2015 |
| Active          | 9,941                  | 10,368        |
| Inactives       | 1,023                  | 997           |
| Deferred Vested | 611                    | 653           |
| Retired         | 8,789                  | 8,720         |
| <b>Total</b>    | <b>20,364</b>          | <b>20,738</b> |

**Other Postemployment Benefits (continued)**

**Total OPEB Liability.** The Entry Age Actuarial Cost Method used in the current OPEB actuarial valuation is unchanged from the prior actuarial valuation.

Under this method, the Actuarial Present Value (“APV”) of Benefits (“APVB”) of each individual included in the valuation is allocated on a level basis over the earnings of the individual between entry age and assumed exit age(s). The employer portion of this APVB allocated to a valuation year is the Employer Normal Cost. The portion of this APVB not provided for at a valuation date by the APV of Future Employer Normal Costs is the Total OPEB Liability.

Increases (decreases) in liabilities due to benefit changes, actuarial assumption changes and /or actuarial method changes are also explicitly identified and amortized in the annual expense.

**Changes in Total OPEB Liability.** Changes in the Authority’s Total OPEB Liability for the years ended December 31, 2017 and December 31, 2016 are as follows (\$ in thousands)

| Description  | Total OPEB Liability |                       |
|--|----------------------|-----------------------|
|  | 2017                 | 2016                  |
| <b>Total OPEB Liability at the Beginning of the Year</b> | <b>\$ 2,484,343</b>  | <b>\$ 2,545,507</b>   |
| Changes for the Year:                                    |                      |                       |
| Service Cost   | 99,842               | 129,183               |
| Interest   | 86,759               | 84,197                |
| Differences between Expected and Actual Experience       | (68,103)             | -                     |
| Change in Assumptions                                    | 42,001               | (186,804)             |
| Contributions - Employer                                 | (68,963)             | (74,740)              |
| Implicit Rate Subsidy                                    | (13,000)             | (13,000)              |
| <b>Net Changes</b>                                       | <b>78,536</b>        | <b>(61,164)</b>       |
| <b>Total OPEB Liability at the End of the Year</b>       | <b>\$ 2,562,879</b>  | <b>\$ 2,484,343</b> * |

\* Amount restated (see Note 2)

**Other Postemployment Benefits (continued)**

**Sensitivity Analysis.** The following presents the Total OPEB Liability of the Authority, as well as what the Authority's Total OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower or 1-percentage point higher than the discount rates of 3.16% and 3.71% used to measure the Total OPEB Liability at December 31, 2017 and December 31, 2016, respectively (\$ in thousands):

|                        |                               |                        |
|------------------------|-------------------------------|------------------------|
| 1% decrease<br>(2.16%) | Discount rate<br>(3.16%) 2017 | 1% increase<br>(4.16%) |
| \$ 2,967,304           | \$ 2,562,879                  | \$ 2,237,092           |
| 1% decrease<br>(2.71%) | Discount rate<br>(3.71%) 2016 | 1% increase<br>(4.71%) |
| \$ 2,849,744           | \$ 2,484,343                  | \$ 2,148,884           |

The following presents the total OPEB Liability of the Authority, as well as what the Authority's total OPEB Liability would be if it were calculated using health care cost trend rates that are 1-percentage-point lower or 1-percentage-point higher than the current healthcare cost trend rates (\$ in thousands):

|              |   |              |
|--------------|---|--------------|
| 1% decrease  | Current<br>healthcare cost<br>trend rates | 1% increase  |
| 2017         | 2017                                      | 2017         |
| \$ 2,137,623 | \$ 2,562,879                              | \$ 3,158,334 |
| 2016         | 2016                                      | 2016         |
| \$ 2,053,337 | \$ 2,484,343                              | \$ 3,033,205 |

**OPEB Expense.** The OPEB expense recognized by the Authority for the years ended December 31, 2017 and 2016 are \$136,767,000 and \$168,061,000, respectively.



**Other Postemployment Benefits (continued)**

**Deferred Outflows of Resources and Deferred Inflows of Resources.** Deferred outflows of resources and deferred inflows of resources by source reported by the Authority at December 31, 2017 and December 31, 2016, respectively, are as follows (\$ in thousands):

| <b>Deferred Outflows<br/>of Resources - 2017</b>     |                         | <b>Deferred Inflows<br/>of Resources - 2017</b>      |                          |
|--|-------------------------|--|--------------------------|
| Difference between expected<br>and actual experience | \$ -                    | Difference between expected<br>and actual experience | \$ 56,321                |
| Changes in assumptions                               | <u>34,735</u>           | Changes in assumptions                               | <u>122,166</u>           |
| <b>Total</b>   | <b><u>\$ 34,735</u></b> | <b>Total</b>   | <b><u>\$ 178,487</u></b> |

| <b>Deferred Outflows<br/>of Resources - 2016</b> |                    | <b>Deferred Inflows<br/>of Resources - 2016</b> |                          |
|--|--------------------|---|--------------------------|
| Changes in assumptions                           | \$ -               | Changes in assumptions                          | \$ 154,485               |
| <b>Total</b>                                     | <b><u>\$ -</u></b> | <b>Total</b>                                    | <b><u>\$ 154,485</u></b> |

Amounts reported as Deferred Outflows of Resources of \$34,735,000 and Deferred Inflows of Resources of \$178,487,000 related to OPEB as of December 31, 2017 will be recognized in OPEB Expense as follows (\$ in thousands):

| <u>Year</u>  | <u>Total</u>               |
|--------------|----------------------------|
| 2018         | \$ (36,835)                |
| 2019         | (36,835)                   |
| 2020         | (36,835)                   |
| 2021         | (29,725)                   |
| 2022         | <u>(3,522)</u>             |
| <b>Total</b> | <b><u>\$ (143,752)</u></b> |

**Other Postemployment Benefits (continued)**

***Funding Status and Funding Progress.*** As of December 31, 2017, the most recent roll-forward actuarial valuation date, the Plan was not funded. The total OPEB liability for benefits was \$2,562,879,000, all of which is unfunded. There were no assets accumulated in a trust. Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. The determined actuarial valuations of OPEB incorporated the use of demographic and salary increase assumptions among others as reflected below. Amounts determined regarding the funded status and the annual expense of the Authority are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of changes in the net OPEB liability and related ratios shown in the RSI section immediately following the notes to financial statements presents GASB Statement No. 75 (replacing GASB 45) results of OPEB valuations for Fiscal Years 2017 and 2016.

***Actuarial Methods and Assumptions.*** The actuarial assumptions used in the 2017 and the 2016 OPEB valuations are a combination of those used in the NYCERS pension actuarial valuations and those specific to the OPEB valuations.

These assumptions are generally unchanged from the previous valuation except as noted below. The NYCERS pension assumptions are provided in the five “Silver Books” available on the Reports page of the OA website ([www.nyc.gov/actuary](http://www.nyc.gov/actuary)).

The probability of retirement set out in each of the Silver books is assumed to be 100% at either age 63 or 70, depending upon the program of benefits for the individual employee. For the OPEB valuation, 100% of the individuals remaining in service at these ages are assumed to either retire with a benefit or to terminate employment without a benefit, depending upon whether they have attained the requisite service.

For the 2016 OPEB and pension valuations, new tables of postretirement mortality were proposed by the Actuary and adopted by each of the NYCERS Boards during Fiscal Year 2016. These tables were based primarily on the experience of each system and the application of Mortality Improvement Scale MP-2015 published by the Society of Actuaries in October 2015. Scale MP-2015 applied on a generational basis replaced Mortality Improvement Scale AA which was applied on a static projection basis.

**Other Postemployment Benefits (continued)**

The OPEB-specific actuarial assumptions primarily used in the June 30, 2017 and 2016 OPEB actuarial valuations of the Plan are as follows:

|                                |  |
|--------------------------------|--|
| <i>Valuation Date</i>          | June 30, 2016 and June 30, 2015  |
| <i>Measurement Date</i>        | December 31, 2017 and December 31, 2016  |
| <i>Discount Rate</i>           | 3.16% <sup>(1)</sup> per annum for the December 31, 2017 measurement date<br>3.71% <sup>(1)</sup> per annum for the December 31, 2016 measurement date   |
| <i>Actuarial Cost Method</i>   | Entry Age calculated on an individual basis with the Actuarial Value of Projected Benefits allocated on a level basis over earnings from hire through age of exit.   |
| <i>Per-Capita Claims Costs</i> | EBCBS and GHI plans are insured via a Minimum Premium arrangement while the HIP and many of the HMOs are community rated. Costs reflect age adjusted premiums for all plans. HIP HMO and GHI/EBCBS non-Medicare premiums have been adjusted for Health Savings Agreement changes.<br><br>Age adjustment based on assumed age distribution of covered population used for non-Medicare retirees and HIP and Other HMO Medicare retirees.<br><br>Age adjustment based on actual age distribution of the GHI/EBCBS Medicare covered population.<br><br>All reported premiums assumed to include administrative costs. |

<sup>(1)</sup> As required under GASB 75 the discount rates are based on the S&P Municipal Bond 20 Year High Grade Index, since there is no pre-funding assumed for this plan.

**Other Postemployment Benefits (continued)**

Initial monthly premium rates used in the valuation are as follows:

| <b>Plan</b>         | <b>Monthly Rates</b> |              | <b>Monthly Rates</b> |              |
|---------------------|----------------------|--------------|----------------------|--------------|
|                     | <b>2017</b>          |              | <b>2016</b>          |              |
| <b>HIP HMO</b>      |                      |              |                      |              |
| Non-Medicare        |                      |              |                      |              |
| Single              | \$                   | 600.18 (A)   | \$                   | 603.02 (A)   |
| Family              |                      | 1,470.45 (A) |                      | 1,477.41 (A) |
| Medicare            |                      | 160.83 (A)   |                      | 160.05 (A)   |
| <b>GHI/EBCBS:</b>   |                      |              |                      |              |
| Non-Medicare        |                      |              |                      |              |
| Single              | \$                   | 567.48 (A)   | \$                   | 524.44 (A)   |
| Family              |                      | 1,487.47 (A) |                      | 1,376.15 (A) |
| Medicare            |                      | 168.35       |                      | 160.75       |
| <b>Others:</b>      |                      |              |                      |              |
| Non-Medicare Single | \$                   | 1,030.56 (B) | \$                   | 923.23 (B)   |
| Non-Medicare Family |                      | 2,226.45 (B) |                      | 2,010.43 (B) |
| Medicare Single     |                      | 276.18 (B)   |                      | 245.19 (B)   |
| Medicare Family     |                      | 546.28 (B)   |                      | 501.71 (B)   |

(A) For the 2017 valuation, HIP HMO premiums are decreased by 5.10% and GHI/EBCBS Pre-Medicare premiums are decreased by 0.82% to reflect 2018 Health Savings agreement changes announced during 2017. For the 2016 valuation, GHI/EBCBS Pre-Medicare premiums decreased by 2.48% to reflect 2016 Health Savings agreement changes.

(B) Other HMO premiums represent the total premium for medical (not prescription) coverage including retiree contributions.

***Welfare Funds***

The Welfare Fund Contribution reported as of the valuation date, June 30, 2016 and June 30, 2015, respectively, (including any reported retroactive amounts) was used as the per capita cost for valuation purposes.

The calculations reflect an additional one time \$100 contribution for Fiscal Year 2017 in July 2016 and for Fiscal Year 2016 in July 2015. Projected contributions reflect \$25 increases at July 1, 2015, July 1, 2016 and July 1, 2017.

Reported annual contribution amounts for the last two years are shown in the Fiscal Year 2017 GASB 74/75 report in Appendix B, Tables 2a to 2e. Welfare Fund Rates are based on actual reported Union Welfare Fund code for current retirees. Weighted average annual contribution rates used for future retirees, based on Welfare Fund enrollment of recent retirees, are shown in the following table.

|        | <b>Annual Rate</b> |             |
|--------|--------------------|-------------|
|        | <b>2017</b>        | <b>2016</b> |
| NYCERS | \$ 1,743           | \$ 1,692    |
| BERS   | 1,713              | 1,677       |

**Other Postemployment Benefits (continued)**

*Medicare Part B Premiums*

| <b><u>Calendar Year</u></b> | <b><u>Monthly Premium</u></b> |
|-----------------------------|-------------------------------|
| 2013-15                     | \$ 104.90                     |
| 2016                        | 109.97                        |
| 2017                        | 113.63 *                      |

\* Reflected only in the FY 2017 valuation

Medicare Part B Premium reimbursement amounts have been updated to reflect actual premium rates announced for calendar years through 2017. Due to no cost-of living adjustment in Social Security benefits for Calendar Year 2016, and a minimal cost-of living increase for Calendar Year 2017, most Medicare Part B participants will not be charged the Medicare Part B premium originally projected or ultimately announced for those years. Thus, the valuation uses a blended estimate as a better representation of future Part B premium costs.

For the 2017 OPEB valuation the annual premium used was \$1,341.60, which is equal to:

- 70% of the basic \$104.90 monthly hold-harmless amount, assuming that there would be no claims made for the slight increase in Part B premiums for continuing retirees, and
- 30% of the announced premiums (6 months at \$121.80 for Calendar Year 2016 and 6 months at \$134.00 for Calendar Year 2017), representing the proportion of the Medicare population that will pay the announced amount.

For the OPEB actuarial valuation the annual premium used of \$1,289.22 equals six months of the Calendar Year 2015 premium plus six months of:

- 70% of the Calendar Year 2015 monthly premium (i.e. \$104.90), representing the approximate percentage of the overall U.S. Medicare population that will pay the frozen amount, and
- 30% of the announced Calendar Year 2016 monthly premium (i.e., \$121.80), representing the approximate percentage of the overall U.S. Medicare population that will pay the Calendar Year 2016 amount.

**Other Postemployment Benefits (continued)**

*Medicare Part B Prem. (cont.)*

Overall Medicare Part B Premium amounts are assumed to increase by the following percentages to reflect the income-related increases in Medicare Part B Premiums for high income individuals.

| <b><u>Fiscal Year</u></b> | <b><u>Income-Related Part B Increase</u></b> |                    |
|---------------------------|--|--------------------|
|                           | <b><u>2017</u></b>                           | <b><u>2016</u></b> |
| 2016                      | N/A  | 3.9%               |
| 2017                      | 4.0%   | 4.0%               |
| 2018                      | 4.5%   | 4.5%               |
| 2019                      | 5.0%   | 5.0%               |
| 2020                      | 5.2%   | 5.2%               |
| 2021                      | 5.3%   | 5.3%               |
| 2022                      | 5.4%   | 5.4%               |
| 2023                      | 5.5%   | 5.5%               |
| 2024                      | 5.6%   | 5.6%               |
| 2025                      | 5.8%   | 5.8%               |
| 2026                      | 5.9%   | 5.9%               |
| 2027 and later            | 6.0%   | 6.0%               |

*Medicare Part B  
Reimbursement Assumption*

90% of Medicare participants are assumed to claim reimbursement; based on historical data (unchanged from last year).

*Health Care Cost  
Trend Rate (HCCTR)*

Covered medical expenses are assumed to increase by the following percentages (unchanged from the last valuation). For purposes of measuring entry age calculations, actual historic plan increases are reflected to the extent known.

| <b>HCCTR ASSUMPTIONS - 2017</b> |                                  |                              |                                       |  |
|---------------------------------|----------------------------------|------------------------------|---------------------------------------|--|
| <b><u>Year Ending *</u></b>     | <b><u>Pre-Medicare Plans</u></b> | <b><u>Medicare Plans</u></b> | <b><u>Medicare Part B Premium</u></b> | <b><u>Welfare Fund Contributions</u></b> |
| 2017 **                         | 7.84%                            | 2.51%                        | 5.0%                                  | 0.0%                                     |
| 2018                            | 7.5%                             | 5.0%                         | 5.0%                                  | 0.0%                                     |
| 2019                            | 7.0%                             | 5.0%                         | 5.0%                                  | 3.5%                                     |
| 2020                            | 6.5%                             | 5.0%                         | 5.0%                                  | 3.5%                                     |
| 2021                            | 6.0%                             | 5.0%                         | 5.0%                                  | 3.5%                                     |
| 2022                            | 5.5%                             | 5.0%                         | 5.0%                                  | 3.5%                                     |
| 2023 and later                  | 5.0%                             | 5.0%                         | 5.0%                                  | 3.5%                                     |

\* Fiscal Year for Pre-Medicare and Medicare Plans and Calendar Year for Medicare Part B Premiums

\*\* Actual amounts based on the 2015 Health Care Savings Agreement Initiative Report of Status of Healthcare Savings dated June 19, 2017. Welfare Fund contribution rates assumed to increase based on current pattern bargaining (additional \$25 each for Fiscal Year 2017 and 2018, plus a one-time \$100 in Fiscal Year 2017).

**Other Postemployment Benefits (continued)**

*Health Care Cost  
Trend Rate (HCCTR)*

| <b>HCCTR ASSUMPTIONS - 2016</b> |                           |                       |                                |
|---------------------------------|---------------------------|-----------------------|--------------------------------|
| <b>Year Ending</b>              | <b>Pre-Medicare Plans</b> | <b>Medicare Plans</b> | <b>Medicare Part B Premium</b> |
| 2016*                           | 8.5%                      | 5.0%                  | 5.5%                           |
| 2017 **                         | 8.0%                      | 5.0%                  | 5.0%                           |
| 2018                            | 7.5%                      | 5.0%                  | 5.0%                           |
| 2019                            | 7.0%                      | 5.0%                  | 5.0%                           |
| 2020                            | 6.5%                      | 5.0%                  | 5.0%                           |
| 2021                            | 6.0%                      | 5.0%                  | 5.0%                           |
| 2022                            | 5.5%                      | 5.0%                  | 5.0%                           |
| 2023 and later                  | 5.0%                      | 5.0%                  | 5.0%                           |

\* For the June 30, 2015 OPEB actuarial valuation, rates shown for 2016 were not reflected since actual values for the fiscal year 2016 per capita costs, fiscal year 2016 Welfare Fund contributions and calendar year 2016 Medicare Part B Premium amounts were used.

\*\* For the June 30, 2015 OPEB actuarial valuation, HIP and Other HMO Pre-Medicare trend assumed to be 4.88% based on 2014 Health Care Savings Agreement initiatives. For the June 30, 2014 OPEB actuarial valuation, HIP and HMO Pre-Medicare trend assumed to be 2.89% based on 2014 Health Care Savings Agreement initiatives.

Welfare Fund contribution rates assumed to increase based on current pattern bargaining until Fiscal Year 2018, and for the June 30, 2015 valuation assumed to increase 3.5% each future year.

*Participation*

Participation assumptions have been updated since the prior valuation to reflect recent experience. Actual elections are used for current retirees. Some current retirees not eligible for Medicare are assumed to change elections upon attaining age 65 based on patterns of elections of Medicare-eligible retirees.

For current retirees who appear to be eligible for health coverage but have not made an election (non-filers), the valuation reflects single GHI/EBCBS coverage and Part B premium benefits only, to approximate the obligation if these individuals were to file for coverage. For future retirees, the portion assumed to file for future benefits, and therefore valued similarly, are as follows (this assumption was used for the first time in the 2017 valuation):

|                |     |
|----------------|-----|
| NYCERS (NYCHA) | 13% |
| BERS           | 12% |

**Other Postemployment Benefits (continued)**

*Participation*

Participants who do not qualify for coverage because they were working less than 20 hours a week at termination are assumed to be reflected in waivers and non-filers.

Detailed assumptions for future Program retirees are presented below:

| <b>Plan Participation Assumptions - 2017</b> |                     |             |
|--|---------------------|-------------|
| <b>Benefits:</b>                             | <b>NYCERS NYCHA</b> | <b>BERS</b> |
| <u>Pre-Medicare</u>                          |                     |             |
| GHI/EBCBS                                    | 65%                 | 70%         |
| HIP HMO                                      | 26%                 | 16%         |
| Other HMO                                    | 4%                  | 2%          |
| Waiver                                       | 5%                  | 12%         |
| <u>Medicare</u>                              |                     |             |
| GHI  | 72%                 | 78%         |
| HIP HMO                                      | 20%                 | 16%         |
| Other HMO                                    | 4%                  | 2%          |
| Waiver                                       | 4%                  | 4%          |
| <u>Post-Medicare Migration</u>               |                     |             |
| Other HMO to GHI                             | -                   | -           |
| HIP HMO to GHI                               | -                   | -           |
| Pre-Med. Waiver                              | -                   | -           |
| ** to GHI @ 65                               | -                   | 67%         |
| ** to HIP @ 65                               | -                   | -           |

| <b>Plan Participation Assumptions - 2016</b> |               |             |
|--|---------------|-------------|
| <b>Benefits:</b>                             | <b>NYCERS</b> | <b>BERS</b> |
| <u>Pre-Medicare</u>                          |               |             |
| GHI/EBCBS                                    | 65%           | 73%         |
| HIP HMO                                      | 22%           | 16%         |
| Other HMO                                    | 8%            | 3%          |
| Waiver                                       | 5%            | 8%          |
| <u>Medicare</u>                              |               |             |
| GHI  | 72%           | 78%         |
| HIP HMO                                      | 21%           | 16%         |
| Other HMO                                    | 4%            | 2%          |
| Waiver                                       | 3%            | 4%          |
| <u>Post-Medicare Migration</u>               |               |             |
| Other HMO to GHI                             | 50%           | 33%         |
| HIP HMO to GHI                               | 0%            | 0%          |
| Pre-Med. Waiver                              |               |             |
| ** to GHI @ 65                               | 13%           | 50%         |
| ** to HIP @ 65                               | 13%           | 0%          |



**Other Postemployment Benefits (continued)**

|                                      |   |
|--------------------------------------|---|
| <i>Demographic Assumptions</i>       | The actuarial assumptions used in the 2017 and the 2016 OPEB valuations are a combination of those used in the NYCERS pension actuarial valuations and those specific to the OPEB valuations.   |
| <i>Cadillac Tax</i>                  | The OPEB actuarial valuation includes an explicit calculation of the high cost plan excise tax (“Cadillac Tax”) that will be imposed beginning in 2020 under National Health Care Reform.   |
| <i>Actives/Inactives Liabilities</i> | The actuarial assumptions used in the 2017 and the 2016 OPEB valuations assumed that 40% of the measured liability of the Active/Inactive population, which is roughly equivalent to assuming 60% of the Active/Inactive members will terminate membership prior to vesting and not receive OPEB. |

**17. OPERATING REVENUES**

Operating revenues include tenant revenue, net and other income and are comprised of the following for the years ended December 31, 2017 and 2016 are (\$ in thousands):

| <b>DESCRIPTION</b>                      | <b>2017</b>         | <b>2016</b>         |
|---|---------------------|---------------------|
| Tenant revenue, net:                    |                     |                     |
| Rental revenue, net                     | \$ 1,031,183        | \$ 1,022,549        |
| Other                                   | <u>20,445</u>       | <u>19,025</u>       |
| Total tenant revenue, net               | <u>1,051,628</u>    | <u>1,041,574</u>    |
| Other income:                           |                     |                     |
| Commercial and community center revenue | 13,801              | 13,262              |
| Insurance and benefits reimbursements   | 11,010              | 11,179              |
| Developer fees                          | 11,013              | 5,704               |
| Contract retention reductions           | 8,077               | -                   |
| Sub-let income                          | 3,299               | 4,168               |
| Energy rebates                          | 3,384               | 3,084               |
| Section 8 income                        | 773                 | 1,224               |
| Other                                   | <u>5,409</u>        | <u>7,123</u>        |
| Total other income                      | <u>56,766</u>       | <u>45,744</u>       |
| Total operating revenues                | <u>\$ 1,108,394</u> | <u>\$ 1,087,318</u> |

## 18. SUBSIDIES AND GRANTS

Subsidies include operating subsidies to fund all the Authority's programs, as well as to fund interest on outstanding debt. Subsidies to fund operations are received periodically and recorded when due. Grants are awarded by the federal, state or city governments to provide funding for administration and program operations. Subsidies and grants for the years ended December 31, 2017 and 2016 are as follows (\$ in thousands):

| <b>DESCRIPTION</b>                                | <b>2017</b>         | <b>2016</b>         |
|---|---------------------|---------------------|
| Section 8 Housing Assistance Programs             | \$ 1,100,686        | \$ 1,072,420        |
| Federal Operating Subsidy                         | 889,603             | 912,057             |
| City of New York Subsidies                        | 80,143              | 85,425              |
| Federal Capital Funds used for operating purposes | 54,018              | 48,986              |
| FEMA  | 28,180              | -                   |
| Other   | 1,544               | 5,527               |
| Total subsidies and grants                        | <u>\$ 2,154,174</u> | <u>\$ 2,124,415</u> |

The Authority participates in a number of programs, funding for which is provided by Federal, State and City agencies. These grant programs are subject to financial and compliance audits by the grantors or their representatives.

## 19. OPERATING EXPENSES

Operating expenses for the years ended December 31, 2017 and 2016 are as follows (\$ in thousands):

| <b>DESCRIPTION</b>       | <b>2017</b>         | <b>2016</b>         |
|--------------------------|---------------------|---------------------|
|                          |                     | <b>Restated</b>     |
| Personnel services       | \$ 1,244,411        | \$ 1,286,223        |
| Program costs            | 1,984,447           | 1,956,806           |
| Depreciation             | 370,938             | 357,611             |
| Total operating expenses | <u>\$ 3,599,796</u> | <u>\$ 3,600,640</u> |

## 19. OPERATING EXPENSES (continued)

Operating expenses include general and administrative, utilities, and maintenance and operations in the following amounts for the years ended December 31, 2017 and 2016 (\$ in thousands):

| <b>DESCRIPTION</b>           | <b>2017</b>       | <b>2016</b>       |
|------------------------------|-------------------|-------------------|
| General and administrative:  |                   |                   |
| Salaries                     | \$ 231,874        | \$ 233,800        |
| Employee benefits            | 377,309           | 384,934           |
| Claims and insurance expense | 106,346           | 114,324           |
| Rental and lease expense     | 40,693            | 40,305            |
| Contracts                    | 31,804            | 28,788            |
| Professional services        | 29,751            | 22,248            |
| Other                        | 20,623            | 23,174            |
|                              | <u>\$ 838,400</u> | <u>\$ 847,573</u> |
| Utilities:                   |                   |                   |
| Water                        | \$ 182,069        | \$ 185,466        |
| Heating gas                  | 168,014           | 158,647           |
| Electricity                  | 164,740           | 149,730           |
| Fuel oil                     | 8,546             | 9,905             |
| Cooking gas                  | 8,231             | 8,643             |
| Steam                        | 7,116             | 6,890             |
| Labor                        | 15,826            | 15,516            |
|                              | <u>\$ 554,542</u> | <u>\$ 534,797</u> |
| Maintenance and operations:  |                   |                   |
| Labor                        | \$ 464,283        | \$ 464,440        |
| Contract costs               | 141,794           | 166,530           |
| Materials                    | 65,538            | 76,959            |
|                              | <u>\$ 671,615</u> | <u>\$ 707,929</u> |

## 20. DEVELOPMENT TRANSACTIONS

### Section 8 Transaction

On December 23, 2014, the Authority completed a transaction, referred to as “Section 8 Recap”, in which six project-based Section 8 developments, comprising 875 housing units, were sold to a newly formed limited liability company, Triborough Preservation LLC (“Triborough”), in which NYCHA retains a 0.005% membership interest.

The total amount of the transaction was \$300 million. Triborough paid \$158,882,000 in cash at the closing and issued a Purchase Money Note (the “Note”) for the remaining portion of \$141,118,000. The Note bears simple interest at 6% per annum. There is no required annual payment of principal and interest, except to the extent of cash flow, however, the entire principal plus unpaid interest is immediately due and payable on the maturity date of December 2044. The transaction gain will be recognized as cash is received.

## 20. DEVELOPMENT TRANSACTIONS

### Section 8 Transaction (continued)

The cash received at closing is non-refundable. The transaction agreements contain put options that can require the Authority to repurchase the property after the expiration of the fifteen year low income tax credit compliance period. Due to this continuing involvement, the Authority will recognize the cash received as revenue over the fifteen year compliance period, in accordance with GASB Statement No. 62. During both 2017 and 2016 the Authority recognized \$16,946,000 as revenue from this transaction. The resulting unearned revenue is as follows (\$ in thousands):

| <u>Description of Liability</u>       | <u>2017</u>      | <u>2016</u>      |
|---------------------------------------|------------------|------------------|
| Current portion                       | \$ 16,946        | \$ 16,946        |
| Long-term portion                     | <u>186,036</u>   | <u>202,983</u>   |
| Unearned revenue from Section 8 Recap | <u>\$202,982</u> | <u>\$219,929</u> |

On March 3, 2017, cash of \$109,147,000 was received by NYCHA, consisting of the following:

- \$95,311,000 – Note Principal
- \$12,701,000 – Note Interest
- \$ 1,135,000– Developer Fee

In accordance with GASB Codification Section 2250.110, the Note Principal and Interest as well as the Developer Fee were not previously recognized since these items were contingent on events that may not have materialized. However, these estimates were adjusted in 2016. The \$95,310,669 Seller Note Principal payment will be recognized as gain on sale over the fifteen year tax credit compliance period beginning December 23, 2014.

The \$12,701,000 of interest income and the \$1,135,000 Developer Fee were fully recognized as income in 2016.

NYCHA has been granted a Right of First Refusal which states that at the end of the fifteen year Compliance Period and for the twelve months thereafter, Triborough will not sell or otherwise dispose of the property without first offering it to NYCHA for a period of thirty days.

This Section 8 Recap transaction is intended to result in the rehabilitation of these developments by the new owner. A separate developer for this rehabilitation is a newly formed limited liability company, of which the Authority has a 50% interest. The rehabilitation work on the developments is anticipated to generate \$46,611,000 in developer fees, of which the Authority's share is \$23,306,000.

## 20. DEVELOPMENT TRANSACTIONS (continued)

### Rental Assistance Demonstration Program

On December 29, 2016, the Authority completed a transaction in which Ocean Bay – Bayside, comprising 1,395 units and a community center (Parcel A) was leased to a newly formed limited liability company, Ocean Bay RAD, LLC, in which NYCHA retains a 0.005% membership interest. Concurrently, in a related transaction, the Authority entered into a lease agreement with a newly formed corporation, Bayside Land Lease Corporation, in which NYCHA retains a 50% ownership interest for the purpose of making improvements to the land (Parcel B) funded by FEMA proceeds.

The Authority also holds certain rights to repurchase the leasehold interest held by the owner as set forth in the Right of First Refusal and Purchase Option Agreement. Under the Authority's right of first refusal, the owner cannot sell or transfer Parcel A to a third-party without first offering it to the Authority for one hundred twenty days at a price equal to the outstanding debt plus taxes attributable to the sale. If the Authority notifies the owner that it is exercising its right of first refusal, the sale must take place within one hundred twenty days after the Authority provides notice. The Authority's right of first refusal terminates five years following the close of the tax credit compliance period. In accordance with the Parcel B lease, the Parcel B lease will terminate upon the Authority's exercise of its Right of First Refusal and Purchase Option Agreement. The transaction agreements contain put options that can require the Authority to repurchase the property after the expiration of the fifteen year low income tax credit compliance period. Due to this continuing involvement, the Authority will recognize the cash received as revenue over the fifteen year compliance period, in accordance with GASB Statement No. 62.

The resulting unearned revenue as of December 31, 2017 and 2016 is as follows (\$ in thousands):

| <u>Description of Liability</u> | <u>2017</u>      | <u>2016</u>      |
|---------------------------------|------------------|------------------|
| Current portion                 | \$ 2,836         | \$ 2,836         |
| Long-term portion               | <u>36,853</u>    | <u>39,689</u>    |
| Unearned Revenue from RAD       | <u>\$ 39,689</u> | <u>\$ 42,525</u> |

## 21. SUPERSTORM SANDY

On October 29, 2012, Sandy made landfall, causing significant damage in New York City as well as other states and cities along the U.S. eastern seaboard. Certain Authority developments sustained substantial damage to buildings and equipment, including their infrastructure and mechanical and electrical systems. Expenses, comprised of emergency costs, permanent costs based on in-kind cost of repairs and rent abatement, were \$332,500,000. The Authority anticipates expenditures for building restoration, electrical, mechanical, and plumbing systems, and grounds restoration to protect physical assets from future storm damage and to better serve its residents. These expenditures are estimated at \$2,887,000,000 and will be capitalized as work is completed. As of December 31, 2017, \$427,313,000 has been expended relating to this work.

## 21. SUPERSTORM SANDY (continued)

Costs incurred and continuing to be incurred, but not reflected as Sandy costs include excess fuel costs and other costs relating to temporary boilers and generators. These costs incurred through December 31, 2017, are included in ordinary operating expenses. The majority of these costs remain eligible for insurance and FEMA recovery purposes.

Substantially all costs related to Sandy are expected to be reimbursed by insurance recoveries, FEMA and other sources. NYCHA has insurance coverage of up to \$509,750,000 from its commercial and flood insurance carriers. To date, the Authority has received \$326,503,000 from its insurance carriers, of which \$809,000 and \$6,701,000 was reported in 2017 and 2016, respectively. Insurance recoveries are reported as non-operating revenue.

## 22. RELATED PARTY TRANSACTIONS

### Mixed-Finance Transactions

On March 16, 2010, the Authority closed two mixed-finance transactions in which 21 NYCHA developments, comprising 20,139 housing units, were sold to two newly-created, limited liability companies. Thirteen developments, containing 14,465 dwelling units, were sold to NYCHA Public Housing Preservation I, LLC, in which NYCHA I Housing Development Fund Corporation, a component unit of NYCHA, is the sole managing member and has a 0.01% membership interest in LLC I. LLC I is a Low Income Housing Tax Credit LLC. Eight developments, containing 5,674 dwelling units, were sold to NYCHA Public Housing Preservation II, in which NYCHA II Housing Development Fund Corporation, a component unit of NYCHA, is the sole managing member and has a 49.9% membership interest in LLC II.

The LLCs were created in connection with the mixed-finance transactions and are considered blended component units for financial reporting purposes. The Authority served as developer and continues to be the property manager for both LLCs.

The total acquisition price for the developments sold to LLC I was \$590,250,000. At closing, LLC I paid \$53,733,000 in cash using a combination of mortgage proceeds of \$32,809,000 and equity contributions of \$20,924,000 from the equity investor limited partner. NYCHA issued a Seller Note to LLC I for the remaining portion of \$536,517,000, with interest on the Note accruing at 2.69%. As of December 31, 2017 there is an outstanding balance of \$57,697,000, including interest of \$33,451,000 on the Seller Note, which has been reported as a Note receivable in the Condensed Combining Information (see Note 25).

The total acquisition price for the developments sold to LLC II was \$3,000,000, which was paid entirely at the closing using the proceeds from a \$3,000,000 mortgage.

## 22. RELATED PARTY TRANSACTIONS

### *Mixed-Finance Transactions (continued)*

The two mixed-finance transactions were structured and closed in a manner which allowed the Authority to utilize financing opportunities available under the provisions of the American Recovery and Reinvestment Act of 2009 (“ARRA”) in order to qualify for certain federal funding. At the time of the closing, NYCHA qualified to receive an annual allocation of HUD federal operating and capital funding for a portion of the dwelling units. Additional HUD federal operating subsidies for 2017 and 2016 were \$61,083,000 and \$61,720,000, respectively.

***Financing Summary*** - As a result of the transactions, the LLCs have received more than \$400 million in permanent public and private funding from ARRA funds (the “ARRA loans”), State of New York modernization funds, and the sale of long-term bonds and tax credits. The majority of this funding has been invested in capital improvements at the 21 developments and for funding operating reserves. The LLC I transaction also included approximately \$360 million of short-term bridge financing to fund the acquisition price and rehabilitation costs, all of which was prepaid in July 2013.

LLC I was structured to provide its 99.99% investor member the benefit of the low-income housing tax credits. The investor members provided \$228 million in equity payments through December 31, 2017, in return for tax credit benefits.

NYCHA holds a substantial amount of indebtedness from the LLCs upon completion of the rehabilitation of the developments. Funds received from the ARRA loans were provided to the LLCs as permanent loans from NYCHA. At December 31, 2017, outstanding ARRA loans payable to NYCHA from LLC I and LLC II, respectively, are \$75,780,000 and \$32,077,000.

In addition to the ARRA loans, the Authority provided additional loans (“Loan A”) and (“Loan C”) to the LLC’s, to enable them to carry out rehabilitation work at the developments and to provide a source of funding to redeem the Bridge Bonds at maturity. As of December 31, 2017, outstanding Loan A payable to NYCHA from LLC I was \$476,956,000 and from LLC II was \$2,681,000. Loan A interest from LLC I, charged at a rate of 2.69% per annum, was \$74,108,000. Outstanding Loan C payable to NYCHA as of December 31, 2017 was \$42,000,000.

In September 2013, NYCHA converted the remaining construction-period financing for both LLC I and LLC II from construction loans to permanent loans due to HDC. The permanent loans for LLC I and LLC II are \$22,298,000 and \$26,159,000, respectively, as of December 31, 2017 (see Note 14).

***Responsibilities and Obligations*** – NYCHA has certain responsibilities and obligations under separate agreements with the LLCs including (i) continuing to manage the operations of the developments; (ii) served as developer for the rehabilitation work at the developments; (iii) providing operating and capital subsidies to the LLCs; and (iv) providing operating deficit and completion guarantees. The operating deficit guarantee will terminate if specified operating income conditions are met.

As of December 31, 2017, the balance due to NYCHA from LLC I and LLC2 was \$9,023,000 and \$14,049,000 for reimbursable costs in managing the operation of the developments. In 2017, NYCHA provided operating subsidies and capital contributions of \$8,628,000 to LLC I and \$32,126,000 to LLC II under the mixed -finance transaction agreements.

## 22. RELATED PARTY TRANSACTIONS

### Mixed-Finance Transactions (continued)

NYCHA has retained the right to reacquire the developments of LLC I in the future. The right of first refusal terminates fifteen (15) years after the first day following the expiration of the final year of the tax credit period with respect to each development.

For LLC II, NYCHA was granted a call option (the “Call Option”) with respect to the membership interest of the other participating member on the following terms: (i) the Call Option is exercisable by notice from the managing member to the other participating member; (ii) the closing date shall be the date selected by the managing member, provided that such date must be on or after the date which is the five (5) year anniversary of the admission of the other participating member to the Company; (iii) the purchase price under the Call Option shall equal fifty percent (50%) of the distributions made to the other participating member during the calendar year preceding the closing under the Call Option; and (iv) such purchase price shall be paid in immediately available funds. The Authority has not exercised the Call Option as of December 31, 2017.

### The City of New York

As described in Note 1A, the Authority is a component unit of The City of New York. During 2017 and 2016, The City provided operating subsidies and grants to the Authority of \$80,143,000 and \$85,425,000, respectively. In addition, during 2017 and 2016, The City provided \$89,501,000 and \$118,536,000, respectively, in capital contributions to NYCHA to fund modernization costs.

The City also provides certain services to the Authority. The total cost for these services, most of which is for the cost of water, was \$183,518,000 and \$186,841,000, respectively, for 2017 and 2016. At December 31, 2017 and 2016, the Authority had amounts due to The City for services of \$1,053,000 and \$1,127,000, respectively. Pursuant to a Cooperation Agreement dated July 1, 2015, The City has waived acceptance of payments in lieu of taxes from the Authority beginning January 1, 2015 through June 30, 2025.

## 23. NET POSITION

The Authority’s Net Position represents the excess of assets over liabilities and consists of the following:

- a. *Net investment in capital assets*: net capital assets less the outstanding bonds payable used to finance these assets
- b. *Unrestricted Deficit*: net position with no statutory restrictions

Below is net position by type as of December 31, 2017 and 2016 (\$ in thousands):

| <b>DESCRIPTION</b>               | <b>2017</b>         | <b>2016</b><br><b>Restated</b> |
|----------------------------------|---------------------|--------------------------------|
| Net investment in capital assets | \$ 5,995,349        | \$ 5,692,787                   |
| Unrestricted Deficit             | <u>(3,062,238)</u>  | <u>(3,117,424)</u>             |
| Net position                     | <u>\$ 2,933,111</u> | <u>\$ 2,575,363</u>            |



## 24. COMMITMENTS AND CONTINGENCIES

**Lease Commitments** - The Authority rents office space under operating leases, which expire at various dates. Future minimum lease commitments under these leases as of December 31, 2017 are (\$ in thousands):

|                         | <u>Year</u> | <u>Amount</u>     |
|-------------------------|-------------|-------------------|
|                         | 2018        | \$ 28,308         |
|                         | 2019        | 29,210            |
|                         | 2020        | 34,933            |
|                         | 2021        | 35,746            |
|                         | 2022        | 36,195            |
|                         | 2023-2027   | 143,800           |
|                         | 2028-2030   | <u>72,376</u>     |
| Total lease commitments |             | <u>\$ 380,568</u> |

Rental expense, which includes certain related operating costs, was \$40,693,000 and \$40,305,000 for the years ended December 31, 2017 and 2016, respectively.

**Pending Litigation** - The Authority is a defendant in a number of lawsuits arising from claims for personal injury, property damage, breach of contract, civil rights and personnel matters. Management believes that the ultimate resolution of these matters will not have a material adverse impact on the financial position of the Authority.

**Obligations under Purchase Commitments** – The Authority is involved in modernization and other contracted programs. At December 31, 2017, outstanding obligations under purchase commitments were approximately \$1,616,680,000, compared to \$966,806,000 at December 31, 2016.

## 25. CONDENSED COMBINING INFORMATION

The following are Condensed Statements of Net Position as of December 31, 2017 and 2016, Condensed Statements of Revenues, Expenses and Changes in Net Position for the Years Ended December 31, 2017 and 2016, and Condensed Statements of Cash Flows for the Years Ended December 31, 2017 and 2016, for the Authority and its component units, the LLCs.

### New York City Housing Authority Condensed Statement of Net Position December 31, 2017 (\$ in Thousands)

|                                       | NYCHA               | LLC I               | LLC II           | Eliminations       | Total               |
|---------------------------------------|---------------------|---------------------|------------------|--------------------|---------------------|
| <b>ASSETS</b>                         |                     |                     |                  |                    |                     |
| Current assets                        | \$ 1,536,143        | \$ 111,847          | \$ 15,130        | \$ (23,072)        | \$ 1,640,048        |
| Capital assets, net                   | 6,146,062           | 366,326             | 109,918          | (40,561)           | 6,581,745           |
| Restricted assets                     | 553,023             | 696                 | 835              | -                  | 554,554             |
| Notes receivable                      | 761,299             | -                   | -                | (761,299)          | -                   |
| Other assets                          | 382,690             | -                   | -                | -                  | 382,690             |
| <b>TOTAL ASSETS</b>                   | <b>9,379,217</b>    | <b>478,869</b>      | <b>125,883</b>   | <b>(824,932)</b>   | <b>9,159,037</b>    |
| <b>DEFERRED OUTFLOWS OF RESOURCES</b> | <b>172,927</b>      | <b>-</b>            | <b>-</b>         | <b>-</b>           | <b>172,927</b>      |
| <b>LIABILITIES</b>                    |                     |                     |                  |                    |                     |
| Current liabilities                   | 1,041,867           | 15,632              | 16,927           | (23,072)           | 1,051,354           |
| Long-term debt                        | 716,002             | 21,940              | 25,578           | -                  | 763,520             |
| Notes payable                         | -                   | 726,541             | 34,758           | (761,299)          | -                   |
| Pension liability                     | 1,032,725           | -                   | -                | -                  | 1,032,725           |
| OPEB liability                        | 2,562,879           | -                   | -                | -                  | 2,562,879           |
| Other liabilities                     | 729,195             | -                   | -                | -                  | 729,195             |
| <b>TOTAL LIABILITIES</b>              | <b>6,082,668</b>    | <b>764,113</b>      | <b>77,263</b>    | <b>(784,371)</b>   | <b>6,139,673</b>    |
| <b>DEFERRED INFLOWS OF RESOURCES</b>  | <b>259,180</b>      | <b>-</b>            | <b>-</b>         | <b>-</b>           | <b>259,180</b>      |
| <b>NET POSITION</b>                   |                     |                     |                  |                    |                     |
| Net investment in capital assets      | 5,795,545           | (219,810)           | 56,631           | 362,983            | 5,995,349           |
| Unrestricted deficit                  | (2,585,249)         | (65,434)            | (8,011)          | (403,544)          | (3,062,238)         |
| <b>TOTAL NET POSITION</b>             | <b>\$ 3,210,296</b> | <b>\$ (285,244)</b> | <b>\$ 48,620</b> | <b>\$ (40,561)</b> | <b>\$ 2,933,111</b> |

### New York City Housing Authority Condensed Statement of Revenues, Expenses, and Changes in Net Position For the Year Ended December 31, 2017 (\$ in Thousands)

|   | NYCHA               | LLC I               | LLC II           | Eliminations       | Total               |
|---|---------------------|---------------------|------------------|--------------------|---------------------|
| Operating Revenues                              | \$ 989,664          | \$ 85,725           | \$ 33,005        | \$ -               | \$ 1,108,394        |
| Operating Expenses                              | 3,433,935           | 185,004             | 75,032           | (94,175)           | 3,599,796           |
| <b>Operating Loss</b>                           | <b>(2,444,271)</b>  | <b>(99,279)</b>     | <b>(42,027)</b>  | <b>94,175</b>      | <b>(2,491,402)</b>  |
| Non-Operating Revenues, net                     | 2,123,596           | 83,097              | 36,157           | (80,319)           | 2,162,531           |
| <b>Gain (Loss) Before Capital Contributions</b> | <b>(320,675)</b>    | <b>(16,182)</b>     | <b>(5,870)</b>   | <b>13,856</b>      | <b>(328,871)</b>    |
| Capital Contributions                           | 676,831             | 7,758               | 13,760           | (11,730)           | 686,619             |
| <b>Change in Net Position</b>                   | <b>356,156</b>      | <b>(8,424)</b>      | <b>7,890</b>     | <b>2,126</b>       | <b>357,748</b>      |
| Net Position - Beginning                        | 2,854,140           | (276,820)           | 40,730           | (42,687)           | 2,575,363           |
| <b>Net Position - Ending</b>                    | <b>\$ 3,210,296</b> | <b>\$ (285,244)</b> | <b>\$ 48,620</b> | <b>\$ (40,561)</b> | <b>\$ 2,933,111</b> |

## 25. CONDENSED COMBINING INFORMATION (continued)

### New York City Housing Authority Condensed Statement of Cash Flows For the Year Ended December 31, 2017 (\$ in Thousands)

|  | NYCHA             | LLC I             | LLC II           | Eliminations | Total               |
|--|-------------------|-------------------|------------------|--------------|---------------------|
| Net cash provided (used) by              |                   |                   |                  |              |                     |
| Operating activities                     | \$ (2,164,082)    | \$ (77,165)       | \$ (28,546)      | \$ 94,175    | \$ (2,175,618)      |
| Non-capital financing activities         | 2,000,647         | 97,490            | 37,447           | (80,319)     | 2,055,265           |
| Capital and related financing activities | 160,939           | (8,712)           | (4,979)          | (13,856)     | 133,392             |
| Investing activities                     | 113,908           | 415               | 56               | -            | 114,379             |
| <b>Net increase (decrease)</b>           | <b>111,412</b>    | <b>12,028</b>     | <b>3,978</b>     | <b>-</b>     | <b>127,418</b>      |
| Beginning cash and cash equivalents      | 871,350           | 89,959            | 6,970            | -            | 968,279             |
| Ending cash and cash equivalents         | <u>\$ 982,762</u> | <u>\$ 101,987</u> | <u>\$ 10,948</u> | <u>\$ -</u>  | <u>\$ 1,095,697</u> |

### New York City Housing Authority Condensed Statement of Net Position December 31, 2016 Restated (\$ in Thousands)

|                                       | NYCHA                      | LLC I                      | LLC II                  | Eliminations              | Total                      |
|---------------------------------------|----------------------------|----------------------------|-------------------------|---------------------------|----------------------------|
| <b><u>ASSETS</u></b>                  |                            |                            |                         |                           |                            |
| Current assets                        | \$ 1,404,535               | \$ 99,135                  | \$ 10,660               | \$ (14,883)               | \$ 1,499,447               |
| Capital assets, net                   | 5,854,717                  | 374,866                    | 99,678                  | (42,687)                  | 6,286,574                  |
| Restricted assets                     | 521,652                    | 698                        | 839                     | -                         | 523,189                    |
| Notes receivable                      | 747,903                    | -                          | -                       | (747,903)                 | -                          |
| Other assets                          | 384,151                    | -                          | -                       | -                         | 384,151                    |
| <b>TOTAL ASSETS</b>                   | <u><b>8,912,958</b></u>    | <u><b>474,699</b></u>      | <u><b>111,177</b></u>   | <u><b>(805,473)</b></u>   | <u><b>8,693,361</b></u>    |
| <b>DEFERRED OUTFLOWS OF RESOURCES</b> | <u><b>247,616</b></u>      | <u><b>-</b></u>            | <u><b>-</b></u>         | <u><b>-</b></u>           | <u><b>247,616</b></u>      |
| <b><u>LIABILITIES</u></b>             |                            |                            |                         |                           |                            |
| Current liabilities                   | 912,851                    | 16,076                     | 9,530                   | (14,883)                  | 923,574                    |
| Long-term debt                        | 651,740                    | 22,298                     | 26,159                  | -                         | 700,197                    |
| Notes payable                         | -                          | 713,145                    | 34,758                  | (747,903)                 | -                          |
| Pension liability                     | 1,214,112                  | -                          | -                       | -                         | 1,214,112                  |
| OPEB liability                        | 2,484,343                  | -                          | -                       | -                         | 2,484,343                  |
| Other liabilities                     | 759,513                    | -                          | -                       | -                         | 759,513                    |
| <b>TOTAL LIABILITIES</b>              | <u><b>6,022,559</b></u>    | <u><b>751,519</b></u>      | <u><b>70,447</b></u>    | <u><b>(762,786)</b></u>   | <u><b>6,081,739</b></u>    |
| <b>DEFERRED INFLOWS OF RESOURCES</b>  | <u><b>283,875</b></u>      | <u><b>-</b></u>            | <u><b>-</b></u>         | <u><b>-</b></u>           | <u><b>283,875</b></u>      |
| <b><u>NET POSITION</u></b>            |                            |                            |                         |                           |                            |
| Net investment in capital assets      | 5,495,076                  | (211,605)                  | 46,333                  | 362,983                   | 5,692,787                  |
| Unrestricted deficit                  | (2,640,936)                | (65,215)                   | (5,603)                 | (405,670)                 | (3,117,424)                |
| <b>TOTAL NET POSITION</b>             | <u><b>\$ 2,854,140</b></u> | <u><b>\$ (276,820)</b></u> | <u><b>\$ 40,730</b></u> | <u><b>\$ (42,687)</b></u> | <u><b>\$ 2,575,363</b></u> |

## 25. CONDENSED COMBINING INFORMATION (continued)

### New York City Housing Authority Condensed Statement of Revenues, Expenses, and Changes in Net Position For the Year Ended December 31, 2016 Restated (\$ in Thousands)

|   | NYCHA                      | LLC I                      | LLC II                  | Eliminations              | Total                      |
|---|----------------------------|----------------------------|-------------------------|---------------------------|----------------------------|
| Operating Revenues                              | \$ 969,823                 | \$ 85,058                  | \$ 32,437               | \$ -                      | \$ 1,087,318               |
| Operating Expenses                              | <u>3,433,326</u>           | <u>190,251</u>             | <u>75,377</u>           | <u>(98,314)</u>           | <u>3,600,640</u>           |
| <b>Operating Loss</b>                           | <b>(2,463,503)</b>         | <b>(105,193)</b>           | <b>(42,940)</b>         | <b>98,314</b>             | <b>(2,513,322)</b>         |
| Non-Operating Revenues, net                     | <u>2,116,127</u>           | <u>83,649</u>              | <u>36,540</u>           | <u>(83,724)</u>           | <u>2,152,592</u>           |
| <b>Gain (Loss) Before Capital Contributions</b> | <b>(347,376)</b>           | <b>(21,544)</b>            | <b>(6,400)</b>          | <b>14,590</b>             | <b>(360,730)</b>           |
| Capital Contributions                           | <u>622,144</u>             | <u>18,282</u>              | <u>12,925</u>           | <u>(12,464)</u>           | <u>640,887</u>             |
| <b>Change in Net Position</b>                   | <b>274,768</b>             | <b>(3,262)</b>             | <b>6,525</b>            | <b>2,126</b>              | <b>280,157</b>             |
| Net Position - Beginning                        | <u>2,579,372</u>           | <u>(273,558)</u>           | <u>34,205</u>           | <u>(44,813)</u>           | <u>2,295,206</u>           |
| <b>Net Position - Ending</b>                    | <b><u>\$ 2,854,140</u></b> | <b><u>\$ (276,820)</u></b> | <b><u>\$ 40,730</u></b> | <b><u>\$ (42,687)</u></b> | <b><u>\$ 2,575,363</u></b> |

### New York City Housing Authority Condensed Statement of Cash Flows For the Year Ended December 31, 2016 (\$ in Thousands)

|  | NYCHA                    | LLC I                   | LLC II                 | Eliminations       | Total                    |
|--|--------------------------|-------------------------|------------------------|--------------------|--------------------------|
| Net cash provided (used) by              |                          |                         |                        |                    |                          |
| Operating activities                     | \$ (1,998,401)           | \$ (72,543)             | \$ (34,622)            | \$ 98,314          | \$ (2,007,252)           |
| Non-capital financing activities         | 2,106,275                | 98,156                  | 37,896                 | (83,724)           | 2,158,603                |
| Capital and related financing activities | (61,564)                 | (17,127)                | (3,519)                | (14,590)           | (96,800)                 |
| Investing activities                     | <u>125,131</u>           | <u>263</u>              | <u>32</u>              | <u>-</u>           | <u>125,426</u>           |
| <b>Net increase (decrease)</b>           | <b>171,441</b>           | <b>8,749</b>            | <b>(213)</b>           | <b>-</b>           | <b>179,977</b>           |
| Beginning cash and cash equivalents      | <u>699,909</u>           | <u>81,210</u>           | <u>7,183</u>           | <u>-</u>           | <u>788,302</u>           |
| Ending cash and cash equivalents         | <b><u>\$ 871,350</u></b> | <b><u>\$ 89,959</u></b> | <b><u>\$ 6,970</u></b> | <b><u>\$ -</u></b> | <b><u>\$ 968,279</u></b> |

**REQUIRED SUPPLEMENTARY INFORMATION**  
**(UNAUDITED)**



Castle Hill Houses, Borough of The Bronx



**REQUIRED SUPPLEMENTARY INFORMATION**

**Schedule of Changes in the Authority's Total OPEB Liability and Related Ratios**

|   | 2017                | 2016                |
|---|---------------------|---------------------|
| Total OPEB Liability                                    |                     |                     |
| Service Cost  | \$ 99,842           | \$ 129,183          |
| Interest  | 86,759              | 84,197              |
| Differences between Expected and Actual Experience      | (68,103)            | -                   |
| Change in Assumptions                                   | 42,001              | (186,804)           |
| Contributions - Employer                                | (68,963)            | (74,740)            |
| Implicit Rate Subsidy                                   | (13,000)            | (13,000)            |
| Net Changes in total OPEB Liability                     | 78,536              | (61,164)            |
| Total OPEB Liability - beginning                        | 2,484,343           | 2,545,507           |
| Total OPEB Liability at the End of the Year             | <u>\$ 2,562,879</u> | <u>\$ 2,484,343</u> |
| Covered Employee Payroll                                | \$ 751,506          | \$ 762,086          |
| Total OPEB Liability as a percentage of covered payroll | 341.0%              | 326.0%              |
| Discount Rate used to measure Total OPEB Liability      | 3.16%               | 3.71%               |

This schedule is intended to show information for ten years. The additional years' information will be displayed as it becomes available.





**REQUIRED SUPPLEMENTARY INFORMATION**

**SCHEDULE OF THE AUTHORITY'S CONTRIBUTIONS  
TO THE NEW YORK CITY EMPLOYEES' RETIREMENT SYSTEM (NYCERS)  
(\$ in thousands)**

|  | <b>For the Years Ended December 31,</b> |             |             |             |
|--|---|-------------|-------------|-------------|
|  | <b>2017</b>                             | <b>2016</b> | <b>2015</b> | <b>2014</b> |
| Contractually Required Contribution                                  | \$165,240                               | \$174,207   | \$159,206   | \$155,894   |
| Contributions in relation to the contractually required contribution | \$165,240                               | \$174,207   | \$159,206   | \$155,894   |
| Contribution Deficiency  | -                                       | -           | -           | -           |
| Authority covered-employee payroll                                   | \$751,506                               | \$762,086   | \$789,540   | \$757,566   |
| Contributions as percentage of covered-employee payroll              | 21.99%                                  | 22.86%      | 20.17%      | 20.58%      |

This Schedule is intended to show information for ten years. The additional years' information will be displayed as it become available.



## REQUIRED SUPPLEMENTARY INFORMATION

### SCHEDULE OF THE AUTHORITY'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY OF NYCERS

(\$ in thousands)

|  | For the Years Ended June 30, |             |             |           |
|--|------------------------------|-------------|-------------|-----------|
|  | 2017                         | 2016        | 2015        | 2014      |
| NYCHA's proportion of the net pension liability  | 4.97%                        | 5.00%       | 5.07%       | 5.02%     |
| NYCHA's proportionate share of the net pension liability   | \$1,032,725                  | \$1,214,112 | \$1,026,612 | \$904,747 |
| NYCHA's covered-employee payroll (Note A)  | \$624,372                    | \$616,479   | \$624,615   | \$611,709 |
| NYCHA's proportionate share of the net pension liability as a percentage of its covered-employee payroll | 165.40%                      | 196.94%     | 164.36%     | 147.90%   |
| Plan fiduciary net position as a percentage of the total pension liability                               | 74.80%                       | 69.57%      | 73.13%      | 71.41%    |

Note A: NYCHA's covered-employee payroll represents the total covered-employee payroll of NYCERS multiplied by NYCHA's share of the Net Pension Liability.

This schedule is intended to show information for ten years. The additional years' information will be displayed as it becomes available.



**STATISTICAL SECTION  
(UNAUDITED)**



Coney Island Houses, Borough of Brooklyn





Vladeck Houses, Borough of Manhattan





# New York City Housing Authority

## STATISTICAL SECTION (UNAUDITED)

This part of the Comprehensive Annual Financial Report presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information says about the Authority's overall financial health. The following are the categories of the schedules that are included in this Section:

### **Financial Trends**

These schedules contain trend information to help the reader understand how the Authority's financial performance and well-being have changed over time.

### **Revenue Capacity**

This schedule contains information to help the reader assess the Authority's most significant revenue source.

### **Debt Capacity**

This schedule presents information to help the reader assess the affordability of the Authority's current levels of outstanding debt and the Authority's ability to issue additional debt in the future.

### **Demographic and Economic Information**

These schedules offer demographic and economic indicators to help the reader understand the environment within which the Authority's financial activities take place.

### **Operating Information**

These schedules contain service and infrastructure data to help the reader understand how the information in the Authority's financial report relates to the services the Authority provides and the activities it performs.



STATISTICAL SECTION (UNAUDITED)

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**SCHEDULES OF  
FINANCIAL TRENDS**



**NEW YORK CITY HOUSING AUTHORITY**  
**COMPARATIVE OPERATING AND NON-OPERATING REVENUES AND EXPENSES**  
(\$ in thousands)

|  | Restated            |                     |                     |                     |                     |                     |                     |                     |                     |                     |  |  |  |
|--|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|--|--|--|
|  | <u>2017</u>         | <u>2016</u>         | <u>2015</u>         | <u>2014</u>         | <u>2013</u>         | <u>2012</u>         | <u>2011</u>         | <u>2010</u>         | <u>2009</u>         | <u>2008</u>         |  |  |  |
| <b>OPERATING REVENUE:</b>                  |                     |                     |                     |                     |                     |                     |                     |                     |                     |                     |  |  |  |
| Tenant revenue, net                        | \$ 1,051,628        | \$ 1,041,574        | \$ 990,524          | \$ 956,815          | \$ 919,973          | \$ 905,457          | \$ 895,864          | \$ 870,977          | \$ 830,148          | \$ 791,092          |  |  |  |
| Other income                               | 56,766              | 45,744              | 45,749              | 48,964              | 48,917              | 42,084              | 42,977              | 27,893              | 33,686              | 29,533              |  |  |  |
| <b>Total operating revenue</b>             | <b>\$ 1,108,394</b> | <b>\$ 1,087,318</b> | <b>\$ 1,036,273</b> | <b>\$ 1,005,779</b> | <b>\$ 968,890</b>   | <b>\$ 947,541</b>   | <b>\$ 938,841</b>   | <b>\$ 898,870</b>   | <b>\$ 863,834</b>   | <b>\$ 820,625</b>   |  |  |  |
| <b>OPERATING EXPENSES:</b>                 |                     |                     |                     |                     |                     |                     |                     |                     |                     |                     |  |  |  |
| Rent for leased dwellings                  | 987,017             | 940,722             | 946,968             | 966,100             | 964,451             | 952,269             | 944,704             | 989,506             | 949,652             | 918,059             |  |  |  |
| General and administrative                 | 838,400             | 847,573             | 810,374             | 837,617             | 848,730             | 837,610             | 774,525             | 720,397             | 728,549             | 673,782             |  |  |  |
| Utilities                                  | 554,542             | 534,797             | 575,017             | 594,579             | 590,007             | 542,933             | 566,173             | 572,549             | 538,790             | 546,981             |  |  |  |
| Maintenance and operations                 | 671,615             | 707,929             | 619,594             | 650,957             | 565,197             | 513,273             | 518,297             | 532,088             | 473,313             | 483,101             |  |  |  |
| Depreciation                               | 370,938             | 357,611             | 344,377             | 367,176             | 345,481             | 351,388             | 342,378             | 319,615             | 318,204             | 312,479             |  |  |  |
| OPEB Expense                               | 136,767             | 168,061             | (97,357)            | 18,508              | 161,308             | 144,030             | 394,263             | 327,575             | 116,805             | 218,739             |  |  |  |
| Protective services                        | 22,353              | 24,640              | 22,904              | 20,161              | 71,162              | 87,094              | 86,679              | 87,467              | 85,380              | 81,041              |  |  |  |
| Tenant services                            | 18,164              | 19,307              | 22,618              | 25,966              | 33,133              | 29,913              | 29,597              | 29,200              | 28,972              | 36,312              |  |  |  |
| Expenses relating to Superstorm Sandy      | -                   | -                   | -                   | -                   | -                   | 224,104             | -                   | -                   | -                   | -                   |  |  |  |
| <b>Total operating expenses</b>            | <b>\$ 3,599,796</b> | <b>\$ 3,600,640</b> | <b>\$ 3,244,495</b> | <b>\$ 3,481,064</b> | <b>\$ 3,579,469</b> | <b>\$ 3,682,614</b> | <b>\$ 3,656,616</b> | <b>\$ 3,578,397</b> | <b>\$ 3,239,665</b> | <b>\$ 3,170,494</b> |  |  |  |
| <b>OPERATING LOSS</b>                      | <b>(2,491,402)</b>  | <b>(2,513,322)</b>  | <b>(2,208,222)</b>  | <b>(2,475,285)</b>  | <b>(2,610,579)</b>  | <b>(2,735,073)</b>  | <b>(2,717,775)</b>  | <b>(2,679,527)</b>  | <b>(2,375,831)</b>  | <b>(2,349,869)</b>  |  |  |  |
| <b>NON-OPERATING REVENUES (EXPENSES):</b>  |                     |                     |                     |                     |                     |                     |                     |                     |                     |                     |  |  |  |
| Subsidies and Grants                       | 2,154,174           | 2,124,415           | 2,213,763           | 2,135,245           | 2,010,903           | 1,987,986           | 2,069,796           | 2,163,495           | 1,825,990           | 1,689,909           |  |  |  |
| Insurance recoveries                       | 809                 | 6,701               | 45,027              | 45,361              | 122,319             | -                   | -                   | -                   | -                   | -                   |  |  |  |
| Investment income                          | 16,080              | 25,231              | 10,249              | 7,668               | 4,517               | 4,406               | 6,360               | 8,256               | 11,666              | 36,751              |  |  |  |
| Gain (loss) on the sales of capital assets | 22,397              | 28,730              | 12,579              | 384                 | 13,258              | 1,717               | 3,163               | 13,969              | (14,522)            | (3,812)             |  |  |  |
| Interest expense                           | (30,005)            | (29,169)            | (29,911)            | (30,463)            | (19,839)            | (20,117)            | (20,113)            | (17,349)            | (8,931)             | (2,071)             |  |  |  |
| Change in fair value of investments        | (745)               | (3,131)             | (3,700)             | (553)               | (167)               | (2)                 | 60                  | 13                  | (360)               | 791                 |  |  |  |
| Debt financing costs                       | (179)               | (185)               | (353)               | (291)               | (6,432)             | (5,244)             | (6,934)             | -                   | -                   | -                   |  |  |  |
| <b>Total non-operating revenues, net</b>   | <b>\$ 2,162,531</b> | <b>\$ 2,152,592</b> | <b>\$ 2,247,654</b> | <b>\$ 2,157,351</b> | <b>\$ 2,124,559</b> | <b>\$ 1,968,746</b> | <b>\$ 2,052,332</b> | <b>\$ 2,168,384</b> | <b>\$ 1,813,843</b> | <b>\$ 1,721,568</b> |  |  |  |
| <b>CAPITAL CONTRIBUTIONS</b>               | <b>\$ 686,619</b>   | <b>\$ 640,887</b>   | <b>\$ 433,505</b>   | <b>\$ 330,548</b>   | <b>\$ 504,226</b>   | <b>\$ 336,814</b>   | <b>\$ 470,895</b>   | <b>\$ 561,992</b>   | <b>\$ 443,537</b>   | <b>\$ 269,919</b>   |  |  |  |
| <b>CHANGE IN NET POSITION</b>              | <b>\$ 357,748</b>   | <b>\$ 280,157</b>   | <b>\$ 472,937</b>   | <b>\$ 12,614</b>    | <b>\$ 18,206</b>    | <b>\$ (429,513)</b> | <b>\$ (194,548)</b> | <b>\$ 50,849</b>    | <b>\$ (118,451)</b> | <b>\$ (358,382)</b> |  |  |  |

Source: Annual Financial Statements



**NEW YORK CITY HOUSING AUTHORITY**  
**NET POSITION BY CATEGORY**  
(\$ In thousands)

| <u>CATEGORY</u>                  | <u>2017</u>         | <u>2016</u>         | <u>2015</u>         | <u>2014</u>         | <u>2013</u>         | <u>2012</u>         | <u>2011</u>         | <u>2010</u>         | <u>2009</u>         | <u>2008</u>         |
|----------------------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|
| Net investment in capital assets | \$ 5,995,349        | \$ 5,692,787        | \$ 5,407,064        | \$ 5,308,896        | \$ 5,371,385        | \$ 5,336,914        | \$ 5,349,279        | \$ 5,236,899        | \$ 5,060,566        | \$ 4,976,964        |
| Restricted                       | -                   | -                   | -                   | -                   | -                   | 16,340              | 51,740              | 14,130              | 14,289              | 185,418             |
| Unrestricted (Deficit)           | (3,062,238)         | (3,117,424)         | (3,255,974)         | (3,630,743)         | (3,705,846)         | (2,525,793)         | (2,144,045)         | (1,810,964)         | (1,685,639)         | (1,654,715)         |
| <b>TOTAL NET POSITION</b>        | <b>\$ 2,933,111</b> | <b>\$ 2,575,363</b> | <b>\$ 2,151,090</b> | <b>\$ 1,678,153</b> | <b>\$ 1,665,539</b> | <b>\$ 2,827,461</b> | <b>\$ 3,256,974</b> | <b>\$ 3,440,065</b> | <b>\$ 3,389,216</b> | <b>\$ 3,507,667</b> |

SOURCE: Annual Financial Statements





**NEW YORK CITY HOUSING AUTHORITY**  
**CAPITAL ASSETS BY CATEGORY**  
(\$ in thousands)

| CATEGORY                                | 2017                 | 2016                 | 2015                 | 2014                 | 2013                 | 2012                 | 2011                 | 2010                 | 2009                 | 2008                 |
|---|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|
| Land                                    | \$ 689,847           | \$ 689,847           | \$ 689,847           | \$ 689,847           | \$ 689,847           | \$ 689,847           | \$ 689,847           | \$ 689,873           | \$ 689,873           | \$ 690,070           |
| Buildings                               | 3,173,419            | 3,178,668            | 3,181,654            | 3,181,655            | 3,196,901            | 3,201,594            | 3,201,356            | 3,208,298            | 3,201,744            | 3,269,487            |
| Building improvements                   | 10,288,303           | 9,694,139            | 9,056,789            | 8,436,033            | 8,127,997            | 7,876,321            | 7,653,405            | 7,153,298            | 6,669,648            | 6,334,338            |
| Facilities and other improvements       | 501,133              | 494,724              | 488,892              | 479,726              | 475,253              | 463,823              | 458,894              | 453,881              | 448,524              | 435,835              |
| Furniture and equipment                 | 936,064              | 893,387              | 861,623              | 834,716              | 795,199              | 759,766              | 804,901              | 844,126              | 793,224              | 690,364              |
| Leasehold improvements                  | 113,153              | 113,153              | 113,153              | 113,153              | 113,069              | 112,992              | 113,002              | 112,897              | 111,840              | 109,992              |
| <b>Total Capital Assets</b>             | <b>\$ 15,701,919</b> | <b>\$ 15,063,918</b> | <b>\$ 14,391,958</b> | <b>\$ 13,735,130</b> | <b>\$ 13,398,266</b> | <b>\$ 13,104,343</b> | <b>\$ 12,921,405</b> | <b>\$ 12,462,373</b> | <b>\$ 11,914,853</b> | <b>\$ 11,530,086</b> |
| <b>Less Accumulated Depreciation:</b>   |                      |                      |                      |                      |                      |                      |                      |                      |                      |                      |
| Buildings                               | 2,930,106            | 2,911,809            | 2,890,698            | 2,865,379            | 2,852,796            | 2,825,036            | 2,790,789            | 2,758,603            | 2,721,779            | 2,724,788            |
| Building improvements                   | 4,914,618            | 4,625,164            | 4,367,515            | 4,104,980            | 3,835,281            | 3,589,624            | 3,351,413            | 3,104,580            | 2,880,108            | 2,656,809            |
| Facilities and other improvements       | 448,081              | 441,235              | 434,416              | 426,647              | 417,144              | 405,541              | 391,506              | 374,536              | 354,968              | 333,736              |
| Furniture and equipment                 | 728,275              | 703,388              | 673,779              | 630,443              | 590,810              | 547,179              | 558,611              | 598,868              | 566,928              | 539,014              |
| Leasehold improvements                  | 99,094               | 95,748               | 92,299               | 87,692               | 81,538               | 74,682               | 67,734               | 60,808               | 54,036               | 47,084               |
| <b>Total Accumulated Depreciation</b>   | <b>9,120,174</b>     | <b>8,777,344</b>     | <b>8,458,707</b>     | <b>8,115,141</b>     | <b>7,777,569</b>     | <b>7,442,062</b>     | <b>7,160,053</b>     | <b>6,897,395</b>     | <b>6,577,819</b>     | <b>6,301,431</b>     |
| <b>Net Capital Assets</b>               | <b>\$ 6,581,745</b>  | <b>\$ 6,286,574</b>  | <b>\$ 5,933,251</b>  | <b>\$ 5,619,989</b>  | <b>\$ 5,620,697</b>  | <b>\$ 5,662,281</b>  | <b>\$ 5,761,352</b>  | <b>\$ 5,564,978</b>  | <b>\$ 5,337,034</b>  | <b>\$ 5,228,655</b>  |
| <b>Related Debt</b>                     | <b>586,396</b>       | <b>593,787</b>       | <b>526,187</b>       | <b>311,093</b>       | <b>249,312</b>       | <b>325,367</b>       | <b>412,073</b>       | <b>328,079</b>       | <b>276,468</b>       | <b>251,691</b>       |
| <b>Net Investment in Capital Assets</b> | <b>\$ 5,995,349</b>  | <b>\$ 5,692,787</b>  | <b>\$ 5,407,064</b>  | <b>\$ 5,308,896</b>  | <b>\$ 5,371,385</b>  | <b>\$ 5,336,914</b>  | <b>\$ 5,349,279</b>  | <b>\$ 5,236,899</b>  | <b>\$ 5,060,566</b>  | <b>\$ 4,976,964</b>  |

Capital assets are not classified as *being depreciated* and *not being depreciated* since construction in progress is not shown as a separate category, but rather classified over the categories to which it belongs.

Source: Annual Financial Statements



STATISTICAL SECTION (UNAUDITED)

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**SCHEDULE OF  
REVENUE CAPACITY**



**NEW YORK CITY HOUSING AUTHORITY**  
**REVENUES ON A GROSS BASIS**  
(\$ in thousands)

| DESCRIPTION                         | <u>2017</u>         | <u>2016</u>         | <u>2015</u>         | <u>2014</u>         | <u>2013</u>         | <u>2012</u>         | <u>2011</u>         | <u>2010</u>         | <u>2009</u>         | <u>2008</u>         |
|-------------------------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|
| <b>Revenues (Gross):</b>            |                     |                     |                     |                     |                     |                     |                     |                     |                     |                     |
| Subsidies and Grants                | \$ 2,154,174        | \$ 2,124,415        | \$ 2,213,763        | \$ 2,135,245        | \$ 2,010,903        | \$ 1,987,986        | \$ 2,069,796        | \$ 2,163,495        | \$ 1,825,990        | \$ 1,689,909        |
| Operating Revenues                  | 1,108,394           | 1,087,318           | 1,036,273           | 1,005,779           | 968,890             | 947,541             | 938,841             | 898,870             | 863,834             | 820,625             |
| Insurance recoveries                | 809                 | 6,701               | 45,027              | 45,361              | 122,319             | -                   | -                   | -                   | -                   | -                   |
| Investment Income                   | 16,080              | 25,231              | 10,249              | 7,668               | 4,517               | 4,406               | 6,360               | 8,256               | 11,666              | 36,751              |
| Gain on the sales of capital assets | 22,397              | 28,730              | 12,579              | 384                 | 13,258              | 1,717               | 3,163               | 13,969              | -                   | -                   |
| Change in fair value of investments | -                   | -                   | -                   | -                   | -                   | -                   | 60                  | 13                  | -                   | 791                 |
| <b>Total Revenues</b>               | <b>\$ 3,301,854</b> | <b>\$ 3,272,395</b> | <b>\$ 3,317,891</b> | <b>\$ 3,194,437</b> | <b>\$ 3,119,887</b> | <b>\$ 2,941,650</b> | <b>\$ 3,018,220</b> | <b>\$ 3,084,603</b> | <b>\$ 2,701,490</b> | <b>\$ 2,548,076</b> |

Source: Annual Financial Statements



STATISTICAL SECTION (UNAUDITED)

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**SCHEDULE OF  
DEBT CAPACITY**





**NEW YORK CITY HOUSING AUTHORITY**  
**LONG TERM DEBT**  
(\$ in thousands, except per capita)

| <b>Description of Long Term Debt</b>   | 2017     | 2016      | 2015      | 2014      | 2013      | 2012      | 2011      | 2010      | 2009      | 2008      |
|--|----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|
| <b>Bonds:</b>  |          |           |           |           |           |           |           |           |           |           |
| State Guaranteed Certificates of Indebtedness Outstanding (State Program) three issues remaining bearing interest from 3.50% to 3.875%, per annum maturing annually through July 2024.                                   | \$ 8,564 | \$ 10,789 | \$ 13,014 | \$ 15,927 | \$ 18,840 | \$ 22,059 | \$ 26,385 | \$ 31,129 | \$ 35,873 | \$ 40,619 |
| State Guaranteed Certificates of Indebtedness Outstanding (incorporated into the Federal Housing Program), three issues remaining bearing interest from 3.50% to 4.75% per annum, maturing annually through July 2024.   | 1,399    | 1,642     | 1,886     | 2,218     | 2,550     | 3,345     | 4,177     | 5,464     | 6,750     | 8,798     |
| City Guaranteed Bonds Payable ( City Program) bearing interest at 4.0% per annum, maturing annually through January 2010   | -        | -         | -         | -         | -         | -         | -         | -         | 926       | 1,816     |
| Multi-family Housing Refunding Bonds payable, principal and interest at 5.65% per annum, maturing annually through July 2010   | -        | -         | -         | -         | -         | -         | -         | -         | 3,165     | 6,155     |
| <b>Loans Funded by:</b>  |          |           |           |           |           |           |           |           |           |           |
| HDC Capital Fund Program Revenue Bonds, Series 2005 A (\$281,610,000); Loan Agreement with an interest rate of 3.0% to 5.0% per annum, defeased September 2013.  | -        | -         | -         | -         | -         | 213,990   | 225,410   | 236,275   | 246,615   | 256,455   |
| HDC Capital Fund Program Revenue Bonds, Series 2013 A (\$185,785,000); Loan Agreement with an interest rate of 3.0% to 5.0% per annum, maturing annually through July 2025.  | 136,815  | 150,555   | 163,790   | 176,630   | 185,785   | -         | -         | -         | -         | -         |
| HDC Capital Fund Program Revenue Bonds, Series 2013 B-1 (\$348,130,000); Loan Agreement with an interest rate of 5.0% to 5.25% per annum, maturing annually through July 2033.   | 293,535  | 310,160   | 325,985   | 341,190   | 348,130   | -         | -         | -         | -         | -         |
| HDC Capital Fund Program Revenue Bonds, Series 2013 B-2 (\$122,170,000); Loan Agreement with an interest rate of 5.0% to 5.25% per annum, maturing annually through July 2032.   | 122,170  | 122,170   | 122,170   | 122,170   | 122,170   | -         | -         | -         | -         | -         |
| Loan Payable - 2013 Equipment Lease/Purchase Agreement with BAPCC for Energy Performance Contract (\$18,045,580) at an interest rate of 1.98% per annum, maturing January 19, 2026.                                      | 13,812   | 15,140    | 16,408    | 17,265    | 17,736    | -         | -         | -         | -         | -         |
| Loan Payable - 2016 Equipment Lease/Purchase Agreement with BAPCC for Energy Performance Contract (\$51,548,356) at an interest rate of 3.27% per annum, maturing June 28, 2036.   | 53,247   | 51,548    | -         | -         | -         | -         | -         | -         | -         | -         |
| Loan Payable - NY Green Bank multi-draw term loan facility in the amount of (\$11,000,000) with the rate of 3.50% per annum on the used portion and of 0.50% per annum on the unused portion, maturing December 31, 2017 | -        | 94        | -         | -         | -         | -         | -         | -         | -         | -         |
| Loan Payable - 2017 Equipment Lease/Purchase Agreement; (BQDM); with BAPCC for Energy Performance Contract (\$60,132,977.75) at an interest rate of 3.6178% per annum, maturing December 15, 2037.                       | 60,133   | -         | -         | -         | -         | -         | -         | -         | -         | -         |



**NEW YORK CITY HOUSING AUTHORITY**  
**LONG TERM DEBT**  
(\$ in thousands, except per capita)

| <b>Description of Long Term Debt</b>   | 2017              | 2016              | 2015              | 2014              | 2013              | 2012              | 2011              | 2010              | 2009              | 2008              |
|--|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|
| <b>Loans Funded by: (continued)</b>  |                   |                   |                   |                   |                   |                   |                   |                   |                   |                   |
| Loan Payable - 2017 Equipment Lease/Purchase Agreement; (SANDY A); with BAPCC for Energy Performance Contract (\$43,000,000) at an interest rate of 3.6178% per annum, maturing December 22, 2037. | 43,000            | -                 | -                 | -                 | -                 | -                 | -                 | -                 | -                 | -                 |
| HDC 2009 Series L-1 Bonds (\$23,590,000); Permanent Mortgage Loan at an interest rate of 6.3% per annum, maturing November 2043; secured by mortgage.  | 22,298            | 22,634            | 22,949            | 23,245            | 23,523            | 23,590            | 23,590            | 23,590            | -                 | -                 |
| HDC 2009 Series L-2 Bonds (\$68,000,000); Subordinate Loan at interest rate of 2.25% per annum, matured in September 2013; secured by mortgage.  | -                 | -                 | -                 | -                 | -                 | 68,000            | 68,000            | 68,000            | -                 | -                 |
| HDC 2010 Series B Bonds (\$150,000,000); Mortgage Loan at interest rate of 2.125% per annum, prepaid in July 2013; secured by mortgage.  | -                 | -                 | -                 | -                 | -                 | 19,825            | 110,050           | 150,000           | -                 | -                 |
| HDC 2011 Series A Bonds (\$140,000,000); Mortgage Loan at an interest rate of 3.25% per annum, prepaid in July 2013; secured by mortgage.  | -                 | -                 | -                 | -                 | -                 | 47,955            | 140,000           | -                 | -                 | -                 |
| HDC 2012 Series A Bonds (\$67,540,000); Mortgage Loan at an interest rate of SIFMA +1.1% per annum, prepaid in July 2013; secured by mortgage.   | -                 | -                 | -                 | -                 | -                 | 16,821            | -                 | -                 | -                 | -                 |
| HDC 2010 Series A-1 Bonds (\$25,325,000); Permanent Mortgage Loan at an interest rate of 5.1% per annum, maturing November 2041; secured by mortgage.  | 23,389            | 23,883            | 24,352            | 24,798            | 25,222            | 25,325            | 25,325            | 25,325            | -                 | -                 |
| HDC 2010 Series A-2 Bonds (\$3,000,000); Permanent Mortgage Loan at an interest rate of 5.1% per annum, maturing May 2041; secured by mortgage.  | 2,770             | 2,829             | 2,885             | 2,938             | 2,988             | 3,000             | 3,000             | 3,000             | -                 | -                 |
| <b>Long Term Debt (before Premium)</b>   | <b>\$ 781,132</b> | <b>\$ 711,444</b> | <b>\$ 693,439</b> | <b>\$ 726,381</b> | <b>\$ 746,944</b> | <b>\$ 443,910</b> | <b>\$ 625,937</b> | <b>\$ 542,783</b> | <b>\$ 293,329</b> | <b>\$ 313,843</b> |
| Add Premium on HDC Revenue Bond Loan Agreements  | 19,035            | 23,898            | 29,603            | 35,974            | 42,637            | 6,919             | 8,075             | 9,348             | 10,740            | 12,254            |
| <b>TOTAL LONG TERM DEBT</b>  | <b>\$ 800,167</b> | <b>\$ 735,342</b> | <b>\$ 723,042</b> | <b>\$ 762,355</b> | <b>\$ 789,581</b> | <b>\$ 450,829</b> | <b>\$ 634,012</b> | <b>\$ 552,131</b> | <b>\$ 304,069</b> | <b>\$ 326,097</b> |
| Less current portion   | 36,647            | 35,145            | 33,637            | 32,942            | 20,563            | 84,020            | 16,578            | 16,896            | 20,461            | 20,514            |
| <b>LONG TERM DEBT, NET</b>   | <b>\$ 763,520</b> | <b>\$ 700,197</b> | <b>\$ 689,405</b> | <b>\$ 729,413</b> | <b>\$ 769,018</b> | <b>\$ 366,809</b> | <b>\$ 617,434</b> | <b>\$ 535,235</b> | <b>\$ 283,608</b> | <b>\$ 305,583</b> |
| <b>Percentage of Personal Income</b>   | <b>18.83%</b>     | <b>17.34%</b>     | <b>17.49%</b>     | <b>18.74%</b>     | <b>19.42%</b>     | <b>11.13%</b>     | <b>15.75%</b>     | <b>13.56%</b>     | <b>7.47%</b>      | <b>8.25%</b>      |
| <b>Per Capita</b>  | <b>\$ 2,040</b>   | <b>\$ 1,854</b>   | <b>\$ 1,805</b>   | <b>\$ 1,901</b>   | <b>\$ 1,959</b>   | <b>\$ 1,117</b>   | <b>\$ 1,572</b>   | <b>\$ 1,367</b>   | <b>\$ 753</b>     | <b>\$ 810</b>     |

**Note A**  
See Note 13 on Long Term Debt for more details

**Note B**  
Percentage of Personal Income and Per Capita calculations are based on total long term debt using demographic information for NYCHA's residents (see NYCHA's Demographic and Economic Statistics-Ten Year Trend).

Source: Annual Financial Statements



**NEW YORK CITY HOUSING AUTHORITY**  
**PLEDGED REVENUE COVERAGE**  
(\$ in thousands)

**Description of Loan Payable: Equipment Purchase/Lease Agreement  
with Bank of America for Energy Performance Contract**

| <u>Year</u> | <u>Source of Revenue</u> | <u>Net Available<br/>Revenues</u> | <u>Principal<br/>and Interest<br/>Requirements</u> | <u>Coverage<br/>Ratio</u> |
|-------------|--------------------------|-----------------------------------|--|---------------------------|
| 2013        | HUD Operating Subsidy    | \$ 407                            | \$ 407   | 1.0                       |
| 2014        | HUD Operating Subsidy    | \$ 819                            | \$ 819   | 1.0                       |
| 2015        | HUD Operating Subsidy    | \$ 1,197                          | \$ 1,197   | 1.0                       |
| 2016        | HUD Operating Subsidy    | \$ 1,586                          | \$ 1,586   | 1.0                       |
| 2017        | HUD Operating Subsidy    | \$ 1,622                          | \$ 1,622   | 1.0                       |

Notes:

1. Net Available Revenues represent the annual debt service for the current year. The Authority has committed to appropriate HUD Operating revenue in amounts sufficient to cover the scheduled principal and interest requirements of the debt.
2. Details regarding the Authority's outstanding debt can be found in the notes to the financial statements.



**NEW YORK CITY HOUSING AUTHORITY**  
**PLEDGED REVENUE COVERAGE**  
(\$ in thousands)

**Description of Bond: NYC Housing Development (HDC)**  
**Capital Fund Program Revenue Bonds, Series 2013 A and 2013 B**

| <u>Year</u> | <u>Source of Revenue</u> | <u>Net Available Revenues</u> | <u>Principal and Interest Requirements</u> | <u>Coverage Ratio</u> |
|-------------|--------------------------|-------------------------------|--|-----------------------|
| 2014        | Capital Fund 2014        | \$ 98,746                     | \$ 41,655                                  | 2.4                   |
| 2015        | Capital Fund 2015        | \$ 102,119                    | \$ 59,343                                  | 1.7                   |
| 2016        | Capital Fund 2016        | \$ 106,244                    | \$ 59,517                                  | 1.8                   |
| 2017        | Capital Fund 2017        | \$ 115,442                    | \$ 59,529                                  | 1.9                   |

Notes:

1. Net Available Revenues represent 33 1/3 percent of the Capital Fund grant, which is the maximum amount available for principal and interest requirements.
2. Details regarding the Authority's outstanding debt can be found in the notes to the financial statements.
3. The 2013 Series A bond proceeds were used in part to defease the remaining debt on the 2005 A bonds in September of 2013.

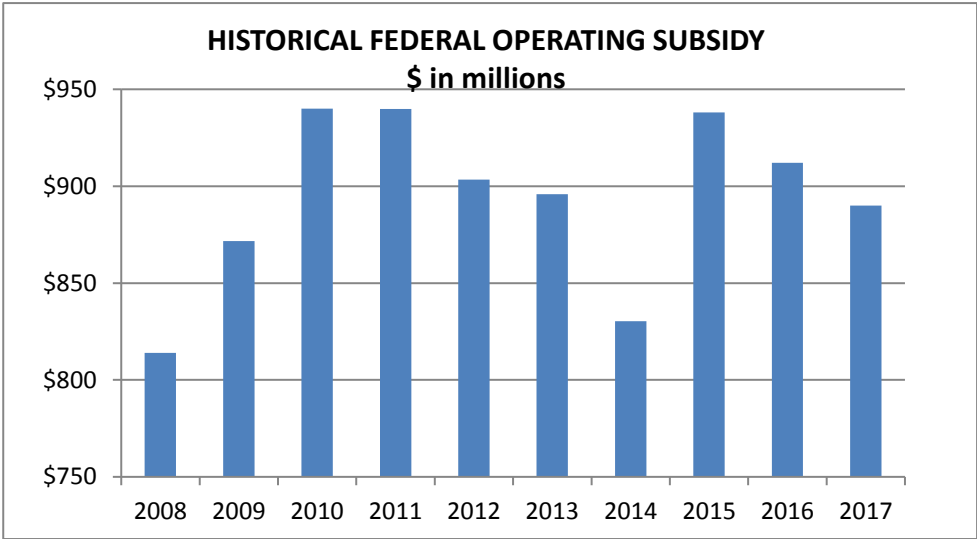




**NEW YORK CITY HOUSING AUTHORITY  
HISTORICAL FEDERAL OPERATING SUBSIDY**

(\$ in millions)

| <u>Year</u> | <u>Congressional<br/>Appropriation</u> | <u>NYCHA<br/>Funding</u> |
|-------------|--|--------------------------|
| 2008        | \$ 4,200                               | \$ 814                   |
| 2009        | \$ 4,455                               | \$ 872                   |
| 2010        | \$ 4,775                               | \$ 940                   |
| 2011        | \$ 4,617                               | \$ 940                   |
| 2012        | \$ 3,962                               | \$ 903                   |
| 2013        | \$ 4,054                               | \$ 896                   |
| 2014        | \$ 4,400                               | \$ 830                   |
| 2015        | \$ 4,440                               | \$ 938                   |
| 2016        | \$ 4,500                               | \$ 912                   |
| 2017        | \$ 4,607                               | \$ 890                   |



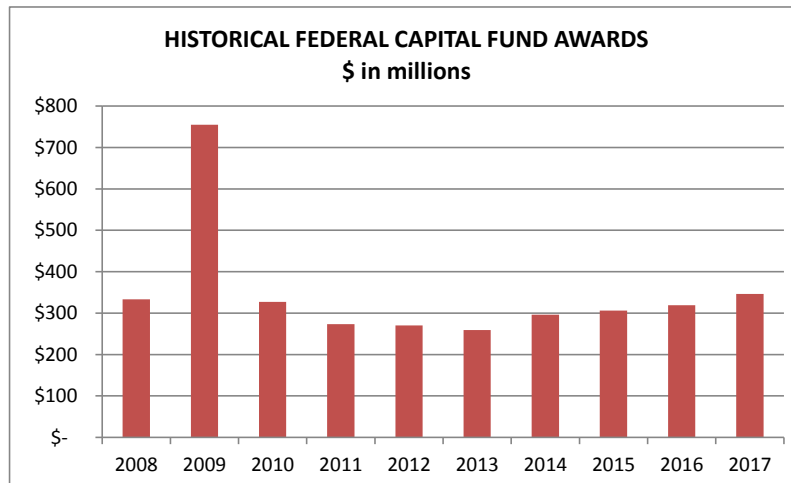
Source: New York City Housing Authority, Finance Department



**NEW YORK CITY HOUSING AUTHORITY  
HISTORICAL FEDERAL CAPITAL FUND AWARDS**

(\$ in millions)

| <b>Capital Fund<br/>Grant Year</b> | <b>Congressional<br/>Appropriation</b> | <b>NYCHA<br/>Funding</b> |
|------------------------------------|--|--------------------------|
| 2008                               | \$ 2,439                               | \$ 334                   |
| 2009                               | \$ 5,435                               | \$ 755                   |
| 2010                               | \$ 2,500                               | \$ 327                   |
| 2011                               | \$ 2,500                               | \$ 273                   |
| 2012                               | \$ 2,405                               | \$ 270                   |
| 2013                               | \$ 2,070                               | \$ 259                   |
| 2014                               | \$ 1,875                               | \$ 296                   |
| 2015                               | \$ 1,925                               | \$ 306                   |
| 2016                               | \$ 1,900                               | \$ 319                   |
| 2017                               | \$ 1,942                               | \$ 346                   |



Source: New York City Housing Authority, Finance Department



STATISTICAL SECTION (UNAUDITED)

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**SCHEDULES OF DEMOGRAPHIC  
AND ECONOMIC INFORMATION**



**NEW YORK CITY HOUSING AUTHORITY  
RESIDENT DEMOGRAPHICS - OPERATING PROGRAMS**

| ALL PROGRAMS   | DECEMBER 31, 2017<br>TOTAL |                          |
|--|----------------------------|--------------------------|
| NUMBER OF FAMILIES                                     | 173,946                    |                          |
| POPULATION   | 392,259                    |                          |
| AVERAGE FAMILY SIZE                                    | 2.3                        |                          |
| AVERAGE TENURE IN PUBLIC HOUSING                       | 22.6 YEARS                 |                          |
| <hr/>  |                            |                          |
| AVERAGE FAMILY ANNUAL INCOME                           | \$ 24,424                  |                          |
| AVERAGE MONTHLY RENT                                   | \$ 522                     |                          |
| <hr/>  |                            |                          |
|  |                            | Percentage of Population |
| NUMBER OF SENIOR RESIDENTS (AGE 62 OR MORE):           | 80,150                     | 20.4%                    |
| NUMBER OF SINGLE SENIOR RESIDENTS (AGE 62 OR MORE):    | 39,245                     | 10.0%                    |
| NUMBER OF MINORS UNDER 18:                             | 105,612                    | 26.9%                    |
| <hr/>  |                            |                          |
|  |                            | Percentage of Households |
| NUMBER OF WORKING FAMILIES:                            | 81,547                     | 46.9%                    |
| NUMBER OF FAMILIES RECEIVING PUBLIC ASSISTANCE:        | 23,077                     | 13.3%                    |
| NUMBER OF SINGLE PARENT FAMILIES WITH MINORS UNDER 18: | 38,637                     | 22.2%                    |
| NUMBER OF SENIOR (AGE 62 OR MORE) HEAD OF HOUSEHOLDS:  | 67,369                     | 38.7%                    |
| HOUSEHOLDS BELOW POVERTY LEVEL                         | 86,308                     | 49.6%                    |





**NEW YORK CITY HOUSING AUTHORITY**

**RESIDENT DEMOGRAPHICS - HOUSING CHOICE VOUCHER PROGRAM  
AS OF DECEMBER 31, 2017**

|  | BOROUGH |          |           |        |               | Total  |
|--|---------|----------|-----------|--------|---------------|--------|
|  | Bronx   | Brooklyn | Manhattan | Queens | Staten Island |        |
| <b>NUMBER OF HOUSEHOLDS</b>            | 37,050  | 27,648   | 9,197     | 8,407  | 1,857         | 1,866  |
| <b>NUMBER OF HOUSEHOLDS PERCENTAGE</b> | 43.07%  | 32.14%   | 10.69%    | 9.77%  | 2.16%         | 2.17%  |
| <b>NUMBER OF HOUSEHOLDS</b>            | 2,914   | 180      | 1,710     | 24,082 | 42,771        | 14,366 |
| <b>NUMBER OF HOUSEHOLDS PERCENTAGE</b> | 3.39%   | 0.21%    | 1.99%     | 27.99% | 49.72%        | 16.70% |

**RACE and ETHNICITY**

|  | RACE and ETHNICITY |                                    |  |        |          | Total  |
|--|--------------------|------------------------------------|--|--------|----------|--------|
|  | Unknown            | American Indian/<br>Native Alaskan | Asian/<br>Native Hawaiian/<br>Other Pacific Islander | Black  | Hispanic |        |
| <b>NUMBER OF HOUSEHOLDS</b>            | 2,914              | 180                                | 1,710  | 24,082 | 42,771   | 14,366 |
| <b>NUMBER OF HOUSEHOLDS PERCENTAGE</b> | 3.39%              | 0.21%                              | 1.99%  | 27.99% | 49.72%   | 16.70% |

|  | APARTMENT SIZE (NUMBER OF BEDROOMS) |       |        |        |        | Total |           |
|--|-------------------------------------|-------|--------|--------|--------|-------|-----------|
|  | 0                                   | 1     | 2      | 3      | 4      |       | 5 or more |
| <b>NUMBER OF HOUSEHOLDS</b>            | 0                                   | 4,462 | 26,115 | 32,274 | 19,288 | 3,194 | 692       |
| <b>NUMBER OF HOUSEHOLDS PERCENTAGE</b> | 0.00%                               | 5.19% | 30.36% | 37.52% | 22.42% | 3.71% | 0.80%     |

Source: Research and Management Analysis Department



## Demographic and Economic Statistics - Ten Year Trend

### POPULATION - TEN YEAR TREND

2007 - 2016\*

| <u>Year</u> | <u>United States</u> | <u>Percentage<br/>Change from<br/>Prior<br/>Period</u> | <u>City of<br/>New York</u> | <u>Percentage<br/>Change from<br/>Prior<br/>Period</u> |
|-------------|----------------------|--|-----------------------------|--|
| 2007 .....  | 301,231,207          | 0.96%  | 8,013,775                   | 0.25   |
| 2008 .....  | 304,093,966          | 0.95   | 8,068,195                   | 0.68   |
| 2009 .....  | 306,771,529          | 0.88   | 8,131,574                   | 0.79   |
| 2010 .....  | 309,348,193          | 0.84   | 8,192,026                   | 0.74   |
| 2011 .....  | 311,663,358          | 0.75   | 8,284,098                   | 1.12   |
| 2012 .....  | 313,998,379          | 0.75   | 8,361,179                   | 0.93   |
| 2013 .....  | 316,204,908          | 0.70   | 8,422,460                   | 0.73   |
| 2014 .....  | 318,563,456          | 0.75   | 8,471,990                   | 0.59   |
| 2015 .....  | 320,896,618          | 0.73   | 8,516,502                   | 0.53   |
| 2016 .....  | 323,127,513          | 0.70   | 8,537,673                   | 0.25   |

### POPULATION OF NEW YORK CITY BY BOROUGH

|                     | <u>2016</u>      | <u>2010</u>      | <u>2000</u>      | <u>1990</u>      | <u>1980</u>      | <u>1970</u>      |
|---------------------|------------------|------------------|------------------|------------------|------------------|------------------|
| Bronx .....         | 1,455,720        | 1,388,240        | 1,333,854        | 1,203,789        | 1,168,972        | 1,471,701        |
| Brooklyn .....      | 2,629,150        | 2,510,240        | 2,465,812        | 2,300,664        | 2,230,936        | 2,602,012        |
| Manhattan .....     | 1,643,734        | 1,588,530        | 1,540,373        | 1,487,536        | 1,428,285        | 1,539,233        |
| Queens .....        | 2,333,054        | 2,235,310        | 2,229,895        | 1,951,598        | 1,891,325        | 1,987,174        |
| Staten Island ..... | 476,015          | 469,706          | 445,414          | 378,977          | 352,121          | 295,443          |
| Total .....         | <u>8,537,673</u> | <u>8,192,026</u> | <u>8,015,348</u> | <u>7,322,564</u> | <u>7,071,639</u> | <u>7,895,563</u> |

|  |      |      |      |      |         |      |
|--|------|------|------|------|---------|------|
| Percentage Increase<br>(Decrease) from<br>Prior Decade ..... | 4.2% | 2.2% | 9.5% | 3.5% | (10.4%) | 1.5% |
|--|------|------|------|------|---------|------|

## Demographic and Economic Statistics - Ten Year Trend

2007 - 2016\*

| <u>Year</u> | <u>Personal Income</u><br>(in thousands) |                             |   | <u>Per Capita Personal Income</u><br>(in thousands) |                             |   |
|-------------|--|-----------------------------|---|---|-----------------------------|---|
|             | <u>United States</u>                     | <u>City of<br/>New York</u> | <u>New York<br/>City as a<br/>Percentage of<br/>United States</u> | <u>United States</u>                                | <u>City of<br/>New York</u> | <u>New York<br/>City as a<br/>Percentage of<br/>United States</u> |
|             |  |                             | %   |   |                             | %   |
| 2007 .....  | 11,995,419,000                           | 409,492,080                 | 3 %   | 39,821  | 51,097                      | 128 %   |
| 2008 .....  | 12,492,705,000                           | 412,898,932                 | 3   | 41,082  | 51,177                      | 125   |
| 2009 .....  | 12,079,444,000                           | 398,791,095                 | 3   | 39,376  | 49,040                      | 125   |
| 2010 .....  | 12,459,613,000                           | 412,633,711                 | 3   | 40,277  | 50,370                      | 125   |
| 2011 .....  | 13,233,436,000                           | 446,838,428                 | 3   | 42,461  | 53,940                      | 127   |
| 2012 .....  | 13,904,485,000                           | 476,181,797                 | 3   | 44,282  | 56,953                      | 129   |
| 2013 .....  | 14,068,960,000                           | 492,554,049                 | 4   | 44,493  | 58,484                      | 131   |
| 2014 .....  | 14,801,624,000                           | 519,790,330                 | 4   | 46,464  | 61,354                      | 132   |
| 2015 .....  | 15,463,981,000                           | 540,352,366                 | 3   | 48,190  | 63,444                      | 132   |
| 2016 .....  | 16,017,781,445                           | NA                          | NA  | 49,571  | NA                          | NA  |

Source: U.S. Department of Commerce, Bureau of Economic Analysis

\* Amounts as of March 28, 2017

N/A = data not available



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## New York City Housing Authority

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### Demographic and Economic Statistics - Ten Year Trend

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#### POPULATION - TEN YEAR TREND 2008 - 2017

| <u>Year</u> | <u>NYCHA</u> | <u>Change<br/>from<br/>Prior<br/>Period</u> |
|-------------|--------------|---|
| 2008 .....  | 402,722      | (0.76) %                                    |
| 2009 .....  | 403,665      | 0.23 %                                      |
| 2010 .....  | 403,995      | 0.08 %                                      |
| 2011 .....  | 403,357      | (0.16) %                                    |
| 2012 .....  | 403,736      | 0.09 %                                      |
| 2013 .....  | 403,120      | (0.15) %                                    |
| 2014 .....  | 401,093      | (0.50) %                                    |
| 2015.....   | 400,474      | (0.20) %                                    |
| 2016.....   | 396,581      | (0.97) %                                    |
| 2017.....   | 392,259      | (1.09) %                                    |

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## New York City Housing Authority

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### Demographic and Economic Statistics - Ten Year Trend

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#### 2008 - 2017

#### Personal Income (in thousands)

| <u>Year</u> | <u>NYCHA</u> |
|-------------|--------------|
| 2008 .....  | 3,953,354    |
| 2009 .....  | 4,068,739    |
| 2010 .....  | 4,070,320    |
| 2011 .....  | 4,024,487    |
| 2012 .....  | 4,052,026    |
| 2013 .....  | 4,064,839    |
| 2014 .....  | 4,068,376    |
| 2015 .....  | 4,133,013    |
| 2016 .....  | 4,241,327    |
| 2017 .....  | 4,248,457    |

Source: New York City Housing Authority, Resident Demographics - Operating Programs



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## City of New York - Persons Receiving Public Assistance - Ten Year Trend

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**2008- 2017**  
(annual averages in thousands)

| <u>Year</u> | <u>Public Assistance</u> | <u>SSI (a)</u> |
|-------------|--------------------------|----------------|
| 2008 .....  | 341                      | 409,821        |
| 2009 .....  | 346                      | 414,923        |
| 2010 .....  | 346                      | 420,878        |
| 2011 .....  | 356                      | 423,707        |
| 2012 .....  | 353                      | 425,991        |
| 2013 .....  | 357                      | 425,034        |
| 2014 .....  | 337                      | 402,529        |
| 2015 .....  | 360                      | 398,856        |
| 2016 .....  | 370                      | 394,680        |
| 2017 .....  | 364                      | NA             |

(a) The SSI data is for December of each year.  
N/A: Not Available

Sources: The City of New York, Human Resources Administration and  
the U.S. Social Security Administration.

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## New York City Housing Authority Persons Receiving Public Assistance - Ten Year Trend

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**2008- 2017**

| <u>Year</u> | <u>Public Assistance</u> |
|-------------|--------------------------|
| 2007 .....  | 24,305                   |
| 2008 .....  | 22,216                   |
| 2009 .....  | 20,829                   |
| 2010 .....  | 20,094                   |
| 2011 .....  | 20,028                   |
| 2012 .....  | 19,561                   |
| 2013 .....  | 20,055                   |
| 2014 .....  | 20,379                   |
| 2015 .....  | 21,214                   |
| 2016 .....  | 22,710                   |
| 2017 .....  | 23,077                   |

Source: New York City Housing Authority, Research and Management Analysis Department





## Nonagricultural Wage and Salary Employment - Ten Year Trend

2008-2017

(average annual employment in thousands)

|   | <u>2017 (b)</u> | <u>2016</u>  | <u>2015</u>  | <u>2014</u>  | <u>2013</u>  | <u>2012</u>  | <u>2011</u>  | <u>2010</u>  | <u>2009</u>  | <u>2008</u>  |
|---|-----------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|
| Private Employment:                                     |                 |              |              |              |              |              |              |              |              |              |
| Services (a).....                                       | 2,520           | 2,471        | 2,399        | 2,309        | 2,213        | 2,137        | 2,065        | 1,996        | 1,956        | 1,980        |
| Wholesale Trade.....                                    | 141             | 146          | 146          | 144          | 142          | 141          | 140          | 138          | 139          | 149          |
| Retail Trade.....                                       | 345             | 349          | 352          | 350          | 340          | 328          | 314          | 303          | 292          | 300          |
| Manufacturing.....                                      | 74              | 76           | 78           | 77           | 77           | 76           | 76           | 76           | 82           | 96           |
| Financial Activities.....                               | 468             | 466          | 459          | 449          | 438          | 439          | 439          | 428          | 434          | 465          |
| Transportation, Warehousing<br>and Utilities.....       | 134             | 135          | 132          | 126          | 123          | 122          | 122          | 120          | 122          | 126          |
| Construction.....                                       | 147             | 146          | 139          | 129          | 122          | 116          | 112          | 113          | 121          | 133          |
| Total Private Employment.....                           | 3,829           | 3,789        | 3,705        | 3,584        | 3,455        | 3,359        | 3,268        | 3,174        | 3,146        | 3,249        |
| Government.....   | 551             | 552          | 550          | 545          | 544          | 546          | 551          | 558          | 567          | 564          |
| Total.....  | <u>4,380</u>    | <u>4,341</u> | <u>4,255</u> | <u>4,129</u> | <u>3,999</u> | <u>3,905</u> | <u>3,819</u> | <u>3,732</u> | <u>3,713</u> | <u>3,813</u> |
| Percentage Increase (Decrease)<br>from Prior Year ..... | 0.9%(b)         | 2.0%         | 3.1%         | 3.3%         | 2.4%         | 2.3%         | 2.3%         | 0.5%         | (2.6%)       | 7.3%         |

(a) Includes rounding adjustment.  
(b) Six months average.

Notes: This schedule is provided in lieu of a schedule of principal employees because it provides more meaningful information. Other than the City of New York, no single employer employs more than 2 percent of total nonagricultural employees.

Data are not seasonally adjusted.

Source: New York State Department of Labor, Division of Research and Statistics.



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## Employment Status of the Resident Population - Ten Year Trend

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2007-2016

|            | <b>Civilian Labor Force<br/>(in thousands)</b> |  | <b>Unemployment Rate</b> |                          |
|------------|--|--|--------------------------|--------------------------|
|            | <u>New York City<br/>Employed</u>              | <u>New York City<br/>Unemployed(a)</u> | <u>New York<br/>City</u> | <u>United<br/>States</u> |
| 2007 ..... | 3,664  | 194                                    | 5.0 %                    | 4.6 %                    |
| 2008 ..... | 3,706  | 221                                    | 5.6                      | 5.8                      |
| 2009 ..... | 3,592  | 369                                    | 9.3                      | 9.3                      |
| 2010 ..... | 3,574  | 377                                    | 9.5                      | 9.6                      |
| 2011 ..... | 3,603  | 360                                    | 9.1                      | 8.9                      |
| 2012 ..... | 3,647  | 377                                    | 9.3                      | 8.1                      |
| 2013 ..... | 3,706  | 360                                    | 8.8                      | 7.4                      |
| 2014 ..... | 3,805  | 299                                    | 7.2                      | 6.2                      |
| 2015 ..... | 3,884  | 235                                    | 5.7                      | 5.3                      |
| 2016 ..... | 3,924  | 214                                    | 5.2                      | 4.9                      |

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(a) Unemployed persons are all civilians who had no employment during the survey week, were available for work, except for temporarily illness, and had made efforts to find employment some time during the prior four weeks. This includes persons who were waiting to be recalled to a job from which they were laid off or were waiting to report to a new job within 30 days.

Note: Employment and unemployment information is not seasonally adjusted.

Sources: U.S. Department of Labor, Bureau of Labor Statistics, and Office of the Comptroller, Fiscal and Budget Studies.



**STATISTICAL SECTION (UNAUDITED)**

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**SCHEDULES OF  
OPERATING INFORMATION**



**NEW YORK CITY HOUSING AUTHORITY  
PUBLIC HOUSING ASSESSMENT SYSTEM (PHAS) - INTERIM RULE**

The table below shows the New York City Housing Authority's actual calculations for the three components that constitute the Financial Condition Indicator:

| SCORING COMPONENTS<br>(FINANCIAL CONDITION INDICATORS) | MEASUREMENT            | CALCULATION<br>METHODOLOGY                 | YEAR |      |       |       |      |
|--|------------------------|--|------|------|-------|-------|------|
|  |                        |  | 2017 | 2016 | 2015  | 2014  | 2013 |
| <b>Quick Ratio</b>                                     | Liquidity              | Current Assets*                            | 4.12 | 3.56 | 2.99  | 2.37  | 1.94 |
|  |                        | Current Liabilities                        |      |      |       |       |      |
| *Excluding restricted assets and inventory             |                        |  |      |      |       |       |      |
| <b>Months Expendable Net Assets Ratio</b>              | Adequacy of Reserves   | Unrestricted Resources                     | 8.08 | 7.24 | 6.49  | 5.07  | 5.04 |
|  |                        | Average Monthly Operating & Other Expenses |      |      |       |       |      |
| <b>Debt Service Coverage Ratio</b>                     | Capacity to Cover Debt | Adjusted Operating Income                  | 1.47 | 2.38 | 23.20 | 19.23 | 7.37 |
|  |                        | Annual Debt Service Excluding CFFP Debt    |      |      |       |       |      |
| *Includes projects with Debt Service only              |                        |  |      |      |       |       |      |

The table below shows the New York City Housing Authority's actual calculations for the three components that constitute the Management Operations Indicator (MASS):

| SCORING COMPONENTS<br>(MANAGEMENT OPERATIONS INDICATORS) | MEASUREMENT   | CALCULATION<br>METHODOLOGY    | YEAR   |        |        |        |        |
|--|---|-------------------------------|--------|--------|--------|--------|--------|
|  |   |                               | 2017   | 2016   | 2015   | 2014   | 2013   |
| <b>Occupancy Rate</b>                                    | Project Performance in Keeping Available Units Occupied   | Units Months Leased           | 99.39% | 99.40% | 99.41% | 99.32% | 98.94% |
|  |   | Units Months Available        |        |        |        |        |        |
| <b>Tenant Accounts Receivable</b>                        | Amount of Tenant Accounts Receivable Against Tenant Revenue                                       | Accounts Receivable, Tenants  | 7.67   | 5.90   | 5.84   | 5.89%  | 5.99%  |
|  |   | Total Tenant Revenue*         |        |        |        |        |        |
| * Includes rents and other charges to the tenants        |   |                               |        |        |        |        |        |
| <b>Accounts Payable</b>                                  | Total Vendor Accounts Payable, Both Current and Past due Against Total Monthly Operating Expenses | Total Accounts Payable        | 0.32   | 0.55   | 0.69   | 0.46   | .28    |
|  |   | Total Operating Expenses / 12 |        |        |        |        |        |

Note 1: On February 23, 2011, HUD published the Interim PHAS Rule in the Federal Register. The Interim Rule makes changes to the Public Housing Assessment Scoring (PHAS) methodology beginning with the year 2011 and classifies the financial indicators under separate scoring components (Financial Condition and Management Operations)

Note 2: REAC's assessment and analysis is based upon the Financial Data Schedule (FDS) submitted electronically by the PHA using the Financial Assessment Subsystem (FASS). This financial data is required to be reported in accordance with generally accepted accounting principles (GAAP), as mandated by the Uniform Financial Reporting Standards Rule.

Source: HUD Financial Data Schedule





## SUMMARY OF PUBLIC HOUSING DEVELOPMENTS

| DEVELOPMENT DATA                          | DEVELOPMENTS IN FULL OPERATION |        |        |         |
|---|--------------------------------|--------|--------|---------|
|   | PROGRAM                        |        |        |         |
|   | FEDERAL                        | LLC I  | LLC II | TOTAL   |
| NUMBER OF DEVELOPMENTS                    | 304                            | 13     | 8      | 325     |
| NUMBER OF CURRENT APARTMENTS              | 155,508                        | 14,460 | 5,668  | 175,636 |
| NUMBER OF SECTION 8 TRANSITION APARTMENTS | -                              | 2,654  | 1,533  | 4,187   |
| TOTAL NUMBER OF APARTMENTS                | 156,050                        | 14,476 | 5,694  | 176,220 |
| RESIDENTIAL BUILDING                      | 2,198                          | 155    | 64     | 2,417   |
| NON-RESIDENTIAL BUILDING                  | 101                            | 8      | 4      | 113     |
| POPULATION* PUBLIC HOUSING                | 346,633                        | 26,320 | 8,605  | 381,558 |
| POPULATION* SECTION 8 TRANSITION          | -                              | 7,024  | 3,677  | 10,701  |
| TOTAL POPULATION*                         | 346,633                        | 33,344 | 12,282 | 392,259 |

\* Population as of January 1, 2018

Source: Development Data Book - 2018  
 New York City Housing Authority, Performance Tracking and Analytics Department



**NEW YORK CITY HOUSING AUTHORITY**  
**LEASE COMMITMENTS**  
(\$ in thousands)

| <u>LESSOR</u>                        | <u>YEAR OF EXPIRATION</u> | <u>ANNUAL RENTAL 2017</u> | <u>FUTURE MINIMUM ANNUAL RENTS</u> | <u>FACILITY</u> |
|--------------------------------------|---------------------------|---------------------------|------------------------------------|-----------------|
| 250 Broadway Associates              | 2019                      | \$ 13,879                 | \$ 16,973                          | Office Building |
| 90 Church Street Limited Partnership | 2024                      | 13,028                    | 82,394                             | Office Building |
| Fordham Renaissance                  | 2030                      | 3,350                     | 34,626                             | Office Building |
| Vanderbilt Associates Owner LP       | 2030                      | 2,320                     | 25,955                             | Office Building |
| LIC 73 Owner LLC                     | 2030                      | 4,915                     | 204,562                            | Office Building |
| Hutch Metro Center I LLC             | 2026                      | 2,024                     | 16,058                             | Office Building |
| Other                                |                           | 1,177                     | -                                  | Office Building |
| <b>TOTAL</b>                         |                           | <b>\$ 40,693</b>          | <b>\$ 380,568</b>                  |                 |

Source: New York City Housing Authority  
Department of Accounting and Fiscal Services, Finance Department



**NEW YORK CITY HOUSING AUTHORITY  
EMPLOYEE HEAD COUNTS 2008 - 2017**

| <u>Year</u> | <u>Full Time</u> | <u>Part Time</u> | <u>Total</u> |
|-------------|------------------|------------------|--------------|
| 2008        | 11,723           | 192              | 11,915       |
| 2009        | 11,323           | 191              | 11,514       |
| 2010        | 11,222           | 201              | 11,423       |
| 2011        | 11,115           | 197              | 11,312       |
| 2012        | 11,591           | 217              | 11,808       |
| 2013        | 11,107           | 162              | 11,269       |
| 2014        | 11,401           | 158              | 11,559       |
| 2015        | 11,079           | 160              | 11,239       |
| 2016        | 10,624           | 403              | 11,027       |
| 2017        | 10,976           | 444              | 11,420       |



**Note: Includes only employees who are active and receiving bi-weekly pay.**

Source: New York City Housing Authority  
Department of Human Resources

