NEW ISSUE

In the opinion of Bond Counsel, assuming continuing compliance with the provisions of the Internal Revenue Code of 1986, as amended, as described herein, interest on the Bonds will not be includable in the gross income of the owners thereof for Federal income tax purposes. See "SECTION IX: OTHER INFORMATION—Tax Exemption" herein for certain provisions of the Code that may affect the tax treatment of interest on the Bonds for certain Bondholders. Interest on the Bonds will be exempt from personal income taxes imposed by the State of New York or any political subdivision thereof, including the City.

$65,000,000

The City of New York

General Obligation Bonds, Fiscal 1991 Series E

Dated: Date of Delivery — Due: September 1, as shown below

The Bonds will be issued as registered bonds and, when issued, will be registered in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York, which will act as securities depository for the Bonds. Purchasers will not receive certificates representing their ownership interest in the Bonds purchased. See "SECTION II: THE BONDS—Book-Entry Only System".

Interest on the Bonds due in 1992 (the "Fixed Rate Bonds") will be payable semi-annually, on September 1, 1991 and on March 1 and September 1, 1992. The Fixed Rate Bonds can be purchased in amounts of $5,000 or any integral multiple thereof. The Fixed Rate Bonds will not be redeemable prior to maturity and will not be entitled to the benefits of the Credit Facility.

FIXED RATE BONDS

Maturity	Amount	Interest Rate	Price
1992	$15,000,000	6¼%	100%

The Bonds due in 1993, 1994 and 1995 (the "Adjustable Rate Bonds") will bear interest at a Daily Rate from their date of issuance until converted. Interest on each maturity of Adjustable Rate Bonds may be converted at the option of the City to or from a Daily Rate, a Weekly Rate, a Monthly Rate, a Quarterly Rate, a Semiannual Rate, a Term Rate or a Money Market Municipal Rate or converted to bear interest at a Fixed Rate until maturity. See "SECTION II: THE BONDS—Adjustable Rate Bonds".

Interest accruing on the Adjustable Rate Bonds at the Daily Rate through July 31, 1991 will be payable on August 1, 1991; thereafter, interest accruing at the Daily Rate will be payable on the first day of each succeeding month. Adjustable Rate Bonds will be issuable initially in Authorized Denominations of $100,000 or any integral multiple thereof.

Adjustable Rate Bonds bearing interest at a Variable Rate, including a Daily Rate, may be tendered to the Tender Agent for purchase at the option of the owner thereof under the circumstances described herein. The Adjustable Rate Bonds are also subject to mandatory tender and to redemption prior to maturity, as described herein. Payment of the Purchase Price equal to the principal of and up to 185 days' accrued interest on the Adjustable Rate Bonds tendered for purchase as described herein will be made pursuant and subject to the terms of the Credit Facility described herein provided severally by

Morgan Guaranty Trust Company of New York

and

The Industrial Bank of Japan, Limited, New York Branch

The Credit Facility will expire with respect to each maturity of Adjustable Rate Bonds on the fifth day after each respective maturity date unless sooner terminated as set forth herein.

ADJUSTABLE RATE BONDS

Maturity	Amount	Price
1993	$15,000,000	100%
1994	15,000,000	100
1995	20,000,000	100

The Bonds are offered subject to prior sale, when, as and if issued by the City and accepted by the Underwriters, subject to the approval of the legality of the Bonds by Brown & Wood, New York, New York, Bond Counsel to the City, and subject to certain other conditions. Certain legal matters in connection with the preparation of this Official Statement will be passed upon for the City by Lord Day & Lord, Barrett Smith, New York, New York. Certain legal matters will be passed upon for the Underwriters by Rogers & Wells, New York, New York. It is expected that the Bonds will be available for delivery in New York, New York, on or about March 28, 1991.

Lehman Brothers

Bear, Stearns & Co. Inc. — **The First Boston Corporation** — **Goldman, Sachs & Co.**

Merrill Lynch & Co. — **J.P. Morgan Securities Inc.**

March 25, 1991

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RATE PERIOD TABLE

	DAILY RATE	WEEKLY RATE	MONTHLY RATE	QUARTERLY RATE	SEMIANNUAL RATE	TERM RATE	MONEY MARKET MUNICIPAL RATE
Interest Payment Date	First day of each calendar month except interest accruing from March 28, 1991 through July 31, 1991 will be paid August 1, 1991	First day of each calendar month	First day of each calendar month	First day of the third calendar month following Conversion to a Quarterly Rate Period and the first day of each third calendar month thereafter	First day of the sixth calendar month following Conversion to the Semiannual Rate Period and the first day of each sixth calendar month thereafter	First day of the sixth calendar month following Conversion to the Term Rate Period and the first day of each sixth calendar month thereafter	First Business Day following a Money Market Municipal Rate Period
Record Date	Last day of the calendar month	Last day of the calendar month	Last day of the calendar month	Fifteenth day of the calendar month next preceding the Interest Payment Date	Fifteenth day of the calendar month next preceding the Interest Payment Date	Fifteenth day of the calendar month next preceding the Interest Payment Date	Interest on presentment
Date of Interest Rate Determination	Not later than 9:00 a.m. on each Business Day, but not less than two Business Days prior to each Interest Payment Date	Not later than 9:00 a.m. on the commencement date of the Weekly Rate Period or if such day is not a Business Day, the next succeeding Business Day	Not later than 4:00 p.m.on the Business Day immediately preceding the commencement of the Monthly Rate Period	Not later than 4:00 p.m. on the Business Day immediately preceding the commencement of the Quarterly Rate Period	Not later than 4:00 p.m. on the Business Day immediately preceding the commencement of the Semiannual Rate Period	Not later than 4:00 p.m. on the Business Day immediately preceding the commencement of the Term Rate Period	Not later than 12:00 noon on the first Business Day of a Money Market Municipal Rate Period
Commencement of Rate Period	Each Business Day	On Conversion to a Weekly Rate and on each Wednesday thereafter	On Conversion to a Monthly Rate and on the first day of each month thereafter	On Conversion to a Quarterly Rate and thereafter on the next succeeding Interest Payment Date	On Conversion to a Semiannual Rate and thereafter on the next succeeding Interest Payment Date	On Conversion to a Term Rate and thereafter on the first Business Day of any subsequent period of twelve months or any integral multiple thereof	Interest Rate Determination Date
Purchase Date	Any Business Day	Any Business Day	Any Interest Payment Date	Any Interest Payment Date	Any Interest Payment Date	Mandatory Tender	Mandatory Tender
Notice Period for Tender	Telephone notice by 9:00 a.m. on Purchase Date	Written notice not later than 5:00 p.m. on any Business Day not less than seven days prior to the Purchase Date	Written notice not later than 5:00 p.m. on any Business Day not less than seven days prior to the Purchase Date	Written notice not later than 5:00 p.m. on any Business Day not less than 15 days prior to the Purchase Date	Written notice not later than 5:00 p.m. on any Business Day not less than 15 days prior to the Purchase Date	Mandatory Tender	Mandatory Tender
Tender Date for Tendered Bonds	Not later than 10:00 a.m. on the Purchase Date	Not later than 10:00 a.m. on the Purchase Date	Not later than 10:00 a.m. on the Purchase Date	Not later than 10:00 a.m. on the Purchase Date	Not later than 10:00 a.m. on the Purchase Date	Not later than 10:00 a.m. on the commencement of the Term Rate Period or the next succeeding Business Day	Not later than 10:00 a.m. on the commencement of a Money Market Municipal Rate Period
Payment Date for Tendered Bonds	Not later than 5:00 p.m. on the Purchase Date	Not later than 5:00 p.m. on the Purchase Date	Not later than 5:00 p.m. on the Purchase Date	Not later than 5:00 p.m. on the Purchase Date	Not later than 5:00 p.m. on the Purchase Date	Not later than 5:00 p.m. on the commencement of the Term Rate Period or the next succeeding Business Day	Not later than 5:00 p.m. on the commencement of a Money Market Municipal Rate Period

Note: All time references given above refer to New York City time.

The information in the Rate Period Table is provided for the convenience of the Bondholders and is not meant to be comprehensive. See "SECTION II: THE BONDS—Adjustable Rate Bonds" for a description of the Adjustable Rate Bonds.

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No dealer, broker, salesperson or other person has been authorized by the City or the Underwriters to give any information or to make any representations in connection with the Bonds or the matters described herein, other than those contained in this Official Statement, and, if given or made, such other information or representations must not be relied upon as having been authorized by the City or the Underwriters. This Official Statement does not constitute an offer to sell or the solicitation of an offer to buy, nor shall there be any sale of the Bonds by any person in any jurisdiction in which it is unlawful for such person to make such offer, solicitation or sale. The information and expressions of opinion contained herein are subject to change without notice, and neither the delivery of this Official Statement, nor any sale made hereunder, shall, under any circumstances, create any implication that there has been no change in the matters described herein since the date hereof. This Official Statement is submitted in connection with the sale of the Bonds referred to herein and may not be reproduced or used, in whole or in part, for any other purpose. The Underwriters may offer and sell Bonds to certain dealers and others at prices lower than the offering prices stated on the Cover Page hereof. The offering prices may be changed from time to time by the Underwriters. No representations are made or implied by the City as to any offering by the Underwriters or others of any derivative instruments.

The factors affecting the City's financial condition are complex. This Official Statement should be considered in its entirety and no one factor considered less important than any other by reason of its position herein. Where agreements, reports or other documents are referred to herein, reference should be made to such agreements, reports or other documents for more complete information regarding the rights and obligations of parties thereto, facts and opinions contained therein and the subject matter thereof.

OFFICIAL STATEMENT OF THE CITY OF NEW YORK

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IN CONNECTION WITH THIS OFFERING, THE UNDERWRITERS MAY OVER-ALLOT OR EFFECT TRANSACTIONS WHICH STABILIZE OR MAINTAIN MARKET PRICES OF THE BONDS AT LEVELS ABOVE THOSE WHICH MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET. SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME.

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OFFICIAL STATEMENT
OF
THE CITY OF NEW YORK

This Official Statement provides certain information concerning The City of New York (the "City") in connection with the sale of $65,000,000 aggregate principal amount of the City's General Obligation Bonds, Fiscal 1991 Series E (the "Bonds").

INTRODUCTORY STATEMENT

The Bonds will be general obligations of the City for the payment of which the City will pledge its faith and credit.

The City, with a population of approximately 7.3 million, is an international center of business and culture. Its non-manufacturing economy is broadly based, with the banking and securities, life insurance, communications, publishing, fashion design, retailing and construction industries accounting for 73.3% of the City's total employment earnings for the 1989 calendar year. Additionally, the City is the nation's leading tourist destination. The City's manufacturing activity is conducted primarily in apparel, printing and publishing. The City experienced strong economic growth during the four-year period ending June 30, 1988. However, in the past two years, the rate of economic growth has slowed substantially, and the City projects a continuation of the local recession in the 1991 and 1992 calendar years. For further information regarding the City's economic base, see "APPENDIX A—ECONOMIC AND SOCIAL FACTORS".

For fiscal years 1981 through 1990, the City achieved balanced operating results as reported in accordance with generally accepted accounting principles ("GAAP"). For information on the City's revenues and expenditures, see "SECTION IV: SOURCES OF CITY REVENUES", "SECTION V: CITY SERVICES AND EXPENDITURES" and "SECTION VI: FINANCIAL OPERATIONS—1986-1990 Statement of Operations".

Pursuant to the laws of the State of New York (the "State"), the City prepares an annual four-year financial plan, which is reviewed and revised on a quarterly basis and which includes the City's capital, revenue and expense projections. For information regarding the current financial plan, see "SECTION I: RECENT FINANCIAL DEVELOPMENTS" and "SECTION VII: 1991-1994 FINANCIAL PLAN". The City is required to submit its financial plans to review bodies, including the New York State Financial Control board for The City of New York (the "Control Board"). For further information regarding the Control Board and State laws which provide for oversight of the City's financial and management practices, see "SECTION III: GOVERNMENT AND FINANCIAL CONTROLS—City Financial Management, Budgeting and Controls—*Financial Emergency Act*".

The factors affecting the City's financial condition and the Bonds described throughout this Official Statement are complex, and this Official Statement should be read in its entirety.

SECTION I: RECENT FINANCIAL DEVELOPMENTS

The City achieved balanced operating results as reported in accordance with GAAP for its 1990 fiscal year, which ended on June 30, 1990. The City's results for its 1990 fiscal year reflect significant shortfalls in revenues compared to the City's forecast at the beginning of the 1990 fiscal year. The revenue shortfalls were primarily attributable to a reduction of $729 million in non-property tax revenues, which reflected the region's slowing economic growth rate. The gap-closing measures adopted by the City during its 1990 fiscal year to offset these shortfalls included a reduction of $360 million in expenditures for City services and reduced debt service costs of $338 million resulting from various financing actions.

In addition, during the 1990 fiscal year, the City proposed various gap-closing actions for the 1991 fiscal year to offset a projected budget deficit of $2.2 billion for the 1991 fiscal year, which had resulted from decreased tax revenue projections, increases in projected public assistance and Medicaid costs and other factors. As a result, the City's financial plan for fiscal years 1991 through 1994 submitted to the Control Board on July 11, 1990 (the "July Financial Plan"), projected balanced operating results for the 1991 fiscal year in accordance with GAAP. Projected balanced operating results resulted from $822 million of tax increases, including increases in the real property tax and a personal income tax surcharge; $660 million of expenditure reductions; reduced debt service costs; and various revenue increases, resulting in part from productivity measures and certain fee increases.

On January 24, 1991, the City submitted to the Control Board a modification to the July Financial Plan, reflecting results through December 31, 1990. The financial plan as modified relating to the City, the Board of Education ("BOE") and the City University of New York ("CUNY") is referred to herein as the "1991-1994 Financial Plan" or the "Financial Plan".

The 1991-1994 Financial Plan projects revenues and expenditures for the 1991 fiscal year to be balanced in accordance with GAAP. The 1991-1994 Financial Plan reflects changes in actual receipts and forecast revenues and expenditures as a result of changes in circumstances since July, and addresses various concerns regarding balancing the fiscal year 1991 budget raised by the City Comptroller and other fiscal oversight entities, which would have caused a gap of $732 million in the 1991 fiscal year if the City had not proposed the actions described below to balance its budget. The potential gap for the 1991 fiscal year resulted principally from decreased projected tax receipts of $450 million, the loss of $140 million of projected State aid, and increases in projected mandated social service costs of $130 million. The actions proposed by the City to offset this potential budget gap include $341 million of proposed service reductions, including a reduction in the projected number of City employees through attrition and layoffs, $82 million resulting from productivity measures, $100 million from the sale of certain City land to the Federal government, $78 million of proposed debt service cost reductions and various other revenue adjustments. In addition, the 1991-1994 Financial Plan contains a general reserve of $150 million for fiscal years 1991 and 1992 and $200 million for fiscal years 1993 and 1994.

The 1991-1994 Financial Plan sets forth a program to close a projected gap of $1.9 billion in the 1992 fiscal year. The gap-closing program for the 1992 fiscal year outlined in the 1991-1994 Financial Plan includes receipt of $580 million as a result of proposed tax increases, including increases in the real property tax, personal income tax and various other taxes; $60 million of projected reduced debt service costs; $587 million of proposed service reductions, including reductions in the projected number of City employees through attrition and layoffs; and proposed productivity savings of $253 million. In addition, the gap-closing program includes proposed State mandate relief totalling $100 million, and proposed Federal actions of $90 million. Authority to levy increased taxes requires action by the State legislature and City Council, except for real property taxes which require approval only of the City Council. In addition, the proposed State and Federal actions are uncertain.

The Mayor's Office of Management and Budget ("OMB") has stated that developments since the publication of the Financial Plan could cause a potential $200 to $250 million budget gap in the 1991 fiscal year, due to, among other things, (i) additional projected tax revenue shortfalls of $50 million, resulting primarily from projected lower personal income and sales tax receipts, (ii) $70 million of proposed reductions in State aid to the City described below, and (iii) potential increased debt service costs and increases in certain legally-mandated expenditures, including public assistance and Medicaid costs. The City expects to eliminate the potential $200 to $250 million budget gap in the 1991 fiscal year through the use of the general reserve and other actions. In addition, developments since the publication of the Financial Plan could cause a potential budget gap in the 1992 fiscal year which could be approximately $900 million above that identified in the Financial Plan. These additional potential budget gaps are due to, among other things, (i) additional projected tax revenue shortfalls of $175 million in the 1992 fiscal year, resulting primarily from weaknesses in personal income tax withholding and sales tax receipts, (ii) $570 million of proposed reductions of State aid to the City described below, (iii) potential increases in legally-mandated expenditures, including public assistance and Medicaid expenditures, (iv) $40 million of increased debt service costs, and (v) the possibility of an additional $60 million shortfall in State aid for BOE in the 1992 fiscal year if such State aid is required by BOE in the 1991 fiscal year. The Mayor has directed OMB to prepare additional agency reductions totalling $810 million (including approximately $100 million as a contingency plan) in order to offset this potential budget gap in the 1992 fiscal year, which will include substantial productivity and program elimination actions. The major components of the gap-closing program are expected to comprise (i) personnel reductions and savings in fringe benefits totalling $710 million, (ii) State mandate relief and other non-tax revenue proposals totalling $150 million above the mandate relief included in the Financial Plan, and (iii) $50 million of Federal actions, which might include relief with respect to the applicability to City employees of social security withholding requirements, mandated Medicaid costs or eligibility for Federal revenue programs. Many of the contemplated gap-closing actions will require action by unions representing City employees or Federal or State legislative or administrative approval. In addition, the Mayor has announced that the City intends to reduce capital spending by approximately one-half billion dollars over the next five years in order to reduce debt service costs.

The City Comptroller issued a report in February 1991 that, among other things, forecast budget gaps above those identified in the Financial Plan of approximately $300 million and $1.3 billion in fiscal years 1991 and 1992, respectively. See "SECTION VII: 1991-1994 FINANCIAL PLAN—Certain Reports".

On January 31, 1991, the Governor released his Executive Budget for the State's 1992 fiscal year, which included the third quarterly revision to the 1990-91 State Financial Plan. For its 1991 fiscal year, the State reported a potential budget deficit of $905 million, caused primarily by a reduction of $705 million in projected tax receipts as compared to the second quarterly revision to the 1990-91 State Financial Plan released on October 30, 1990. To close this deficit, the State sold $905 million of short-term deficit notes on February 28, 1991. The Governor's Executive Budget for the State's 1992 fiscal year commencing April 1, 1991, identified a potential budgetary imbalance for the State's 1992 fiscal year of $6 billion (after providing for repayment of the deficit notes). To eliminate this potential imbalance, the Executive Budget calls for increases in certain revenues and other actions totalling $1.1 billion, including a proposed increase in the State gasoline tax. The 1992 Executive Budget also proposed to freeze a scheduled reduction in the personal income tax, thereby avoiding a tax cut that would otherwise cost the State $400 million in its 1992 fiscal year. In addition, the Governor's 1992 Executive Budget proposed spending reductions aggregating $4.5 billion, including $965 million in State operations cuts, significant reductions in a number of categories of State aid to localities, such as a 10% reduction in aid to local school districts and a 50% reduction in unrestricted local aid, aggregating $2.5 billion, as well as $875 million in Medicaid cost containment measures.

On March 12, 1991, the Ways and Means Committee of the State Assembly issued a report projecting that aggregate State revenues for the 1991 and 1992 fiscal years would be $450 million below the amount projected by the 1992 Executive Budget, primarily due to weaknesses in the personal income tax. On March 18, 1991, the State Comptroller issued a report estimating that aggregate State revenues for the 1991 and 1992 fiscal years would be $400 million below the amount projected by the 1992 Executive Budget, including an expected shortfall in receipts in March 1991 of $125 million, primarily due to weaknesses in personal income and sales taxes resulting from a less favorable employment outlook, as well as lower estimates of corporation franchise taxes. The State Comptroller also noted certain risks to the 1992 Executive Budget expenditure projections, particularly the assumptions that no increase in personal service costs will result from negotiations on State wage contracts expiring on March 31, 1991 and that various cost containment programs will be successful. On March 19, 1991, the Governor submitted to the State Legislature a $435 million plan to address the State Comptroller's revised revenue projections, which plan includes, among other actions, $176 million in expenditure reestimates, reductions and deferrals, $68 million in proposed new taxes, $64.5 million from selling State assets and transfers from reserve funds and $74 million in savings from using bonds to pay for planned highway projects.

The Governor's 1992 Executive Budget and his March 19, 1991 proposals are currently being considered by the State Legislature. On March 21, 1991, the Speaker of the State Assembly, on behalf of the Democratic majority, proposed an alternative State budget plan. The plan incorporates a 15-month transitional budget which would change the commencement of the State's fiscal year to July 1. The plan calls for an overall reduction in expenditures of $5 billion with approximately $4 billion of such reductions to be made in its first 12 months. Overall spending in the first 12 months of this plan would be maintained at $51.9 billion as proposed in the Governor's 1992 Executive Budget. The plan would also provide a partial restoration of expenditure reductions proposed in the 1992 Executive Budget in a number of categories including school aid, revenue sharing, mental health, Medicaid and hospital funding. The partial restorations in the revenue sharing and school aid categories would be reduced over a three-year transitional period. The Speaker's plan also proposes a temporary progressive personal income tax rate adjustment phasing out over three years in lieu of portions of the tax package (including the proposed increase in the State gasoline tax) contained in the 1992 Executive Budget. The contents of the budget which will ultimately be adopted by the State for its 1992 fiscal year have not yet been determined.

The precise cost to the City of the Governor's proposed cuts in aid to localities is not known at this time and is not reflected in the Financial Plan. Based on informal discussions of City and State officials, the City's preliminary estimate of the aggregate proposed reduction in State aid to be received by the City during the State's 1992 fiscal year is in excess of $600 million. The City does not, however, anticipate that such proposed cuts would significantly adversely affect the City's ability to balance its budget in the City's current fiscal year. The Mayor's Executive Budget for the City's 1992 fiscal year, to be submitted after the scheduled adoption of the State's 1992 budget, will address the impact on the City's 1992 fiscal year of whatever local aid reductions may ultimately be adopted by the State. In the event of any further significant reduction in projected State revenues from the amounts projected in the Governor's Executive Budget, there could be an additional adverse impact on the timing and amounts of State aid payments to the City in the future. For further information concerning the State, including the State's credit ratings, see "SECTION VII: 1991-1994 FINANCIAL PLAN—Assumptions".

Substantially all of the collective bargaining agreements with City employees expired between June and September 1990. The City has reached agreements with the United Federation of Teachers (the "UFT"), District Council 37 of the American Federation of State, County and Municipal Employees ("District Council 37") and Local 237 of the International Brotherhood of Teamsters ("Local 237") which cover approximately 65% of the City's work force. The UFT, District Council 37 and Local 237 agreements provide for wage and benefit increases of 5.8%, 5% and 5%, respectively. With respect to the UFT agreement, 1.5% of such increase was previously provided in the Financial Plan for fiscal year 1991, and with respect to the District Council 37 and Local 237 agreements, incremental 1.5% increases were previously provided in the Financial Plan for fiscal years 1991 and 1992, with the remaining costs expected to be funded by other sources. For all employees whose unions have not reached collective bargaining agreements with the City, the Financial Plan includes funds for incremental 1.5% increases in fiscal years 1991 and 1992 with no increase thereafter. In addition, the Financial Plan assumes no additional wage increases for UFT, District Council 37 and Local 237 employees following the expiration of their respective agreements with the City in fiscal year 1992. Assuming that all employees whose unions have not reached collective bargaining agreements with the City reach settlements consistent with the 1.5% wage increases assumed in the Financial Plan and with contract lengths similar to District Council 37 and Local 237, each 1% wage increase for all employees upon expiration in 1992 of their respective collective bargaining agreements would cost the City $83 million in fiscal year 1992 and $146 million in each fiscal year thereafter above the amounts provided for in the Financial Plan. The terms of eventual wage settlements could be determined through the impasse procedure in the New York City Collective Bargaining Law, which can impose a binding settlement. For further information regarding the agreements between the City and each of the UFT, District Council 37 and Local 237, see "SECTION VII: 1991-1994 FINANCIAL PLAN—Assumptions—*Expenditure Assumptions*—1. Personal Service Costs".

The Financial Plan is based on numerous assumptions, including a national recession continuing through the first three months of the 1991 calendar year; and declines in City employment in the 1991 and 1992 calendar years, and the recovery of the City's economy late in calendar year 1992; and is subject to various uncertainties and contingencies relating to, among other factors, the adverse impact of the war in the Middle East on the City's economy and energy costs; the willingness and ability of the State to provide the aid contemplated by the Financial Plan and to take various other actions to assist the City; the willingness of the Federal government to provide Federal aid; legislative approval of the proposed tax increases; the ability of the City to implement contemplated productivity and service and personnel reduction programs; and additional expenditures that may be incurred due to the requirements of certain legislation requiring minimum levels of funding for education. For further information concerning such legislation, see "SECTION VII: 1991-1994 FINANCIAL PLAN—Assumptions—*Expenditure Assumptions*—2. Other than Personal Service ("OTPS") Costs—*Board of Education*". The City Comptroller issued reports in December 1990 and February 1991 that concluded that the City's economy is suffering through a recession that will be more severe and last longer than is assumed in the Financial Plan. See "SECTION VII: 1991-1994 FINANCIAL PLAN—Certain Reports".

Although the City has closed substantial gaps in prior fiscal years and has maintained balanced budgets since 1981, there can be no assurance that the City will continue to maintain a balanced budget, or that it can maintain a balanced budget without additional tax or other revenue increases or reductions in City services, which could adversely affect the City's economic base. If the City were to experience certain adverse financial circumstances, including the incurrence of an annual operating deficit of more than $100 million, the Control Board would resume powers of prior approval of City financial plans, proposed borrowings and certain contracts. For further information regarding the 1991-1994 Financial Plan and a discussion of various assumptions, contingencies and uncertainties with respect thereto, see "SECTION VII: 1991-1994 FINANCIAL PLAN". The City Comptroller and other agencies and public officials have issued reports and made public statements which, among other things, state that projected revenues may be less and future expenditures may be greater than forecast in the Financial Plan and question whether the City has the capacity to generate sufficient revenues in the future to meet the costs of its expenditure increases and to provide necessary services. In addition, the State Comptroller and other public officials have issued reports and made public statements commenting on, and proposing alternatives to, the Governor's 1992 Executive Budget and March 19, 1991 proposals. It is reasonable to expect that such reports and statements will continue to be issued and to engender public comment. See "SECTION VII: 1991-1994 FINANCIAL PLAN—Certain Reports". For information concerning the City's credit rating and certain comments made by Standard & Poor's Corporation ("Standard & Poor's") and Moody's Investor Service, Inc. ("Moody's") in connection with its credit rating, see "Section IX: Other Information—Ratings".

SECTION II: THE BONDS

General

The Bonds will be general obligations of the City issued pursuant to the Constitution and laws of the State and the New York City Charter (the "City Charter") and in accordance with a certificate (the "Certificate") of the Deputy Comptroller for Finance. The Bonds will mature and bear interest as described on the cover page of this Official Statement and will contain a pledge of the City's faith and credit for the payment of the principal of, redemption premium, if any, and interest on the Bonds. All real property subject to taxation by the City will be subject to the levy of *ad valorem* taxes, without limitation as to rate or amount, to pay the principal of and interest on the Bonds.

The Bonds will be defeasible prior to maturity by the deposit in trust with a bank or trust company of sufficient cash or cash equivalents to pay when due all principal of and interest on the Bonds to be defeased.

Payment Mechanism

Pursuant to the New York State Financial Emergency Act for the City of New York (the "Financial Emergency Act" or the "Act"), a general debt service fund (the "General Debt Service Fund" or the "Fund") has been established for City bonds and certain City notes. Pursuant to the Act, payments of the City real estate tax must be deposited upon receipt in the Fund, and retained under a statutory formula, for the payment of debt service (with exceptions for debt service, such as principal of seasonal borrowings, that is set aside under other procedures). The statutory formula may not necessarily result in retention of sufficient real estate taxes to comply with the City Covenants (as defined in "SECTION II: THE BONDS—Certain Covenants and Agreements"), particularly because most real estate taxes are now due on different dates from those in effect when the formula was adopted. The City will comply with the City Covenants either by providing for retention of real estate taxes in excess of the statutory requirements or by making payments into the Fund from other cash resources.

If the Control Board determines that retentions in the Fund are likely to be insufficient to provide for the debt service payable therefrom, it must require that additional real estate tax revenues be retained or other cash resources of the City be paid into the Fund. In addition, the Control Board is required to take such action as it determines to be necessary so that the money in the Fund is adequate to meet debt service requirements. Since its inception, the Fund has been fully funded at the beginning of each payment period.

The rights of the owners of Bonds to receive interest, principal and redemption premium, if any, from the City could be adversely affected by a restructuring of the City's debt under Chapter 9 of the Federal Bankruptcy Code. No assurance can be given that any priority of holders of City securities (including the Bonds) to payment from money retained in the Fund or from other cash resources would be recognized if a petition were filed by or on behalf of the City under the Federal Bankruptcy Code or pursuant to other subsequently enacted laws relating to creditors' rights; such money might, under such circumstances, be available for the payment of all City creditors generally. Judicial enforcement of the City's obligation to make payments into the Fund, of the obligation to retain certain money in the Fund, of the rights of holders of bonds and notes of the City to money in the

Fund, of the obligations of the City under the City Covenants and of the State under the State Pledge and Agreement and the State Covenant (in each case, as defined in "SECTION II: THE BONDS—Certain Covenants and Agreements") may be within the discretion of a court. For further information concerning certain rights of owners of Bonds against the City, see "SECTION VIII: INDEBTEDNESS—City Indebtedness".

Certain Covenants and Agreements

The City will covenant that: (i) a separate fund or funds for the purpose of paying principal of and interest on bonds and interest on notes of the City (including required payments into, but not from, City sinking funds) shall be maintained by an officer or agency of the State or by a bank or trust company; and (ii) not later than the last day of each month, there shall be on deposit in a separate fund or funds an amount sufficient to pay principal of and interest on bonds and interest on notes of the City due and payable in the next succeeding month. The City currently uses the debt service payment mechanism described above to perform these covenants. The City will also covenant to include as terms of the Adjustable Rate Bonds certain provisions described below under "SECTION II: THE BONDS—Adjustable Rate Bonds".

The State pledges and agrees in the Financial Emergency Act that the State will not take any action that will impair the power of the City to comply with the covenants described in the preceding paragraph (the "City Covenants") or any right or remedy of any owner of the Bonds to enforce the City Covenants (the "State Pledge and Agreement"). The City will include in the Bonds the covenant of the State (the "State Covenant") to the effect, among other things, that the State will not substantially impair the authority of the Control Board in specified respects to be the independent monitor of the fiscal affairs of the City. In the opinion of Bond Counsel, the enforceability of the City Covenants, the State Pledge and Agreement and the State Covenant may be subject to bankruptcy, insolvency, reorganization, moratorium and other similar laws affecting creditors' rights heretofore or hereafter enacted and may also be subject to the exercise of the State's police powers and of judicial discretion in appropriate cases.

Redemption

The Fixed Rate Bonds will not be subject to redemption prior to maturity. The Adjustable Rate Bonds will be subject to redemption prior to maturity as described below in "SECTION II: THE BONDS—Adjustable Rate Bonds—*Redemption*".

Use of Proceeds

The proceeds from the sale of the Bonds will be used for various municipal capital purposes. For further information concerning the City's capital projects, see "SECTION V: CITY SERVICES AND EXPENDITURES—Capital Expenditures" and "SECTION VII: 1991-1994 FINANCIAL PLAN—Long-Term Capital and Financing Program".

Certain expenses of the City incurred in connection with the issuance and sale of the Bonds, preliminary costs of surveys, maps, plans, estimates and hearings in connection with capital improvements and costs incidental to such improvements may be included in the above purposes.

Adjustable Rate Bonds

The Adjustable Rate Bonds are subject to the provisions summarized below. Capitalized terms used in this "SECTION II: THE BONDS—Adjustable Rate Bonds" which are not otherwise defined in the Official Statement are defined in "APPENDIX C—CERTAIN DEFINITIONS".

The Adjustable Rate Bonds shall bear interest at a Daily Rate from their date of issuance through July 31, 1991, and interest accruing on the Adjustable Rate Bonds through July 31, 1991 shall be paid on August 1, 1991. Thereafter, the Adjustable Rate Bonds shall bear interest at a Daily Rate, and interest will be paid as described below in "SECTION II: THE BONDS—Adjustable Rate Bonds—*Interest on Adjustable Rate Bonds*". Each maturity of Adjustable Rate Bonds is subject to Conversion from a Variable Rate Period to a different Variable Rate Period, to the Money Market Mode or to a Fixed Rate Period, or from the Money Market Mode to a Variable Rate Period or to a Fixed Rate Period. The rate of interest for any Rate Period shall be determined as described below, and each determination of rate or period shall be conclusive and binding upon the Remarketing Agent, the City, Morgan Guaranty Trust Company of New York and The Industrial Bank of Japan, Limited, New York

Branch (with permitted assigns, the "Banks"), the Fiscal Agent, the Tender Agent and the Bondholders. Computations of interest shall be based on 365-day or 366-day years for the actual number of days elapsed; except that interest at Semiannual, Term or Fixed Rates shall be computed on the basis of a year of 360 days and twelve 30-day months.

The Adjustable Rate Bonds (i) bearing a Money Market Municipal Rate, a Daily Rate, a Weekly Rate, a Monthly Rate or a Quarterly Rate shall be fully registered Adjustable Rate Bonds in the denomination of $100,000 or any integral multiple thereof, and (ii) bearing a Semiannual Rate, a Term Rate or a Fixed Rate shall be fully registered Adjustable Rate Bonds in the denomination of $5,000 or any integral multiple thereof (in each case, an "Authorized Denomination").

Interest on Adjustable Rate Bonds

Interest for any Rate Period shall accrue from and including the commencement date of such Rate Period through and including the last day thereof. The interest payment dates for the Adjustable Rate Bonds shall be: (a) the first day of each calendar month, in the case of interest payable at Daily Rates (in which case the interest paid shall be that accrued in the preceding calendar month, after the first Interest Payment Date of August 1, 1991); (b) the first day of each calendar month, in the case of interest payable at Weekly Rates (in which case the interest paid shall be that accrued in the preceding calendar month); (c) the first day of each calendar month, in the case of interest payable at Monthly Rates; (d) the first day of the third calendar month following a Conversion to a Quarterly Rate Period and the first day of each third calendar month thereafter, in the case of interest payable at Quarterly Rates; (e) the first day of the sixth calendar month following a Conversion to a Semiannual Rate Period or Term Rate Period and the first day of each sixth calendar month thereafter, in the case of interest payable at Semiannual or Term Rates; (f) the first day of each March and September, in the case of interest payable at a Fixed Rate; (g) the first Business Day following an MMMR Period, in the case of interest payable at Money Market Municipal Rates; (h) the date of any mandatory tender of Adjustable Rate Bonds for purchase and (i) the date of maturity ("Interest Payment Dates"). Interest shall be payable on each Interest Payment Date by check mailed to the registered owner at his address as it appears on the registration books of the City as of the close of business on the appropriate Record Date; provided, that (i) while a securities depository is the registered owner of all the Adjustable Rate Bonds of a maturity, all payments of principal of and interest on such Adjustable Rate Bonds shall be paid to the securities depository or its nominee by wire transfer, (ii) prior to and including the Fixed Rate Conversion Date, interest on the Adjustable Rate Bonds shall be payable to any registered owner of at least $1,000,000 aggregate principal amount of Adjustable Rate Bonds by wire transfer, upon written notice received by the Fiscal Agent at least five days prior to the Record Date from such registered owner containing the wire transfer address (which shall be in the continental United States) to which such registered owner wishes to have such wire directed and (iii) following an MMMR Period, interest shall be payable on the Adjustable Rate Bonds only upon presentation thereof to the Tender Agent upon purchase thereof and if such presentation is made by 10:00 a.m. (New York City time) such payment shall be by wire transfer.

The rate of interest on an Adjustable Rate Bond bearing interest at a Variable Rate or a Money Market Municipal Rate shall not exceed 9% per annum.

Variable Rates

Variable Rates shall be determined on the following dates (the "Rate Determination Dates"): (i) not later than 9:00 a.m., New York City time, on the commencement date of each Daily Rate Period, except that the final Rate Determination Date for each interest payment shall occur no less than two Business Days prior to the Interest Payment Date; (ii) not later than 9:00 a.m., New York City time, on the commencement date of each Weekly Rate Period (or, if such date is not a Business Day, on the immediately succeeding Business Day); and (iii) not later than 4:00 p.m., New York City time, on the Business Day immediately preceding the commencement date of each Monthly, Quarterly, Semiannual or Term Rate Period.

Each Variable Rate Period shall commence: (a) initially, on the effective date of a Conversion to such Variable Rate Period; and (b) thereafter (i) on each Business Day following such Conversion, in the case of Daily Rate Periods, (ii) on Wednesday of each week commencing after such Conversion, in the case of Weekly Rate Periods, (iii) on the first day of each calendar month commencing after such Conversion, in the case of Monthly Rate Periods, (iv) on the first day of each third calendar month commencing after such Conversion, in the case of Quarterly Rate Periods, (v) on the first day of each sixth calendar month commencing after such Conversion, in the case of Semiannual Rate Periods, and

(vi) on the first day of the calendar month that is twelve (or an integral multiple of twelve, as the case may be) months from the calendar month of such Conversion, in the case of Term Rate Periods. Each such Variable Rate Period shall end on the last day preceding the earliest of the commencement date of the next Rate Period, the date of maturity and the date of any mandatory tender.

Each Variable Rate shall be determined by the Remarketing Agent and shall represent the rate which, in the judgment of the Remarketing Agent, is the lowest rate of interest which would cause the Adjustable Rate Bonds to have a market value equal to the principal amount thereof, plus accrued interest (if any), under prevailing market conditions on the commencement date of the applicable Rate Period. In the event that the Remarketing Agent no longer determines, or fails to determine when required, any Variable Rate for any Adjustable Rate Bond in a Variable Rate Period, or if for any reason such manner of determination shall be determined to be invalid or unenforceable, the Variable Rate for such Period shall be a Daily Rate equal to 80% of the 30-day Dealer Commercial Paper Rate set forth in Federal Reserve Board Statistical Release H.15 (519).

Notice of each Variable Rate shall be given by the Remarketing Agent by telephone confirmed in writing to the City, the Banks, the Tender Agent and the Fiscal Agent not later than 4:00 p.m., New York City time, on the Rate Determination Date (except that the Remarketing Agent shall give such notice on each Tuesday (or, if not a Business Day, on the next succeeding Business Day) of the Daily Rates applicable to each day of the previous week), and the Tender Agent (or the Remarketing Agent in the case of Daily Rates) shall make such rate or rates available from the time of notification to the owners of the Adjustable Rate Bonds upon request for such information. Notice of interest rates shall be given (a) in the case of Daily Rates and Weekly Rates, by the Fiscal Agent to the owners of Adjustable Rate Bonds which bear interest at Daily Rates or Weekly Rates on each Interest Payment Date with the distribution of interest on such Adjustable Rate Bonds and (b) other than for Daily Rates and Weekly Rates, by mail by the Tender Agent by the third Business Day following the applicable Rate Determination Date.

Money Market Mode

For a maturity of Adjustable Rate Bonds bearing interest in the Money Market Mode, the Money Market Municipal Rate for each MMMR Period for each Adjustable Rate Bond shall be determined as follows:

(i) *Establishment of MMMR Periods.* At or prior to 12:00 noon, New York City time, on any Conversion Date upon which Adjustable Rate Bonds will begin to bear interest in the Money Market Mode and on any day immediately after the end of a MMMR Period, the Remarketing Agent shall establish MMMR Periods in accordance with instructions from the City with respect to Adjustable Rate Bonds for which no MMMR Period is currently in effect. Any MMMR Period may not exceed 180 days and may not extend beyond any applicable Conversion Date or the day prior to the maturity date of the Adjustable Rate Bond, and the maximum length of the MMMR Period shall not exceed the number of days of interest coverage under the Credit Facility minus 5 days of interest coverage.

(ii) *Setting of Rates.* On the first Business Day of each MMMR Period (the "Rate Determination Date"), the Remarketing Agent shall set a rate (a "Money Market Municipal Rate") by 12:00 noon, New York City time, for each MMMR Period. For each MMMR Period, the Money Market Municipal Rate shall be the rate of interest which, if borne by the Adjustable Rate Bonds, would, in the judgment of the Remarketing Agent, having due regard to the prevailing market conditions as of the Rate Determination Date, be the lowest rate of interest necessary to enable the Remarketing Agent to remarket such Adjustable Rate Bonds at a price of par on the commencement date of the applicable MMMR Period.

The City may change its instructions about the establishment of MMMR Periods pursuant to the preceding paragraph (i) in a written direction from the City, which direction must be received by the Remarketing Agent prior to 10:00 a.m., New York City time, on the day prior to any Rate Determination Date to be effective on such date, but only if the City receives an opinion of Bond Counsel to the effect that such action is authorized by law and will not have an adverse effect on the exclusion of interest on the Bonds from gross income for Federal income tax purposes.

Notice of each Money Market Municipal Rate and MMMR Period for each Adjustable Rate Bond shall be given by the Remarketing Agent to the City, the Banks, the Fiscal Agent and the Tender Agent not later than 1:00 p.m., New York City time, on the Rate Determination Date, and the Tender Agent shall make such rate and period available from the time of notification to the owners of Adjustable Rate Bonds upon request for such information.

In the event that the Remarketing Agent no longer determines, or fails to determine when required, any MMMR Period or any Money Market Municipal Rate for any Adjustable Rate Bond in the Money Market Mode, or if for any reason such manner of determination shall be determined to be invalid or unenforceable, the MMMR Period for any such Adjustable Rate Bond shall automatically extend from the day after the next preceding MMMR Period to but not including the 31st day thereafter (or, if such 31st day is not a Business Day, to but not including the next succeeding Business Day) and the Money Market Municipal Rate for each such MMMR Period shall automatically be equal to 80% of the average of the yields to maturity of all United States Treasury securities having maturity dates which occur in the same month as the day following the last day of such MMMR Period, as such yields to maturity are published on the effective date of such Money Market Municipal Rate in *The Wall Street Journal* or, if *The Wall Street Journal* is not then published, in a financial newspaper selected by the Tender Agent.

Fixed Rates

The Fixed Rate to be effective to maturity upon a Conversion to such rate shall be determined by the Remarketing Agent on the date (the "Rate Determination Date") specified in the notice of mandatory tender related to such Conversion (which Rate Determination Date shall be the fifth Business Day prior to the Fixed Rate Conversion Date unless the City receives an opinion of Bond Counsel to the effect that use of another Rate Determination Date will not have an adverse effect on the exclusion of interest on the Bonds from gross income for Federal income tax purposes) and shall represent the lowest rate which, in the judgment of the Remarketing Agent, would cause the Adjustable Rate Bonds being Converted to have a market value equal to the principal amount thereof on the commencement date of the applicable Rate Period under prevailing market conditions.

Conversions

Upon the direction of the City, the Adjustable Rate Bonds of a maturity may be Converted from one Variable Rate Period to a different type of Variable Rate Period (including a change from one Term Rate Period to a Term Rate Period equal or approximately equal in length to a different number of years from the preceding Term Rate Period) or to the Money Market Mode or to a Fixed Rate, or from the Money Market Mode to a Variable Rate Period or to a Fixed Rate; in each case on, if from a Variable Rate Period other than a Term Rate Period, a regularly scheduled Interest Payment Date for the Rate Period from which the Conversion is to be made; if from a Term Rate Period, only on a date on which a new Term Rate Period would have commenced; and if from the Money Market Mode, only on the first regularly scheduled Interest Payment Date on which interest is payable for any MMMR Periods theretofore established for the Adjustable Rate Bonds to be Converted which is at least 30 days after notice of mandatory tender upon Conversion is given to Bondholders.

Not later than the 15th day prior to the Conversion Date (or the immediately succeeding Business Day, if such 15th day is not a Business Day), the City may irrevocably withdraw its election to Convert the Bonds by giving written notice of such withdrawal to the Tender Agent, the Fiscal Agent, the Remarketing Agent and the Banks. In the event the City gives such notice of withdrawal (or upon failure to meet the conditions specified below), (i) the Tender Agent shall promptly give Written Notice to the owners of all Adjustable Rate Bonds that were to be Converted and (ii) such Adjustable Rate Bonds shall continue to bear interest at a Variable Rate or a Money Market Municipal Rate, as the case may be. Failure by the Tender Agent to provide such notice to the owners of the Adjustable Rate Bonds shall not affect the validity of the notice of withdrawal given by the City.

Each Conversion is conditioned upon the Remarketing Agent's determination of the new rate or rates of interest and delivery to the City (not later than 10:00 a.m. on the Conversion Date) of (a) an opinion of Bond Counsel to the effect that such Conversion is authorized by law and will not have an adverse effect on the exclusion of interest on the Bonds from gross income for Federal income tax purposes and (b) in the case of Conversion to a Variable Rate, evidence that the Credit Facility provides for coverage of interest for a period at least 5 days longer than the period that will extend between Interest Payment Dates after such Conversion.

Purchased Bonds

Adjustable Rate Bonds purchased by the Banks ("Purchased Bonds") shall bear interest at the rates, payable on the dates, set forth in the Adjustable Rate Bonds. Purchased Bonds may be sold when and as provided in the Credit Facility, and if remarketed at a Variable Rate, a Money Market Municipal Rate or a Fixed Rate will no longer bear interest as Purchased Bonds.

Tender of Adjustable Rate Bonds

The Adjustable Rate Bonds bearing interest at a Variable Rate or a Money Market Municipal Rate shall be subject to optional or mandatory tenders for purchase by the Tender Agent or (if not defeased) by the Banks on or prior to the Fixed Rate Conversion Date. In each case, such purchases shall be made at a purchase price (the "Purchase Price") equal to 100% of the principal amount to be purchased, plus all accrued and unpaid interest thereon to the date of purchase thereof (the "Purchase Date"), which principal and interest components shall be applied to the purchase of the rights to receive such principal and interest, when and as the same is or becomes due, from the owner or owners of such rights.

Tenders for purchase at the option of the Bondholder shall be permitted (a) on any Business Day during a Daily or Weekly Rate Period and (b) on any Interest Payment Date following a Monthly, Quarterly, or Semiannual Rate Period. All Adjustable Rate Bonds or portions thereof tendered or retained shall be in Authorized Denominations.

Mandatory tender for purchase of an Adjustable Rate Bond bearing interest at a Variable Rate or a Money Market Municipal Rate shall occur (a) on the commencement date of an MMMR Period but only with respect to the Adjustable Rate Bond to which such Period relates, (b) on the commencement date of a Term Rate Period for such Adjustable Rate Bond, (c) on the effective date of any Conversion of such Adjustable Rate Bond, and (d) as described below under "SECTION II: THE BONDS—Adjustable Rate Bonds—*Mandatory Tender to Banks*" and "SECTION II: THE BONDS—Adjustable Rate Bonds—*Credit Facility*".

The owners of the Adjustable Rate Bonds may not elect to retain their Adjustable Rate Bonds upon any mandatory tender for purchase.

In the case of any tender for purchase at the option of a Bondholder, irrevocable notice of the exercise of such option, specifying the Purchase Date and the principal amount to be purchased, shall be required to be given to the Tender Agent: (a) by telephone not later than 9:00 a.m., New York City time, on the Purchase Date, in the case of any Adjustable Rate Bond bearing interest at a Daily Rate; or (b) in writing delivered to the designated office of the Tender Agent not later than 5:00 p.m., New York City time, on a Business Day which is not less than (i) seven days prior to the Purchase Date, in the case of any Adjustable Rate Bond bearing interest at a Weekly or Monthly Rate or (ii) 15 days prior to the Purchase Date, in the case of any Adjustable Rate Bond bearing interest at a Quarterly or Semiannual Rate.

The Remarketing Agent will remarket tendered Adjustable Rate Bonds as provided in the Certificate. The City may, but is not obligated to, purchase tendered Adjustable Rate Bonds. The Banks severally agree in the Credit Facility to purchase tendered Adjustable Rate Bonds (if not defeased) upon timely delivery by the Tender Agent of a Notice demanding such purchase. See "SECTION II: THE BONDS—Adjustable Rate Bonds—*Credit Facility*".

The Purchase Price shall be payable (if an Adjustable Rate Bond is delivered to the Tender Agent not later than 10:00 a.m., New York City time, on the Purchase Date) by the Tender Agent by wire transfer or at its designated office in immediately available funds (or by check or draft drawn on or by a New York Clearing House bank and payable in next-day funds in the case of purchases following a Semiannual or Term Rate Period), on the Purchase Date.

By acceptance of an Adjustable Rate Bond, each Bondholder irrevocably agrees that, if an Adjustable Rate Bond is to be purchased on any date and sufficient funds are duly deposited for all purchases to be made on such date, then such Adjustable Rate Bond shall be deemed to have been purchased for all purposes thereunder and under the Certificate and, thereafter, the Bondholder shall have no further rights thereunder or under the Certificate with respect to such Adjustable Rate Bond, except to receive the purchase price from the funds so deposited upon surrender thereof.

Mandatory Tender to Banks

All of the Adjustable Rate Bonds bearing interest at a Variable Rate or a Money Market Municipal Rate (and not defeased) are subject to mandatory tender for purchase by the Banks pursuant to the Credit Facility, on the Purchase Date following a Notice from the Fiscal Agent to the Banks, at the applicable Purchase Price. If (x) there is on a payment date for principal of or interest on such Adjustable Rate Bonds an insufficiency of funds for such payment, the Fiscal Agent shall give the

Notice by 12:30 p.m., New York City time, on that day or (y) the Fiscal Agent receives a Termination Notice from the Banks, the Fiscal Agent shall give the Notice on that day (or, at the latest, by 12:30 p.m., New York City time, on the next Business Day); and the Fiscal Agent shall promptly notify the registered owners of such Adjustable Rate Bonds, by certified mail, postage prepaid, return receipt requested, of its Notice. Such notice to registered owners shall also state the Purchase Date; that such Adjustable Rate Bonds shall be required to be surrendered to the Fiscal Agent on the Purchase Date (which, for any purchase of Adjustable Rate Bonds pursuant to clause (x) above shall be the Business Day on which the Notice is received by the Banks' Agent, if received not later than 12:30 p.m., New York City time, or if received thereafter, the next Business Day; *provided* that the Purchase Date is on or before the last Business Day of the Purchase Period, as defined in the Credit Facility, for such Adjustable Rate Bonds; and, for any purchase of Adjustable Rate Bonds pursuant to clause (y) above shall, unless the Purchase Date has theretofore occurred pursuant to clause (x), be the last Business Day on or prior to the date of termination of the Banks' Commitment or, if earlier, the last Business Day of such Purchase Period); that if any such Adjustable Rate Bond is not so tendered, it shall be deemed to have been tendered on the Purchase Date; and that upon the deposit by the Fiscal Agent of sufficient money in a special trust account for the payment of the Purchase Price of such Adjustable Rate Bond, interest on such Adjustable Rate Bond shall cease to accrue to the former owner and such Adjustable Rate Bond shall be deemed purchased by the Banks. All Adjustable Rate Bonds purchased pursuant to this paragraph shall be paid for from funds furnished under the Credit Facility upon presentation and surrender thereof, together with an instrument of transfer thereof, in form satisfactory to the Fiscal Agent, executed in blank by the registered owner thereof, at the office of the Fiscal Agent. If Notice is not given following a Termination Notice, the Termination Notice shall nonetheless take effect and, beginning on the date of termination of the Banks' Commitments (as defined below), such Adjustable Rate Bonds bearing interest at a Variable Rate or a Money Market Municipal Rate shall bear interest at the highest rate provided by law for interest on accrued claims against municipalities and shall not be subject to optional or mandatory tender for purchase.

Inadequate Funds for Tenders

If the funds available for purchases of Adjustable Rate Bonds are inadequate for the purchase of all Adjustable Rate Bonds tendered on any Purchase Date, all undefeased Adjustable Rate Bonds theretofore bearing interest at a Variable Rate or a Money Market Municipal Rate shall bear interest from such date at the highest rate provided by law for interest on accrued claims against municipalities and shall no longer be subject to optional or mandatory tender for purchase; and the Fiscal Agent or Tender Agent shall immediately: (i) return all tendered Adjustable Rate Bonds to the owners thereof; (ii) return all money received for the purchase of such Adjustable Rate Bonds to the persons providing such money; and (iii) give Written Notice to all Bondholders.

Redemption

Adjustable Rate Bonds are subject to a redemption prior to maturity at the option of the City, in whole or in part, (a) if bearing interest at a Variable Rate or a Money Market Municipal Rate, on any potential Conversion Date after defeasance of such Adjustable Rate Bonds, or (b) if bearing interest as Purchased Bonds or at the highest rate provided by law for interest on accrued claims against municipalities on any date, in each case on 30 days' notice at the principal amount thereof plus any interest accrued and unpaid thereon. The City may select amounts and maturities of Adjustable Rate Bonds to be redeemed in its sole discretion. In the event that less than all Adjustable Rate Bonds of a maturity subject to redemption are to be redeemed, Adjustable Rate Bonds shall be selected for redemption in the following manner: (i) first, from Adjustable Rate Bonds, if any, of any maturity subject to such redemption which are held by or for the Banks, (ii) second, from other Adjustable Rate Bonds bearing interest as Purchased Bonds or at the highest rate provided by law for interest on accrued claims against municipalities, and (iii) third, by lot.

Defeasance

For the purpose of determining whether Adjustable Rate Bonds shall be deemed to have been defeased, the interest to come due on such Adjustable Rate Bonds shall be calculated at the maximum applicable rate; and if, as a result of such Adjustable Rate Bonds having borne interest at less than the maximum rate for any period, the total amount on deposit for the payment of interest on such Adjustable Rate Bonds exceeds the total amount required, the balance shall be paid to the City. In addition, Adjustable Rate Bonds shall be deemed defeased only if there shall have been deposited money in an amount sufficient for the timely payment of the maximum amount of principal of and interest on such Adjustable Rate Bonds that could become payable to the Bondholders upon the exercise of any applicable optional or mandatory tender for purchase.

Credit Facility

Prior to and including the Fixed Rate Conversion Date for each maturity of Adjustable Rate Bonds that is not defeased and is subject to optional or mandatory tender for purchase, the City (a) shall, as required by law, keep in effect one or more letter of credit agreements or liquidity facility agreements for the benefit of the Bondholders of such maturity, which shall require a financially responsible party or parties other than the City to purchase all or any portion of such Adjustable Rate Bonds tendered by the holders thereof for repurchase prior to the maturity of such Adjustable Rate Bonds, and (b) shall also provide for the purchase of such Adjustable Rate Bonds by a financially responsible party or parties upon any failure of the City to make timely payment of principal or interest thereon. A financially responsible party or parties, for the purposes of this paragraph, shall mean a person or persons determined by the Mayor and the Comptroller of the City to have sufficient net worth and liquidity to purchase and pay for on a timely basis all of the Adjustable Rate Bonds which may be tendered for repurchase by the holders thereof.

Registered owners of the Adjustable Rate Bonds bearing interest at a Variable Rate or a Money Market Municipal Rate (and not defeased) will be entitled to the benefits and subject to the terms of the Credit Facility. Under the Credit Facility, each Bank severally agrees to make available to the Tender Agent or the Fiscal Agent, upon receipt of an appropriate demand for payment, its pro rata share (based on its respective commitment) of the Purchase Price for such Adjustable Rate Bonds. The aggregate commitments of the Banks under the Credit Facility (the "Banks' Commitments") will be sufficient to pay a Purchase Price equal to the principal of and up to 185 days' interest on the Adjustable Rate Bonds as follows:

Maturity	Principal	Interest
1993	$15,000,000	$693,750
1994	15,000,000	693,750
1995	20,000,000	925,000

Each Bank's commitment will be equal to 50% of the Banks' Commitments set forth above, and neither Bank is responsible for the other Bank's performance of its obligations under the Credit Facility.

Mandatory purchase by the Banks of Adjustable Rate Bonds bearing interest at a Variable Rate or a Money Market Municipal Rate (and not defeased) shall occur under the circumstances specified in the Certificate, including a failure of the City to make timely provision for interest or principal due on any such Adjustable Rate Bond and (at the option of the Banks) other events, including without limitation breaches of covenants, defaults on other bonds of the City or other entities, and events of insolvency. Notwithstanding the other provisions of the Adjustable Rate Bonds and the Certificate, upon the purchase of an Adjustable Rate Bond by the Banks, all interest accruing thereon from the last date for which interest was paid shall accrue for the benefit of and be payable to the Banks.

Subject to the provisions described above for termination by the Banks, the Credit Facility extends to and includes the date of each Adjustable Rate Bond's maturity, defeasance or Conversion to a Fixed Rate.

Any Bank may assign to one or more banks or other institutions whose senior, unsecured long term debt is then rated AA–or better by Standard & Poor's and Aa3 or better by Moody's and whose short-term debt is rated A1 or better by Standard & Poor's and P1 or better by Moody's (each an "Assignee") all, or a proportionate part, of its rights and obligations under the Credit Facility, and such Assignee shall assume such rights and obligations, subject to the conditions stated in the Credit Facility. If any decrease in the ratings applicable to debt of any Bank (to ratings below the above-stated ratings) materially adversely affects the interest rate payable by the City on the Adjustable Rate Bonds, the City shall have the right to seek a substitute bank or banks (with the above-stated ratings) reasonably satisfactory to the Banks' Agent to assume the rights and obligations of such Bank. The holders of the Adjustable Rate Bonds shall be notified of any assumption of a Bank's rights and obligations.

The preceding is a summary of certain provisions expected to be included in the Credit Facility and the proceedings under which the Adjustable Rate Bonds are to be issued, and is subject in all respects to the underlying documents, copies of which will be available for inspection during business hours at the office of the Tender Agent. Information regarding the Banks is included herein as "APPENDIX D—THE BANKS". Neither the City nor the Underwriters make any representation with respect to the information in "APPENDIX D—THE BANKS".

Book-Entry Only System

The Bonds will be issued as registered bonds and, when issued, will be registered in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York ("DTC"), which will act as securities depository for the Bonds. DTC is a limited-purpose trust company organized under the laws of the State of New York, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934, as amended.

DTC holds securities and facilitates the clearance and settlement of securities transactions through electronic book-entry changes in accounts of its participants (the "DTC Participants"), thereby eliminating the need for physical movement of certificates. DTC Participants include securities brokers and dealers, banks, trust companies, clearing corporations and certain other organizations, some of which (and/or their representatives) own DTC. Access to the DTC system is also available to other entities such as banks, brokers, dealers and trust companies that clear through or maintain a custodial relationship with a DTC Participant, either directly or indirectly.

DTC Participants will be credited in the records of DTC with the amount of such Participants' interests in the Bonds. Beneficial ownership interests in the Bonds in the amount of $5,000 or any integral multiple thereof may be purchased by or through DTC Participants. A purchaser of such an interest (a "Beneficial Owner") will not receive a certificate representing his beneficial ownership interest. The ownership interest of each Beneficial Owner will be recorded through the records of the DTC Participant from which he purchased his Bonds. Transfers of ownership interests in the Bonds will be accomplished by book entries made by DTC and, in turn, by DTC Participants acting on behalf of Beneficial Owners. It is anticipated that each Beneficial Owner will receive a written confirmation of the ownership interests acquired by him in the Bonds from a DTC Participant.

So long as Cede & Co. is the registered owner of the Bonds, as nominee of DTC, references herein to the owners of Bonds shall mean Cede & Co. and shall not mean the Beneficial Owners of the Bonds. Beneficial Owners may desire to make arrangements with a DTC Participant so that all notices of redemption or other communications to DTC, which affect such Beneficial Owners, and notification of all interest payments, will be forwarded in writing by the DTC Participant.

Payments of principal of, redemption premium, if any, and interest on the Bonds will be paid by the City or by a fiscal agent of the City (the "Fiscal Agent") directly to DTC or its nominee, Cede & Co. DTC will remit such payments to DTC Participants and such payments will thereafter be paid by DTC Participants to the Beneficial Owners. No assurance can be given by the City that DTC and DTC Participants will make prompt transfer of payments to Beneficial Owners. The City is not responsible or liable for payment by DTC or DTC Participants or for sending transaction statements or for maintaining, supervising or reviewing records maintained by DTC or DTC Participants.

For every transfer and exchange of the Bonds, the Beneficial Owners may be charged a sum sufficient to cover any tax, fee or other charge that may be imposed in relation thereto.

DTC may discontinue providing its services with respect to the Bonds at any time by giving notice to the City and discharging its responsibilities with respect thereto under applicable law, or the City may terminate its participation in the system of book-entry transfers through DTC at any time. In the event that the book-entry-only system is discontinued, the City will authenticate and make available for delivery replacement Bonds in the form of registered certificates. In addition, the following provisions would apply: principal of the Bonds and redemption premium, if any, will be payable in lawful money of the United States of America at the office of the Fiscal Agent, The Chase Manhattan Bank, N.A., Municipal Paying Agency Services Division, One New York Plaza—14th Floor, New York, New York 10081, or any successor fiscal agent designated by the City and interest on the Bonds (other than the Adjustable Rate Bonds) will be payable by wire transfer or by check mailed to the respective addresses of the registered owners thereof as shown on the registration books of the City as of the close of business on the fifteenth day of the calendar month immediately preceding the applicable interest payment date, except as set forth above under "SECTION II: THE BONDS—Adjustable Rate Bonds—*Interest on Adjustable Rate Bonds*".

SECTION III: GOVERNMENT AND FINANCIAL CONTROLS

Structure of City Government

The City of New York is divided into five counties, which correspond to its five boroughs. The City, however, is the only unit of local government within its territorial jurisdiction with authority to levy and collect taxes, and is the unit of local government primarily responsible for service delivery. On November 6, 1990, the voters of Staten Island voted to establish a charter commission for the purpose of proposing a charter under which Staten Island would secede from The City of New York to become a separate City of Staten Island. A subsequent referendum of the voters of Staten Island will be held no earlier than 1993 to determine whether the proposed charter should be approved, and if such referendum is approved, the charter commission will submit to the State Legislature proposed legislation enabling Staten Island to separate from the City. The charter would take effect upon approval of such enabling legislation by the State Legislature. Any such legislation would be subject to legal challenge by the City and would require approval by the United States Department of Justice under the federal Voting Rights Act.

Responsibility for governing the City is currently vested by the City Charter in the Mayor, the City Comptroller, the City Council and the President of the Council. On November 7, 1989, the voters of the City approved amendments to the City Charter designed to restructure the City's government.

—*The Mayor.* David N. Dinkins, the Mayor of the City, took office on January 1, 1990. The Mayor is elected in a general election for a four-year term and is the chief executive officer of the City. The Mayor has the power to appoint the commissioners of the City's various departments. The Mayor is responsible for preparing and administering the City's annual expense and capital budgets (as defined below) and financial plan. The Mayor has the power to veto local laws enacted by the City Council, but such a veto may be overridden by a two-thirds vote of the Council. The Mayor possesses all residual powers of the City government not otherwise delegated by law to some other public official or body. The Mayor is also a member of the Control Board. Under the amended Charter, the Mayor has been given new powers and responsibilities relating to land use and City contracts.

—*The City Comptroller.* Elizabeth Holtzman, the Comptroller of the City, took office on January 1, 1990. The City Comptroller is elected in a general election for a four-year term and is the chief fiscal officer of the City. The City Comptroller has extensive investigative and audit powers and responsibilities which include keeping the financial books and records of the City. The City Comptroller's audit responsibilities include a program of performance audits of City agencies in connection with the City's management, planning and control of operations. In addition, the City Comptroller is required to evaluate the Mayor's budget, including the assumptions and methodology used in the budget. The City Comptroller is also a member of the Control Board and is a trustee, the custodian and the delegated investment manager of the City's five pension systems.

—*The City Council.* The City Council is the legislative body of the City and consists of the President of the Council and 35 members elected for four-year terms who represent various geographic districts of the City. Under the Charter, the City Council must annually adopt a resolution fixing the amount of the real estate tax and approve the City's capital and expense budgets. The City Council does not, however, have the power to enact local laws imposing other taxes, unless such taxes have been authorized by State legislation. Under the Charter amendments, the City Council has been given new powers and responsibilities relating to budget adoptions, franchises and land use. In 1991, pursuant to the amended Charter, City Council membership will be increased to 51.

—*The President of the Council.* Andrew J. Stein, the President of the Council, took office on January 1, 1986, and was re-elected to a second term which commenced on January 1, 1990. The President of the Council is elected in a general election for a four-year term. The President of the Council may preside at meetings of the City Council without voting power, except in the case of a tie vote. The President of the Council is first in the line of succession to the Mayor in the event of the death or disability of the Mayor or a vacancy otherwise occurring in the office. Under the Charter amendments, the President of the Council appoints a member of the City Planning Commission and has various responsibilities relating to, among other things, monitoring the activities of City agencies, the investigation and resolution of certain complaints made by members of the public concerning City agencies and ensuring appropriate public access to government information and meetings.

City Financial Management, Budgeting and Controls

The Mayor is responsible under the City Charter for preparing the City's annual expense and capital budgets (as adopted, the "Expense Budget" and the "Capital Budget", respectively, and collectively, the "Budgets"). The Expense Budget covers the City's annual operating expenditures for municipal services, while the Capital Budget covers expenditures for capital projects, as defined in the City Charter. Operations under the Expense Budget must reflect the aggregate expenditure limitations contained in financial plans. The City Council is responsible for adopting the Expense Budget and the Capital Budget. The Mayor has the power to veto any increase or addition to the Budgets approved by the City Council. The City Council, acting by a two-thirds vote, may override any Mayoral veto.

The City, through OMB and the Office of the Comptroller, has developed and implemented sophisticated accounting, reporting, forecasting and internal control systems.

OMB, with a staff of 350 professionals, is the Mayor's primary advisory group on fiscal issues and is also responsible for the preparation, monitoring and control of the City's expense, revenue and capital budgets and four-year financial plan. The Office of the Comptroller, with a professional staff of approximately 625, establishes the City's accounting and financial reporting practices and internal control procedures, evaluates all aspects of City operations, including the four-year financial plan projections, and reports on the City's fiscal status to the public.

The Comprehensive Annual Financial Report of the Comptroller for the 1989 fiscal year, which includes, among other things, the City's financial statements for the 1989 fiscal year, has received the Government Finance Officers Association (the "GFOA") award of the Certificate of Achievement for Excellence in Financial Reporting, the tenth consecutive year the Comprehensive Annual Financial Report of the Comptroller has won such award. The Mayor's Executive Budget for each of the 1986 through 1990 fiscal years received the GFOA Award for Distinguished Budget Presentation.

Financial Reporting and Control Systems

Since 1978, the City's financial statements have been audited by independent certified public accountants and presented in accordance with the GAAP. The City has completed ten consecutive fiscal years with a General Fund surplus when reported in accordance with GAAP. Both OMB and the Office of the Comptroller utilize financial monitoring, reporting and control systems, including the Integrated Financial Management System and a comprehensive Capital Projects Information System, which provide comprehensive current and historical information regarding the City's financial condition. This information, which is independently evaluated by each office, provides a basis for City action required to maintain a balanced budget and continued financial stability.

The City's operating results and forecasts are analyzed, reviewed and reported on by OMB and by the Office of the Comptroller as part of the City's overall system of internal control. Internal control systems are reviewed regularly, and the City Comptroller requires an annual report on internal control and accountability from each agency. Comprehensive service level and productivity targets are formulated and monitored for each agency by the Mayor's Office of Operations and reported publicly in a semiannual management report.

The City has developed and utilizes a cash forecasting system which forecasts its daily cash balances. This enables the City to predict more accurately its short-term borrowing needs and maximize its return on the investment of available cash balances. Monthly statements of operating revenues and expenditures, capital revenues and expenditures and cash flow are reported after each month's end, and major variances from the financial plan are identified and explained.

In October 1989, the City completed an inventory of the major portion of its assets and asset systems which have a replacement cost of $10 million or more and a useful life of at least ten years, as required by the City Charter. In March 1991, the City issued an assessment of the asset condition and a proposed maintenance schedule for the inventoried assets.

Budget and Financial Plan

State law requires the City to maintain its Expense Budget balanced when reported in accordance with GAAP. In addition to the City's annual Expense and Capital Budgets, the City prepares a four-year financial plan which encompasses the City's revenue, expenditure, cash flow and capital projections. All Covered Organizations, as hereinafter defined, are also required to maintain GAAP balanced budgets.

To assist in achieving the goals of the financial plan and budget, the City reviews its financial plan periodically and, if necessary, prepares modifications to incorporate actual results and revisions to projections and assumptions to reflect current information. The City's revenue projections are continually reviewed and periodically updated with the benefit of discussions with a panel of private economists analyzing the effects of changes in economic indicators on City revenues and information from various economic forecasting services. The City conforms aggregate expenditures to the limitations contained in the financial plan.

Financial Emergency Act

The Financial Emergency Act requires that the City submit to the Control Board, at least 50 days prior to the beginning of each fiscal year (or on such other date as the Control Board may approve), a financial plan for the City and certain State governmental agencies, public authorities or public benefit corporations ("PBCs") which receive or may receive monies from the City directly, indirectly or contingently (the "Covered Organizations") covering the four-year period beginning with such fiscal year. The BOE, the New York City Transit Authority and the Manhattan and Bronx Surface Transit Operating Authority (collectively, the "Transit Authority" or the "TA"), the New York City Health and Hospitals Corporation ("HHC") and the New York City Housing Authority (the "Housing Authority" or "HA") are examples of Covered Organizations. The Act requires that the City's four-year financial plans conform to a number of standards. Unless otherwise permitted by the Control Board under certain conditions, the City must prepare and balance its budget covering all expenditures other than capital items so that the results of such budget will not show a deficit when reported in accordance with GAAP. Provision must be made, among other things, for the payment in full of the debt service on all City securities. The Control Board is to determine whether the plan or any modification is complete and complies with the Act. The budget and operations of the City and the Covered Organizations must be in conformance with the financial plan then in effect.

From 1975 to June 30, 1986, the City was subject to a Control Period, as defined in the Financial Emergency Act, which was terminated upon the satisfaction of the statutory conditions for termination, including the termination of all Federal guarantees of obligations of the City, a determination by the Control Board that the City had maintained a balanced budget in accordance with GAAP for each of the three immediately preceding fiscal years and a certification by the State and City Comptrollers that sales of securities by or for the benefit of the City satisfied its capital and seasonal financing requirements in the public credit markets and was expected to satisfy such requirements in the 1987 fiscal year. With the termination of the Control Period, certain Control Board powers were suspended including, among others, its power to approve or disapprove certain contracts, long-term and short-term borrowings, and the four-year financial plan of the City and the Covered Organizations. After the termination of the Control Period but prior to the statutory expiration date of the Financial Emergency Act on July 1, 2008, the City will still be required to develop a four-year financial plan each year and to modify the plan as changing circumstances require. During this period, the Control Board will also continue to have certain review powers and must reimpose a Control Period upon the occurrence or substantial likelihood of the occurrence of any one of certain events specified in the Act. These events are (i) failure by the City to pay principal of or interest on any of its notes or bonds when due or payable, (ii) the existence of a City operating deficit of more than $100 million, (iii) issuance by the City of notes in violation of certain restrictions on short-term borrowing imposed by the Act, (iv) any violation by the City of any provision of the Act which substantially impairs the ability of the City to pay principal of or interest on its bonds or notes when due and payable or its ability to adopt or adhere to an operating budget balanced in accordance with the Act, or (v) joint certification by the State and City Comptrollers that they could not at that time make the joint certification required to terminate a Control Period.

Financial Control Board Oversight

The Control Board, with MAC and the State Deputy Comptroller for The City of New York (the "State Deputy Comptroller"), who is appointed by the Comptroller of the State of New York (the "State Comptroller"), reviews and monitors revenues and expenditures of the City and the Covered Organizations.

The Control Board is required to: (i) review the four-year financial plan of the City and of the Covered Organizations and modifications thereto; (ii) review the operations of the City and the Covered Organizations, including their compliance with the financial plan; and (iii) review long-term and short-term borrowings and certain contracts, including collective bargaining agreements, of the City and the Covered Organizations. The requirement to submit four-year financial plans and budgets for review was in response to the severe financial difficulties and loss of access to the credit markets encountered by the City in 1975. The Control Board must reexamine the financial plan on at least a quarterly basis to determine its conformance to statutory standards.

The members of the Control Board are: Mario M. Cuomo, Governor of the State of New York (Chairman); Edward V. Regan, Comptroller of the State of New York; David N. Dinkins, Mayor of The City of New York; Elizabeth Holtzman, Comptroller of The City of New York; and three members appointed by the Governor, currently Heather L. Ruth, President of the Public Securities Association; Stanley S. Shuman, Executive Vice President of Allen & Company, Incorporated; and Robert R. Kiley, President and Chief Executive Officer of Fischbach Corporation. The Executive Director of the Control Board, who is appointed jointly by the Governor and the Mayor, is Allen Proctor. The Control Board is assisted in the exercise of its responsibilities and powers under the Financial Emergency Act by the State Deputy Comptroller who is Elinor B. Bachrach.

SECTION IV: SOURCES OF CITY REVENUES

The City derives its revenues from a variety of local taxes, user charges and miscellaneous revenues, as well as from Federal and State unrestricted and categorical grants. State aid as a percentage of the City's revenues has remained relatively constant over the period from 1980 to 1990, while Federal aid has been sharply reduced. The City projects that local revenues will provide approximately 66.7% of total revenues in the 1991 fiscal year while Federal aid, including categorical grants, will provide 10.6%, and State aid, including unrestricted aid and categorical grants, will provide 22.7%. Adjusting the data for comparability, local revenues provided approximately 60.6% of total revenues in 1980, while Federal and State aid each provided approximately 19.7%. A discussion of the City's principal revenue sources follows. For information regarding assumptions on which the City's revenue projections are based, see "SECTION VII: 1991-1994 FINANCIAL PLAN—Assumptions". For information regarding the City's tax base, see "APPENDIX A—ECONOMIC AND SOCIAL FACTORS".

Real Estate Tax

The real estate tax, the single largest source of the City's revenues, is the primary source of funds for the City's General Debt Service Fund. The City expects to derive approximately 44.6% of its total tax revenues and 25.8% of its total revenues for the 1991 fiscal year from the real estate tax.

The State Constitution authorizes the City to levy a real estate tax without limit as to rate or amount (the "debt service levy") to cover scheduled payment of the principal of and interest on indebtedness of the City. However, the State Constitution limits the amount of revenue which the City can raise from the real estate tax for operating purposes (the "operating limit") to 2.5% of the average full value of taxable real estate in the City for the current and the last four fiscal years. As shown in the table below, the percentage of the debt service levy to the total levy decreased in each of the 1987 through 1989 fiscal years, increased in fiscal year 1990 and decreased in fiscal year 1991.

COMPARISON OF REAL ESTATE TAX LEVIES, TAX LIMITS AND TAX RATES

Fiscal Year	Total Levy(1)	Levy Within Operating Limit	Debt Service Levy(2)	Percent of Debt Service Levy to Total Levy	Operating Limit	Percent of Levy Within Operating Limit to Operating Limit	Rate Per $100 of Full Valuation(3)	Weighted Average Tax Rate Per $100 Assessed Valuation
				(Dollars in Millions)				
1986	$4,866.8	$3,648.9	$1,217.9	25.0%	$4,047.5	90.2%	$2.45	$ 9.26
1987	5,141.7	3,956.0	1,185.7	23.1	4,432.0	89.3	2.33	9.32
1988	5,586.0	4,432.3	1,153.7	20.7	4,969.5	89.1	2.24	9.43
1989	6,233.0	4,996.3	1,236.7	19.8	6,808.5	73.4	2.29	9.72
1990	6,872.4	5,401.3	1,471.1	21.4	7,789.1	69.3	2.21	9.91
1991	7,681.3	6,154.7	1,526.6	19.9	9,109.3	67.6	2.11	10.25

(1) As approved by the City Council.

(2) The debt service levy includes a portion of the total reserve for uncollected real estate taxes.

(3) The rate per dollar of full valuation shown is based on the special equalization ratio and the full valuation (discussed below). Special equalization ratios and full valuations are revised subsequently as a result of surveys by the State Board of Equalization and Assessment.

The City Council has adopted a distinct tax rate for each of the four categories of real property established by State legislation. The rate per full dollar of valuation for the 1986 through 1991 fiscal years is based on the weighted average of these individual rates for such fiscal years, as shown above.

Assessment

The City has traditionally assessed real property at less than market (full) value. The State Board of Equalization and Assessment (the "State Board") is required by law to determine annually the relationship between taxable assessed value and market value which is expressed as the "special equalization ratio". The special equalization ratio is used to compute full value for the purpose of measuring the City's compliance with the operating limit and general debt limit. For a discussion of the City's debt limit, see "SECTION VIII: INDEBTEDNESS—City Indebtedness—*Limitations on the City's Authority to Contract Indebtedness*". The ratios are calculated by using either a market value survey or a projection of market value growth based on the four most recent surveys. Ratios, and therefore full values, may be revised when new surveys are completed. The ratios and full values used to compute the 1991 fiscal year operating limit, which are shown in the table below, have been established by the State Board and include the results of the calendar year 1987 market value survey.

BILLABLE ASSESSED AND FULL VALUE OF TAXABLE REAL ESTATE(1)

Fiscal Year	Billable Assessed Valuation of Taxable Real Estate(2)	÷	Special Equalization Ratio(3)	=	Full Valuation(2)(3)
1986	$52,673,812,431		.2321		$226,944,474,067
1987	55,295,500,070		.2073		266,741,437,868
1988	59,316,861,486		.1912		310,234,631,203
1989	64,342,267,379		.1789		359,654,932,247
1990	70,252,467,843		.1709		411,073,539,163
1991	76,528,438,709		.1614		474,153,895,347

(1) Also assessed by the City, but excluded from the computation of taxable real estate, are various categories of property exempt from taxation under State law. For the 1991 fiscal year, the billable assessed value of real estate categorized by the City as exempt is $52.4 billion, or 40.7% of the $128.7 billion billable assessed value of all real estate (taxable and exempt).

(2) These figures are derived from official City Council Tax Resolutions. These figures differ from the assessed and full valuation of taxable real estate reported in the Annual Financial Report of the City Comptroller which excludes veteran's property subject to tax for school purposes (the value of such property is approximately $200 million in each year).

(3) Full valuation for all the fiscal years shown is based on the special equalization ratios.

State law provides for the classification of all real property in the City into one of four statutory classes, of which class one primarily includes one-, two-, and three- family homes. Class two includes certain other residential property not included in class one, class three includes most utility real property and all other real property is in class four. These laws have no effect upon the constitutional limitations on the City's taxing power. Once the tax levy is determined, each class's share of the levy must be approximately the same proportion of the tax levy as was paid by the four classes in fiscal year 1982. The tax rate for each class is then fixed by the City Council after taking into account physical changes in properties, the return of exempt properties to the tax rolls, and any changes in classification. Up to and including fiscal year 1991, the City Council is empowered to make discretionary annual adjustments of up to five percent in any class's share of the total tax levy. Beginning in fiscal year 1992 and every year thereafter, the class shares will be subject to limited adjustment to reflect market value changes among the four classes since 1989. Individual assessments on class one parcels cannot increase by more than six percent per year or twenty percent over a five-year period. Market value increases in classes two and four are generally phased in over a period of five years. The phase-in of market value increases in class three was eliminated in the 1986 fiscal year.

Class two and class four real property have three assessed values: actual, transition and billable. Actual assessed value is established for all tax classes without regard for the five year phase in requirement for most class two and all class four properties. The transition assessed value reflects this phase in. Billable assessed value is the basis for tax liability, and is the lower of actual or transition assessments. Taxable assessed value excludes any billable assessments of properties that are exempt from the real property tax. For class one and class three real property, actual assessed value is equal to billable assessed value. Limitations on increases in class one billable assessed value are not phased in over subsequent years.

City real estate tax revenues may be reduced in future fiscal years as a result of tax refund claims asserting overvaluation, inequality of assessment and illegality. For a discussion of various proceedings challenging assessments of real property for real estate tax purposes, see "SECTION IX: OTHER INFORMATION—Litigation—*Taxes*". For further information regarding the City's potential exposure in certain of these proceedings, see "APPENDIX B—FINANCIAL STATEMENTS—Notes to Financial Statements—Note G".

Trend in Taxable Assessed Value

The total billable assessed valuation of taxable real estate increased in the 1991 fiscal year for the twelfth consecutive year. The City commenced revising its assessment procedures during the 1982 fiscal year to reflect more accurately current real estate values. Tentative billable assessed valuation for taxable property is projected to increase approximately 3.8% in fiscal year 1992 over the $76.5 billion final valuation for fiscal year 1991. Tentative actual assessed valuation is projected to decrease approximately 7.2% in fiscal year 1992 from the fiscal year 1991 valuation of $91.5 billion.

Collection of the Real Estate Tax

Real estate tax payments are due each July and January, with the exception of payments by owners of real property assessed at $40,000 or less and cooperatives whose individual units on average are valued at $40,000 or less which are paid in quarterly installments. An annual interest rate of 10% is imposed upon late prior year payments on properties for which the annual tax bill does not exceed $2,750 and an interest rate of 19% is imposed upon late payments on all other properties. Payments for settlement of delinquencies are required on a quarterly schedule.

The real estate tax is accounted for on a modified accrual basis. Revenue accrued is limited to prior year payments received or refunds made within the first two months of the following fiscal year. In deriving the real estate tax revenue estimate, a reserve is provided for cancellations or abatements of taxes and for nonpayment of current year taxes owed and outstanding as of the end of the fiscal year.

The City is entitled to foreclose delinquent tax liens by *in rem* proceedings after one year of delinquency with respect to properties other than one- and two-family dwellings and condominium apartments for which the annual tax bills do not exceed $2,750, as to which a three-year delinquency rule is in effect.

The following table sets forth the amount of delinquent real estate taxes (owed and outstanding as of the end of the fiscal year of levy) for each of the fiscal years indicated. Delinquent real estate taxes do not include real estate taxes subject to cancellation or abatement under various exemption or abatement programs.

REAL ESTATE TAX COLLECTIONS AND DELINQUENCIES AS OF END OF FISCAL YEAR OF LEVY

Fiscal Year	Tax Levy(1)	Cancellations and Abatements	Current Year Tax Collections(2)	Collections as a Percentage of Tax Levy	Delinquent as of end of Fiscal Year(3)	Delinquency as a Percentage of Tax Levy
			(Dollars in Millions)			
1986	$4,866.8	$166.0	$4,600.0	94.5%	$100.8	2.07%
1987	5,141.7	69.0	4,975.5	96.8	97.2	1.89
1988	5,586.0	72.7	5,382.4	96.3	130.9	2.34
1989	6,233.0	175.0	5,942.9	95.3	115.0	1.84
1990	6,872.4	153.0	6,542.6	95.2	176.9	2.57

(1) As approved by the City Council.
(2) Based on real property tax collections for each fiscal year, including the accrual period of July and August.
(3) These figures include taxes due on certain publicly owned property.

Other Taxes

The City expects to derive approximately 55.4% of its total tax revenues for the 1991 fiscal year from a variety of taxes other than the real estate tax, such as: (i) the 4% sales and compensating use tax, in addition to the State 4¼% retail sales tax imposed by the State upon receipts from retail sales of tangible personal property and certain services in the City; (ii) the personal income tax on City residents and the earnings tax on non-residents; (iii) a general corporation tax levied on the income of corporations doing business in the City; (iv) a banking corporation tax imposed on the income of banking corporations doing business in the City; (v) the State-imposed stock transfer tax (while the economic effect of the stock transfer tax was eliminated as of October 1, 1981, the City's revenue loss is, to some extent, mitigated by State payments to a stock transfer tax incentive fund); and (vi) a number of other taxes.

For local taxes other than the real property tax, the City may adopt and amend local laws for the levy of local taxes to the extent authorized by the State. This authority can be withdrawn, amended or expanded by the State at any time. However, without State authorization, the City may locally impose property taxes to fund general operations in an amount not to exceed 2½% of property values in the City as determined under a State mandated formula. In fiscal year 1990, property taxes imposed for operating purposes were over $2 billion below the 2½% limitation. In addition, the State cannot restrict the City's authority to levy and collect real estate taxes outside of the 2½% limitation in the amount necessary to pay principal of and interest on City indebtedness. Payments by the State to the City of sales tax and stock transfer tax revenues are subject to appropriation by the State and are made available first to MAC for payment of MAC debt service, capital reserve fund requirements and operating expenses, with the balance, if any, payable to the City.

Revenues from other taxes in the 1990 fiscal year increased by $59 million or approximately 1% over the 1989 fiscal year, reflecting the region's slowing economic growth rate. The following table sets forth revenues from other taxes by category for each of the City's 1986 through 1990 fiscal years.

	1986	1987	1988	1989	1990
			(In Millions)		
Personal Income	$1,816	$2,163	$2,089	$2,445	$2,538
General Corporation	985	1,169	1,256	1,263	1,123
Banking Corporation	207	307	333	285	196
Unincorporated Business Income	245	302	315	356	357
Sales	1,909	2,044	2,223	2,330	2,431
Commercial Rent	477	525	584	651	685
Real Property Transfer	151	245	216	207	215
Mortgage Recording	179	253	201	213	154
Utility	185	170	145	168	184
All Other(1)	483	571	582	536	630
Total	$6,637	$7,749	$7,944	$8,454	$8,513

(1) All Other includes, among others, the stock transfer tax, the OTB net revenue, cigarette, beer and liquor taxes, the hotel tax and the automobile use tax.

Miscellaneous Revenues

Miscellaneous revenues include revenue sources such as charges collected by the City for the issuance of licenses, permits and franchises, interest earned by the City on the investment of City cash balances, tuition fees at the Community Colleges and fees for various other services, charges for delivery by the City of water and sewer services, rents collected from tenants in City-owned property and from the Port Authority of New York and New Jersey (the "Port Authority") with respect to airports, and the collection of fines. The following table sets forth amounts of miscellaneous revenues for each of the City's 1986 through 1990 fiscal years.

	1986	1987	1988	1989	1990
			(In Millions)		
Licenses, Permits and Franchises	$ 149	$ 177	$ 231	$ 193	$ 189
Interest Income	163	128	129	194	194
Charges for Services	222	241	253	286	299
Water and Sewer Payments(1)	446	438	435	546	571
Rental Income	181	188	202	187	207
Fines and Forfeitures	244	247	265	297	310
Other	145	228	186	367	464
Total	$1,550	$1,647	$1,701	$2,070	$2,234

(1) Beginning July 1, 1985, fees and charges collected from the users of the water and sewer system of the City became revenues of the New York City Water Board (the "Water Board") which holds a lease interest in the water and sewer system. The Water Authority is empowered to issue debt to finance capital investment in the City's water and sewer system. After providing for debt service on Water Authority obligations and certain administrative costs, the Water Board pays the City for operating the water and sewer system and rental for the system.

The increase in miscellaneous revenues in 1989 was primarily due to a transfer of $102 million from the Police Officers and Firefighters Variable Supplement Funds to the General Fund in accordance with a revised statutory formula for payments to such Funds and a transfer from the New York City Educational Construction Fund (the "ECF") of $83 million in repayment of loans previously made by the City. The increase in miscellaneous revenues for the 1990 fiscal year included

$205 million made available to the City as a result of a bond sale by the Battery Park City Authority and a debt refinancing by the New York State Housing Finance Agency (the "HFA").

Unrestricted Intergovernmental Aid

Unrestricted Federal and State aid has consisted primarily of per capita aid from the State government. These funds, which are not subject to any substantial restriction as to their use, are used by the City as general support for its Expense Budget. State general revenue sharing (State per capita aid) is allocated among the units of local government by statutory formulas which take into account the distribution of the State's population and the full valuation of taxable real property. For a further discussion of unrestricted State aid, see "SECTION VII: 1991-1994 FINANCIAL PLAN—Assumptions—*Revenue Assumptions*—5. Unrestricted Intergovernmental Aid".

The following table sets forth amounts of unrestricted Federal and State aid received by the City in each of its 1986 through 1990 fiscal years.

	1986	1987	1988	1989	1990
			(In Millions)		
Federal Revenue Sharing Aid	$ 256	$ 46	$ —	$ —	$ —
State Per Capita Aid	535	535	535	535	535
State Shared Taxes(1)	49	47	47	47	47
Other(2)	59	49	71	131	105
Total	$ 899	$ 677	$ 653	$ 713	$ 687

(1) State Shared Taxes are taxes which are levied by the State, collected by the State and which, pursuant to aid formulas determined by the State Legislature, are returned to various communities in the State. Beginning on April 1, 1982, these payments were replaced by funds appropriated pursuant to the Consolidated Local Highway Assistance Program, known as "CHIPS".

(2) Included in the 1986, 1987, 1988, 1989 and 1990 fiscal years are $45 million, $44 million, $44 million, $50 million and $58 million, respectively, of aid associated with the State takeover of long-term care Medicaid costs.

Federal and State Categorical Grants

The City makes certain expenditures for services required by Federal and State mandates which are then reimbursed through Federal and State categorical grants. State categorical grants are received by the City primarily in connection with City welfare, education, higher education, health and mental health expenditures. The City also receives substantial Federal categorical grants in connection with the Federal Community Development ("Community Development") and the Job Training and Partnership Act ("JTPA"). The Federal government also provides the City with substantial public assistance, social service and education grants as well as reimbursement for costs incurred by the City in maintaining programs in a number of areas, including housing, criminal justice and health. All City claims for Federal and State grants are subject to subsequent audit by Federal and State authorities. Federal grants are also subject to audit under the Single Audit Act of 1984 by the City's independent auditors. The City provides a reserve for disallowances resulting from these audits which could be asserted in subsequent years. For a further discussion of Federal and State categorical grants, see "SECTION VII: 1991-1994 FINANCIAL PLAN—Assumptions—*Revenue Assumptions*—6. Federal and State Categorical Grants".

The following table sets forth amounts of Federal and State categorical grants received by the City for each of the City's 1986 through 1990 fiscal years.

	1986	1987	1988 (In Millions)	1989	1990
Federal					
JTPA	$ 91	$ 92	$ 85	$ 76	$ 74
Community Development(1)	256	201	214	223	234
Welfare	1,569	1,434	1,433	1,531	1,634
Education	440	431	453	512	611
Other	249	241	279	269	320
Total	$2,605	$2,399	$2,464	$2,611	$2,873
State					
Welfare	$1,338	$1,255	$1,283	$1,350	$1,482
Education	1,949	2,227	2,472	2,791	3,072
Higher Education	92	98	100	110	111
Health and Mental Health	160	174	195	218	244
Other	197	218	242	247	263
Total	$3,736	$3,972	$4,292	$4,716	$5,172

(1) Amounts represent actual funds received and may be lower or higher than the appropriation of funds actually provided by the Federal government for the particular fiscal year due either to underspending or the spending of funds carried forward from prior fiscal years.

SECTION V: CITY SERVICES AND EXPENDITURES

Expenditures for City Services

Three types of governmental agencies provide public services within the City's borders and receive financial support from the City. One category is the mayoral agencies established by the City Charter which include, among others, the Police, Fire and Sanitation Departments. Another is the independent agencies which are funded in whole or in part through the City Budgets but which have greater independence in the use of appropriated funds than the mayoral agencies. Included in this category are certain Covered Organizations such as HHC, the Transit Authority and BOE. A third category consists of certain PBCs which were created to finance the construction of housing, hospitals, dormitories and other facilities and to provide other governmental services in the City. The legislation establishing this type of agency contemplates that annual payments from the City, appropriated through its Expense Budget, may or will constitute a substantial part of the revenues of the agency. Included in this category are, among others, the HFA and the City University Construction Fund (the "CUCF"). For information regarding expenditures for City services, see "SECTION VI: FINANCIAL OPERATIONS—1986-1990 Statement of Operations".

Federal and State laws require the City to provide certain social services for needy individuals and families who qualify for such assistance. Aid to Families with Dependent Children ("AFDC") supports approximately 75% of the City's public assistance caseload and receives approximately 50% Federal and 25% State reimbursement. In addition, Home Relief provides support for those who do not qualify for AFDC but are in need of public assistance. The cost of Home Relief is borne approximately equally by the City and the State. The Federal government directly administers a program of Supplemental Security Income ("SSI") for the aged, disabled and blind which provides recipients with a grant based on a nationwide standard. State law requires that this standard be supplemented. The basic SSI program is entirely Federally funded, and, since September 30, 1978, the State has borne the entire cost of the local supplementation to the SSI program in the City. The State legislation authorizing the State to take over SSI costs previously paid by the City has been extended to June 30, 1992. The City also provides many other social services such as day care, foster care, family planning, services for the elderly and special employment services for welfare recipients.

The City's elementary and secondary school system is operated under the general supervision of BOE, with considerable authority over elementary and junior high schools also exercised by the 32 Community School Boards. BOE is responsible to the State on policy issues and to the City on fiscal matters. The number of pupils in the school system for the 1990-1991 school year is estimated to be 948,800. Expenditures per pupil have escalated partly due to a significant increase in the number of handicapped and others receiving specialized instruction and related services pursuant to State and Federal mandates. Between fiscal years 1986 and 1990, the percentage of the City's total expenditures allocated to BOE has remained relatively stable at approximately 24.9%; however, such percentage may decline in fiscal year 1992. See "SECTION VII: 1991-1994 FINANCIAL PLAN—Assumptions—*Expenditure Assumptions*— 2. Other Than Personal Service ("OTPS") Costs—*Board of Education*". The City's system of higher education, consisting of its Senior Colleges and Community Colleges, is operated under the supervision of CUNY. Currently, the City provides approximately 46.4% of the costs of the Community Colleges. The State has full responsibility for the costs of operating the Senior Colleges, although the City is required initially to fund these costs.

The City administers health services programs for the care of the physically and mentally ill and the aged. HHC maintains and operates the City's eleven municipal hospitals, five long-term care facilities, a network of neighborhood health centers and the Emergency Medical Service. HHC is funded primarily by third party reimbursement collections from Medicare, Medicaid, Blue Cross-Blue Shield and commercial insurers, and also by direct patient payments and City appropriations.

Medicaid provides basic medical assistance to needy persons. The City is required by State law to furnish medical assistance through Medicaid to all City residents meeting eligibility requirements established by the State. The State's budget for the 1984 fiscal year appropriated Overburden Aid to localities for the 1983 calendar year and reduced the City's share of Medicaid costs in that period from its previous level of 25%. The State commenced on January 1, 1984 to assume over a three-year period all but 20% of the non-Federal share of long-term care costs and all of the costs of providing medical assistance to the mentally disabled. The Federal government will continue to pay approximately 50% of Federally participating Medicaid costs.

City expenditures and transfers have increased during the five-year period ended June 30, 1990, due to, among other factors, the costs of labor settlements, the growth in full-time City employees, higher mandated costs, including increases in public and medical assistance, and the impact of inflation on various other than personal service costs. In the 1990 fiscal year the City reduced costs from the amounts originally budgeted by $360 million through an expenditure reduction program.

Employees and Labor Relations

Employees

The following table presents the number of full-time employees of the City, including the mayoral agencies, BOE and CUNY, at the end of each of the City's 1986 through 1990 fiscal years.

	1986	1987	1988	1989	1990
Education	79,760	80,421	82,441	84,754	86,224
Police	32,669	33,962	34,077	33,414	32,976
Social Services	24,759	25,859	27,080	29,227	31,491
Higher Education	3,807	3,876	3,872	3,828	3,843
Environmental Protection and Sanitation	17,421	17,539	17,454	17,812	18,300
Fire	13,673	13,599	13,306	13,321	12,769
All Other	48,187	49,982	53,752	56,027	57,487
Total	220,276	225,238	231,982	238,383	243,090

The following table presents the number of full-time employees of certain Covered Organizations, as reported by such Organizations, at the end of each of the City's 1986 through 1990 fiscal years.

	1986	1987	1988	1989	1990
Transit Authority	51,792	51,631	52,498	52,315	51,471
Housing Authority	14,317	14,655	15,241	14,747	15,253
HHC	43,075	44,209	44,473	45,115	46,194
Total(1)	109,184	110,495	112,212	112,177	112,918

(1) The definition of "full-time employees" varies among the Covered Organizations and the City.

The foregoing tables include persons whose salaries or wages are paid by certain public employment programs, principally programs funded under JTPA, which support employees in non-profit and State agencies as well as in the mayoral agencies and the Covered Organizations.

Labor Relations

Substantially all of the City's full-time employees are members of labor unions. The Financial Emergency Act requires that all collective bargaining agreements entered into by the City and the Covered Organizations be consistent with the City's current financial plan, except under certain circumstances, such as awards arrived at through impasse procedures. Under certain adverse financial circumstances, the Control Board would be required to approve or disapprove collective bargaining agreements using these criteria.

Substantially all of the City's collective bargaining agreements expired between June and September 1990. The City has reached agreements with unions representing approximately 65% of the City's work force. Under applicable law, the City may not make unilateral changes during collective bargaining in wages, hours or working conditions under any of the following circumstances: (i) during the period of negotiations between the City and a union representing municipal employees concerning a collective bargaining agreement; (ii) if an impasse panel is appointed, then during the period commencing on the date on which such panel is appointed and ending sixty days thereafter or thirty days after it submits its report, whichever is sooner, subject to extension under certain circumstances to permit completion of panel proceedings; or (iii) during the pendency of an appeal to the Board of Collective Bargaining. Although State law prohibits strikes by municipal employees, strikes and work stoppages by employees of the City and the Covered Organizations have occurred.

For information regarding the City's agreements with the UFT, District Council 37 and Local 237, as well as assumptions with respect to the cost of future labor settlements and related effects on the 1991-1994 Financial Plan, see "SECTION VII: 1991-1994 FINANCIAL PLAN—Assumptions—*Expenditure Assumptions*—1. Personal Service Costs".

Pensions

The City maintains a number of pension systems providing benefits for its employees and employees of various independent agencies (including certain Covered Organizations). For further information regarding the City's pension systems and the City's obligations thereto, see "SECTION IX: OTHER INFORMATION—Pension Systems".

Capital Expenditures

The City's long-term financing program is designed to provide the City with adequate funds to carry out its capital spending plan to reconstruct and rehabilitate the City's infrastructure and physical assets, including City mass transit facilities, sewers, streets, bridges and tunnels, and to make capital investments that will improve productivity in City operations. For additional information regarding the City's infrastructure and physical assets, see "APPENDIX A—ECONOMIC AND SOCIAL FACTORS".

The City utilizes a three-tiered capital planning process consisting of the Ten-Year Capital Strategy (previously, the Ten-Year Capital Plan), the Four-Year Capital Program and the current-year Capital Budget. The Ten-Year Capital Strategy is a long-term planning tool designed to reflect fundamental allocation choices and basic policy objectives. The Four-Year Capital Program translates mid-range policy goals into specific projects. The Capital Budget defines specific projects and the timing of their initiation, design, construction and completion.

The Ten-Year Capital Plan was first developed in 1982 and was subject to biennial review. Pursuant to the new City Charter, the Mayor is required to publish a Ten-Year Capital Strategy, after review of a draft Ten-Year Capital Strategy, in conjunction with the Executive Budget, biannually. A Preliminary Ten-Year Capital Strategy for fiscal years 1992-2001 totalling $67.8 billion, of which approximately 70% will be financed with City funds, was submitted to the Mayor on December 21, 1990. The Preliminary 1992-2001 Ten-Year Capital Strategy includes: (i) $6.7 billion to construct new schools and improve existing educational facilities; (ii) $4.5 billion in City funds for expanding and upgrading the City's housing stock; (iii) $2.8 billion for reconstruction or resurfacing more than 12,000 lane miles of City streets; (iv) $2.0 billion for continued City-funded investment in mass transit; (v) $2.2 billion in City funding for the continued reconstruction of all four East River bridges and over 250 other bridges; (vi) $1.3 billion for the major reconstruction of Elmhurst, Kings County, Queens and Coney Island Hospitals; (vii) $1.2 billion to expand current jail capacity by 4,900 beds; and (viii) $979 million for construction of eight new court buildings. Such programs are currently expected to be funded from the issuance of general obligation bonds.

The City's capital expenditures, including expenditures funded by State and Federal grants, totaled $12.8 billion during the 1986 through 1990 fiscal years. City-funded expenditures, which have been financed through the issuance of City and New York City Municipal Water Finance Authority (the

"Water Authority") bonds, totaled $10.9 billion during the 1986 through 1990 fiscal years. The following table summarizes the major categories of capital expenditures in the past five fiscal years.

	1986	1987	1988	1989	1990	Total
			(In Millions)			
Education	$ 137	$ 139	$ 147	$ 208	$ 380	$ 1,011
Environmental Protection	565	562	567	622	637	2,953
Transportation	209	231	249	422	392	1,503
Transit Authority(1)	110	138	229	472	360	1,309
Housing	36	71	201	367	572	1,247
Hospitals	81	75	110	118	148	532
Sanitation	174	165	141	210	223	913
All Other(2)	421	526	587	724	1,039	3,297
Total Expenditures(3)	$1,733	$1,907	$2,231	$3,143	$3,751	$12,765
City-funded Expenditures(4)	$1,462	$1,526	$2,039	$2,690	$3,213	$10,930

(1) Excludes the Transit Authority's non-City portion of the MTA's Capital Program.
(2) All Other includes, among other things, parks, correction facilities, public structures and equipment.
(3) Total Expenditures for the 1986 through 1990 fiscal years include City, State and Federal funding and represent amounts which include an accrual for work-in-progress and are derived from the Comprehensive Annual Financial Report of the Comptroller.
(4) City-funded Expenditures do not include an accrual and represent actual cash expenditures occurring during the fiscal year.

A continuation of increased capital spending can be expected in the future. The Preliminary Ten-Year Capital Strategy reduced commitments by $2.3 billion and expenditures by $1.4 billion for capital programs during the next four years from previously forecast levels. In the context of a local recession, in which revenues for the City's operating budget have come under increasing pressure, the increased cost of debt service for the volume of debt issuance previously contemplated has led to the reduction of the City's capital program from previously forecast levels for the immediate future. For information concerning the City's long-term financing program for capital expenditures, see "SECTION VII: 1991-1994 FINANCIAL PLAN—Long-Term Capital and Financing Program".

SECTION VI: FINANCIAL OPERATIONS

The City's General Purpose Financial Statements and the auditors' opinion thereon are presented in "APPENDIX B—FINANCIAL STATEMENTS". Further details are set forth in the Comprehensive Annual Financial Report of the Comptroller for the Fiscal Year Ended June 30, 1990, which is available for inspection at the Office of the Comptroller. For a summary of the City's significant accounting policies, see "APPENDIX B—FINANCIAL STATEMENTS—Notes to Financial Statements—Note A". For a summary of the City's operating results for the previous five fiscal years, see "SECTION VI: FINANCIAL OPERATIONS—1986-1990 Statement of Operations". Except as otherwise indicated, all of the financial data relating to the City's operations contained in this Official Statement, although derived from the City's books and records, are unaudited. In addition, the City's independent certified public accountants have not compiled or examined, or applied agreed upon procedures to, the forecast of 1991 results or the Financial Plan.

The estimates and projections contained in this Section and elsewhere in this Official Statement are based on, among other factors, evaluations of historical revenue and expenditure data, analyses of economic trends and current and anticipated Federal and State legislation affecting the City's finances. The City's financial projections are subject to certain contingencies and periodic revision which may involve substantial change. Consequently, the City makes no representation or warranty that these estimates and projections will be realized.

1986-1990 Statement of Operations

The following table sets forth the City's results of operations for its 1986 through 1990 fiscal years reported in accordance with GAAP. The information has been derived from the City's audited financial statements and should be read in conjunction with the notes accompanying this table and the City's 1989 and 1990 financial statements included in "APPENDIX B—FINANCIAL STATEMENTS". The 1986 through 1988 financial statements are not separately presented in this Official Statement. For further information regarding the City's revenues and expenditures, see "SECTION IV: SOURCES OF CITY REVENUES" and "SECTION V: CITY SERVICES AND EXPENDITURES".

	Fiscal Year(1)				
	1986	1987	1988	1989	1990
			(In Millions)		
Revenues and Transfers					
Real Estate Tax	$ 4,600	$ 4,976	$ 5,382	$ 5,943	$ 6,543
Other Taxes(2)	6,637	7,749	7,944	8,454	8,513
Miscellaneous Revenues	1,550	1,647	1,701	2,070	2,234
Unrestricted Federal and State Aid	899	677	653	713	687
Federal Categorical Grants	2,605	2,399	2,464	2,611	2,873
State Categorical Grants	3,736	3,972	4,292	4,716	5,172
Less: Disallowances Against Categorical Grants	(7)	(30)	(10)	(18)	(85)
Total Revenues and Transfers	20,020	21,390	22,426	24,489	25,937
Expenditures and Transfers					
Social Services	4,853	4,916	5,015	5,355	5,932
Board of Education	4,391	4,802	5,285	5,786	6,377
City University	225	243	259	266	299
Public Safety and Judicial	2,357	2,632	2,920	3,174	3,523
Health Services	1,010	1,260	971	1,337	1,395
Pensions	1,650	1,675	1,753	1,742	1,693
Debt Service(2)	1,241	1,249	1,224	1,324	1,205
MAC Debt Service Funding(2)	235	550	428	515	522
All Other	4,051	4,055	4,561	4,984	4,986
Total Expenditures and Transfers	20,013	21,382	22,416	24,483	25,932
Surplus(3)	$ 7	$ 8	$ 10	$ 6	$ 5

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(1) The City's results of operations refer to the City's General Fund revenues and transfers reduced by expenditures and transfers. The revenues and assets of PBCs included in the City's audited financial statements do not constitute revenues and assets of the City's General Fund, and, accordingly, the revenues of such PBCs, other than net New York City Off-Track Betting Corporation ("OTB") revenues, are not included in the City's results of operations. Expenditures required to be made by the City with respect to such PBCs are included in the City's results of operations. For further information regarding the particular PBCs included in the City's financial statements, see "APPENDIX B—FINANCIAL STATEMENTS—Notes to Financial Statements—Note A".

(2) Revenues include amounts paid and expected to be paid to MAC by the State from sales tax receipts, stock transfer tax receipts and State per capita aid otherwise payable by the State to the City. Pursuant to State statute, these revenues flow directly from the State to MAC, and flow to the City only to the extent not required by MAC for debt service on MAC bonds and notes and for MAC operating expenses and capital reserve fund requirements. The City includes such revenues as City revenues and reports the amount retained by MAC from such revenues as "MAC Debt Service Funding", although the City has no control over the statutory application of such revenues to the extent MAC requires them. Estimates of City "Debt Service" include, and "MAC Debt Service Funding" is reduced by, payments by the City of debt service on City obligations held by MAC. Other taxes include transfers of net OTB revenues. For further information regarding the City's revenues from Other Taxes, see "SECTION IV: SOURCES OF CITY REVENUES—Other Taxes".

(3) The General Fund surplus is the surplus after discretionary transfers and expenditures. The City had General Fund operating surpluses of $253 million, $409 million, $225 million, $567 million and $423 million before discretionary transfers and expenditures for the 1990, 1989, 1988, 1987 and 1986 fiscal years, respectively.

Forecast of 1991 Results

The following table compares the forecast for the 1991 fiscal year contained in the financial plan submitted to the Control Board on July 11, 1990 (the "July 1990 Forecast") with the City's projected 1991 fiscal year results, as reported in the January Financial Plan Statements issued on March 14, 1991 (the "March 1991 Forecast"). These forecasts were prepared on a basis consistent with GAAP. For information regarding developments since the publication of the Financial Plan, see "SECTION I: RECENT FINANCIAL DEVELOPMENTS".

	July 1990 Forecast	March 1991 Forecast	Increase (Decrease) from July 1990 Forecast
		(In Millions)	
REVENUES			
Taxes			
General Property Tax	$ 7,245	$ 7,175	$ (70)(1)
Other Taxes	8,877	8,470	(407)(2)
Tax Audit Revenue	384	400	16
Anticipated Revenue	—	29	29
Miscellaneous Revenues	2,667	2,818	151(3)
Unrestricted Intergovernmental Aid	682	724	42
Inter-Fund Revenues	216	216	—
Less: Intra-City Revenues	(518)	(521)	(3)
Disallowances Against Categorical Grants	(15)	(15)	—
Total City Funds	$19,538	$19,296	$ (242)
Federal Categorical Grants	2,735	2,932	197(4)
State Categorical Grants	5,649	5,701	52(4)
Total Revenues	$27,922	$27,929	$ 7
EXPENDITURES			
Personal Service	$14,749	$14,574	$ (175)(5)
Other Than Personal Service	11,702	11,852	150 (6)
Debt Service	1,556	1,541	(15)
MAC Debt Service Funding	333	333	—
General Reserve	100	150	50
	$28,440	$28,450	$ 10
Less: Intra-City Expenses	(518)	(521)	(3)
Total Expenditures	$27,922	$27,929	$ 7
GAP TO BE CLOSED	$ —	$ —	$ —

(1) The reduction in the General Property Tax forecast is primarily due to higher cancellations and delinquencies than planned.
(2) The current forecast for Other Taxes reflects decreased collections for the general corporation tax of $20 million, the personal income tax of $98 million, the real property transfer tax of $73 million, the mortgage recording tax of $59 million, the unincorporated business tax of $54 million, the sales tax of $60 million, the utility tax of $5 million and all other taxes of $53 million. Collections for the commercial rent tax increased by $15 million.
(3) The increase in Miscellaneous Revenues is primarily due to the inclusion of $100 million from the sale of City-owned property to the Federal government.
(4) The change in the forecast for both Federal and State Categorical Grants reflects budget modifications processed from July through November, as well as revisions to forecasted expenditures, but does not include proposed reductions in State aid to the City announced by the Governor on January 31, 1991 and discussed under "SECTION VII: 1991-1994 FINANCIAL PLAN—Assumptions".
(5) The decrease in Personal Service reflects in part the expenditure reductions in the Financial Plan.
(6) The increase in the OTPS forecast is in part due to projected increases in Public and Medical Assistance costs and expenditure adjustments associated with the budget modifications relating to Federal and State Categorical Grants that were processed from July through November, offset by expenditure reductions included in the Financial Plan.

SECTION VII: 1991-1994 FINANCIAL PLAN

The following table sets forth the City's projected operations on a basis consistent with GAAP for the 1991 through 1994 fiscal years as contained in the 1991-1994 Financial Plan. This table should be read in conjunction with the accompanying notes, "Actions to Close the Gaps" and "Assumptions", below.

	1991-1994 Fiscal Years(1)(2)			
	1991	1992	1993	1994
	(In Millions)			
REVENUES				
Taxes				
General Property Tax	$ 7,175	$ 7,595	$ 8,303	$ 9,007
Other Taxes(3)	8,470	8,620	8,848	9,145
Tax Audit Revenue	400	323	319	316
Anticipated Revenues	29	26	26	28
Miscellaneous Revenues	2,818	2,714	2,674	2,678
Unrestricted Intergovernmental Aid	724	685	694	699
Inter-Fund Revenues(4)	216	217	217	217
Less: Intra-City Revenues	(521)	(512)	(511)	(513)
Disallowances Against Categorical Grants	(15)	(15)	(15)	(15)
Total City Funds	$19,296	$19,653	$20,555	$21,562
Federal Categorical Grants	2,892	2,863	2,927	2,977
State Categorical Grants(5)	5,641	5,933	6,230	6,431
Total Revenues(6)	$27,829	$28,449	$29,712	$30,970
EXPENDITURES				
Personal Service(7)	$14,514	$14,912	$15,314	$15,466
Other Than Personal Service	11,812	12,963	13,602	14,266
Debt Service(3)	1,541	2,280	2,662	3,087
MAC Debt Service Funding(3)	333	556	488	571
General Reserve	150	150	200	200
	$28,350	$30,861	$32,266	$33,590
Less: Intra-City Expenses	(521)	(512)	(511)	(513)
Total Expenditures(6)	$27,829	$30,349	$31,755	$33,077
GAP TO BE CLOSED	$ —	$ (1,900)	$ (2,043)	$ (2,107)
GAP-CLOSING PROGRAM				
City Actions	$ —	$ 1,710	$ 1,737	$ 1,919
State Actions Including Mandate Relief	—	100	306	535
Federal Actions	—	90	—	—
Reserve for Service Enhancements, Tax Reductions and Other Contingencies	—	—	—	(347)
TOTAL GAP-CLOSING PROGRAM	$ —	$ 1,900	$ 2,043	$ 2,107

(1) The four-year financial plan for the 1990 through 1993 fiscal years, as submitted to the Control Board on July 12, 1989, contained the following projections for the 1990-1993 fiscal years: (i) for 1990, total revenues of $26.627 billion and total expenditures of $26.627 billion; (ii) for 1991, total revenues of $27.663 billion and total expenditures of $28.349 billion, with a gap to be closed of $686 million; (iii) for 1992, total revenues of $29.160 billion and total expenditures of $29.819 billion, with a gap to be closed of $659 million; (iv) for 1993, total revenues of $30.829 billion and total expenditures of $30.954 billion with a gap to be closed of $125 million.

The four-year financial plan for the 1989 through 1992 fiscal years, as submitted to the Control Board on July 5, 1988, contained the following projections for the 1989-1992 fiscal years: (i) for 1989, total revenues of $25.163 billion and total expenditures of $25.163 billion; (ii) for 1990, total revenues of $26.474 billion and total expenditures of $27.135 billion with a gap to be closed of $661 million; (iii) for 1991, total revenues of $27.375 billion and total expenditures of $28.320 billion with a gap to be closed of $945 million; and (iv) for 1992, total revenues of $28.598 billion and total expenditures of $29.416 billion with a gap to be closed of $818 million.

(Footnotes continued on following page)

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The four-year financial plan for the 1988 through 1991 fiscal years, as submitted to the Control Board on July 2, 1987, contained the following projections for the 1988-1991 fiscal years: (i) for 1988, total revenues of $22.945 billion and total expenditures of $22.945 billion; (ii) for 1989, total revenues of $23.872 billion and total expenditures of $24.510 billion with a gap to be closed of $638 million; (iii) for 1990, total revenues of $25.027 billion and total expenditures of $25.412 billion with a gap to be closed of $385 million; and (iv) for 1991, total revenues of $26.164 billion and total expenditures of $26.292 billion with a gap to be closed of $128 million.

(2) The Financial Plan combines the operating revenues and expenditures of the City and certain Covered Organizations, including BOE and CUNY. The Financial Plan does not include the total operations of HHC, but does include the City's subsidy to HHC and the City's share of HHC revenues and expenditures related to HHC's role as a Medicaid provider. Certain other Covered Organizations which provide governmental services to the City, such as the Transit Authority, are separately constituted, and their accounts are not included; however, City subsidies and certain other payments to these organizations are included. Revenues and expenditures are presented net of intra-City items, which are revenues and expenditures arising from transactions between City agencies. Until fiscal year 1989, Covered Organizations' financial plans were required to be balanced on a cash basis. Starting with the 1989 fiscal year, Covered Organizations' financial plans are technically required to be balanced when reported in accordance with GAAP. The financial plan for the Transit Authority, as proposed by the City for the Transit Authority's 1991 fiscal year, is not balanced on a cash basis or in accordance with GAAP.

(3) Revenues include amounts paid and expected to be paid to MAC by the State from sales tax receipts, stock transfer tax receipts and per capita aid otherwise payable by the State to the City. Pursuant to State statute, these revenues flow directly from the State to MAC, and flow to the City only to the extent not required by MAC for debt service on MAC bonds and any MAC notes and for MAC operating expenses and capital reserve fund requirements. The City includes such revenues as City revenues and reports the amount retained by MAC from such revenues as "MAC Debt Service Funding", although the City has no control over the statutory application of such revenues to the extent MAC requires them. Estimates of City "Debt Service" include, and estimates of "MAC Debt Service Funding" are reduced by, anticipated payments by the City of debt service on City obligations held by MAC.

(4) Inter-fund revenues represent General Fund expenditures, properly includable in the Capital Budget, made on behalf of the Capital Projects Fund pursuant to inter-fund agreements.

(5) State categorical grants for the City's 1991 fiscal year are forecast at a level consistent with the State budget for the State's 1990-1991 fiscal year. For the 1992 through 1994 fiscal years, projections provide for increases in State categorical grants to compensate for the increased cost of maintaining the level of State funded City services provided for in fiscal year 1991. For information concerning recent shortfalls in projected State tax revenues and proposed reductions in State aid to the City, which are not reflected in the Financial Plan, see "SECTION VII: 1991-1994 FINANCIAL PLAN—Assumptions."

(6) The City's operations refer to the City's General Fund revenues reduced by expenditures. The revenues and assets of PBCs included in the City's audited financial statements do not constitute revenues and assets of the City's General Fund, and, accordingly, the revenues of such PBCs, other than net OTB revenues, are not included in the City's operations. Expenditures required to be made by the City with respect to such PBCs are included in the City's operations. For further information regarding the particular PBCs included in the City's financial statements, see "APPENDIX B—FINANCIAL STATEMENTS—Notes to Financial Statements—Note A".

(7) For an explanation of projected expenditures for personal service costs, see "SECTION V: CITY SERVICES AND EXPENDITURES—Employees and Labor Relations".

The principal projections and assumptions described below are based on information available in December 1990 and do not reflect the City's most recent fiscal year 1991 forecast as set forth in the January Financial Plan Statements. See "SECTION VI: FINANCIAL OPERATIONS—Forecast of 1991 Results". The estimates of revenues for the 1991 fiscal year in the January Financial Plan Statements as compared to the Financial Plan were increased by $100 million, consisting of $40 million in Home Energy Assistance Program ("HEAP") grants from the Federal government and $60 million in State categorical grants which can be used to mitigate reductions in BOE spending in the 1991 fiscal year. The Financial Plan anticipates the receipt of this State aid in fiscal year 1992. If such State aid is used in fiscal year 1991, it could increase the projected budget gap for the 1992 fiscal year. The estimates of expenditures for the 1991 fiscal year in the January Financial Plan Statements were also increased by $100 million, consisting of $40 million in other than personal service for the HEAP program and $60 million in BOE personal service expenditures.

OMB has stated that developments since the publication of the Financial Plan could cause a potential $200 to $250 million budget gap in the 1991 fiscal year, due to, among other things, (i) additional projected tax revenue shortfalls of $50 million, resulting primarily from projected lower personal income and sales tax receipts, (ii) $70 million of proposed reductions in State aid to the City described below, and (iii) potential increased debt service costs and increases in certain legally-mandated expenditures, including public assistance and Medicaid costs. The City expects to eliminate the potential $200 to $250 million budget gap in the 1991 fiscal year through the use of the general reserve and other actions. In addition, developments since the publication of the Financial Plan could cause a potential budget gap in the 1992 fiscal year which could be approximately $900 million above that identified in the Financial Plan. These additional potential budget gaps are due to, among other things, (i) additional projected tax revenue shortfalls of $175 million in the 1992 fiscal year, resulting primarily from weaknesses in personal income tax withholding and sales tax receipts, (ii) $570 million of proposed reductions of State aid to the City described in "SECTION VII: 1991-1994 FINANCIAL PLAN—Assumptions", (iii) potential increases in legally-mandated expenditures, including public assistance and Medicaid expenditures, (iv) $40 million of increased debt service costs, and (v) the possibility of an additional $60 million shortfall in State aid for BOE in the 1992 fiscal year if such State aid is required by BOE in the 1991 fiscal year. The Mayor has directed OMB to prepare additional agency reductions totalling $810 million (including approximately $100 million as a contingency plan) in order to offset this potential budget gap in the 1992 fiscal year, which will include substantial productivity and program elimination actions. The major components of the gap-closing program are expected to comprise (i) personnel reductions and savings in fringe benefits totalling $710 million, (ii) State mandate relief and other non-tax revenue proposals totalling $150 million above the mandate relief included in the Financial Plan, and (iii) $50 million of Federal actions, which might include relief with respect to the applicability to City employees of social security withholding requirements, mandated Medicaid costs or eligibility for Federal revenue programs. Many of the contemplated gap-closing actions will require action by unions representing City employees or Federal or State legislative or administrative approval. In addition, the Mayor has announced that the City intends to reduce capital spending by approximately one-half billion dollars over the next five years in order to reduce debt service costs.

Actions to Close the Gaps

The 1991-1994 Financial Plan reflects a program of proposed actions by the City, the State and the Federal government to close the gaps between projected revenues and expenditures for the 1992, 1993 and 1994 fiscal years.

City gap-closing actions total $1,710 million in the 1992 fiscal year, $1,737 million in the 1993 fiscal year and $1,919 million in the 1994 fiscal year. For the 1992 fiscal year these actions include a proposed program of tax increases totalling $580 million, including increases in the real property tax, personal income tax and various other taxes; debt service reductions of $60 million; proposed service reductions of $587 million, including reductions in the projected number of City employees through attrition and layoffs; and proposed productivity initiatives of $253 million. Authority to levy increased taxes requires action by the State legislature and City Council, except for real property taxes which require approval only of the City Council.

State actions proposed in the gap-closing program total $100 million, $306 million and $535 million, in each of the 1992, 1993 and 1994 fiscal years, respectively. They comprise a number of State legislative and administrative actions which would, if enacted, restructure certain mandated City responsibilities, including the proposed State takeover of certain Medicaid costs, which would reduce City expenditures. On January 30, 1991 the Governor released his mandate relief package, consisting of a variety of proposed mandate relief measures for the State's localities, which is being reviewed for its impact on the City's budget. Legislative approval is required for a portion of the Governor's mandate relief package.

In addition, the gap-closing program for the 1992 fiscal year includes $90 million of proposed federal actions.

State and Federal actions are uncertain and no assurance can be given that such State and Federal actions will occur. For information concerning recent proposals of the Governor to reduce State aid to localities, including the City, see "SECTION VII: 1991-1994 FINANCIAL PLAN—Assumptions".

The City's projected budget gaps for the 1993 and 1994 fiscal years do not reflect the savings expected to result from prior years' programs to close the gaps. Thus, for example, recurring savings anticipated from the actions which the City proposes to take to balance the 1992 budget are not taken into account in projecting the budget gaps for the 1993 and 1994 fiscal years. No assurance can be given that planned actions will in fact be taken or that the savings that the City projects will result from these actions will be realized.

Although the City has maintained balanced budgets in each of its last ten fiscal years, there can be no assurance that the City will maintain a balanced budget in future years without additional State aid, revenue increases or expenditure reductions. Additional tax increases and reductions in essential City services could adversely affect the City's economic base.

Assumptions

The 1991-1994 Financial Plan is based on numerous assumptions, including a national recession continuing through the first three months of the 1991 calendar year; and declines in City employment in the 1991 and 1992 calendar years, and the recovery of the City's economy late in calendar year 1992; and is subject to various other uncertainties and contingencies relating to, among other factors, the extent, if any, to which labor costs exceed the annual increases assumed for the 1991 through 1994 fiscal years; the adverse impact of the war in the Middle East on the City's economy and energy costs; the effect of the October 1987 stock market crash and declines in employment in the financial services industry since 1987; the effect on the economy of high debt burdens and questionable bank balance sheets; the willingness and ability of the State to provide the aid contemplated by the Financial Plan and to take various other actions to assist the City, including the proposed State takeover of certain Medicaid costs and State mandated relief; the willingness of the Federal government to provide Federal aid; legislative approval of the proposed tax increases; the ability of the City to implement contemplated productivity and service and personnel reduction programs and the success with which the City controls expenditures; additional expenditures that may be incurred due to the requirements of certain legislation requiring minimum levels of funding for education; and additional expenditures that may be incurred as a result of deterioration in the condition of the City's infrastructure. For further information concerning certain legislation requiring minimum levels of funding for education, see "SECTION VII: 1991-1994 FINANCIAL PLAN—Assumptions—*Expenditure Assumptions*—2. Other than Personal Service ("OTPS") Costs—*Board of Education*".

The City intends to hire, among others, additional police officers, to be funded by an extension of the personal income tax surcharge in the City beyond its current expiration date, a new City lottery and increased real property taxes. The costs of implementing the proposed program (except for $29 million in the 1991 fiscal year), and the increased revenues to fund such costs (except for $29 million and $26 million in the 1991 and 1992 fiscal years, respectively), are not included in the Financial Plan.

For the State's 1990 fiscal year, which ended on March 31, 1990, actual tax receipts in the State's General Fund (the major operating fund of the State) were $1.615 billion lower than projected in April 1989, reflecting shortfalls in virtually every major tax category. After more than $350 million in deficit-reduction measures taken during the fiscal year, consisting of additional non-tax receipts and transfers, and increases in certain other non-tax receipts, total General Fund receipts were $1.159 billion below the April 1989 projections. The State also implemented spending reductions that yielded a net reduction of $384 million. After implementing these measures, the State incurred a cash-basis operating deficit in its General Fund of $775 million, which was financed through the issuance of $775 million of tax and revenue anticipation notes on March 29, 1990. Due to the lower than expected tax revenues in the State's 1990 fiscal year and a reduction in projected tax revenues for the State's 1991 fiscal year, the State's budget for its 1991 fiscal year, which was balanced as adopted, contained both increases in certain revenues, including tax increases and a postponement of a scheduled reduction in personal income tax rates, as well as a reduction in spending, including reductions in local assistance, compared to previous projections.

On January 31, 1991, the Governor released his Executive Budget for the State's 1992 fiscal year, which included the third quarterly revision to the 1990-91 State Financial Plan. For its 1991 fiscal year, the State reported a potential budget deficit of $905 million, caused primarily by a reduction of

$705 million in projected tax receipts as compared to the second quarterly revision to the 1990-91 State Financial Plan released on October 30, 1990. To close this deficit, the State sold $905 million of short-term deficit notes on February 28, 1991. The Governor's Executive Budget for the State's 1992 fiscal year commencing April 1, 1991, identified a potential budgetary imbalance for the State's 1992 fiscal year of $6 billion (after providing for repayment of the deficit notes). To eliminate this potential imbalance, the Executive Budget calls for increases in certain revenues and other actions totalling $1.1 billion, including a proposed increase in the State gasoline tax. The 1992 Executive Budget also proposes to freeze a scheduled reduction in the personal income tax, thereby avoiding a tax cut that would otherwise cost the State $400 million in its 1992 fiscal year. In addition, the Governor's 1992 Executive Budget proposes spending reductions aggregating $4.5 billion, including $965 million in State operations cuts, significant reductions in a number of categories of State aid to localities, such as a 10% reduction in aid to local school districts and a 50% reduction in unrestricted local aid, aggregating $2.5 billion, as well as $875 million in Medicaid cost containment measures.

On March 12, 1991, the Ways and Means Committee of the State Assembly issued a report projecting that aggregate State revenues for the 1991 and 1992 fiscal years would be $450 million below the amount projected by the 1992 Executive Budget, primarily due to weaknesses in the personal income tax. On March 18, 1991, the State Comptroller issued a report estimating that aggregate State revenues for the 1991 and 1992 fiscal years would be $400 million below the amount projected by the 1992 Executive Budget, including an expected shortfall in receipts in March 1991 of $125 million primarily due to weaknesses in personal income and sales taxes resulting from a less favorable employment outlook, as well as lower estimates of corporation franchise taxes. The State Comptroller also noted certain risks to the 1992 Executive Budget expenditure projections, particularly the assumptions that no increase in personal service costs will result from negotiations on State wage contracts expiring on March 31, 1991 and that various cost containment programs will be successful. On March 19, 1991, the Governor submitted to the State Legislature a $435 million plan to address the State Comptroller's revised revenue projections, which plan includes, among other actions, $176 million in expenditure reestimates, reductions and deferrals, $68 million in proposed new taxes, $64.5 million from selling State assets and transfers from reserve funds and $74 million in savings from using bonds to pay for planned highway projects.

The Governor's 1992 Executive Budget and his March 19, 1991 proposals are currently being considered by the State Legislature. On March 21, 1991, the Speaker of the State Assembly, on behalf of the Democratic majority, proposed an alternative State budget plan. The plan incorporates a 15-month transitional budget which would change the commencement of the State's fiscal year to July 1. The plan calls for an overall reduction in expenditures of $5 billion with approximately $4 billion of such reductions to be made in its first 12 months. Overall spending in the first 12 months of this plan would be maintained at $51.9 billion as proposed in the Governor's 1992 Executive Budget. The plan would also provide a partial restoration of expenditure reductions proposed in the 1992 Executive Budget in a number of categories including school aid, revenue sharing, mental health, Medicaid and hospital funding. The partial restorations in the revenue sharing and school aid categories would be reduced over a three-year transitional period. The Speaker's plan also proposes a temporary progressive personal income tax rate adjustment, phasing out over three years, in lieu of portions of the tax package (including the proposed increase in the State gasoline tax) contained in the 1992 Executive Budget. The contents of the budget which will ultimately be adopted by the State for its 1992 fiscal year have not yet been determined.

The precise cost to the City of the Governor's proposed cuts in aid to localities is not known at this time and is not reflected in the Financial Plan. Based on informal discussions with City and State officials, the City's preliminary estimate of the aggregate proposed reduction in State aid to be received by the City during the State's 1992 fiscal year is in excess of $600 million. The City does not, however, anticipate that such proposed cuts would significantly adversely affect the City's ability to balance its budget in the City's current fiscal year. The Mayor's Executive Budget for the City's 1992 fiscal year, to be submitted after the scheduled adoption of the State's 1992 budget, will address the impact on the

City's 1992 fiscal year of whatever local aid reductions may ultimately be adopted by the State. In the event of any further significant reduction in projected State revenues from the amounts projected in the Governor's Executive Budget, there could be an adverse impact on the timing and amounts of State aid payments to the City in the future.

In addition, if, as has been the case in recent years, adoption of the State's budget for its 1992 fiscal year is delayed beyond April 1, 1991, the City may be required to obtain additional seasonal financing in the public credit markets prior to the end of the City's 1991 fiscal year. The delay in the adoption of the State's budget for its 1991 fiscal year from April 1, 1990 to May 18, 1990 also delayed the State's annual Spring borrowing, the proceeds of which were necessary to pay a significant portion of the local aid received by the City in the last quarter of the City's 1990 fiscal year. As a consequence, the City was required to issue $900 million in short-term notes on May 15, 1990 to meet cash flow requirements for the remainder of its 1990 fiscal year. The State completed its Spring borrowing by issuing $4.1 billion of tax and revenue anticipation notes on June 12, 1990.

On March 26, 1990, Standard & Poor's downgraded the State's (i) general obligation bonds from AA− to A and (ii) commercial paper from A-1+ to A-1. Also downgraded was certain of the State's variously rated moral obligation, lease purchase, guaranteed and contractual obligation debt. On August 27, 1990, Standard & Poor's affirmed such ratings without change. On June 6, 1990, Moody's (i) downgraded the long-term general obligation indebtedness of and obligations fully guaranteed by the State from A1 to A, (ii) confirmed its rating of the State's limited-liability lease and contractual obligations at A, and (iii) assigned a rating of MIG-2 to the notes issued on June 12, 1990, in connection with the State's Spring borrowing. Also on June 6, 1990, the State's Spring borrowing notes were rated SP-1 by Standard & Poor's.

The projections and assumptions contained in the 1991-1994 Financial Plan are subject to revision which may involve substantial change, and no assurance can be given that these estimates and projections, which include actions which the City expects will be taken but which are not within the City's control, will be realized. The principal projections and assumptions described below are based on information available in December 1990. For information regarding certain recent developments, see "SECTION I: RECENT FINANCIAL DEVELOPMENTS".

Revenue Assumptions

1. GENERAL ECONOMIC CONDITIONS

In recent years, forecasting business and individual income taxes has been complicated by the difficulty of estimating the effects of Federal tax reform and new State and local laws, as well as the difficulty of assessing the repercussions of the 1987 stock market crash and the declines in employment in the financial services industry since 1987 on the receipt of tax revenues. Since the stock market crash, the City's tax revenues have been below expected levels, and the Financial Plan now projects the continuation of a local recession in the 1991 and 1992 calendar years with a recovery late in the 1992 calendar year.

The following table presents a forecast of the key economic indicators for the calendar years 1990 through 1994. This forecast is based upon information available in December 1990.

FORECAST OF KEY ECONOMIC INDICATORS

	Calendar Years				
U.S. ECONOMY	1990	1991	1992	1993	1994
Economic Activity and Income					
Real GNP ($ billions of 1982 dollars)	4,158.8	4,185.6	4,296.9	4,411.8	4,540.6
Percent Change	1.0	0.6	2.7	2.7	2.9
Pre-tax Corporate Profits ($ billions)	308.3	296.0	310.8	323.2	338.3
Percent Change	0.2	(4.0)	5.0	4.0	4.7
Personal Income ($ billions)	4,644.2	4,857.3	5,169.9	5,534.6	5,952.4
Percent Change	5.9	4.6	6.4	7.1	7.5
Nonagricultural Employment (millions)	110.4	110.4	111.9	113.7	116.0
Percent Change	1.8	0.1	1.4	1.6	2.0
Unemployment Rate	5.5	6.5	6.4	6.2	5.6
CPI-All Urban (1982-84=100)	130.8	137.4	142.0	147.8	155.7
Percent Change	5.4	5.0	3.4	4.1	5.3
3 Month T-Bill Rate	7.51	6.71	7.32	7.63	7.98
CITY ECONOMY					
Personal Income ($ billions)	157.0	160.6	167.7	178.1	190.1
Percent Change	4.0	2.3	4.4	6.2	6.8
Nonagricultural Employment (thousands)	3,584.9	3,530.3	3,528.5	3,555.9	3,585.3
Percent Change	(0.7)	(1.5)	(0.1)	0.8	0.8
Retail Sales ($ billions)	36.0	36.7	38.7	41.3	44.6
Percent Change	(1.8)	1.9	5.4	6.7	8.0
CPI-All Urban NY-NJ Area (1982-84=100)	138.6	145.5	150.2	156.6	165.0
Percent Change	6.1	5.0	3.3	4.3	5.3

SOURCE: OMB model for the City economy.

2. REAL ESTATE TAX

Projections of real estate tax revenues are based on a number of assumptions, including, among others, the tax rate, the assessed valuation of the City's taxable real estate, the delinquency rate, debt service needs, a reserve for uncollectible taxes and projected growth in the operating limit. See "SECTION IV: SOURCES OF CITY REVENUES—Real Estate Tax".

The delinquency rate for the 1990 fiscal year was 2.57%. The 1991-1994 Financial Plan projects that the delinquency rate will be an estimated 3.23% during the 1991 fiscal year. For the 1992 through 1994 fiscal years, the Financial Plan projects delinquency rates of 3.40%, 3.20% and 2.75%, respectively. For information concerning the delinquency rate for prior years, see "SECTION IV: SOURCES OF CITY REVENUES—Real Estate Tax—*Collection of the Real Estate Tax*". For a description of proceedings seeking real estate tax refunds from the City, see "SECTION IX: OTHER INFORMATION—Litigation—*Taxes*".

3. Other Taxes

The following table sets forth amounts of revenues (net of refunds) from taxes other than the real estate tax projected to be received by the City in the 1991-1994 Financial Plan. The amounts set forth below include projected Tax Audit and tax program revenues.

	1991	1992	1993	1994
	(In Millions)			
Personal Income	$3,015	$3,019	$ 3,081	$ 3,093
General Corporation	1,088	1,064	1,030	1,040
Banking Corporation	219	238	206	223
Unincorporated Business Income	325	340	357	389
Sales	2,479	2,575	2,682	2,835
Commercial Rent	724	743	754	790
Real Property Transfer	134	137	136	143
Mortgage Recording	161	166	167	176
Utility	185	189	198	206
All Other(1)	540	622	556	566
Anticipated Revenue(2)	29	26	26	28
Total	$8,899	$9,119	$ 9,193	$ 9,489

(1) All Other includes, among others, stock transfer, the OTB net revenues, cigarette, beer and liquor taxes, the hotel tax and the automobile use tax. Stock transfer is $53 million in 1991 and is $80 million in 1992 through 1994.

(2) Anticipated Revenue includes increased real estate tax revenues to fund certain of the costs associated with the proposed "Safe Streets, Safe City" program.

The 1991-1994 Financial Plan reflects the following assumptions regarding projected baseline revenues from Other Taxes: (i) with respect to personal income tax revenues, declining employment and sluggish wage and non-wage income growth; (ii) with respect to the general corporation and banking corporation taxes, further deterioration in the outlook for corporate profits in both the capital and financial markets in the 1991 and 1992 fiscal years and sluggish growth thereafter; (iii) with respect to the unincorporated business tax, continued retrenchment in the securities industry and lower demand for business services with an improvement commencing in 1993; (iv) with respect to the sales tax, growth below the inflation rate based on the projections for local job losses and a decline in real income until 1993; (v) with respect to the mortgage recording and real property transfer taxes, continued declines in local real estate activity and price levels; (vi) with respect to the commercial rent tax, positive rent adjustments driven by rent escalation clauses built into leases, offset in part by the expected increase in vacancy rates; and (vii) with respect to the All Other category, the current general economic forecast. The 1991-1994 Financial Plan also assumes revenues of $16 million per year from two special sales taxes, which have been subject to periodic extensions by the State Legislature for several years. The authority for these taxes has been extended to December 31, 1991.

4. Miscellaneous Revenues

The following table sets forth amounts of miscellaneous revenues projected to be received by the City in the 1991-1994 Financial Plan.

	1991	1992	1993	1994
		(In Millions)		
Licenses, Permits and Franchises	$ 201	$ 201	$ 200	$ 201
Interest Income	163	120	120	120
Charges for Services	334	327	327	327
Water and Sewer Payments(1)	655	762	833	862
Rental Income	177	165	150	128
Fines and Forfeitures	349	349	349	349
Other	418	278	184	178
Intra-City Revenues	521	512	511	513
Total	$2,818	$2,714	$2,674	$2,678

(1) Received from the Water Board. For further information regarding the Water Board, see "1991-1994 Financial Plan—Long-Term Capital and Financing Program".

The 1991-1994 Financial Plan projects that miscellaneous revenues will remain relatively stable compared to the 1991 fiscal year except in Water and Sewer Payments, Rental Income and Other. Rental Income is estimated to decrease in 1992 through 1994 due to the increased debt service requirements for the Port Authority's planned capital improvements at airports, which will reduce net rental payments to the City. For the 1991-1994 fiscal years, the Financial Plan provides that water and sewer payments levied and collected by the New York City Water Board (the "Water Board") will fully reimburse the City for the debt service associated with general obligation bonds issued by the City for water and sewer system purposes. Other revenues in 1991 include $104 million from the sale of City land to the Federal government, $43 million in transferred reserves from the New York City Housing Development Corporation ("HDC") and the Rehabilitation Mortgage Insurance Corporation ("REMIC") and $30 million from the proposed sale of bonds by the United Nations Development Corporation. Other revenues in 1992 include a $35 million proposed transfer of reserves from HDC and REMIC and $40 million from the proposed sale of various City assets.

5. Unrestricted Intergovernmental Aid

The following table sets forth amounts of unrestricted intergovernmental aid projected to be received by the City in the 1991-1994 Financial Plan.

	1991	1992	1993	1994
		(In Millions)		
State Revenue Sharing	$535	$535	$535	$535
Other Aid	189	150	159	164
Total	$724	$685	$694	$699

The projection for State revenue sharing in the 1991 through 1994 fiscal years reflects the continuation of the level of revenue sharing monies contained in legislation enacted in 1987.

The "Other Aid" category consists of $50 million annually of Highway Assistance Program Aid and approximately $61 to $78 million primarily providing medical assistance to the mentally disabled and all but 20% of the non-Federal share of long-term care costs.

For information concerning recent shortfalls in projected State tax revenues and the proposed reductions in State aid to the City, see "Section VII: 1991-1994 Financial Plan—Assumptions".

6. Federal and State Categorical Grants

The following table sets forth amounts of Federal and State categorical grants projected to be received by the City in the 1991-1994 Financial Plan.

	1991	1992	1993	1994
		(In Millions)		
Federal				
JTPA	$ 83	$ 74	$ 74	$ 74
Community Development(1)	260	232	227	226
Welfare	1,703	1,800	1,870	1,922
Education	565	563	563	563
Other	281	194	193	192
Total	$2,892	$2,863	$2,927	$2,977
State				
Welfare	$1,701	$1,919	$2,126	$2,234
Education	3,141	3,231	3,315	3,407
Higher Education	294	291	291	291
Health and Mental Health	258	252	252	252
Other	247	240	246	247
Total	$5,641	$5,933	$6,230	$6,431

(1) This amount represents the projected annual level of new funds. Unspent Community Development grants from prior fiscal years could increase the amount actually received.

The 1991-1994 Financial Plan assumes that all existing Federal and State categorical grant programs will continue, unless specific legislation provides for their termination or adjustment, and assumes increases in aid where increased costs are projected for existing grant programs. For information concerning recent shortfalls in projected State tax revenues and proposed reductions in State aid to the City, see "Section VII: 1991-1994 Financial Plan—Assumptions".

A major component of Federal categorical aid to the City is the Community Development program. Pursuant to Federal legislation, Community Development grants are provided to cities primarily to aid low and moderate income persons by improving housing facilities, parks and other capital improvements, by providing certain social programs and by promoting economic development. These grants are based on a formula that takes into consideration such factors as population, housing overcrowding and poverty.

As of January 31, 1991, approximately 8.7% of the City's full-time employees (consisting of employees of the mayoral agencies and BOE) were paid by JTPA funds, Community Development funds and from other sources not funded by unrestricted revenues of the City.

The City's receipt of categorical aid is contingent upon the satisfaction of certain statutory conditions and is subject to subsequent audits and possible disallowances by the State or Federal governments. The general practice of the State and Federal governments has been to deduct the amount of any disallowances against the current year's payment. While it may be legally possible for substantial disallowances of aid claims to be asserted during the course of the 1991-1994 Financial Plan, the City believes, based on past administrative and legislative actions, that it is unlikely that disallowances on such a scale would occur. The amounts of such disallowances attributable to prior years declined from $124 million in the 1977 fiscal year to $99 million in the 1990 fiscal year. This decrease reflects improved claims control procedures and favorable experience with the level of disallowances in recent years. As of June 30, 1990, the City had accumulated a reserve of $175 million for future disallowances of categorical aid. The 1991-1994 Financial Plan contains a provision for aid disallowances of $15 million for each of the City's 1991 through 1994 fiscal years.

On November 5, 1990, the Federal fiscal year 1991 budget was enacted. It contained some increases in Federal aid as well as some costs to the City. In particular, the City expects to receive significant increases in Chapter 1 funding for compensatory education programs for educationally disadvantaged students. The budget provides for the extension of social security coverage to all local government employees who are not part of a pension system, and it raises the ceiling on wages that are subject to the Medicare portion of the tax. The Financial Plan estimates that these new mandates will have no effect on the City in its 1991 fiscal year and will cost approximately $73 million, $184 million and $187 million in its 1992, 1993 and 1994 fiscal years, respectively. The President released his proposed Federal fiscal year 1992 budget on February 4, 1990. The budget contained significant decreases in funding, including substantial reductions in Medicare funding for teaching hospitals, cuts in the Community Development Block Grant program and the elimination of the Community Services Block Grant and mass transit operating subsidies to large cities. Analogous cuts have been rejected by Congress in recent years. The City will continue to monitor the Federal budget process and will make necessary adjustments when the final Federal budget is enacted.

Expenditure Assumptions

1. Personal Service Costs

The following table sets forth projected expenditures for personal service costs contained in the 1991-1994 Financial Plan.

	1991	1992	1993	1994
		(In Millions)		
Wages and Salaries	$10,484	$10,606	$10,716	$10,785
Pensions	1,550	1,490	1,408	1,272
Other Fringe Benefits	2,095	2,364	2,710	2,928
Reserve for Collective Bargaining(1)	385	452	480	481
Total	$14,514	$14,912	$15,314	$15,466

(1) The Reserve for Collective Bargaining is contained in the Miscellaneous Budget and provides funding for the proposed labor settlement for all agencies except BOE and HHC. The funds for these organizations are provided in their base-line estimates.

The 1991-1994 Financial Plan projects that the authorized number of City-funded employees whose salaries are paid directly from City funds, as opposed to Federal or State funds, will increase from an estimated level of 218,092 on June 30, 1991 to an estimated level of 222,009 by June 30, 1994.

Substantially all of the collective bargaining agreements with City employees expired between June and September 1990. In October 1990, the City announced an agreement with the UFT providing for a one-year contract increasing wages and benefits 5.8%, at an estimated cost to the City of $161 million in fiscal year 1991 and $212 million annually thereafter. On January 25, 1991, the City announced that the UFT had agreed to defer $39 million of the fiscal year 1991 increase to fiscal years 1995 and 1996. The City expects to fund the cost of the 5.8% increase as follows: 1.5% from funds previously allocated for collective bargaining increases, approximately 2.5% from savings that resulted from reductions in contributions to the Teachers' Retirement System following passage of State legislation revising the earnings assumption on the system's assets, and the remainder from a reallocation of State aid within the BOE's budget. The Financial Plan does not provide for any additional increases for UFT employees in fiscal years 1992 through 1994. On January 2, 1991, the City announced settlements with District Council 37 and Local 237, covering approximately 150,000 City employees. The proposed 15-month contracts provide total wage and benefit increases of 5%. The proposed contracts would cost the City $85 million in fiscal year 1991, $148 million in fiscal year 1992 and $157 million in each year thereafter. Funds for all costs above those for the 1.5% increases included in the Financial Plan for fiscal years 1991 and 1992 would be provided by savings resulting from reductions in the City's contributions to the New York City Employees' Retirement System and the New York City Board of Education Retirement System—Qualified Pension Plan which would be facilitated by an increase in the earnings assumptions on such systems' assets. Such increase is subject to State legislative approval. The Financial Plan does not provide for any additional increases for District Council 37 and Local 237 for fiscal years 1992 through 1994. The City's agreements with the UFT, District Council 37 and Local 237 cover approximately 65% of the City's workforce. For all employees whose unions have not reached collective bargaining agreements with the City, the Financial Plan includes funds for incremental 1.5% increases in fiscal years 1991 and 1992 with no increase thereafter. Assuming that all employees whose unions have not reached collective bargaining agreements with the City reach settlements consistent with the 1.5% wage increases assumed in the Financial Plan and with contract lengths similar to District Council 37 and Local 237, each 1% wage increase for all employees upon expiration in 1992 of their respective collective bargaining agreements would cost the City $83 million in fiscal year 1992 and $146 million in each fiscal year thereafter above the amounts provided for in the Financial Plan. The terms of eventual wage settlements could be determined through the impasse procedure in the New York City Collective Bargaining Law, which can impose a binding settlement.

For a discussion of the City's pension costs, see "SECTION IX: OTHER INFORMATION—Pension Systems" and "APPENDIX B—FINANCIAL STATEMENTS—Notes to Financial Statements—Note Q".

2. OTHER THAN PERSONAL SERVICE ("OTPS") COSTS

The following table sets forth projected OTPS expenditures contained in the 1991-1994 Financial Plan.

	1991	1992	1993	1994
		(In Millions)		
Administrative OTPS	$ 5,631	$ 6,177	$ 6,618	$ 7,042
Public Assistance	2,276	2,544	2,725	2,761
Medical Assistance (Excluding City Medicaid Payments to HHC)	1,447	1,613	1,733	1,861
HHC Support	992	1,079	973	1,017
Other	1,466	1,550	1,553	1,585
Total	$11,812	$12,963	$13,602	$14,266

Administrative OTPS

The 1991-1994 Financial Plan contains estimates of the City's administrative OTPS expenditures for general supplies and materials, equipment and selected contractual services in the 1991 fiscal year. Thereafter, to account for inflation, selected OTPS expenditures are projected to rise by approximately 4.7% in fiscal year 1992 (before the impact of OTPS reduction programs included in the Financial Plan), 3.8% in fiscal year 1993, and 4.7%in fiscal year 1994.

Energy

The 1991-1994 Financial Plan projects stable prices for energy for the remainder of the 1991 fiscal year and assumes different rates of inflation for energy costs for each of the 1992 through 1994 fiscal years. Inflation rates for each of the 1992 through 1994 fiscal years are set forth in the following table.

	1992	1993	1994
Gasoline and Fuel Oil	0.0%	1.0%	5.0%
Electricity	3.2	4.0	4.6
Natural Gas	4.6	5.7	6.6

Total energy expenditures are projected at $422 million in the 1991 fiscal year, rising to $454 million in the 1994 fiscal year. These estimates assume a constant level of energy usage, with the exception of varying annual workload and consumption increases from additional buildings taken by the City through *in rem* tax proceedings and the annualization of fiscal year 1991 adjustments, where applicable.

Public Assistance

The average number of persons receiving income benefits under public assistance is projected to be 892,024 per month in the 1991 fiscal year. The 1991-1994 Financial Plan projects that the average number of recipients will increase by 7.5% in the 1991 fiscal year from the average number of recipients in the 1990 fiscal year. The 1991-1994 Financial Plan assumes that past trends of increases in the public assistance grant level will continue during the 1991 fiscal year, with a projected annual increase of 4.3%. Of total public assistance expenditures in the City for the 1991 fiscal year, the City-funded portion is projected to be $613 million. The City-funded portion of public assistance expenditures is projected to be $697 million in the 1992 fiscal year, rising to $758 million in the 1994 fiscal year.

Medical Assistance

Medical assistance payments projected in the 1991-1994 Financial Plan consist of payments to voluntary hospitals, skilled nursing facilities, intermediate care facilities, home care and physicians and other medical practitioners. The City-funded portion of medical assistance payments was $1.3 billion for the 1990 fiscal year and is expected to increase to $1.4 billion in the 1991 fiscal year and to $1.8 billion in the 1994 fiscal year. Such payments include, among other things, City-funded Medicaid payments, but exclude City-funded Medicaid payments to HHC, as discussed below. City Medicaid costs (including City-funded Medicaid payments to HHC) assumed in the 1991-1994 Financial Plan are reduced due to the State's assumption of all Medicaid costs for the mentally disabled and all but 20% of the non-Federal share of long-term care costs. The Financial Plan projects savings of $410 million in the 1991 fiscal year due to the State's assumption of such costs, and projects such savings will increase to $522 million in the 1994 fiscal year.

Health and Hospitals Corporation

The 1991-1994 Financial Plan anticipates an increase in 1991 of $31.8 million in the City subsidy portion of the total City funds provided to HHC from the 1990 fiscal year.

Support for HHC in the 1991-1994 Financial Plan includes City-funded Medicaid payments to HHC as well as other subsidies to HHC. City-funded Medicaid payments to HHC are estimated at approximately $529.2 million in the 1991 fiscal year and are projected to be approximately $559.0 million in the 1994 fiscal year.

HHC operates under its own section of the 1991-1994 Financial Plan as a Covered Organization. HHC's financial plan projects City-funded expenditures of $991.9 million for the 1991 fiscal year (excluding debt service and lease payments), rising to $1.0 billion in the 1994 fiscal year. The City-funded expenditures in the 1991 fiscal year include $364.7 million of general City support, $529.2 million of Medicaid payments to HHC and $72.3 million for certain mental health payments. The HHC plan projects total expenditures of $2.9 billion in the 1991 fiscal year, increasing to $3.0 billion in the 1994 fiscal year. The plan projects no gaps between revenues and expenditures in the 1991 through 1994 fiscal years. These projections assume: (i) a 1.5% increase in wage costs in each of the 1991 and 1992 fiscal years and no increases thereafter; (ii) a 2.0% increase in each of the 1991-1994 fiscal years in the cost of contracts with affiliated medical schools (which provide some of the supervisory and professional staff for City hospitals); (iii) increases in pension costs; (iv) an increase of 5.6% in fiscal year 1991, 5.4% in fiscal year 1992, 4.8% in fiscal year 1993 and 4.8% in fiscal year 1994 in other than personal service costs (excluding fuel and per diem nursing costs); and (v) a weighted Medicaid in-patient rate increase of 7.6%, 6.4% and 2.9% in fiscal years 1991 through 1993, respectively, and no increase in fiscal year 1994.

Other

The projections set forth in the 1991-1994 Financial Plan for "Other" OTPS include the City's contributions to the Transit Authority, the Housing Authority, CUNY and subsidies to libraries and various cultural institutions. They also include projections for the cost of future judgments and claims which are discussed separately below under "Judgments and Claims". In the past, the City has provided additional assistance to certain Covered Organizations which had exhausted their financial resources prior to the end of the fiscal year. No assurance can be given that similar additional assistance will not be required in the future.

Transit Authority

On January 24, 1991, the City submitted to the Control Board a financial plan for the Transit Authority covering its 1991 through 1994 fiscal years (the "Transit Authority Financial Plan"). The TA's fiscal year is the calendar year. The Transit Authority Financial Plan projects for its 1991 fiscal year, among other things, a cash-basis gap of $60 million, a City subsidy to the TA of $562 million and accrued expenditures of $3.6 billion. To address the 1991 gap, the Metropolitan Transportation Authority (the "MTA") board of directors adopted a staff report recommending various actions to reduce expenditures and increase non-fare revenues. To the extent that these actions were inadequate, the MTA board of directors authorized the commencement of a hearing process required for a tariff change. Tariff changes, which would be subject to the approval of the MTA board of directors, were recommended to take place no later than mid-1991 and to include an increase in basic fares of not less than 8.7%.

The Transit Authority Financial Plan forecasts cash basis gaps of $616 million, $658 million and $715 million in its 1992 through 1994 fiscal years, respectively, before implementation of gap-closing actions. The gaps are not funded in the City's own financial plans. The gaps projected in the Transit Authority Financial Plan for its 1992 to 1994 fiscal years occur, in part, because expenditures are expected to increase by 9.2% between fiscal years 1991 and 1994 while revenues are expected to decrease by 7.7% between fiscal years 1991 and 1994. The plan assumes the gaps beyond 1992 will be closed in part through restoration by the end of 1992 of certain State taxes (which were restored through 1992 by the State Legislature in December 1990) which are available to the MTA as part of a multiyear financing program which the New York State Legislature participated in that addressed the TA's operational and capital needs in the amounts of $224 million, $227 million and $232 million in its fiscal years 1992 through 1994, respectively. In addition, to eliminate the gaps, the TA may require additional Federal, State or local assistance, increased user charges, productivity measures, reduced service levels, additional management actions, or some combination of these actions.

On February 20, 1990, MTA officials announced that, based on preliminary results for January and February 1991, the TA's projected gap for its 1991 fiscal year could reach up to $215 million primarily due to unanticipated declines in ridership and in revenues from taxes on real estate transactions and proposed decreases in State and City aid to the TA. Additional service reductions and fare increases may be used to close the potential 1991 fiscal year deficit.

The MTA's 1987-1991 Capital Program amendment authorizes commitments of $8.5 billion, of which $6.6 billion is to be used to fund TA and Staten Island Rapid Transit Operating Authority capital projects. The 1987-1991 Capital Program comprises various funding sources including: Triborough Bridge and Tunnel Authority ("TBTA") general purpose revenue bonds and TBTA mortgage recording tax bonds; uncommitted funds from the 1982-1986 capital program; Federal, State and City subsidies; funds to be obtained from the trade-in of the Westway highway project; funds contingent upon the sale of the New York City Coliseum site, which continue to be contemplated as a Capital Program source, but, based on the status of outstanding litigation, is not expected to occur during 1991, and proceeds from the sale of the New York City East Side Airline Terminal; State service contract bonds; MAC funds; Transit and Commuter Revenue Bonds; funds transferred from the operating budgets of the commuter railroads; developer contributions and other sources. For information concerning an agreement between the City and MAC to replace the MAC funds for the 1987-1991 Capital Program with proceeds from the sale of City bonds, see "SECTION VII: 1991-1994 FINANCIAL PLAN—Assumptions—*Expenditure Assumptions*—4. MAC Debt Service Funding".

Board of Education

In fiscal year 1991, the City has provided in the Financial Plan sufficient funds to comply with the Stavisky-Goodman Act, which requires the City to allocate to BOE an amount of funds from the total budget equal to the average proportion of the total budget appropriated for BOE in the three preceding fiscal years.

Current projections for fiscal year 1992 indicate that if the members of the BOE were to fully invoke the Stavisky-Goodman standard, the City's current Financial Plan for fiscal year 1992 would need to be amended to identify other gap-closing actions of $400 to $500 million in order to compensate the BOE. In recent discussions with the Chancellor of the New York City Public Schools, he has acknowledged the importance of the fiscal security of the City to preservation of educational services and while he will pursue fully without reservation additional financial assistance he has indicated that he will work with the City, within the law, to ensure that the final appropriation for the school system will in no way jeopardize the City's finances or incur unacceptable voids in essential City services. The request to the City for an appropriation for the school system is made by BOE. No assurance can be given that the ultimate resolution of the amount of the City's appropriation to the BOE for fiscal year 1992 will not require the City to undertake any additional gap-closing actions.

Judgments and Claims

In the fiscal year ended June 30, 1990, the City expended $179 million for judgments and claims. The 1991-1994 Financial Plan includes provisions for judgments and claims of $185 million, $190 million, $197 million and $207 million for the 1991 through 1994 fiscal years, respectively. The City is a party to numerous lawsuits and is the subject of numerous claims and investigations. The City has estimated that its potential future liability on account of outstanding claims against it as of June 30, 1990 amounted to approximately $2.2 billion. This estimate was made by categorizing the various claims and applying a statistical model, based primarily on actual settlements by type of claim during the preceding ten fiscal years, and by supplementing the estimated liability with information supplied by the City's Corporation Counsel. For further information regarding certain of these claims, see "SECTION IX: OTHER INFORMATION—Litigation".

In addition to the above claims, numerous real estate tax *certiorari* proceedings involving allegations of inequality of assessment, illegality and overvaluation are currently pending against the City. The City's 1990 Financial Statements estimate that the potential exposure to the City in the *certiorari* proceedings, as of June 30, 1990, could amount to approximately $200 million. Provision has been made in the 1991-1994 Financial Plan for estimated refunds for overpayments of real estate taxes in the amounts of $80 million, $185 million, $87 million and $94 million in fiscal years 1991, 1992, 1993 and 1994, respectively, based on an analysis of claims settled within recent fiscal years. For further information concerning these claims, certain remedial legislation related thereto and the City's estimates of potential liability, see "SECTION IX: OTHER INFORMATION—Litigation—*Taxes*" and "APPENDIX B—FINANCIAL STATEMENTS—Notes to Financial Statements—Note G".

In November 1988, Federal legislation was enacted (the "Sludge Legislation") requiring the payment of sludge disposal fees during calendar years 1989 through 1991, inclusive, for localities, including the City, which will continue disposing of sewage sludge at a site in the Atlantic Ocean 106 miles offshore as previously authorized. The Sludge Legislation also provides for the payment of penalties for any continued ocean disposal of sludge after December 31, 1991. The Sludge Legislation provides that a large portion of such fees and penalties will be deposited in trust funds maintained by certain Federal and State agencies. Subject to certain exceptions, it is estimated that 85% of such fees and penalties will ultimately be available to pay for the construction, operation and maintenance of alternative sludge disposal systems and measures to be taken by the City with respect to improvement in the pretreatment of sewage. The Financial Plan includes $25.5 million, $95.1 million, $125 million and $125 million in fiscal years 1991 through 1994, respectively, to cover the estimated cost of sludge disposal. The United States Environmental Protection Agency and the City have entered into a consent decree which includes the agreement by the City to adopt interim measures to cease ocean disposal of sludge by June 30, 1992, and to have a permanent disposal plan by December 31, 1998. The implementation of such interim measures and a permanent disposal alternative to ocean disposal will result in substantial additional capital costs to the City. The construction of sludge dewatering facilities, which are considered the first stage of land-based sludge disposal, are expected to be completed in fiscal year 1992 at a cost of $760 million. All costs associated with sludge disposal are expected to be funded by increased user charges paid by the users of the water and sewer systems of the City or the proceeds of revenue bonds secured by these fees. Such increased user charges are currently assumed in the Financial Plan.

3. Debt Service

Debt service estimates for the 1991 through 1994 fiscal years include estimates of debt service costs on outstanding City bonds and notes and future debt issuances based on current and projected future market conditions.

4. MAC Debt Service Funding

MAC debt service funding estimates are reduced by anticipated payments by the City of debt service on City obligations held by MAC.

During fiscal years 1984 through 1988, MAC made $1.075 billion of revenues available to the City, pursuant to an agreement among the City, MAC and the State in March 1984. In April 1986, MAC, the City and the State agreed to the availability and use of approximately $1.6 billion in additional revenues in the 1987 through 1995 fiscal years, including $925 million for capital improvements for the Transit Authority. In May 1989, MAC entered into an agreement with the City and the State which provides for an additional $800 million, including $600 million of revenues for capital projects relating to the City's public school system. On July 19, 1990, the City, the State and MAC entered into an agreement amending the 1986 and 1989 agreements to permit the City to fund the capital commitments to the Transit Authority and the City's public school system, which total $1.465 billion over the City's 1990 through 1997 fiscal years, with proceeds of City or MAC bonds rather than revenues made available by MAC. The State Legislature has authorized MAC to finance the capital commitments to the Transit Authority and the New York City School Construction Authority for the 1991 through 1997 fiscal years through the issuance of additional MAC bonds in the event and to the extent that the City fails to provide such financing from the issuance of City bonds. The revenues to be made available by MAC under the 1986 and 1989 agreements for the Transit Authority and the public school system will instead be used by the City for operating purposes. For fiscal years 1991 through 1994, the amounts that the City will receive for operating purposes under the agreements as amended are $145 million, $150 million, $175 million and $185 million, respectively.

5. General Reserve

The 1991-1994 Financial Plan includes a reserve of $150 million in the 1991 and 1992 fiscal years and $200 million in the 1993 and 1994 fiscal years.

Certain Reports

From time to time, the Control Board staff, MAC, the Office of the State Deputy Comptroller ("OSDC"), the City Comptroller, various Federal agencies and others issue reports and make public statements regarding the City's financial condition, commenting on, among other matters, the City's financial plans, projected revenues and expenditures and actions by the City to eliminate projected operating deficits. Some of these reports and statements have warned that the City may have underestimated certain expenditures and overestimated certain revenues and have suggested that the City may not have adequately provided for future contingencies. Certain of these reports have analyzed the City's future economic and social conditions and have questioned whether the City has the capacity to generate sufficient revenues in the future to meet the costs of its expenditure increases and to provide necessary services. It is reasonable to expect that such reports and statements will continue to be issued and to engender public comment.

The City Comptroller issued a report on December 20, 1990 on the state of the City's economy and finances. The report stated that the City's economy is in a recession that began earlier, will be more severe and will last longer than the recession affecting the national economy and than what is assumed in the Financial Plan. The report stated that the City's economy began to weaken after the October 1987 stock market crash and that, because of the City economy's disproportionate reliance on the financial services sector, the subsequent upheaval in such sector has affected the City worse than it has the national economy. In addition, the national recession has exacerbated the downturn in the City's economy. Such downturn has led to job losses and lower wages, causing reduced personal income tax collections by the City and also reduced consumer spending, thereby affecting sales and business tax collections by the City. The same factors have also caused increased demand for social services provided by the City.

The report noted that the City economy's reliance on the financial services sector will keep the City from participating fully in the increase in manufacturing and trading activity projected to lead the nation out of its recession, so that the City's economy will recover from the recession later and more slowly than will the national economy. The report also stated that problems in the City's schools, the high tax burden in the City and a local rate of inflation higher than the national average are special disincentives to local business activity. Further, the strengths of the City's economy, such as financial and legal services, broadcasting, publishing and advertising, are subject to increasing global competition, reducing the financial strength of businesses in such sectors. The report noted that such problems have led many large corporations to move their headquarters out of the City, costing the City not only such headquarters jobs but also related business service jobs. In addition, the loss of manufacturing jobs, and a decline in retailing jobs, means there are fewer entry-level jobs available for unskilled workers, putting greater burdens on the City's social services. The report concluded that these structural weaknesses will affect the City's economy and tax collections adversely throughout the 1990s.

The City Comptroller issued a report on February 25, 1991 that forecast potential budget gaps in fiscal years 1991 and 1992 of approximately $300 million and $1.3 billion, respectively, above those identified in the Financial Plan. These forecasts were based on the same analysis of the economy as was in the Comptroller's December report, which analysis is more negative than that in the Financial Plan, and on the cuts in State aid to the City proposed by the Governor in the State Executive Budget, which proposals were made after the Financial Plan was published. The City Comptroller also warned of an additional almost $500 million potential increase in the budget gap in fiscal year 1992 if BOE receives an increased appropriation that may be required by State law. The City Comptroller also expressed concern that (i) the tax increases proposed in the Financial Plan may be so large as to hinder economic growth, (ii) actions taken to avoid further teacher layoffs in fiscal year 1991 may cause even greater layoffs in fiscal year 1992 and (iii) the City is planning to continue hiring employees even while it will be laying off others. The City Comptroller also indicated she has yet to approve certain of the debt service savings proposed as gap closing measures in the Financial Plan.

In the December and February reports, the City Comptroller called for improved productivity, increased competition in the City contracting process, a partial hiring freeze, the consolidation of agencies, the use of savings from reduced pension fund contributions and the consideration of furloughs and wage deferrals to close the budget gaps.

The City Comptroller issued a report on March 19, 1991 expressing concern that, even after a reduction in the capital program, debt service is projected to consume an increasing percentage of future years' revenues.

In previous reports, the City Comptroller had expressed concerns about the effects on the City's budgets of decreasing rental payments in future years from the Port Authority under the leases for LaGuardia and Kennedy airports, the dependence on increased aid from the State and federal governments for the gap-closing program, the escalating costs of judgments and claims and federal deficit reduction measures.

On February 21, 1991, OSDC issued a report reviewing the Financial Plan. In its report OSDC stated that the City "has not yet presented a credible plan" for balancing its budget. OSDC projected that revenues could fall short of the estimates contained in the Financial Plan (i) by $65 million in the 1991 fiscal year, $174 million in the 1992 fiscal year, $34 million in the 1993 fiscal year and $11 million in the 1994 fiscal year, due primarily to lower personal income and sales tax collections, and (ii) by an additional $500 million in each of the 1992, 1993 and 1994 fiscal years due to the impact on the City of proposed State reductions in local aid. In addition, OSDC estimated that spending could be higher than indicated in the Financial Plan by $212 million in the 1991 fiscal year, $315 million in the 1992 fiscal year, $351 million in the 1993 fiscal year and $433 million in the 1994 fiscal year, resulting largely from higher labor and debt service costs and the failure of certain cost reduction initiatives to produce the savings anticipated by the Financial Plan in the 1992, 1993 and 1994 fiscal years. As a result, OSDC estimated potential gaps of $277 million in the 1991 fiscal year, $2,889 million in the 1992 fiscal year, $2,928 million in the 1993 fiscal year and $3,051 million in the 1994 fiscal year, before taking into account the gap-closing program in the Financial Plan.

With respect to the gap closing actions proposed in the Financial Plan, OSDC considered only City actions totalling $1,075 million, $768 million and $770 million to be attainable in the 1992, 1993 and 1994 fiscal years, respectively, reflecting uncertainty relating to the BOE service reduction program, the tax increases requiring legislative approval and the Federal and State actions included in the Financial Plan gap-closing program. Accordingly, OSDC estimated potential gaps of $1,814 million, $2,160 million and $2,281 million for the 1992, 1993 and 1994 fiscal years, respectively, after implementation of the gap-closing actions considered by OSDC to be attainable. In addition, the report noted that each additional one percent annual wage increase over the Financial Plan's assumed wage freezes will cost the City an additional $82 million, $230 million and $379 million in the 1992, 1993 and 1994 fiscal years, respectively.

On March 7, 1991, the Staff of the Control Board issued a report on the Financial Plan. The report stated that the Financial Plan does not restore the City to "structural and recurring balance", and does not provide reasonable capacity to absorb risks of further imbalance, since, even if all the City's planned savings and tax increases for the 1991 and 1992 fiscal years are achieved, substantial deficits reemerge for the 1993 fiscal year due to projected expenditure growth which exceeds revenue growth, principally in the areas of debt service costs, social service expenditures and personnel fringe benefit costs. With respect to the 1991 fiscal year, the Staff estimated that a budget gap of $201 million remains to be closed. In addition, the report stated that a gap of between $556 million and $848 million exists for the 1992 fiscal year above the gap projected in the Financial Plan, principally resulting from projected reductions in State aid, and that gaps exceeding $1.1 billion exist in each of the 1993 and 1994 fiscal years, resulting principally from projected reductions in State aid and uncertainty concerning unspecified City actions to "streamline" City government and the proposed State Medicaid takeover. In addition to the projected gaps for the 1992, 1993 and 1994 fiscal years, the FCB noted that substantially larger deficits could occur if certain assumptions in the Financial Plan are not realized, including the assumptions that (i) wages will not increase after the 1992 fiscal year; (ii) the recent growth in public assistance and foster care caseloads will disappear within two years and payments per recipient will cease growing in the 1993 and 1994 fiscal years; (iii) the $430 million of 1992 fiscal year BOE gap-closing actions can be implemented without violating the Stavisky-Goodman law; (iv) Federal or State aid will not be further reduced and there will be substantial savings in the 1993 and 1994 fiscal years resulting from the State takeover of certain Medicaid functions; and (v) the economic recovery and its benefits to tax revenues will begin promptly in the 1993 fiscal year.

On March 20, 1991, the City Comptroller issued its first monthly report on the progress that has been made towards achieving a balanced budget for the 1991 fiscal year. The report stated that, excluding teachers, the City's total work force at the end of February was 3,488 above the level projected in the Financial Plan. However, the report noted that the majority of the extra costs incurred as a result of these additional employees will be paid for by State and Federal funds. In addition, the report noted that at the end of February there was 1,478 City workers above Financial Plan levels in other categories, but that underspending in other personal services areas has offset the potential for increased spending resulting from this higher than planned work force level.

On March 20, 1991, OSDC issued its first "milestone" report, which compares the City's budget targets to actual results on a month-by-month basis and identifies gap-closing measures that are falling short of the goals. The "milestone" report stated that the City's efforts to cut spending by reducing the overall size of its full-time work force were behind target levels, with personal service expenditures for the 1991 fiscal year exceeding target levels in January due to the City-funded work force being 1,484 more than assumed in the monthly head count plan. The report concluded that, with careful monitoring and controls, the City should be able to maintain a balanced budget in the 1991 fiscal year, but the City will have to take further actions to insure budget balance in the 1992 fiscal year.

Long-Term Capital and Financing Program

The City's long-term financing program is designed to provide the City with adequate funds to carry out its capital spending plan to reconstruct and rehabilitate the City's infrastructure and physical assets, including City mass transit facilities, sewers, streets, bridges and tunnels, and to make capital investments that will improve productivity in City operations. For additional information regarding the City's infrastructure and physical assets, see "APPENDIX A—ECONOMIC AND SOCIAL FACTORS".

The City utilizes a three-tiered capital planning process consisting of the Ten-Year Capital Strategy, the Four-Year Capital Program and the current-year Capital Budget. The Ten-Year Capital Strategy is a long-term planning tool designed to reflect fundamental allocation choices and basic policy objectives. The Four-Year Capital Program translates mid-range policy goals into specific projects. The Capital Budget defines specific projects and the timing of their initiation, design, construction and completion.

City-funded commitments, which were $344 million in 1979, are projected to reach $4.5 billion in 1991. City-funded expenditures, which more than tripled between fiscal years 1980 and 1985, are forecast at $3.8 billion in the 1991 fiscal year; total expenditures are forecast at $4.2 billion in 1991. For additional information concerning the City's capital expenditures and the Preliminary Ten-Year Capital Strategy covering fiscal years 1992 through 2001, see "SECTION V: CITY SERVICES AND EXPENDITURES—Capital Expenditures".

The following table sets forth the major areas of capital commitment projected for the 1991-1994 fiscal years, as of December 31, 1990.

	1991		1992		1993		1994	
	City Funds	All Funds	City Funds	All Funds	City Funds	All Funds	City Funds	All Funds
				(In Millions)				
Mass Transit(1)	$ 507	$ 507	$ 382	$ 382	$ 221	$ 221	$ 218	$ 218
Roadway, Bridges	308	711	458	711	562	788	685	706
Water and Sewer(2)	1,418	1,525	1,205	1,205	1,188	1,188	1,427	1,427
Education(3)	684	684	751	751	762	762	773	773
Housing	564	601	450	491	450	504	353	398
Hospitals	242	256	384	391	289	289	256	313
Sanitation	242	254	224	224	257	707	239	239
City Operations/Facilities	871	955	1,665	1,815	843	875	784	850
Economic and Port Development	109	110	86	89	54	58	23	24
Reserve For Unattained Commitments	(462)	(462)	(700)	(700)	(13)	(13)	58	58
Total Commitments(4)	$4,483	$5,140	$4,905	$5,358	$4,612	$5,378	$4,817	$5,007
Total Expenditures(5)	$3,844	$4,194	$3,894	$4,371	$3,886	$4,404	$4,249	$4,769

(1) Excludes the Transit Authority's non-City portion of the MTA's $8.5 billion five-year Capital Program.
(2) Includes water supply, water mains, water pollution control and sewer projects.
(3) Reflects a reduction of 18% in projected capital commitments. Funding for capital improvements is provided by the City to the School Construction Authority by way of five-year appropriations. After the adoption of a five-year appropriation, no reduction may be made in such appropriation unless recommended by BOE or a general, across-the-board reduction is made in the City's capital appropriations in order to accomodate an unforeseen reduction in the availability of City capital funds.
(4) Commitments represent contracts registered with the City Comptroller, except for certain projects which are undertaken jointly by the City and State. Totals may not add due to rounding.
(5) Expenditures represent cash payments.

The following table sets forth the planned sources and uses of City funds to be raised through issuances of long-term debt and transfers of monies from the City's General Fund during the City's 1991 through 1994 fiscal years.

1991-1994 Financing Program

	1991	1992	1993	1994	Total
			(In Millions)		
SOURCES OF FUNDS:					
City General Obligation Bonds(1)	$3,835	$2,996	$2,964	$3,271	$13,066
Water Authority Revenue Bonds	953	1,217	1,112	1,248	4,530
Other Sources(2)	(301)	(96)	(16)	(81)	(494)
Total	$4,487	$4,117	$4,060	$4,438	$17,102
USES OF FUNDS:					
City Capital Improvements	$3,844	$3,894	$3,886	$4,249	$15,873
City Refunding(3)	21	—	—	—	21
Reserve Funds and Other(4)	622	223	174	189	1,208
Total	$4,487	$4,117	$4,060	$4,438	$17,102

(1) Includes financing for certain rapid transit and education capital purposes previously forecast to be paid from current operating revenues in accordance with agreements with MAC. To date in the 1991 fiscal year, the City has issued $3.153 billion in general obligation bonds.
(2) Other Sources comprises changes in restricted balances from City and Water Authority debt issuances.
(3) While no provision has been made in 1992 through 1994, both the City and MAC may undertake further refundings when favorable market conditions exist.
(4) Reserve Funds and Other comprises amounts necessary to fund certain reserves in connection with the issuance of Water Authority revenue bonds and reimbursements to the General Fund for expenditures made in prior years.

Currently, if all City capital project requests were implemented, expenditures would exceed the City's financing projections in the current fiscal year and subsequent years. The City has therefore established capital budgeting priorities to maintain capital expenditures within the available long-term financing. Due to the size and complexity of the City's capital program, it is difficult to forecast precisely the timing of capital project activity so that actual capital expenditures may vary from the planned annual amounts.

The City's current four-year financing program and capital plan includes the issuance of water and sewer revenue bonds. The Water Authority is authorized to issue bonds to finance capital investment in the City's water and sewer system. Pursuant to State law, debt service on this indebtedness is secured by water and sewer fees paid by users of the water and sewer system. As of July 1, 1985, such fees became revenues of the Water Board and the Water Board holds a lease interest in the City's water and sewer system. After providing for debt service on obligations of the Water Authority and certain incidental costs, the revenues of the Water Board are paid to the City to cover the City's cost for operating the water and sewer system or as rental for the system. The City's current ten-year capital plan covering fiscal years 1989-1998 projects water and sewer investment at approximately $8.1 billion of the $40 billion City-funded portion of the plan. The City retains the legal authorization to fund any portion of the $8.1 billion plan with the proceeds of sales of its general obligation bonds.

Implementation of the capital plan is dependent upon the City's ability to market its securities successfully in the public credit markets. The terms and the success of projected public sales of City general obligation bonds and Water Authority revenue bonds will be subject to prevailing market conditions at the times of sale. No assurance can be given that the credit markets will absorb the projected amounts of public bond sales. As a significant portion of bond financing is used to reimburse the City's general fund for capital expenditures already incurred, if the City is unable to sell such amounts of bonds it could have an adverse effect on the City's cash position. In addition, the need of the City to fund future debt service costs from current operations may also limit the City's capital program. A Preliminary Ten-Year Capital Strategy for fiscal years 1992-2001 totalling $67.8 billion, of which approximately 70% will be financed with City funds, was submitted to the Mayor on December 21, 1990. The Preliminary Ten-Year Capital Strategy reduced commitments by $2.3 billion and expenditures by $1.4 billion for capital programs during the next four years from previously forecast levels. In the context of a local recession, in which revenues for the City's operating budget have come under increasing pressure, the increased cost of debt service for the volume of debt issuance previously contemplated has led to the reduction of the City's capital program from previously forecast levels for the immediate future. Changes in Federal tax law which place greater restrictions on the purposes for which tax-exempt bonds may be issued may limit the ability of the City to finance certain projects through the issuance of tax-exempt bonds.

In October 1989, the City completed an inventory of the major portion of its assets and assets systems which have a replacement cost of $10 million or more and a useful life of at least ten years. In March 1991, the City issued an assessment of the asset condition and a proposed maintenance schedule for the inventoried assets.

The capital plan assumes the receipt of $11.9 billion of non-City funds for mass transit. Potential sources include intergovernmental assistance, dedicated State or regional taxes and other financing instruments.

Seasonal Financing Requirements

The City since 1981 has fully satisfied its seasonal financing needs in the public credit markets, repaying all short-term obligations within their fiscal year of issuance. To date in fiscal year 1991, the City has issued $2.4 billion of notes which is expected to satisfy its seasonal financing requirements for the 1991 fiscal year, unless the State's Spring borrowing is delayed, as has happened in recent years, as a result of a delay in the adoption of the State budget beyond the April 1 start of the State's fiscal year. Seasonal financing requirements for the 1990 fiscal year increased to $2.45 billion from $1.2 billion in 1989. For information concerning the delay in the adoption of the State's budget for its 1991 fiscal year which required the City to issue $900 million in short-term notes on May 15, 1990, see "SECTION VII: 1991-1994 FINANCIAL PLAN—Assumptions". Seasonal financing requirements were $925 million, $1.0 billion and $900 million in the 1988, 1987 and 1986 fiscal years, respectively.

At the time of the City's fiscal crisis in 1975, the City had approximately $6 billion of short-term debt outstanding. As part of a program to deal with this crisis, the State passed the Moratorium Act. This law provided that, subject to certain conditions, for three years no judgments and liens could be enforced on account of outstanding City notes and no action could either be commenced or continued upon outstanding City notes which matured during 1975 or 1976. City notes in an aggregate principal amount of $2.4 billion were subject to the Moratorium Act. In November 1976, the New York State Court of Appeals declared the Moratorium Act unconstitutional under the State Constitution. All of the City's short-term debt outstanding at the time of the Moratorium Act was either exchanged for MAC bonds or repaid by the City. In the 1975 through 1978 fiscal years, the City was assisted by the Federal and State governments in meeting its seasonal financing needs.

SECTION VIII: INDEBTEDNESS

City Indebtedness

Outstanding Indebtedness

The following table sets forth outstanding indebtedness having an initial maturity greater than one year from the date of issuance of the City, MAC and the PBCs as of December 31, 1990.

(In Thousands)

Gross City Long-Term Indebtedness(1)	$15,153,028	
Less: Assets Held for Debt Service(2)	1,587,725	
Net City Long-Term Indebtedness		$13,565,303
Gross MAC Long-Term Indebtedness(3)	6,901,308	
Less: Assets Held for Debt Service(3)	1,230,094	
Net MAC Long-Term Indebtedness		5,671,214
PBC Indebtedness(4)		
Bonds Payable	540,015	
Capital Lease Obligations	396,842	
Gross PBC Indebtedness(5)	936,857	
Less: Assets Held for Debt Service	183,522	
Net PBC Indebtedness		753,335
Combined Net City, MAC and PBC Indebtedness		$19,989,852

(1) Amount does not reflect the issuance of $1,000,000,000 principal amount of fiscal 1991 Series D Bonds sold on February 25, 1991.

(2) With respect to City long-term indebtedness, "Assets Held for Debt Service" consists of sinking fund assets, General Debt Service Fund assets, and $1,508.8 million principal amount of City serial bonds held by MAC. At December 31, 1990, $31.5 million (or 41.5%) of the invested assets of the City's sinking funds were invested in City obligations.

(3) With respect to MAC indebtedness, "Assets Held for Debt Service" consists of assets held in MAC's debt service funds less accrued liabilities for interest payable on MAC long-term indebtedness plus amounts held in capital reserve funds for payment of principal of and interest on MAC bonds. Other MAC funds, while not specifically pledged for the payment of principal of and interest on MAC bonds, are also available for these purposes. For further information regarding MAC indebtedness and assets held for debt service, see "Municipal Assistance Corporation Indebtedness" below and "APPENDIX B—FINANCIAL STATEMENTS—Notes to Financial Statements—Notes C and G".

(4) "PBC Indebtedness" refers to City obligations to PBCs. For further information regarding the indebtedness of certain PBCs, see "Public Benefit Corporation Indebtedness" below and "APPENDIX B—FINANCIAL STATEMENTS—Notes to Financial Statements—Notes F and G". "PBC Indebtedness" does not include the indebtedness of individual PBCs which are Enterprise Funds. For further information regarding the indebtedness of Enterprise Funds PBCs, see "APPENDIX B—FINANCIAL STATEMENTS—Notes to Financial Statements—Notes I, J, K, L and M".

(5) Amount does not include $286.8 million principal amount of Housing Development Corporation bonds subject to capital reserve fund arrangements with the City.

Trend in Outstanding Net Indebtedness

The following table shows the trend in the outstanding net long-term and net short-term debt of the City and MAC and in net PBC indebtedness as of June 30 of each of the years 1985 through 1990 and as of December 31, 1990.

	City(1)		MAC(4)		Component Unit and City	
	Long-Term Debt(2)	Short-Term Debt(3)	Long-Term Debt(5)	Short-Term Debt	Guaranteed Debt(2)	Total
	(In Millions)					
1986	$6,079	—	$6,716	—	$629	$13,424
1987	6,645	—	6,613	—	644	13,902
1988	7,820	—	6,470	—	714	15,004
1989	9,332	—	6,082	—	780	16,194
1990	11,779	—	5,713	—	790	18,282
December 31, 1990	13,565	2,400	5,671	—	753	22,389

(1) Amount does not reflect the issuance of $1,000,000,000 principal amount of fiscal 1991 Series D Bonds sold on February 25, 1991. Amounts do not include debt of the City held by MAC. See "Outstanding Indebtedness—note 1".

(2) Net of sinking funds assets and other reserves. See "Outstanding Indebtedness—note 1". Component Units are PBCs included in the City's financial statements other than PBCs which are Enterprise Funds. For more information concerning Component Unit PBCs, see "Public Benefit Corporation Indebtedness" below and "APPENDIX B—FINANCIAL STATEMENTS—Notes to Financial Statements—Notes F and G". Component Units do not include PBCs which are Enterprise Funds. For more information concerning Enterprise Funds PBCs, see "APPENDIX B—FINANCIAL STATEMENTS—Notes to Financial Statements—Notes I, J, K, L and M".

(3) The City issued $1.1 billion of TANs on August 1, 1990, and $1.3 billion of RANs on November 27, 1990, all of which mature on June 28, 1991.

(4) MAC reported outstanding long-term indebtedness without reduction for reserves, as follows: $7,688 million, $7,996 million, $7,900 million, $7,636 million, $7,307 million and $6,901 million as of June 30 of each of the years 1985 through 1990 and $6,901 million as of December 31, 1990.

(5) Calculations of net MAC indebtedness include the total bonds outstanding under MAC's First and Second General Bond Resolutions and accrued interest on those bonds less the amounts held by MAC in its debt service and capital reserve funds.

Rapidity of Principal Retirement

The following table details, as of December 31, 1990, the cumulative percentage of total City general obligation debt outstanding that is scheduled to be retired in accordance with its terms in each prospective five-year period.

Period	Cumulative Percentage of Debt Scheduled for Retirement
5 years	26.20%
10 years	51.71
15 years	70.43
20 years	84.93
25 years	96.62
30 years	99.71

City, MAC and City-guaranteed PBC Debt Service Requirements

The following table summarizes future debt service requirements as of December 31, 1990 on City and MAC term and serial bonds outstanding and City-guaranteed debt of and capital lease obligations to certain PBCs.

	City Long-Term Debt					
	Principal					
Fiscal Years	Serial Bonds(1)	Sinking Fund Bonds(2)	Interest(1)	Component Unit and City Guaranteed Debt(3)	MAC Funding Requirements	Total
			(In Thousands)			
1991......	$ 47,216	$ 600	$ 500,766	$ 41,602	$ 678,822	$ 1,269,006
1992......	744,144	22,700	996,442	86,687	896,447	2,746,420
1993......	755,335	—	944,258	89,364	816,739	2,605,696
1994......	822,510	—	886,327	90,449	866,382	2,665,668
1995......	756,730	—	831,941	90,440	700,658	2,379,769
1996......	680,065	—	775,762	92,996	517,556	2,066,379
1997......	723,695	9,800	724,445	95,848	580,374	2,134,162
1998......	710,900	—	667,545	95,094	592,065	2,065,604
1999......	699,139	—	615,528	96,098	610,578	2,021,343
2000......	599,984	—	566,525	96,098	545,992	1,808,599
2001 through 2147....	6,991,386	80,000	4,450,965	1,027,383	4,371,099(4)	16,920,833
Total ...	$13,531,104	$113,100	$11,960,504	$1,902,059	$11,176,712	$38,683,479

(1) Amount does not reflect the issuance of $1,000,000,000 of principal amount of fiscal 1991 Series D Bonds sold on February 25, 1991. Excludes debt service payments on $1,508.8 million principal amount of serial bonds held by MAC.

(2) Amounts are stated maturities. Sinking fund bonds will be paid from assets held or to be held in the City's sinking funds either prior to or at the respective maturity dates. See "Outstanding Indebtedness—note 1".

(3) Component Units are PBCs included in the City's financial statements other than PBCs which are Enterprise Funds. For additional information concerning these PBCs, see "Public Benefit Corporation Indebtedness" below and "APPENDIX B—FINANCIAL STATEMENTS—Notes to Financial Statements—Notes F and G". Component Units do not include PBCs which are Enterprise Funds. For more information concerning Enterprise Funds PBCs, see "APPENDIX B—FINANCIAL STATEMENTS—Notes to Financial Statements—Notes I, J, K, L and M".

(4) Amount shown is for fiscal years 2001 through 2009.

Certain Debt Ratios

The following table sets forth information, as of December 31, for each of the fiscal years 1986 through 1990, with respect to the approximate ratio of the City's debt to certain economic factors. As used in this table, debt includes net City, MAC and PBC debt.

		Debt as % of Total Taxable Real Property By	
Fiscal Year	Debt Per Capita	Assessed Valuation	Estimated Full Valuation
1986..................................	$1,833	25.5%	6.7%
1987..................................	1,893	25.1	6.3
1988..................................	2,041	25.3	6.0
1989..................................	2,202	25.4	4.6
1990..................................	2,485	26.1	4.5

Source: Comprehensive Annual Financial Report of the Comptroller for the Fiscal Year Ended June 30, 1990.

Ratio of Debt to Personal Income

The following table sets forth, for each of fiscal years 1983 through 1988, debt per capita as a percentage of personal income per capita in current dollars. As used in this table, debt includes net City, MAC and PBC debt.

Fiscal Year	Debt per Capita	Personal Income per Capita(1)	Debt per Capita as % of Personal Income per Capita
1983	$1,698	$13,860	12.25%
1984	1,695	15,136	11.20
1985	1,723	15,983	10.78
1986	1,833	16,798	10.91
1987	1,893	17,883	10.59
1988	2,041	19,229	10.61

Source: Comprehensive Annual Financial Report of the Comptroller for the Fiscal Year Ended June 30, 1990.
(1) Personal income is measured before the deduction of personal income taxes and other personal taxes.

Certain Provisions for the Payment of City Indebtedness

The State Constitution requires the City to make an annual appropriation for: (i) payment of interest on all City indebtedness; (ii) redemption or amortization of bonds; (iii) redemption of other City indebtedness (except bond anticipation notes ("BANs"), tax anticipation notes ("TANs"), revenue anticipation notes ("RANs"), and urban renewal notes ("URNs")) contracted to be paid in that year out of the tax levy or other revenues; and (iv) redemption of short-term indebtedness issued in anticipation of the collection of taxes or other revenues, such as TANs, RANs and URNs, and renewals of such short-term indebtedness which are not retired within five years of the date of original issue. If this appropriation is not made, a sum sufficient for such purposes must be set apart from the first revenues thereafter received by the City and must be applied for these purposes.

Under the Financial Emergency Act, the proceeds of each City bond issue are required to be used in the following order: (i) they are to be held for the payment at maturity of any BANs issued in anticipation thereof; (ii) they are to be paid into the City's General Fund in repayment of any advance made therefrom for purposes for which the bonds were issued; and (iii) any balance is to be held for future expenditures for the object or purpose for which the bonds were issued.

Pursuant to the Act, the General Debt Service Fund has been established for the purpose of paying Monthly Debt Service, as defined in the Act. For information regarding the Fund, see "SECTION II: THE BONDS—Payment Mechanism". In addition, as required under the Act, a TAN Account has been established by the State Comptroller within the Fund to pay the principal of outstanding City TANs. After notification by the City of the date when principal due or to become due on an outstanding issue of TANs will equal 90% of the "available tax levy", as defined in the Act, with respect to such issue, the State Comptroller must pay into the TAN Account from the collection of real estate tax payments (after paying amounts required to be deposited in the General Debt Service Fund for Monthly Debt Service) amounts sufficient to pay the principal of such TANs. Similarly, a RAN Account has been established by the State Comptroller within the Fund to pay the principal of outstanding City RANs. Revenues in anticipation of which RANs are issued must be deposited in the RAN Account. If revenue consists of State or other revenue to be paid to the City by the State Comptroller, the State Comptroller must deposit such revenue directly into the RAN Account on the date such revenue is payable to the City. Under the Act, after notification by the City of the date when principal due or to become due on an outstanding issue of RANs will equal 90% of the total amount of revenue against which such RANs were issued on or before the fifth day prior to the maturity date of the RANs, the State Comptroller must commence on such date to retain in the RAN Account an amount sufficient to pay the principal of such RANs when due. Revenues required to be deposited in the RAN Account vest immediately in the State Comptroller in trust for the benefit of the holders of notes issued in anticipation of such revenues. No person other than a holder of such RANs has any right to or claim against revenues so held in trust. Whenever the amount contained in the RAN Account or the TAN Account exceeds the amount required to be retained in such Account, the excess, including earnings on investments, is to be withdrawn from such Account and paid into the General Fund of the City.

Limitations on the City's Authority to Contract Indebtedness

The Financial Emergency Act imposes various limitations on the issuance of City indebtedness. No TANs may be issued by the City which would cause the principal amount of such issue of TANs to exceed 90% of the "available tax levy", as defined in the Act, with respect to such issue; TANs and renewals thereof must mature not later than the last day of the fiscal year in which they were issued. No RANs may be issued by the City which would cause the principal amount of RANs outstanding to exceed 90% of the "available revenues", as defined in the Act, for that fiscal year; RANs must mature not later than the last day of the fiscal year in which they were issued; and in no event may renewals of RANs mature later than one year subsequent to the last day of the fiscal year in which such RANs were originally issued. No BANs may be issued by the City in any fiscal year which would cause the principal amount of BANs outstanding, together with interest due or to become due thereon, to exceed 50% of the principal amount of bonds issued by the City in the twelve months immediately preceding the month in which such BANs are to be issued; BANs must mature not later than six months after their date of issuance and may be renewed for a period not to exceed six months. Budget Notes may be issued only to fund projected expense budget deficits; no Budget Notes, or renewals thereof, may mature later than sixty days prior to the last day of the fiscal year next succeeding the fiscal year during which the Budget Notes were originally issued.

The MAC Act contains two limitations on the amount of short-term debt which the City may issue. As of December 31, 1990, the maximum amount of additional short-term debt which the City could issue was approximately $1.6 billion under the first limitation. The second limitation does not prohibit any issuance by the City of BANs or short-term debt issued and payable within the same fiscal year, such as TANs and RANs.

The State Constitution also provides that, with certain exceptions, the City may not contract indebtedness in an amount greater than 10% of the average full value of taxable real estate in the City for the most recent five years (the "general debt limit"). Certain indebtedness ("excluded debt") is excluded in ascertaining the City's authority to contract indebtedness within the constitutional limit. TANs, RANs, BANs, URNs and Budget Notes and certain types of long-term indebtedness issued generally for public improvements and capital projects are considered excluded debt. The State Constitution also provides that the City may contract indebtedness for low-rent housing, nursing homes for persons of low income and urban renewal purposes in an amount not to exceed 2% of the average assessed valuation of the taxable real estate of the City for the most recent five years (the "2% debt limit"). Excluded from the 2% debt limit, after approval by the State Comptroller, is indebtedness for certain self-supporting programs aided by City guarantees or loans. Neither MAC indebtedness nor the City's commitments with other PBCs (other than certain guaranteed debt of the Housing Authority) are chargeable against the City's constitutional debt limits.

The following table sets forth the current calculation of the debt-incurring power of the City within the general debt limit and the 2% debt limit as of December 31, 1990.

GENERAL DEBT LIMIT		
Total Debt-Incurring Power		$36,437,168,717
Gross Debt—Funded	$14,979,531,466	
Less: Excluded Debt	1,426,679,536	
	13,552,851,930	
Less: Assets of Sinking Funds and General Debt Service Fund and Balance of Appropriations for Redemption of Debt	52,137,251	
Net Debt	13,500,714,679	
Add: Net Contracts and Other Liabilities	4,402,959,082	17,903,673,761
Remaining Debt-Incurring Power Within Limit		$18,533,494,956
TWO PERCENT DEBT LIMIT		
Total Debt-Incurring Power		$ 1,302,942,142
Charges:		
Housing Authority Indebtedness	$ 1,389,000	
Limited Profit Housing Program	17,424,727	
Housing and Industrial Urban Renewal Programs	152,449,958	171,263,685
Remaining Debt-Incurring Power Within Limit		$ 1,131,678,457

The Comptroller's "Unencumbered Margin" Analysis

The City Comptroller traditionally reports not only on the general debt limit, but also on the "unencumbered margin". The unencumbered margin equals the general debt limit minus certain "reserves" of debt-incurring capacity for certain items, such as Capital Budget appropriations and commitments to certain PBCs which are not required to be charged against the general debt limit. At December 31, 1990, when the debt-incurring capacity under the general debt limit was $18.533 billion, the unencumbered margin was $7.7 billion. The unencumbered margin represents the amount available to the City for additional appropriations for capital expenditures that can be made by the City without exceeding the general debt limit. The unencumbered margin analysis has no impact on the City's legal debt-incurring capacity.

Enforceability of City Obligations

As required by the State Constitution and applicable law, the City pledges its faith and credit for the payment of the principal of and interest on all City indebtedness. Holders of City debt obligations have a contractual right to full payment of principal and interest at maturity. If the City fails to pay principal or interest, the holder has the right to sue and is entitled to the full amount due, including interest to maturity at the stated rate and at the rate authorized by law thereafter until payment. Under the General Municipal Law, if the City fails to pay any money judgment, it is the duty of the City to assess, levy and cause to be collected amounts sufficient to pay the judgment. Decisions indicate that judicial enforcement of statutes such as this provision in the General Municipal Law is within the discretion of a court. Other judicial decisions also indicate that a money judgment against a municipality may not be enforceable against municipal property devoted to public use.

Federal Bankruptcy Code

Under the Federal Bankruptcy Code, a petition may be filed in the Federal bankruptcy court by a municipality which is insolvent or unable to meet its debts as they mature. The filing of such a petition would operate as a stay of any proceeding to enforce a claim against the City. The Code requires the municipality to file a plan for the adjustment of its debts, which may modify or alter the rights of creditors and would authorize the Federal bankruptcy court to permit the municipality to issue certificates of indebtedness, which could have priority over existing creditors and which could be secured. Any plan of adjustment confirmed by the court must be approved by the requisite majority of creditors. If confirmed by the bankruptcy court, the plan would be binding upon all creditors affected by it. Each of the City and the Control Board, acting on behalf of the City, has the legal capacity to file a petition under the Federal Bankruptcy Code.

Municipal Assistance Corporation Indebtedness

MAC was organized in 1975 to provide financing assistance for the City and also to exercise certain review functions with respect to the City's finances. Since its creation, MAC has provided, among other things, financing assistance to the City by refunding maturing City short-term debt and transferring to the City funds received from sales of MAC bonds and notes. MAC is authorized to issue bonds and notes payable from certain stock transfer tax revenues and the City's portion of the State sales tax derived in the City and State per capita aid otherwise payable by the State to the City. These revenues flow directly from the State to MAC to the extent they are needed for MAC debt service, MAC capital reserve fund requirements or MAC operating expenses; revenues which are not needed by MAC are paid by the State to the City.

As of December 31, 1990, MAC had outstanding an aggregate of approximately $6.901 billion of its bonds. MAC is authorized to issue bonds and notes to refund its outstanding bonds and notes and to fund certain reserves, without limitation as to principal amount, and to finance certain capital commitments to the Transit Authority and the New York City School Construction Authority for the 1991 through 1997 fiscal years in the event the City fails to provide such financing. For additional information regarding MAC indebtedness, see "APPENDIX B—FINANCIAL STATEMENTS—Notes to Financial Statements—Notes C and G".

MAC bonds and notes constitute general obligations of MAC and do not constitute an enforceable obligation or debt of either the State or the City. Since MAC has no taxing power, pursuant to the MAC Act and subject to appropriation by the State, the special State sales tax imposed within the City, the State stock transfer tax and aid revenues formerly paid to the City are paid directly to MAC to the extent needed to meet MAC's debt service, capital reserve fund requirements and operating expenses. Failure by the State to continue the imposition of such taxes, the reduction of the rate of such taxes to rates less than those in effect on July 2, 1975, failure by the State to pay such aid revenues and the reduction of such aid revenues below a specified level are included among the events of default in the resolutions authorizing MAC's long-term debt. The occurrence of an event of default may result in the acceleration of the maturity of all or a portion of MAC's debt.

As of December 31, 1990, the City had received an aggregate of approximately $4.85 billion from MAC for certain authorized uses by the City exclusive of capital purposes. In addition, the City had received an aggregate of approximately $2.352 billion from MAC for capital purposes in exchange for serial bonds in a like principal amount, of which $1.393 billion was held by MAC as of December 31, 1990. MAC has also exchanged $1.839 billion principal amount of MAC bonds for City debt, of which approximately $115.7 million was held by MAC on December 31, 1990.

Public Benefit Corporation Indebtedness

City Financial Commitments to PBCs

PBCs are corporate governmental agencies created by State law to finance and operate projects of a governmental nature or to provide governmental services. Generally, PBCs issue bonds and notes to finance construction of housing, hospitals, dormitories and other facilities and receive revenues from the collection of fees, charges or rentals for the use of their facilities, including subsidies and other payments from the governmental entity whose residents have benefited from the services and facilities provided by the PBC. These bonds and notes do not constitute debt of the City unless expressly guaranteed or assumed by the City.

The City has undertaken various types of financial commitments with certain PBCs which, although they generally do not represent City indebtedness, have a similar budgetary effect. During a Control Period as defined by the Financial Emergency Act, neither the City nor any Covered Organization may enter into any arrangement whereby the revenues or credit of the City are directly or indirectly pledged, encumbered, committed or promised for the payment of obligations of a PBC unless approved by the Control Board. The principal forms of the City's financial commitments with respect to PBC debt obligations are as follows:

1. *Guarantees*—PBC indebtedness may be directly guaranteed by the City.

2. *Capital Lease Obligations*—These are leases of facilities by the City or a Covered Organization, entered into with PBCs, under which the City has no liability beyond monies legally available for lease payments. State law generally provides, however, that in the event the City fails to make any required lease payment, the amount of such payment will be deducted from State aid otherwise payable to the City and will be paid to the PBC.

3. *Executed Leases*—These are leases pursuant to which the City is legally obligated to make the required rental payments.

4. *Capital Reserve Fund Arrangements*—Under these arrangements, State law requires the PBC to maintain a capital reserve fund in a specified minimum amount to be used solely for the payment of the PBC's obligations. State law further provides that in the event the capital reserve fund is depleted, State aid otherwise payable to the City may be paid to the PBC to restore such fund.

The City's financial statements include MAC and certain PBCs, such as the ECF, the CUCF and the HDC. For further information regarding indebtedness of these PBCs, see "APPENDIX B—FINANCIAL STATEMENTS—Notes to Financial Statements—Notes F and G". Certain other PBCs appear in the financial statements as Enterprise Funds. For information regarding Enterprise Funds PBCs, see "APPENDIX B—FINANCIAL STATEMENTS—Notes to Financial Statements—Notes I, J, K, L and M".

New York City Educational Construction Fund

As of December 31, 1990, approximately $135 million principal amount of ECF bonds to finance costs related to the school portions of combined occupancy structures was outstanding. Under ECF's leases with the City, debt service on the ECF bonds is payable by the City to the extent third party revenues are not sufficient to pay such debt service.

New York City Housing Authority

As of December 31, 1990, the City had guaranteed $46.02 million principal amount of HA bonds. The Federal government has agreed to pay debt service on $61.6 million principal amount of additional HA indebtedness guaranteed by the City. The City has also guaranteed the repayment of $277.7 million principal amount of HA indebtedness to the State, of which the Federal government has agreed to pay debt service on $144.5 million. The City also pays subsidies to the HA to cover operating expenses. Exclusive of the payment of certain labor costs, such subsidies amounted to $96.1 million in the 1990 fiscal year and are projected by the Financial Plan to amount to approximately $107.7 million in the 1991 fiscal year.

New York State Housing Finance Agency

As of December 31, 1990, $328.9 million principal amount of HFA refunding bonds relating to hospital and family care facilities leased to the City was outstanding. HFA does not receive third party revenues to offset the City's capital lease obligations with respect to these bonds. Lease payments, which are made by the City seven months in advance of payment dates of the bonds, are intended to cover development and construction costs, including debt service, of each facility plus a share of HFA's overhead and administrative expenses.

City University Construction Fund

As of December 31, 1990, $707.9 million principal amount of bonds, relating to Community College facilities, of the Dormitory Authority of the State of New York subject to capital lease arrangements was outstanding. The City and the State are each responsible for approximately one-half of the CUCF's annual rental payments to the Dormitory Authority for community college facilities which are intended to cover debt service on the Authority's bonds issued to finance the leased projects plus related overhead and administrative expenses of the Authority. As of December 31, 1990, approximately $94.7 million was held in certain reserve funds to meet the reserve requirements of the Dormitory Authority for its bonds relating to Community College facilities. CUCF does not receive third party revenues to offset the City's obligations under the rental agreements.

New York State Urban Development Corporation ("UDC")

As of December 31, 1990, $67.9 million principal amount of UDC bonds subject to executed or proposed lease arrangements was outstanding. This amount differs from the amount calculated by UDC ($80.2 million) because UDC has included certain interest costs relating to Public School 50 and Intermediate School 229 in Manhattan in its calculation. The City leases schools and certain other facilities from UDC.

New York City Housing Development Corporation

As of December 31, 1990, $286.8 million principal amount of HDC bonds was subject to a capital reserve fund arrangement with the City. This amount is not included in the amount of gross PBC indebtedness included in the table on Outstanding Indebtedness above. Of the total principal amount of outstanding HDC bonds, $31.3 million relating to the 1982 Multi-Family Housing Bond Program is required to be secured by a separate $4.78 million capital reserve fund, and $255.5 million relating to the General Housing Program is required to be secured by a separate $19.3 million capital reserve fund. The combined reserve requirement for both programs amounts to $24.1 million. HDC receives substantial third party revenues, and to date the City has not been required to make any payment to HDC's capital reserve fund. Although no such payments are contemplated during the 1991 fiscal year, no assurance can be given that such payments will not be required as a result of shortfalls in mortgage payments, subsidies or otherwise. As of December 31, 1990, HDC's combined capital reserve funds amounted to approximately $31.1 million.

SECTION IX: OTHER INFORMATION

Pension Systems

The City maintains a number of pension systems providing benefits for its employees and employees of various independent agencies (including certain Covered Organizations). The systems combine features of a defined benefit pension plan with those of a defined contribution pension plan. Membership in the City's five major actuarial systems on June 30, 1990 consisted of approximately 345,000 current employees, of whom approximately 91,000 were employees of certain independent agencies whose pension costs in some cases are provided by City appropriations. In addition, there are approximately 203,000 retirees and beneficiaries currently receiving benefits and other vested members terminated but not receiving benefits. The City also contributes to three other actuarial systems, maintains five non-actuarial retirement systems for approximately 12,000 retired individuals not covered by the five major actuarial systems, provides other supplemental benefits to retirees and makes contributions to certain union annuity funds.

Each of the City's five major actuarial pension systems is managed by a board of trustees which includes representatives of the City and the employees covered by such system. The City Comptroller is the custodian of, and has been delegated investment responsibilities for, the major actuarial systems, subject to the policies established by the boards of trustees of the systems and State law.

The City's pension expenditures for the 1991 fiscal year are expected to approximate $1.6 billion. In fiscal years 1992 through 1994, these expenditures are expected to approximate $1.5 billion, $1.4 billion and $1.3 billion, respectively. Certain of the systems provide pension benefits of 50% to 55% of "final pay" after 20 to 25 years of service with additional benefits for subsequent years of service. For the 1990 fiscal year, the City's total annual pension costs, including the City's pension costs not associated with the five major actuarial systems, plus Federal Social Security tax payments by the City for the year, were 22% of total payroll costs. In addition, contributions are also made by certain component units of the City and other government units directly to the New York City Employees' Retirement System, one of the five major actuarial systems. The State Constitution provides that pension rights of public employees are contractual and shall not be diminished or impaired.

The City makes pension contributions to the five major systems in amounts equivalent to the pension costs as determined in accordance with GAAP. Pension costs incurred with respect to the other actuarial systems to which the City contributes and the City's non-actuarial retirement systems and supplemental pension programs for participants in these non-actuarial systems are recorded and paid currently.

The five major actuarial systems are not fully funded. The excess of the present value of future pension benefits accrued on account of services already rendered (with salary projections to retirement to determine final salary) over the value of the present assets of the pension systems for the five major actuarial pension systems (including that which is attributable to independent agencies) as calculated by the City's Chief Actuary, on the basis of the actuarial assumptions then in effect, are set forth in the following table.

June 30,	Amount(1) (In Billions)
1986	$10.88
1987	9.93
1988	7.79
1989	6.51
1990	6.10

(1) For purposes of making these calculations, accrued pension contributions receivable from the City were not treated as assets of the system.

The five major actuarial systems are now being funded on a basis which is designed to reduce gradually the unfunded accrued liability of those systems. Additionally, the City Actuary estimated that, as of June 30, 1990, there was approximately $401 million of unfunded liability on account of the non-actuarial retirement systems and supplemental pension programs for participants in these non-actuarial programs.

For further information regarding the City's pension systems see "APPENDIX B—FINANCIAL STATEMENTS—Notes to Financial Statements—Note Q".

Litigation

The following paragraphs describe certain material legal proceedings and claims involving the City and Covered Organizations other than routine litigation incidental to the performance of their governmental and other functions and certain other litigation arising out of alleged constitutional violations, torts, breaches of contract and other violations of law and condemnation proceedings. While the ultimate outcome and fiscal impact, if any, on the City of the proceedings and claims described below are not currently predictable, adverse determinations in certain of them might have a material adverse effect upon the City's ability to carry out the 1991-1994 Financial Plan. The City has estimated that its potential future liability on account of outstanding claims against it as of June 30, 1990 amounted to approximately $2.2 billion. See "SECTION VII: 1991-1994 FINANCIAL PLAN—Assumptions—*Expenditure Assumptions*—2. Other Than Personal Service ("OTPS") Costs—*Judgment and Claims*".

Taxes

1. Numerous real estate tax *certiorari* proceedings alleging overvaluation, inequality and illegality are pending against the City. In response to these actions, State legislation was enacted in December 1981 which, among other things, authorizes the City to assess real property according to four classes and provides for certain evidentiary changes in tax *certiorari* proceedings. Based on historical settlement activity, and including an estimated premium for inequality of assessment, the City estimates its potential future liability for outstanding *certiorari* proceedings to be $200 million at June 30, 1990. For a discussion of the City's accounting treatment of its inequality and overvaluation exposure, see "APPENDIX B—FINANCIAL STATEMENTS—Notes to Financial Statements—Note G".

2. On December 14, 1989, Consolidated Edison Company of New York, Inc. ("Con Edison") commenced an action in State Supreme Court, New York County, seeking a declaratory judgment that a 1989 amendment to the Real Property Tax Law, which reclassified certain property from class three, covering utility property, to class four, covering commercial and all other non-residential property, applies to utility equipment. Class four property is assessed at a lower percentage of market value and is taxed at a lower rate than class three property. If the litigation should be decided adversely to the City, Con Edison could become entitled to a refund of approximately $94 to $112 million for the 1991 fiscal year and the City's projected tax revenue from such property would be substantially reduced in future years. By decision dated November 26, 1990, the Court granted the City's motion for summary judgment. Con Edison perfected its appeal with the Appellate Division, First Department on March 14, 1991.

3. On August 30, 1990, Bankers Trust New York Corporation ("Bankers Trust") commenced a proceeding in State Supreme Court, New York County, challenging a final determination of the New York City Commissioner of Finance which denied refund of the City's banking corporation tax in the approximate amount of $4 million for the 1976 tax year and rejected Bankers Trust's argument that such tax as applied to income from Federal obligations was not permissible under Federal law. Pursuant to stipulation and the order of the Court, the matter has been transferred to the Appellate Division, First Department. If Bankers Trust were ultimately to prevail on its claim and the decision were held applicable to other financial corporations, revenues from the banking corporation tax could

be reduced and the City could become liable for substantial refunds. On March 21, 1991, the Appellate Division unanimously confirmed the determination of the Commissioner of Finance. The time period for filing an appeal has not yet expired.

Miscellaneous

1. Approximately 50 actions apparently seeking $1.5 billion in damages, one of which purports to be a class action, are pending in the State Supreme Court, New York County, against the City alleging damages arising out of a water main break and electrical blackout that occurred on August 10, 1983. On December 18, 1990, the Court dismissed all claims which sought damages for purely economic loss unaccompanied by any claim for direct physical damage. Unless reversed or modified on appeal, if any, this decrease will significantly reduce the City's potential liability. The time period for filing an appeal has not yet expired.

2. On June 20, 1988, an action was commenced in the State Supreme Court, New York County, against the City, the Landmarks Commission, the City Planning Commission and the Board of Estimate seeking rescission of the designations of numerous theatres in the midtown area of Manhattan as landmarks and alleging that the City should have performed environmental reviews prior to such designations. Plaintiffs also allege that the zoning resolution requirement for a special demolition permit for listed theatres is not statutorily authorized. In addition, the complaint seeks damages of at least $200 million to compensate the theatre owners for their alleged inability to develop their property because of the landmark designations. On December 7, 1989, the Court granted the City's motion to dismiss the complaint. On January 24, 1991, plaintiffs' appeal from this decision was argued before the Appellate Division.

3. On November 14, 1988, Kalikow 78/79 Company, a real estate partnership, commenced an action in the State Supreme Court, New York County, against the State, the City, the State Division of Housing and Community Renewal ("DHCR") and one of its officials, challenging a provision of the City's Administrative Code which prevents a landlord from obtaining a certificate of eviction permitting him to evict the tenant of a rent controlled apartment, unless DHCR finds that there is no reasonable possibility that the landlord can obtain a net annual return of 8½% of the assessed value of the property. Plaintiff alleges that the provision's use of a property's assessed value, which is fixed substantially below the purchase price or fair market value of the property, has rendered it unable to qualify for a certificate of eviction which is sought for certain properties on which plaintiff wishes to construct a new residential building. Plaintiff further alleges that application of the contested provision is irrational, arbitrary and capricious, and results in a denial of due process and a taking without just compensation in violation of the Fifth Amendment of the United States Constitution. Plaintiff seeks damages against the City in excess of $600 million. On February 2, 1990, the Court ruled that the complaint failed to state a cause of action and dismissed the complaint. On March 4, 1991, plaintiff perfected its appeal with the Appellate Division, First Department.

4. In March 1989, parties representing members of the New York City Transit Police Department (the "Transit Police") Policemen's Benevolent Association brought an action in the State Supreme Court, New York County, against the City and other defendants. Plaintiffs allege that they were fraudulently led to believe that the benefits available to them were equivalent to those benefits available to members of the New York City Police Department ("NYPD"). Plaintiffs claim that the NYPD provides additional benefits to its members, such as that of the Police Officers' Variable Supplement Fund ("PVSF"), which are not available to the members of the Transit Police. On January 24, 1990, the Court issued a memorandum decision granting the defendants' motions to dismiss the complaint. Judgment was entered on March 9, 1990 and plaintiffs filed a notice of appeal on April 6, 1990. If the plaintiffs are ultimately successful in this suit, it could result in substantial costs to the City.

5. On May 12, 1989, plaintiffs, representing former police officers who retired on either accident or ordinary disability pensions and those who retired with less than 20 years of allowable police service but with vested pension rights, filed an action in the Southern District against the City and the Boards of Trustees for the PVSF and the Police Superior Officers' Variable Supplement Fund ("SOVSF"). Plaintiffs allege in this action, as well as in a second action commenced on February 14, 1990, that because they were ineligible for benefits under either the PVSF or the SOVSF they have been deprived of equal protection of the law and of property without just compensation and without due process of law under the Fifth and Fourteenth Amendments to the United States Constitution. They also allege that their contractual rights in their pension benefits have been impaired in violation of the United States and State Constitutions. On October 9, 1990, the Court granted the City's motion to dismiss the complaint. On January 28, 1991, plaintiffs' appeal from this decision was argued before the United States Court of Appeals for the Second Circuit.

6. In an action commenced in State Supreme Court, New York County in June 1989, the Coalition for The Homeless, a not-for-profit corporation which provides services to the homeless, and certain individuals who are drug abusers, including homeless drug abusers, are challenging the adequacy of care available for persons who abuse drugs. Plaintiffs are seeking declaratory and injunctive relief requiring the defendants (various officials of the State and the City) to provide them and all other persons similarly situated with immediate treatment for drug abuse. On December 15, 1989, the Court granted the defendants' motions to dismiss the complaint. On February 19, 1991, the Appellate Division, First Department affirmed the dismissal.

7. On October 30, 1989, a lawsuit was commenced in State Supreme Court, New York County, against the City and others by 383 Madison Associates alleging, among other things, that the City's denial of plaintiff's application for a special permit to transfer development rights associated with Grand Central Terminal to a property owned by plaintiff is a taking without just compensation in violation of the United States and the State Constitutions. Plaintiff seeks declaratory and injunctive relief and damages in the amount of $480 million. The City's motion for summary judgment was argued on October 31, 1990.

8. Twenty-nine actions seeking in excess of $361 million have been commenced in State Supreme Court, New York County, against the City seeking damages for personal injuries and property damage in connection with an explosion of a Con Edison steam pipe which occurred in Gramercy Park on August 19, 1989.

9. On April 3, 1990, the New York State Court of Appeals ruled that the shelter allowance set by the New York State Department of Social Services ("DSS") for recipients of welfare through the AFDC program must bear a reasonable relation to the cost of housing. Plaintiffs, a group of New York City welfare recipients, alleged that the present shelter allowance is insufficient to meet their rent, as required by law, and therefore resulted in their actual or threatened eviction. The Court held that the New York State Social Services Law required that an adequate subsidy for housing be provided and remanded the case to the trial court to determine whether the present shelter allowance was sufficient. In a decision issued in 1988 granting plaintiffs a preliminary injunction pending a full trial, the trial court ruled that the State's shelter allowance for New York City was inadequate. The shelter allowance, while determined by the DSS, is funded by contributions from the Federal, State and City governments. The City's contribution is 25% of the total allowance. If plaintiffs are ultimately successful in seeking substantial increases in the shelter allowance, it could result in substantial costs to the City. The trial commenced on March 4, 1991 and is continuing.

In September 1990, the Supreme Court, New York County, ruled that shelter allowances for individuals who receive welfare benefits through the Home Relief program (primarily childless households and family units with both parents) must also meet the adequacy standard that applies to AFDC recipents. While Home Relief is a much smaller program than AFDC, the City pays 50% of Home Relief benefits rather than 25%, so any mandated increase in the shelter allowance would be proportionately more expensive to the City. The City has a pending motion asking the Supreme Court to vacate its ruling or to permit an immediate appeal.

10. Pursuant to regulations of the DSS, the New York City Human Resources Administration provides a limited number of medically disabled and/or physically handicapped persons with "sleep-in home attendants" who are assigned to live in the person's home on a 24-hour basis. In or about 1981, one union representing a number of sleep-in home attendants filed complaints with the New York State Department of Labor ("DOL"), alleging that they were paid below the state minimum wage for their services since they actually worked in excess of the 12 hours per day for which they were compensated. The DOL found that for the first seven months of 1981, the sleep-in attendants worked either 13 hours or, in a limited number of cases, 14½ hours per day. The City appealed to the New York State Industrial Board of Appeals ("IBA"). The IBA bifurcated the proceeding to determine, prior to any consideration of the actual number of hours worked, whether the attendants were excluded from the Minimum Wage Law. In February 1987, the IBA determined that the attendants were covered by the Minimum Wage Law. The City appealed, and on June 12, 1989, the Appellate Division, Second Department affirmed the IBA determination. Hearings on the issue of the number of hours actually worked by the attendants during the first seven months of 1981 commenced before the IBA on December 4, 1990 and are continuing.

In May 1984, the union commenced a separate but related action in the Supreme Court, New York County on behalf of a number of sleep-in attendants claiming, *inter alia,* that since 1981 the attendants were entitled to compensation for a 24-hour day and at a rate in excess of the minimum wage. That action has been stayed pending the outcome of the present proceeding before the IBA.

While the potential cost to the City of adverse determinations in the two proceedings cannot be determined at this time, such findings could result in substantial costs to the City depending on the number of hours deemed worked by particular attendants, the extent of State and Federal reimbursements, the number of attendants actually covered by a final determination and the rate of pay to be applied.

Tax Exemption

In the opinion of Brown & Wood, New York, New York, as Bond Counsel, except as provided in the following sentence, interest on the Bonds will not be includable in the gross income of the owners of the Bonds for purposes of Federal income taxation under existing law. Interest on the Bonds will be includable in the gross income of the owners thereof retroactive to the date of issue of the Bonds in the event of a failure by the City to comply with applicable requirements of the Internal Revenue Code of 1986, as amended (the "Code"), and covenants regarding use, expenditure and investment of bond proceeds and the timely payment of certain investment earnings to the United States Treasury; and no opinion is rendered as to the exclusion from gross income of the interest on the Bonds for Federal income tax purposes on or after the date on which any action is taken under the Certificate upon the approval of counsel other than Brown & Wood.

Interest on the Bonds will be exempt from personal income taxes imposed by the State or any political subdivision thereof, including the City.

Interest on the Bonds will not be a specific preference item for purposes of the Federal individual or corporate alternative minimum tax. The Code contains other provisions that could result in tax consequences, upon which Brown & Wood renders no opinion, as a result of ownership of such Bonds or the inclusion in certain computations (including without limitation those related to the corporate alternative minimum tax and environmental tax) of interest that is excluded from gross income. Interest on the Bonds owned by a corporation will be included in the calculation of the corporation's Federal alternative minimum tax liability and Federal environmental tax liability.

Ownership of tax-exempt obligations may result in collateral tax consequences to certain taxpayers, including, without limitation, financial institutions, property and casualty insurance companies, certain foreign corporations doing business in the United States, certain S Corporations with excess passive income, individual recipients of Social Security or Railroad Retirement benefits and taxpayers who may be deemed to have incurred or continued indebtedness to purchase or carry tax-exempt obligations. Prospective purchasers of the Bonds should consult their tax advisors as to applicability of any such collateral consequences.

Legislation affecting municipal bonds is constantly being considered by the United States Congress. There can be no assurance that legislation enacted or proposed after the date of issuance of the Bonds will not have an adverse effect on the tax-exempt status or market price of the Bonds.

Ratings

Standard & Poor's has rated the Fixed Rate Bonds A– and has rated the Adjustable Rate Bonds AA/A-1+ based upon the understanding that, upon delivery of such Adjustable Rate Bonds, such Adjustable Rate Bonds will be entitled to the benefits of the Credit Facility. Moody's has rated the Fixed Rate Bonds Baa1. The City expects that the rating on the Adjustable Rate Bonds by Moody's will be received on or prior to March 28, 1991 and that such rating will be based on the Credit Facility. Such ratings reflect only the views of Standard & Poor's and Moody's from which an explanation of the significance of such ratings may be obtained. There is no assurance that either or both of such ratings will continue for any given period of time or that either or both will not be revised downward or withdrawn entirely. Any such downward revision or withdrawal could have an adverse effect on the market prices of the Bonds.

On February 4, 1991, Standard & Poor's removed the City's outstanding general obligation bonds from CreditWatch. Standard & Poor's noted that "while the [C]ity's economy is not expected to return to the high level of activity of the 1980s in the foreseeable future, [Standard & Poor's] does not expect the disastrous losses of the past two years to continue." On March 22, 1991, Standard & Poor's stated that "it is critical that the [City's] gap closing measures be put into place immediately as time is rapidly moving events away from the [C]ity's direct control," and noted that Standard & Poor's rating outlook continues to be negative. On February 11, 1991, Moody's downgraded the City's general obligation bonds from A to Baa1. Moody's stated that uncertainties affecting the City include those "resulting from economic vulnerabilities and the [C]ity's exposure to the [S]tate's own budget deliberations" and those "resulting from the difficulties inherent in implementing significant expenditure reductions and revenue increases."

In 1975, Standard & Poor's suspended its A rating of City bonds. This suspension remained in effect until March 1981, at which time the City received an investment grade rating of BBB from Standard & Poor's. On July 2, 1985, Standard & Poor's revised its rating of City bonds upward to BBB+ and on November 19, 1987, to A–. Moody's ratings of City bonds were revised in November 1981 from B (in effect since 1977) to Ba1, in November 1983 to Baa, in December 1985 to Baa1, in May 1988 to A and again in February 1991 to Baa1.

Underwriting

The Bonds are being purchased for reoffering by the Underwriters named on the cover page at an aggregate purchase price of $64,825,167. The aggregate initial public offering price is $65,000,000. The Contract of Purchase provides that the Underwriters will purchase all of the Bonds if any are purchased.

Certain of the Underwriters hold substantial amounts of City and MAC bonds and may, from time to time during and after the offering of the Bonds to the public, purchase and sell City bonds and notes (including the Bonds) and MAC bonds for their own accounts or for the accounts of others, or receive payment or prepayments thereon.

Legal Opinions

The legality of the authorization and issuance of the Bonds will be covered by the approving legal opinion of Brown & Wood, New York, New York, Bond Counsel to the City. Reference should be made to the form of such opinion set forth in Appendix E hereto for the matters covered by such opinion and the scope of Bond Counsel's engagement in relation to the issuance of the Bonds. Such firm is also acting as counsel for and against the City in certain other unrelated matters.

Certain legal matters will be passed upon for the City by its Corporation Counsel.

Lord Day & Lord, Barrett Smith, New York, New York, Special Counsel to the City, will pass upon certain legal matters in connection with the preparation of this Official Statement. A description of those matters and the nature of the review conducted by that firm is set forth in its opinion and accompanying memorandum which are on file at the office of the Corporation Counsel.

Certain legal matters will be passed upon by Rogers & Wells, New York, New York, Counsel for the Underwriters. Such firm is also acting as counsel for and against the City in certain other unrelated matters.

Financial Advisor

The City retains Public Resources Advisory Group ("PRAG") to act as financial advisor, and P.G. Corbin & Company, Inc. to act as co-financial advisor, with respect to the City's financing program. PRAG is acting as financial advisor for the issuance of the Bonds.

Further Information

The references herein to, and summaries of, Federal, State and local laws, including but not limited to the State Constitution, the Financial Emergency Act, the Moratorium Act, the MAC Act and the City Charter, and documents, agreements and court decisions, including but not limited to the Financial Plans, are summaries of certain provisions thereof. Such summaries do not purport to be complete and are qualified in their entirety by reference to such acts, laws, documents, agreements or decisions, copies of which are available for inspection during normal business hours at the office of the Corporation Counsel.

Neither this Official Statement nor any statement which may have been made orally or in writing shall be construed as a contract or as a part of a contract with the original purchasers or any holders of the Bonds.

THE CITY OF NEW YORK

By /s/ DAVID N. DINKINS
DAVID N. DINKINS, *Mayor*

By /s/ BRIAN T. BAXTER
BRIAN T. BAXTER, *Acting Comptroller*

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ECONOMIC AND SOCIAL FACTORS

This section presents information regarding certain of the major economic and social factors affecting the City. All information is presented on a calendar-year basis unless otherwise indicated. The data set forth are the latest available. Sources of information are indicated in the text or immediately following the charts and tables. Although the City considers the sources to be reliable, the City made no independent verification of the information presented herein and does not warrant its accuracy.

Economic Activity, 1969-1990

For at least a decade prior to the end of the fiscal crisis in the mid-seventies, New York City's economy lagged behind the nation, as evidenced by certain of the broad economic indicators. The City's economy improved after the crisis and through 1987 certain of the key economic indicators posted steady growth.

From 1969 to 1976, New York City's population and employment fell, while both expanded nationally. Personal income increased sluggishly (5.4% annually) and fell below the national growth (9.4% annually). Real per capita personal income remained unchanged while increasing 2 percent annually for the nation. As a result, by 1976, real per capita personal income in the City was only 7 percent above the national level, compared to 22 percent above the national level in 1969.

After 1976, the economic indicators started to improve although total employment levels did not increase until 1978, because of the reductions of City government workers in 1977. Personal income growth since 1976 has been close to the national growth. Real per capita personal income growth since 1976 increased at an average annual rate of 1.7 percent, outpacing that of the nation which grew by 1.5 percent during 1977-1988.

Trends of Major Economic Indicators 1969-1990

	Levels				Average Annual Percent Change		
	1969	1976	1987	1990	1969-76	1976-87	1987-90
NYC							
Population(1) (millions)	7.9	7.4	7.3	7.3	(0.8)	(0.1)	0.0
Employment(2) (millions)	3.8	3.2	3.6	3.6	(2.4)	1.1	0.0
Personal Income(3) (billions)	$38.6	$58.1	$131.4	N/A	5.4	8.8	N/A
Real Per Capita Personal Income(4)	$12,757.4	$12,871.1	$15,254.2	N/A	0.1	1.6	N/A
United States							
Population(1) (millions)	202.8	218.1	244.0	249.6	1.0	1.0	0.8
Employment(2) (millions)	70.4	79.4	102.2	110.3	1.7	2.3	2.6
Personal Income(3) (billions)	$773.0	$1,451.4	$3,777.6	N/A	9.4	9.1	N/A
Real Per Capita Personal Income(4)	$10,385.9	$11,695.5	$13,616.5	N/A	1.8	1.5	N/A

(1) 1970, 1980 and 1990 figures are based on final census count. All other years are estimates. Source: U.S. Department of Commerce, Bureau of the Census.
(2) Payroll employment based on Bureau of Labor Statistics ("BLS") establishment survey. Source: U.S. Department of Labor, Bureau of Labor Statistics and New York State Department of Labor, Division of Research and Statistics.
(3) In current dollars. Income by place of residence. Source: U.S. Department of Commerce, Bureau of Economic Analysis.
(4) In average dollars for 1982-1984.

Population Characteristics

New York City has been the most populous city in the United States since 1810. The City's population is almost as large as the combined population of the next three most populous cities in the United States.

The population of the City grew steadily through 1950, remained relatively stable between 1950 and 1970 and declined substantially, for the first time in its history, during the 1970's. The Bureau of the Census estimates moderately increasing population for the City since the 1980 census results.

Population of New York City

Distribution of Population By County (Borough)

Year	Total Population	1970-100	Bronx (The Bronx)	Kings (Brooklyn)	New York (Manhattan)	Queens (Queens)	Richmond (Staten Island)
1960	7,781,984	98.6	1,424,815	2,627,319	1,698,281	1,809,578	221,991
1970	7,895,563	100.0	1,471,701	2,602,012	1,539,233	1,987,174	295,443
1980(1)	7,071,639	89.6	1,168,972	2,231,028	1,428,285	1,891,325	352,029
1984(2)	7,223,100	91.5	1,181,500	2,278,300	1,467,300	1,928,900	367,100
1985(2)	7,260,900	92.0	1,190,600	2,291,100	1,477,700	1,930,800	370,700
1986(2)	7,322,100	92.7	1,209,600	2,310,800	1,494,200	1,933,100	374,400
1987(2)	7,345,000	93.0	1,222,800	2,313,300	1,501,900	1,929,900	377,100
1988(2)	7,352,700	93.1	1,223,400	2,314,300	1,509,900	1,925,100	380,000
1990(1)	7,322,564	92.7	1,203,789	2,300,664	1,487,536	1,951,598	378,977

(1) Final census count, which may reflect an under count of a significant number of persons and is subject to modification as a result of certain litigation with the Census Bureau.
(2) 1984-1988 based on midyear population estimate of the Bureau of the Census as of September 1989.

Note: Does not include an undetermined number of undocumented aliens.

Sources: U.S. Department of Commerce, Bureau of the Census.

The following table sets forth the distribution of the City's population by age between 1960 and 1980.

Distribution of Population by Age
(In Thousands)

Age	1960		1970		1980	
		% of Total		% of Total		% of Total
Under 5	687	8.8	616	7.8	471	6.7
5 to 17	1,478	19.0	1,619	20.5	1,295	18.3
18 to 24	663	8.5	889	11.3	826	11.7
25 to 34	1,056	13.6	1,076	13.6	1,203	17.0
35 to 44	1,071	13.8	916	11.6	834	11.8
45 to 64	2,013	25.9	1,832	23.2	1,491	21.1
65 and Over	814	10.4	948	12.0	952	13.4

Source: U.S. Department of Commerce, Bureau of the Census

The age distribution of the City's population has undergone major changes since 1960 and now differs from that of the nation. The City has been steadily losing its middle-aged population (ages 35 to 64) and the very young (under age 5). However, these losses have been offset partially by increases among the elderly (ages 65 and over) and young adults (ages 18 to 34). Recently, the City has experienced a decline in its school age population (ages 5 to 17) as a result of a declining birth rate and the maturing of the post-war "baby boom" generation. By 1980, only 28.1 percent of the population of the City was age 19 or under, as compared to 32.0 percent nationally, and the elderly constituted 13.4 percent of the City population, as compared to 11.3 percent nationally.

Employment Trends

The New York City non-agricultural payroll employment series derived from the Establishment Survey, and the employment series derived from the Current Population Survey are constructed using significantly different estimation techniques that are not comparable. Trends in both measures of City employment are presented below.

Non-Agricultural Payroll Employment: Establishment Survey

Non-agricultural payroll employment trends in the City are shown in table below.

CHANGES IN PAYROLL EMPLOYMENT IN NEW YORK CITY
(In Thousands)

Sector	Peak Employment(1) Year	Peak Employment(1) Level	Average Annual Employment 1985	1986	1987	1988	1989	1990
Private Sector								
Non-Manufacturing	1989	2645.9	2522.6	2574.8	2629.3	2638.3	2645.9	2633.8
Services(2)	1990	1163.3	1038.5	1076.2	1108.5	1123.1	1147.2	1163.3
Wholesale and Retail trade	1969	749.1	638.1	638.5	637.6	634.3	630.2	605.5
Finance, Insurance and Real Estate	1987	549.7	507.6	529.3	549.7	542.4	530.2	516.9
Transportation and Public Utilities	1969	323.9	232.0	217.3	214.9	218.4	217.5	225.1
Contract Construction	1962	139.1	106.3	113.7	118.8	120.1	120.9	112.9
Mining	1967	2.5	1.2	0.8	0.7	0.5	0.4	0.3
Manufacturing	1960	946.8	407.7	391.5	379.6	370.1	359.5	337.5
Durable	1960	303.6	112.2	106.5	100.0	97.7	94.3	88.4
Non-Durable	1960	643.2	295.5	285.0	279.6	272.4	265.2	249.1
Government(3)	1990	608.3	556.6	573.5	580.4	596.1	601.5	608.3
Total Non-agricultural	1969	3797.7	3488.1	3540.6	3590.0	3605.0	3607.3	3569.9

RECENT MONTHLY TRENDS
(Total Payroll Employment in Thousands)

Year	Jan	Feb	Mar	Apr	May	June	July	Aug	Sept	Oct	Nov	Dec
1984	3366.6	3383.6	3412.7	3417.1	3435.1	3451.0	3435.5	3414.7	3446.2	3464.6	3482.6	3496.0
1985	3427.3	3439.6	3462.5	3464.1	3485.6	3483.9	3487.4	3495.0	3491.7	3512.8	3547.6	3559.1
1986	3480.5	3492.2	3524.0	3525.0	3536.9	3552.5	3543.9	3535.3	3544.0	3566.5	3585.2	3600.7
1987	3523.3	3537.8	3568.5	3577.9	3588.6	3610.6	3582.0	3584.5	3588.7	3615.3	3641.1	3661.8
1988	3557.8	3575.3	3609.4	3603.9	3603.8	3625.1	3578.3	3583.0	3595.4	3611.2	3651.4	3665.0
1989	3566.9	3584.6	3611.2	3617.3	3621.8	3640.8	3591.5	3583.4	3593.2	3599.8	3621.8	3655.3
1990	3553.7	3560.6	3586.1	3576.3	3600.3	3606.4	3553.9	3550.1	3556.7	3564.3	3567.3	3562.7

(1) For the period 1960 through 1990.
(2) "Services" includes miscellaneous establishments. Data for 1981 to present include a phased in addition of family care attendants employed by social service agencies who previously were hired directly by the individual receiving such services and who were therefore excluded by definitional reasons from tabulations in prior years.
(3) Excludes military establishments.

Note: Details may not add up to totals due to rounding. Payroll employment is based upon reports of employer payroll data ("establishment data"), which exclude the self-employed and workers employed by private households or agriculture, forestry and fishery.

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

Until 1969, total employment in the City was gradually expanding. It reached a peak of 3,797,700 in 1969, an increase of 9.5 percent over the figure for 1950. This gradual increase was the product of several trends which involved changes in the structure of employment in the City.

While total employment was generally increasing until 1969, employment in manufacturing and mining and contract construction peaked before 1969.

Growth in employment between 1960 and 1969, which amounted to 259,300, an increase of 7 percent, was concentrated in three sectors: finance, insurance and real estate ("FIRE"), services and government. Between 1960 and 1969, these sectors created over 400,000 new jobs and grew 21 percent for finance, 28 percent for services and 34 percent for government. Although these growth rates were substantial, they did not keep pace with the national rate of growth for the same sectors. During the 1960's, the long-term decline in manufacturing accelerated and 121,000 manufacturing jobs, or nearly 13 percent, were lost during the decade. Steep losses continued in the apparel and food processing industries, and the decline in nondurable industries spread to durable industries. By 1969, over 32,000 jobs had also been lost in contract construction from the peak 1962 employment level, a decline of almost 24 percent.

After 1969, the moderate upward trend in the City was reversed as it experienced disproportionally adverse effects from the national recessions of 1969-1970 and 1974-1975 and lagged behind during the subsequent national recoveries. Between 1969 and 1977, the City lost 609,800 jobs, a decline of 16.1 percent. A loss of 287,000 jobs in the manufacturing sector accounted for nearly half of the City's total employment loss during the period. Declines also occurred in every major industry sector other than services, including losses of 129,000 in trade, 66,000 in transportation and public utilities, 50,000 in FIRE, and 42,000 in construction.

Employment trends in the City began to rebound during the final quarter of 1977, and continued to increase each year through March 1982. In the second half of 1982, the City's economy began to feel the effects of the national recession, and the City experienced its first job loss following four consecutive years of job gains. During 1983, the City economy began to recover from the recession with employment growth in each sector other than manufacturing and transportation and public utilities.

From the approximate end of the fiscal crisis in 1977 until 1989, total payroll employment increased by 419,375. Employment growth was concentrated in the finance and service sectors, particularly business and professional services. In addition to growth in local government sectors, construction employment increased, based on a resurgence of commercial office building and hotel construction. These gains offset continued employment losses in the manufacturing and trade sectors. The City's private sector basically showed no net gain in employment in 1988.

Based on latest data, total average payroll employment in the City increased by 2,330 in 1989 over 1988. During this period, the only notable employment increases occurred in services and government. Employment data for 1990 indicates a decrease of 37,430 jobs over 1989.

Employment, Labor Force and Unemployment: Current Population Survey

Changes in the employment status of the City's resident labor force are shown in the following table.

Employment Status of the Resident Population of New York City

	Civilian Labor Force			Labor Force Participation Rate(1)		Unemployment Rate(2)	
Year	Total	Employed	Unemployed	New York City	United States	New York City	United States
	(In Thousands)						
1982	3,093	2,798	296	55.2%	64.0%	9.6%	9.7%
1983	3,047	2,759	288	53.8	64.0	9.4	9.6
1984	3,081	2,806	275	53.9	64.4	8.9	7.5
1985	3,227	2,965	261	56.1	64.8	8.1	7.2
1986	3,220	2,983	237	55.5	65.3	7.4	7.0
1987	3,244	3,058	186	55.6	65.6	5.7	6.2
1988	3,194	3,037	157	54.9	65.8	N/A	5.5
1989(3)	3,441	3,201	240	58.8	66.4	7.0	5.3
1990	3,339	3,111	228	57.0	66.4	6.8	5.5

Recent Monthly Trends

Unemployment

Year	Jan	Feb	Mar	Apr	May	June	July	Aug	Sept	Oct	Nov	Dec
1985	8.2%	9.6%	9.0%	9.1%	8.4%	7.4%	6.9%	7.7%	8.1%	8.4%	7.3%	7.1%
1986	7.3	8.4	7.9	8.7	7.9	7.3	7.9	6.9	6.6	6.9	6.1	6.2
1987	7.4	6.0	5.8	5.2	5.4	6.0	6.0	5.1	4.5	5.8	6.6	5.0
1988(3)	5.3	4.2	4.6	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
1989(3)	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	6.5	7.0
1990	7.0	6.5	6.8	5.9	6.9	6.0	7.2	6.2	7.9	7.7	7.4	6.3
1991	7.4	7.3										

(1) Percentage of civilian non-institutional population, age 16 and over, in labor force, employed or seeking employment.

(2) Percentage of civilian labor force unemployed: excludes those persons unable to work and discouraged workers (i.e., persons not actively seeking work because they believe no suitable work is available).

(3) From April 1988 through October 1989, the monthly Current Population Survey was discontinued. The annual 1989 employment information for the City represents year-end (December) data.

Note: Monthly and semi-annual data are not seasonally adjusted. Because these estimates are based on a sample rather than a full count of population, these data are subject to sampling error. Accordingly, small differences in the estimates over time should be interpreted with caution. The Current Population Survey includes wage and salary workers, domestic and other household workers, self-employed persons, and unpaid workers who work 15 hours or more during the survey week in family businesses.

Source: U.S. Department of Labor, BLS.

The City's labor force participation rate has remained below that of the nation between 1977 and 1990. The participation rate of City residents in the labor force from 1983 through 1988 was significantly lower than the national rate reflecting a greater number of the City's working age population not actively seeking employment.

The unemployment rate in the City was lower than the nation's during the national economic recession of 1981-1982 and also in 1983. In 1984, the City's unemployment rate fell, but the national rate fell more sharply resulting in the City's rate becoming higher than the nation. In 1987, after four years, the City's rate fell below the nation's reflecting relative strength of the economy, a tight labor market, and a slowly growing labor force.

From January 1988 through October 1989, the U.S. BLS did not release the monthly series on the New York City resident labor force and unemployment, which was based on the Current Population Survey. Based on a Year End Report, the City unemployment rate for the first ten months of 1989 was 5.5%. The series has been resumed as of November 1989. The New York City annual unemployment rate for 1990 was 6.8%, which was significantly higher than the 1990 U.S. unemployment rate of 5.5%.

Income

While per capita personal income for City residents, unadjusted for the effects of inflation and the differential in living costs, has increased in recent years and remains higher than the average for the United States, it fell from 1950 through 1979 as a proportion of both the national and New York metropolitan area levels. This relative decline in per capita income of City residents was partially because the incomes of households moving into the City were substantially lower than those of departing households, which relocated mostly to the City's suburbs. Because of the higher concentration of income derived from interest, dividends and rent in New York City, the relative growth in per capita income of City residents was higher than for the nation as a whole between 1981-1984. Relatively little change in per capita income of City residents occurred in 1985 as compared to the nation. However, recent figures indicate a resurgence in per capita income for City residents.

PERSONAL INCOME IN NEW YORK CITY (1)

	Personal Income			Per Capita Personal Income					
	NYC Total	Average Annual % change			Average Annual % change		New York City as a percent of		
Year	(In Billions)	NYC	U.S.(2)	NYC	NYC	U.S.(2)	U.S.(2)	Suburban Counties(3)	Metropolitan Area(4)
1983	$ 99.4	8.3%	6.3%	$13,860	7.4%	5.4%	114.6%	82.9%	93.0%
1984	109.3	10.0	9.5	15,136	9.2	8.4	115.4	82.1	92.9
1985	116.1	6.1	7.0	15,983	5.6	6.0	115.0	80.7	92.4
1986	123.0	6.0	6.0	16,798	5.1	5.0	115.1	79.1	92.1
1987	131.4	6.8	7.1	17,883	6.5	6.0	115.6	77.1	91.4
1988	141.4	7.6	7.6	19,229	7.5	6.6	116.6	76.8	91.0

(1) In current dollars. Personal Income is a place of residence measure of income which includes wages and salaries, other labor income, proprietors' income, personal dividend income, personal interest income, rental income of persons, and transfer payments.
(2) Excludes income earned abroad.
(3) Suburban Counties consists of the counties of Nassau, Putnam, Rockland, Suffolk, and Westchester in New York State.
(4) Based on Standard Metropolitan Statistical Area ("SMSA") which includes New York City, Putnam, Rockland, Westchester and Bergen counties.

Sources: U.S. Department of Commerce, Bureau of Economic Analysis and the Bureau of the Census.

Sectoral Distribution of Employment and Income

Data on the sectoral distribution of employment and income reflect a growing concentration of FIRE and services employment and a shrinking manufacturing base in the City relative to the nation. Within FIRE and services, the expanding trend is especially more marked in finance, business and related professional services. FIRE and services employment constituted over 46 percent of total employment in 1989 (31 percent nationally) up from 38 percent in 1977 (24 percent nationally). On the other hand, the share of manufacturing employment in the City declined to 10 percent in 1989 (18 percent nationally) from 17 percent in 1977 (24 percent nationally). The FIRE and services sectors added 470,700 jobs and manufacturing lost about 172,000 jobs during 1977 through 1988.

There are important implications of this structural shift from the manufacturing to the FIRE and services sectors. First, it has increased the overall income and tax revenue generating capacity for the City, because average employee income in finance and related business and professional services has been considerably higher than in manufacturing. Although the employment share of the FIRE sector increased by 2 percentage points, during 1977-1989, its earnings share increased by about 9 percentage points, which reflects its high per employee income. Second, this shift has also been favorable for the City because the finance and services sectors have recently been less prone to recession than the manufacturing sector. This stabilizing effect has been beneficial for budgetary and long-term economic planning. In contrast, the past benefits from the FIRE and services sectors do not ensure that future developments will remain beneficial. A sudden shock in the financial industry (the October 1987 stock market crash is an example) would have a disproportionally adverse effect on the City's employment and income relative to the nation. Payroll employment data indicates that through December 1990 the City's FIRE sector lost 46,000 jobs since the crash, significantly offsetting the employment gains in other sectors. The employment losses in Wall Street are not discernible in the US employment figures. Finally, because of the shrinking manufacturing base, the City will not benefit significantly from a national upturn in manufacturing, a recent trend resulting from the falling value of the dollar.

SECTORAL DISTRIBUTION OF EMPLOYMENT AND EARNINGS(1)

	Employment				Earnings(2)			
	1977		1990		1977		1988	
Sector	NYC	U.S.	NYC	U.S.	NYC	U.S.	NYC	U.S.
Private Sector								
Non-Manufacturing	67.2%	57.8%	73.5%	66.1%	70.7%	56.7%	78.4%	63.3%
Services(3)	24.6	18.5	32.6	26.0	26.0	19.6	31.1	25.0
Wholesale and Retail trade	19.5	22.5	17.0	23.7	16.7	16.6	13.0	16.4
Finance, Insurance and Real Estate	13.0	5.4	14.5	6.2	14.4	5.6	23.0	7.4
Transportation and Public Utilities	8.1	5.7	6.3	5.3	11.2	7.5	7.0	6.9
Contract Construction	2.0	4.7	3.2	4.7	2.3	5.9	3.8	6.5
Mining	0.0	1.0	0.0	0.7	0.1	1.5	0.1	1.1
Manufacturing	16.9	23.9	9.5	17.3	15.6	26.1	8.8	20.7
Durable	5.1	14.1	2.5	10.1	4.5	16.6	2.1	13.1
Non-Durable	11.8	9.8	7.0	7.2	11.1	9.5	6.8	7.7
Government(4)	15.9	18.3	17.0	16.6	13.7	17.2	12.8	16.0
Total Non-agricultural	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0

(1) The sectoral distributions are obtained by dividing each industry's employment or earnings by total non-agricultural employment or earnings.

(2) Includes the sum of wage and salary disbursements, other labor income, and proprietors' income. The latest information available for New York City is 1988 preliminary data.

(3) Services includes miscellaneous establishments.

(4) Excludes military establishments.

Source: The two primary sources of employment and earnings information are U.S. Dept. of Labor, BLS, and U.S. Dept. of Commerce, Bureau of Economic Analysis ("BEA"), respectively.

Consumer Prices

The following table presents information on consumer price trends for the New York-Northeastern New Jersey and four other metropolitan areas, and the nation.

CHANGES IN CONSUMER PRICE INDEX: SELECTED AREAS

	All Items—Urban Areas Percent Increase Over Prior Year												
Area(1)	1970	1975	1980	1981	1982	1983	1984	1985	1986	1987	1988	1989	1990
New York-NE. N.J.(2)	7.4	7.6	11.3	9.8	5.8	4.7	5.0	3.7	3.3	5.1	4.9	5.6	6.1
Philadelphia, Pa.-N.J.	6.8	8.3	13.1	10.2	4.9	2.9	4.7	4.5	2.5	4.8	4.8	4.8	5.9
Chicago, Ill.-Northwestern Ind.	5.7	7.9	14.4	9.6	6.8	4.0	3.8	3.8	2.1	4.1	3.9	5.1	5.4
Detroit, Mich.	6.2	7.4	15.9	9.3	4.1	2.9	3.5	3.5	1.4	3.3	4.0	5.3	5.2
L.A.-Long Beach, Anaheim, Calif.	5.2	10.6	15.8	9.7	6.0	1.8	4.6	4.6	3.3	4.2	4.6	5.1	5.9
U.S. city average	5.9	9.1	13.5	10.4	6.1	3.2	4.4	3.6	1.9	3.7	4.1	4.8	5.4

(1) Area is generally the SMSA, exclusive of farms. L.A.-Long Beach, Anaheim, Calif. is a combination of two SMSA's, and N.Y., N.Y.-Northeastern N.J. and Chicago, Ill.-Northwestern Ind. are the more extensive Standard Consolidated Areas. Area definitions are those established by the U.S. Office of Management and Budget in 1973. Cities in the respective areas had a population of one million or more according to 1980 census.

(Footnotes continued on following page)

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(2) Since January 1987, the New York area coverage has been expanded. The New York-Northeastern New Jersey area comprises the five boroughs of New York City, Nassau, Suffolk, Westchester, Rockland, Putnam, and Orange Counties in New York State; Bergen, Essex, Hudson, Hunterdon, Middlesex, Monmouth, Morris, Ocean, Passaic, Somerset, Sussex, and Union counties in New Jersey; and Fairfield County and parts of Litchfield and New Haven Counties in Connecticut.

Source: U.S. Department of Labor, BLS.

By Expenditure Class

Expenditure Class	Annual Average % Increase 1980-90 U.S.	Annual Average % Increase 1980-90 New York-NE. N.J.	% Increase 1990 U.S.	% Increase 1990 New York-NE. N.J.	% Increase January 1991 over January 1990 U.S.	% Increase January 1991 over January 1990 New York-NE. N.J.
All Items	4.8	5.4	5.4	6.1	5.7	5.8
Food and Beverages	4.3	5.1	5.7	5.7	4.5	4.7
Housing	4.8	5.6	4.5	5.6	4.7	5.4
Apparel and Upkeep	3.2	2.8	4.6	6.9	6.1	3.5
Transportation	3.9	4.2	5.6	5.7	7.1	8.0
Medical Care	8.1	8.4	9.1	10.7	9.7	10.3
Entertainment	4.7	5.2	4.7	4.7	4.3	4.3
Other Goods and Services	7.8	8.3	7.6	8.0	8.1	7.5

Note: Monthly data are not seasonally adjusted.
Source: U.S. Department of Labor, BLS.

Historically the New York Area inflation rate does not conform very well with the national inflation rate. Since 1960, the difference in the New York Area rate from the national rate varied from 1.6 percentage points higher in 1970 to 2.6 percentage points lower in 1979. Prices in the metropolitan area rose at a rate higher than the national inflation rate during the periods 1960-1966, 1968-1972 and 1983-present. During 1967 and the period 1973-1982, prices in the area rose either at par with or more slowly than the nation and many of the 27 metropolitan areas for which CPI data are maintained.

For most of 1983 and 1984, the nation as well as each of the five metropolitan areas containing central cities with populations of one million or more had inflation rates lower than the New York Area. During 1985, the New York Area rate decreased to about the median level of those reported for the five metropolitan areas and was running very close to the national rate. The local area inflation rate accelerated in 1986 and stood highest among the reported metropolitan areas in 1987. The rate of inflation in the New York Area as well as the nation started to edge up moderately since March of 1988, after a brief deceleration early in the year. In January 1991, the New York Area rate was 5.8 percent higher and the U.S. rate was 5.7 percent higher than the CPI for January 1990. Much of the January upturn for the City is attributed to an increase in federal excise taxes on tobacco products and alcoholic beverages, an increase in shelter costs, reflecting a price surge in out-of-town lodging, and continued escalation of medical care costs.

Public Assistance

Between 1960 and 1972, the number of persons in the City who were recipients of some form of public assistance more than tripled from 324,200 to 1,265,300. The bulk of the long-term increase occurred in the Aid to Families with Dependent Children ("AFDC") program, which more than quadrupled during that period.

Between 1972 and 1982, the number of recipients, including those in the Supplemental Security Income ("SSI") program, declined fairly steadily, except for temporary increases noted in 1975 and 1976, when the City was experiencing the effects of a national recession. From 1983 until 1987, the number of recipients increased, reflecting lingering effects of the 1982 recession. While figures for 1988 and 1989 indicate a decrease in public assistance recipients, the number of recipients has increased throughout 1990.

Public assistance and SSI recipients rose as a proportion of total City population from 4.2% in 1960 to 16.5% in 1975. Between 1975 and 1985, that proportion decreased to 15.8% of total population.

The following table sets forth the number of persons receiving public assistance in the City.

PERSONS RECEIVING PUBLIC ASSISTANCE IN NEW YORK CITY
(Annual Averages in Thousands)

Year (1)	Total	Average Annual Change (%)	Home Relief	AFDC	AFDC Unemployed Parent
1983	889.0	4.4	148.0	720.9	20.2
1984	918.7	3.3	162.5	735.3	20.8
1985	926.1	0.8	174.0	731.1	21.0
1986	911.5	−1.6	174.3	717.6	19.6
1987	871.5	−4.4	162.0	694.2	15.3
1988	840.1	−3.6	155.8	671.2	13.0
1989	817.9(2)	−2.6	149.3	642.0	12.0
1990	858.3(3)	4.9	139.7	641.4	12.8

(1) Figures do not include aged, disabled or blind persons who were transferred from public assistance to the SSI program, which is primarily Federally funded. According to the U.S. Department of Health and Human Services, the SSI program supported, as of December of each year, a total of 227,068 persons in 1979; 223,934 persons in 1980; 217,274 persons in 1981; 207,484 persons in 1982; 206,330 persons in 1983; 211,728 persons in 1984; 217,852 persons in 1985; 223,404 in 1986 and 227,918 in 1987.

(2) Figure includes an average of approximately 14,600 persons receiving public assistance as predetermination grant recipients pending AFDC eligiblity.

(3) Figure includes an average of approximately 64,500 persons receiving public assistance as predetermination grant recipients pending AFDC eligibility.

Note: Due to a change in statistical measurements, the decline in public assistance recipients for 1987 may be slightly overstated.

RECENT MONTHLY TRENDS
(Total Recipients In Thousands)

Year	Jan.	Feb.	Mar.	Apr.	May	June	July	Aug.	Sept.	Oct.	Nov.	Dec.
1983	872.7	867.9	881.6	882.8	885.7	887.7	886.8	894.3	894.3	901.5	901.0	912.0
1984	908.9	911.0	914.4	922.9	931.3	927.9	920.8	918.5	910.3	921.2	917.7	919.1
1985	923.9	921.0	931.2	935.7	924.5	925.1	925.8	930.5	922.6	927.6	922.0	922.9
1986	920.2	917.8	918.9	919.7	916.5	913.0	915.6	906.8	904.9	907.8	897.6	898.9
1987	894.8	890.1	893.9	894.0	889.5	885.9	873.5	859.3	854.0	845.2	831.2	847.0
1988	839.4	852.2	856.3	865.1	852.6	846.3	838.9	836.3	826.2	825.9	820.1	822.3
1989	813.4	816.2	821.1	816.7	815.3	815.0	813.0	820.7	817.8	825.1	824.3	823.0
1990	823.6	827.6	839.0	841.7	849.7	859.6	859.8	871.4	871.7	880.2	883.1	892.3
1991	895.9											

Note: Due to a change in statistical measurements, the figures for 1987 may be slightly overstated.

Source: The City of New York, Human Resources Administration, Office of Budget and Fiscal Affairs, Division of Statistics.

Economic Base

The City has a highly diversified economic base, and sustains a substantial volume of business activity in the service activity, wholesale and retail value, and manufacturing.

The largest aggregate of economic activity in the City is the corporate headquarters complex, together with ancillary services. The City is the location of a large number of major corporate headquarters, and is the leading center for corporate services, such as commercial and investment banking, law, accounting and advertising. While the City experienced a substantial number of business relocations during the previous decade, the number of relocations declined significantly after 1976, although declines in front office employment continued. During 1977 and 1982, employment rebounded, primarily in the banking and securities industry. Most of the corporations which relocated moved to sites within the City's metropolitan area, and continue to rely in large measure on services provided by businesses which are still located in the City.

The City is a leading center for the banking and securities industry, life insurance, communications, publishing, fashion design and retailing, among other fields. The City is a major seaport and focal point for international business. Many of the major corporations headquartered in the City are multinational in scope and have extensive foreign operations. Numerous foreign-owned companies in the United States are also headquartered in the City. These firms, which have increased in number substantially over the past decade, are found in all sectors of the City's economy, but are concentrated in trade, manufacturing sales offices, tourism and finance. Foreign banking activities have increased significantly since the early 1970's and have continued to grow rapidly through the 1980's. Real estate dollar value purchases in the United States disclosed by foreigners are heavily concentrated in the City in terms of dollar value. The City is the location of the headquarters of the United Nations, and several affiliated organizations maintain their principal offices in the City. A large diplomatic community exists in the City to staff the 157 missions to the United Nations and the 88 foreign consulates.

Manufacturing, while no longer dominant in the City's economy, remains a major economic activity, and the City is a leading production center, particularly in the apparel and printing and publishing sector. Nationally, the City is one of the largest employment centers for manufacturing, and New York County ranked among the top 25 counties in the United States in the value of manufacturing shipments during 1987.

A major world center for culture and the arts, the City is the nation's leading tourist center, and tourism is a major revenue producing industry in the City. In 1979, the City hosted a record number of tourist and business visitors, 17.5 million, who injected nearly $2.3 billion into the local economy and filled the City's hotels to 81 percent of capacity. During 1982, tourism declined slightly but rebounded during 1983 and 1984. Tourism was down slightly in 1985, but up significantly during 1986. Despite current economic conditions worldwide, tourism continues as one of the City's major economic strengths. Based on revised estimates, during 1988, 25.5 million people visited the City, a sharp rise over 1987. Visitors spent a total of $9.76 billion, a 9.7 percent increase from 1987. A significant rise in overseas visitor business occurred, with the number of foreign visitors increasing to almost 4.6 million in 1988, a 15 percent increase from 1987. Overseas visitors continued to increase for the fourth consecutive year after three years of declines in visitor business from abroad. The number of conventions increased to 973 in 1988 from 965 in 1987, and the number of delegates attending stood at 3.0 million in 1988. In 1989, the hotel occupancy rate in the City was 74.5 percent, a decrease from the 1988 rate.

Number of Visitors and Hotel Occupancy Rate in New York City

Year	Visitors(1) (In Millions)	Hotel Occupancy Rate(2) Annual Average of Monthly Rates
1980	17.1	78.4%
1981	17.0	72.8
1982	16.9	69.7
1983	17.1	71.9
1984	17.2	75.1
1985	17.1	72.2
1986	17.4	76.0
1987	19.8*	76.2
1988	25.5*	76.7
1989	25.3*	74.5
1990	N/A	72.6

(1) Source: New York City Convention & Visitors Bureau, Inc.
(2) Source: Pannell, Kerr, Forster & Company, Statistics and Trend of Hotel and Motor Hotel Survey and Report.
* 1987 through 1989 figures have been revised and are inconsistent with the rest of this series.

The City is a major retail trade market, and has the greatest volume of retail sales of any city in the nation.

Retail Sales in New York City

	Total Retail Sales (In Billions)		Annual Percent Change					
			Total Retail Sales		Non-Durable(1)		Durable(2)	
Year	NYC	U.S.	NYC	U.S.	NYC	U.S.	NYC	U.S.
1980	$22.3	$ 957.4	16.3%	6.9%	14.2%	11.7%	24.1%	-2.3%
1981	23.4	1,038.7	4.8	8.5	8.1	8.5	-6.0	8.6
1982	23.4	1,069.4	0.2	3.0	-1.7	2.7	7.4	3.5
1983	25.5	1,170.8	8.6	9.5	5.9	6.3	18.2	16.5
1984	27.0	1,287.8	6.0	10.0	4.7	6.8	9.8	16.3
1985	29.2	1,375.7	8.4	6.8	6.7	5.3	13.5	9.6
1986	33.5	1,450.3	14.6	5.4	9.2	3.6	29.6	8.6
1987	33.6	1,542.1	0.4	6.3	1.1	6.2	-1.3	6.5
1988	37.0	1,650.0	9.9	7.0	8.9	5.9	12.3	8.8
1989	36.7	1,733.7	-0.7	5.1	0.2	6.4	-2.8	2.9
1990	36.2	1,797.5	-1.4	3.7	0.6	5.8	-6.3	0.2

(1) Includes food stores, eating and drinking places, gasoline stations, liquor stores, drug stores, fuel dealers, florists, hay-grain-feed stores, farm and garden supply stores, stationary stores, newsstands and newsdealers, cigar stores and ice dealers and general merchandise and apparel stores.
(2) Includes building materials, hardware, garden supply and mobile home dealers, automotive dealers, and furniture, home furnishings and equipment stores.

Source: U.S. Department of Commerce, Bureau of the Census, Current Business Reports, Monthly Retail Trade.

Business Activity Index
(Annual Average, 1977 = 100)

	1984	1985	1986	1987	1988	1989	1990
New York City	109	112	116	121	124	125	126
New York State	114	119	124	129	135	137	137

Source: State of New York, Department of Commerce, Division of Economic Research and Statistics.
Note: The Business Activity Index comprises seven basic business activities, which include: factory output; retail; service; wholesale; construction; transportation; communications and public utilities; and finance, insurance and real estate.

After a very large increase in 1980, retail sales growth in New York City moderated in 1981 and almost came to a standstill in 1982, which was a recession year. Between 1984 through 1986, retail sales, particularly of durable goods, grew at an increased rate, outpacing the nation in 1985 and 1986. Retail sales increased a paltry 0.36 percent in 1987 mainly because consumers shifted their purchases into 1986 (sales increased 14.6%) to take advantage of the expiring sales tax deductibility on federal income tax returns. The October 1987 stock market crash had a temporary dampening effect on retail sales. In 1988, sales increased by 9.9 percent. The November 1990 figures indicate a decrease of 3.5 percent compared to November 1989.

The Business Activity Index for the City reflects both long-term trends in the City's economic base and short-term fluctuations reflecting the performance of the national economy. Due to a partial erosion of its economic base, the City was particularly vulnerable to national economic downturns, while lagging behind in times of national expansion during the 1970's. The impact of the national economic recession of 1974-1975 was particularly severe. From a peak of 111 early in 1973, the BAI for the City declined to a low of 96 during the spring of 1975. The effects of the 1980 and 1981-1982 national recessions were less severe to the City's economy. Business activity increased steadily during 1983, 1984 and 1985. Business activity continued to expand during 1986 and 1987. The 1988 figure was higher than that of 1987. The December 1990 figures for both New York State and New York City are virtually unchanged from those for the same period in 1989.

Many factors have been cited as placing the City during the early 1970's at a competitive disadvantage as a business location in relation to its suburbs and the Sunbelt region and contributing to the erosion of the City's economic base. Among these factors were the City's tax burden, energy costs, labor costs, office space market and cost of living.

The combined state and local tax burden on residents of the City is one of the highest among all cities in the United States. In the 1986 fiscal year, average per capita City taxes were $1,548 and average per capita State taxes paid by residents of the State were $1,280, a combined tax burden of $2,828 per capita. Nationwide, per capita local taxes averaged $601 and per capita state taxes averaged $946 for the 1986 fiscal year for a combined tax burden of $1,547. During the 1970's the rate of increase in per capita state and local taxes for City residents was similar to the national average. The ratio of City taxes to total personal income of City residents peaked in the 1977 fiscal year at 10.6%, and declined to 9.2% in the 1984 fiscal year. A series of tax reductions affecting businesses and individuals was adopted during the late 1970's and these reductions were a major factor in the declining ratio of City taxes to total personal income of City residents.

The City is one of the most energy-efficient areas in the nation, primarily as a result of its concentration of multi-family dwellings and extensive use of mass transit. Producing virtually no primary energy for is own consumption, the City is heavily reliant upon imported petroleum to meet its energy needs. The cost of energy in the City is one of the highest in the nation, particularly for electricity.

The City's industrial sector is especially dependent upon electricity to supply its energy needs. In 1968, typical electric costs for large industrial users were 67% higher in the City than the national average for large cities. Through the mid-1970's, electric costs increased at a higher rate in the City, widening the differential to 133% by 1975. Between 1975 and 1986, the national average increases in typical electric costs for large industrial users were significantly higher than increases experienced in the City. By 1985, electric costs in the City were 71% higher than nationally for industrial usage, and in 1986 the cost differential increased significantly to 91%.

In the mid-1960's, the demand for office space in the City greatly exceeded the available supply; as a result, the rental cost of available space escalated sharply. By the late 1960's, annual rent in new office buildings had risen much more sharply in the City than either in the suburbs or in many other cities in the United States, particularly those in the South and West. The construction of new office space in the early 1970's, along with the City's loss of jobs and industry, greatly increased the amount of available office space. The increased supply of office space raised the vacancy rate and caused commercial rents to decline. However, beginning in 1977 and continuing through most of 1982, the office space market tightened in response to an increase in demand. At the end of 1982 and in early 1983, construction activity increased and the office market softened. Recent data indicate that the office market in the City, particularly in the downtown area where older, poorly maintained buildings have been vacated, could further soften due to an increased supply of office space.

Infrastructure

The physical infrastructure of a city, its systems of water supply, sewers, bridges, streets and mass transit, is the underlying component of its economic base and is vital to its economic health.

The City owns and operates an upstate reservoir system covering in excess of 1,950 square miles. Water is carried to the City by a transmission system, consisting of three aqueducts, two tunnels and over 5,700 miles of trunk and distribution lines. The City has undertaken construction of a third water tunnel project to enhance the delivery capabilities and proper maintenance of the City's distribution system. In addition to supplying the needs of its residents and businesses, the City is required by State law to sell water to municipalities in counties where its water supply facilities are located. The City and its upstate watershed areas are subject to periodic drought conditions, which led the City to impose mandatory water conservation measures during 1965, 1981 and 1985.

The sewer system contains approximately 6,300 miles of sewer lines and the City's water pollution system includes 14 operating treatment facilities. The City's road network consists of some 6,200 miles of streets and arterial highway, and more than 1,300 bridges and tunnels.

The Department of Sanitation operates the City's two landfills. The capacity of the Fresh Kills site, the primary of the two, is expected to last until approximately 2015. The City's Ten-Year Capital Plan reflects the estimated costs of capital improvements necessary to maximize current waste disposal capacity and to provide for the construction of six resource recovery plants at an estimated cost of $2.4 billion. The City has also entered into an administrative settlement with the State Department of Environmental Conservation which will require the City to spend approximately $200 million over ten years to install pollution control systems at the Fresh Kills landfill.

The City's mass transit system includes a subway system which covers over 238 route-miles with 469 stations and is the most extensive underground system in the world. The concentration of employment in the City and its metropolitan area in the Manhattan central business district increases the importance of the City's mass transit system to the City's economy. Two-fifths of all workers residing in the New York area use public transportation to reach their workplace, the largest proportion among 26 large areas surveyed. New York City's subway system continues to undergo its most extensive overhaul since it was completed 50 years ago.

The City has developed a ten-year capital program for the period 1989-1998 which projects available capital funds over this period of $57.3 billion, of which $40 billion would be obtained from City sources. A portion of these funds is for rehabilitation or replacements of various elements of the infrastructure. Included in the ten-year estimates is the last year of the Transit Authority's portion of a five-year $8.5 billion capital program designed to upgrade the performance of the MTA's transportation systems and to supplement, replace and rehabilitate equipment, which was approved by the State Legislature in 1981, and City projections of funding expected for the subsequent nine years.

Housing

The housing stock in the City in 1987 consisted of 2,840,257 housing units, excluding units in special places, primarily institutions such as hospitals and universities. The 1987 housing inventory represented an increase of 36,988 units, or 1.3%, since 1984. While the total population of the City declined by 10.4% between 1970 and 1980, housing in the City remains in short supply. A concurrent trend toward smaller sized households resulted in a decrease during the 1970's of only 1.7% in the total number of resident households. The following table presents the housing inventory in the City.

HOUSING INVENTORY IN NEW YORK CITY
(Housing Units in Thousands)

Ownership/Occupancy Status	1981	1984	1987
Total Housing Units	2,792	2,803	2,840
Owner Units	755	807	837
Owner-Occupied	746	795	817
Conventional Home	581	598	576
Cooperative (1)	165	197	242
Vacant for Sale	9	12	19
Rental Units	1,976	1,940	1,932
Renter-Occupied	1,934	1,901	1,884
Vacant for Rent	42	40	47
Vacant Not Available For Sale Or Rent (2)	62	56	72

(1) Includes condominiums.
(2) Vacant units that are dilapidated, intended for seasonal use, held for occasional use, held for maintenance purposes or other reasons.
Note: Details may not add up to totals due to rounding.

Sources: Stegman, Michael A., *Housing and Vacancy Report: New York City*, The City of New York Department of Housing Preservation and Development (New York: April 1988).

The 1987 Housing and Vacancy Report indicates that rental housing units predominate in the City. Of all occupied housing units in 1987, 30.2% were conventional home-ownership units, cooperatives or condominiums and 69.8% were rental units. Most of the recent growth in owner-occupied units has come from the conversion of existing rental units to cooperatives rather than through the new construction of housing for sale to occupants in the City. The vacancy rate for rental housing was 2.46% in 1987, and median rent consumed 29% of the gross income of tenants. The housing condition of occupied rental units improved greatly since 1984, with a decrease in the proportion of rental units in dilapidated or deficient condition. Only 2% of renter-occupied housing units were located in dilapidated structures, and 14% were in structures with at least three serious maintenance deficiencies.

After a significant decline during the early 1970's, a slight recovery in housing construction occurred between 1975 and 1979. However, in 1980, new housing construction declined again. Of all new housing units constructed in the City between 1975 and 1978, over two-thirds were government financed or government aided; of privately financed housing units, nearly half received full or partial tax exemptions. Rehabilitation of existing housing units and conversion of housing units from other uses, through private financing and City-administered Federal funds or tax abatement programs, has increased substantially in recent years, and is now a significant segment of the City's housing market.

Construction

The following table presents indicators of construction in activity in the City.

CONSTRUCTION ACTIVITY IN NEW YORK CITY

Year	Cost of Construction (In Millions)(1) Total	New Residential	New Non-Residential	New Housing Units(1)	Manhattan Central Business District(2) Office Building Completions No. of Buildings	Rentable Area (In Thousands of Sq. Ft.)
1981	940	322	415	11,060	4	2,558
1982	1,396	286	786	7,649	14	8,486
1983	882	407	281	11,795	18	9,850
1984	1,024	466	359	11,566	7	4,931
1985	2,540(3)	1,321	949	23,368(3)	9	6,325
1986	1,424	567	574	10,552	12	5,999
1987	2,272	935	722	13,764	15	9,075
1988	1,422	594	372	9,897	8(4)	3,298(4)

(1) Based on building permits issued. Total "Cost of Construction" includes the value of additions and alterations not presented separately.

(2) The "Manhattan Central Business District" comprises, generally, the area of the Borough of Manhattan south from Sixty-fifth Street to the Battery.

(3) With mortgage interest rates falling to their lowest point in six years, a strong State economy, and the luxury construction boom in Manhattan, residential construction activity reached its highest level in twelve years.

(4) The number of building completions and the rentable area for 1988 includes figures for midtown only since there were no completions for the downtown area for this period.

Note: Details may not add up to totals due to rounding.

Sources: Data regarding "Cost of Construction" and "New Housing Units" from the State of New York. Executive Department, Division of Housing and Community Renewal; data regarding "Manhattan Central Business District Office Building Completions" from Cushman and Wakefield Inc.

Office building construction in the Manhattan Central Business District is undergoing a substantial decline after experiencing significant growth during the 1980's. Between 1954 and 1968, an annual average of more than 4.7 million square feet of new office space was completed. An unusual surge of construction activity occurred between 1969 and 1972, when 61 new office building completions added a total of 51.2 million square feet of office space to the market, during a period of substantial decline in employment in the City. Construction activity declined after 1972 and by 1979 only 110,000 square feet of office space entered the market as a result of building completions. During the late 1970's demand for office space, as a result of increased employment in the services and finance sectors of the City's economy and an increase in office space per employee, reduced the vacancy rate in the office space market from an estimated 15% in 1972 to 2% in 1981. The vacancy rate rose to 5.4% in 1983, 7.1% in 1984 and 8.2% in 1985 due to the strong upswing in construction activity. This trend continued during 1986 indicating a vacancy rate of 8.4%. In 1987, construction in the City had increased while commercial rents declined.

During 1980, new office building completions in the Manhattan Central Business District increased the level of rentable space by 412,000 square feet, and construction was started on a number of new projects, raising the value of all new construction in the City to over $1 billion, the largest amount since 1973. Four new office building completions in 1981 added 2.5 million square feet of office space. During 1982, a total of 14 newly constructed or wholly renovated buildings with over 8.4 million square feet of space were completed. During 1983, a total of 18 newly constructed or wholly renovated buildings with over 9.8 million square feet of space were completed. A total of 7 new office building completions in 1984 added over 4.9 million square feet of office space. A total of 9 new office buildings were completed in 1985 adding over 6.3 million square feet of office space. During 1986, 12 new office building completions added almost 6.0 million square feet of office space. During 1987, a total of 15 new office buildings were completed, adding over 9.0 million square feet of office space.

Between 1975 and 1979, the number of building permits for new housing units and the value of all new construction increased, indicating that a partial recovery in construction activity in the City occurred, although at a level much reduced from the 1962 peak. During 1980, permits were issued for 7,800 new housing units, compared to 14,524 issued in 1979, and the value of all new construction rose to $1.063 billion, up from $589 million in 1979. During 1981, building permits were issued for 11,060 new housing units, a 42% increase from 1980. However, during 1981, the total value of construction declined to $940 million, including a decline in the value of new non-residential construction to $415 million. During 1982, the number of new housing units for which permits were issued declined to 7,649, while the value of all new construction rose to $1.396, billion reflecting a substantial increase in new non-residential construction. During 1983, the number of new housing units for which permits were issued increased to 11,795; however, the total value of construction declined to $882 million, reflecting a substantial decline in the value of new non-residential construction. During 1984, the number of new housing units for which permits were issued declined to 11,566, while the total value of construction increased to $1.024 billion reflecting increases in both new residential and new non-residential construction.

During 1985, the number of new housing units for which permits were issued increased substantially to 23,368, while the total cost of construction increased to $2.540 billion from 1984, reflecting a significant increase in luxury unit construction. During 1986, the cost of construction in the City decreased 44% from 1985, primarily due to the termination of the Section 421-a tax abatement program in 1985. This caused residential construction to surge in 1985 as developers accelerated construction schedules on approximately 7,500 units which would otherwise have been completed in 1986. In 1986, non-residential construction decreased 40% from the previous year to $574 million while residential construction decreased 57% from 1985, to total $567 million. New housing unit construction for 1986 decreased from 1985 levels to 10,552 units, indicating a 55% decrease. From 1986 to 1987, non-residential construction increased 26% to $722 million, and residential construction rose by 65% to $935 million. During the same period, new housing unit construction increased 30% to 13,764 units. Recent figures show a decline from this level of 39% to 9,897 units.

Real Estate Valuation

The following tables present data on a fiscal year basis regarding recent trends in the assessed valuation of taxable real property in the City. For further information regarding assessment procedures in the City, see "SECTION IV: FINANCIAL INFORMATION—Sources of City Revenues—*Real Estate Tax.*"

TRENDS IN ASSESSED VALUATION OF TOTAL TAXABLE REAL PROPERTY IN NEW YORK CITY
(In Millions)

	Fiscal Year				
County (Borough)	**1987**	**1988**	**1989**	**1990**	**1991**
Bronx (The Bronx)	$ 3,336	$ 3,444	$ 3,670	$ 3,973	$ 4,330
Kings (Brooklyn)	7,623	7,892	8,363	9,023	9,723
New York (Manhattan)	32,027	35,183	38,928	42,889	47,227
Queens (Queens)	9,931	10,310	10,807	11,543	12,386
Richmond (Staten Island)	2,172	2,283	2,374	2,627	2,669
Total	$55,089	$59,112	$64,142	$70,054	$76,334

Note: Details may not add up to totals due to rounding. Totals do not include the value of certain property eligible for the veterans' real property tax exemption.
Source: The City of New York, Department of Finance, Bureau of Real Property Assessment.

Assessed Valuation Of Total Taxable Real Estate By Components For New York City

Type of Property	Fiscal Year 1988 Assessed Value (In Millions)	Fiscal Year 1988 Percentage Of Taxable Real Estate	Fiscal Year 1989 Assessed Value (In Millions)	Fiscal Year 1989 Percentage Of Taxable Real Estate	Fiscal Year 1990 Assessed Value (In Millions)	Fiscal Year 1990 Percentage Of Taxable Real Estate	Fiscal Year 1991 Assessed Value (In Millions)	Fiscal Year 1991 Percentage Of Taxable Real Estate
One Family Dwellings	$ 3,530.0	6.0%	$ 3,721.9	5.8%	$ 3,911.4	5.6%	$ 4,054.6	5.3%
Two Family Dwellings	2,794.3	4.7	2,920.7	4.5	3,051.9	4.4	3,146.6	4.1
Walk-Up Apartments	4,101.5	6.9	4,488.6	7.0	5,019.8	7.2	5,597.6	7.3
Elevator Apartments	11,183.5	18.9	12,094.6	18.9	13,176.9	18.8	14,622.4	19.2
Warehouses	582.8	1.0	668.1	1.0	767.1	1.1	895.5	1.2
Factory and Industrial Buildings	1,176.6	2.0	1,263.8	2.0	1,429.1	2.0	1,629.5	2.1
Garages and Gasoline Stations	702.6	1.2	779.0	1.2	883.5	1.3	1,028.6	1.3
Hotels	1,081.7	1.8	1,218.9	1.9	1,429.7	2.0	1,610.7	2.1
Hospitals and Health	371.0	0.6	400.9	0.6	374.6	0.5	391.6	0.5
Theatres	145.3	0.2	151.5	0.2	165.5	0.2	186.4	0.2
Store Buildings	3,218.5	5.4	3,898.2	6.1	4,479.3	6.4	5,289.0	6.9
Loft Buildings	1,989.3	3.4	2,135.4	3.3	2,467.1	3.5	2,524.1	3.3
Churches, Synagogues, etc.	29.9	0.1	30.9	0.1	30.5	0	54.3	0.1
Asylums and Homes	40.3	0.1	48.7	0.1	53.4	0.1	70.8	0.1
Office Buildings	16,780.7	28.4	18,493.0	28.8	20,980.8	29.9	23,410.5	30.7
Places of Public Assembly	96.6	0.2	99.6	0.2	107.9	0.2	123.1	0.2
Outdoor Recreation Facilities	69.4	0.1	75.0	0.1	85.4	0.1	80.6	0.1
Condominiums	1,252.8	2.1	2,144.4	3.3	2,812.9	4.0	3,345.2	4.4
Residence Multi-Use	206.3	0.3	228.7	0.4	267.5	0.4	318.1	0.4
Transportation Facilities	27.1	0	24.4	0	26.5	0	32.5	0
Utility Bureau Properties	0.1	0	0.1	0	0.1	0	0.0	0
Vacant Land	538.6	0.9	613.5	1.0	758.8	1.1	811.7	1.1
Educational Structures	86.3	0.1	106.4	0.2	119.4	0.2	138.6	0.2
Selected Government Installations	6.9	0	2.5	0	2.4	0	3.8	0
Miscellaneous	218.4	0.4	219.0	0.3	227.9	0.3	285.7	0.4
Real Estate of Utility Corporations and Special Franchises	8,881.2	15.0	8,311.8	13.0	7,424.6	10.6	6,682.1	8.8
Total	$59,111.6	100.0%	$64,141.6	100.0%	$70,053.9	100.0%	$76,333.6	100.0%

Note: Details may not add up to totals due to rounding. Totals do not include the value of certain property eligible for the veterans' real property tax exemption.
Source: The City of New York, Department of Finance, Bureau of Real Property Assessment.

No single taxpayer accounts for 10% or more of the City's real property tax. For the 1991 fiscal year, the assessed valuation of real estate of utility corporations is $4.2 billion. The following table presents the 42 non-utility, non-residential properties having the greatest assessed valuation in the 1991 fiscal year as indicated in the tax rolls.

Largest Real Estate Taxpayers (1)

Property	1991 Fiscal Year Assessed Valuation	Property	1991 Fiscal Year Assessed Valuation
Exxon Building	$233,300,000	Bristol Meyers	$131,020,000
Pan Am Building	225,200,000	Burlington House	127,500,000
55 Water Street Building	225,140,000	Dai-Ichi Seimei - Citicorp Center	126,882,000
Empire State Building	184,800,000	Manufacturers Hanover Plaza	125,600,000
McGraw-Hill Building	180,010,000	Simon & Schuster Building	124,117,000
The Chase Manhattan Building	175,200,000	Architects Building	123,350,000
General Motors Building	171,230,000	Produce Exchange	121,980,000
One New York Plaza Building	165,700,000	Shearson Lehman Operation Center	119,700,000
International Building	163,738,000	J.C. Penney Building	114,562,699
One Liberty Plaza	161,500,000	American Express Plaza	112,790,000
Morgan Guaranty Trust	157,400,000	Carpet Center	112,670,000
One Penn Plaza	156,450,000	Mobil Building	111,705,000
Sperry Rand Building	154,000,000	One Banker Trust Plaza Building	105,900,000
Equitable Life Association	150,847,000	Continental Illinois Center	104,900,000
Tishman Building	149,520,000	Chemical Bank Building	101,855,000
Time Life Building	149,110,000	Citibank - Citicorp	99,647,340
Equitable Tower	145,234,989	W.R. Grace Building	98,860,000
Solow Building	141,140,000	595 Lexington Avenue	93,610,000
Paramount Plaza	137,500,000	2 Penn Plaza	92,720,750
American Brands Building	136,760,000	Park Avenue Plaza	92,686,500
Celanese Building	132,150,000	The Equitable Building	92,090,000

(1) Excludes real estate of public utilities.

Source: The City of New York, Department of Finance, Bureau of Real Property Assessment.

APPENDIX B

FINANCIAL STATEMENTS
OF
THE CITY OF NEW YORK
June 30, 1990 and 1989
INDEX

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ERNST & YOUNG

277 Park Avenue
New York, New York 10172

Phone 212 773 3000

Report of Independent Auditors

The People of The City of New York

We have audited the Combined Balance Sheet—All Fund Types and Account Groups for The City of New York ("The City") as of June 30, 1990 and the Combined Statement of Revenues, Expenditures and Changes in Fund Balances—All Governmental Fund Types and Expendable Trust Funds, the General Fund Statement of Revenues, Expenditures and Changes in Fund Balance—Budget and Actual (1990 columns only), the Combined Statement of Revenues, Expenses and Changes in Fund Equity—Proprietary Fund Type and Similar Trust Fund and the Combined Statement of Cash Flows—Proprietary Fund Type for the year then ended. These financial statements are the responsibility of the City's management. Our responsibility is to express an opinion on these financial statements based on our audit. We did not audit the financial statements of the entities disclosed in Note B. Those financial statements were audited by other auditors whose reports have been furnished to us, and our opinion on the financial statements of The City insofar as it relates to the amounts included for such entities, is based solely on the reports of the other auditors. The general purpose financial statements for the year ended June 30, 1989 were also audited by other auditors whose report dated October 27, 1989 expressed an unqualified opinion on those statements.

We conducted our audit in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit and the reports of the other auditors provide a reasonable basis for our opinion.

In our opinion, based on our audit and the reports of the other auditors, the financial statements referred to above present fairly, in all material respects, the financial position of The City of New York at June 30, 1990, and the results of its operations and cash flows of its proprietary fund type for the year then ended in conformity with generally accepted accounting principles.

Ernst + Young
Mitchell/Titus + Co.

October 31, 1990

THE CITY OF NEW YORK

COMBINED BALANCE SHEET—ALL FUND TYPES AND ACCOUNT GROUPS

JUNE 30, 1990
(in thousands)

	Governmental Fund Types			Proprietary Fund Type	Fiduciary Fund Type	Account Groups		
	General	Capital Projects	Debt Service	Enterprise	Trust and Agency	General Fixed Assets	General Long-term Obligations	Total (Memorandum Only)
ASSETS:								
Cash and cash equivalents	$ 173,028	$ —	$ 28,355	$ 178,491	$ 8,583	$ —	$ —	$ 388,457
Investments, including accrued interest	1,305,201	468,341	2,258,431	1,029,856	44,048,351	—	—	49,110,180
Accounts receivable:								
Real estate taxes (less allowance for uncollectible amounts of $70,318)	183,230	—	—	—	—	—	—	183,230
Federal, State and other aid	2,078,368	249,961	—	—	—	—	—	2,328,329
Patient service, net	—	—	—	480,365	—	—	—	480,365
Other, net	333,727	—	—	239,232	331,084	—	—	904,043
Mortgage loans and interest receivable, net	—	—	291,039	1,739,961	—	—	—	2,031,000
Due from other funds	985,866	66,664	182,364	3,615	—	—	—	1,238,509
Property, plant and equipment	—	—	—	11,563,464	—	11,239,296	—	22,802,760
Accumulated depreciation and amortization	—	—	—	(3,427,332)	—	(3,815,553)	—	(7,242,885)
Restricted cash and investments	—	—	—	473,201	—	—	—	473,201
Other assets	—	55,623	381	112,764	59,058	—	—	227,826
Amounts available in Debt Service Funds	—	—	—	—	—	—	2,423,240	2,423,240
Amounts to be provided for general long-term obligations	—	—	—	—	—	—	24,169,269	24,169,269
Total assets	$5,059,420	$840,589	$2,760,570	$12,393,617	$44,447,076	$7,423,743	$26,592,509	$99,517,524

See accompanying notes to financial statements.

THE CITY OF NEW YORK

COMBINED BALANCE SHEET—ALL FUND TYPES AND ACCOUNT GROUPS

JUNE 30, 1990
(in thousands)

	Governmental Fund Types			Proprietary Fund Type	Fiduciary Fund Types	Account Groups		
	General	Capital Projects	Debt Service	Enterprise	Trust and Agency	General Fixed Assets	General Long-term Obligations	Total (Memorandum Only)
LIABILITIES:								
Accounts payable and accrued liabilities	$3,842,121	$ 826,902	$ 50,257	$ 351,684	$ 2,691,752	$ —	$ —	$ 7,762,716
Bonds and notes payable	—	—	—	4,307,373	—	—	19,492,462	23,799,835
Capital lease obligations	—	—	—	—	—	—	446,061	446,061
Accrued real estate tax refunds	33,602	—	—	—	—	—	200,506	234,108
Accrued tax refunds—other	172,100	—	—	—	—	—	—	172,100
Accrued judgments and claims	83,563	100,562	—	—	—	—	2,180,000	2,364,125
Accrued vacation and sick leave	—	—	—	136,012	—	—	1,532,146	1,668,158
Deferred wages	21,840	—	—	—	—	—	—	21,840
Accrued pension liability	—	—	—	119,607	—	—	2,741,334	2,860,941
Accrued interest payable	—	—	—	67,351	—	—	—	67,351
Deferred revenues	507,057	372,875	—	103,310	—	—	—	983,242
Due to other funds	150,383	829,962	1,443	256,721	—	—	—	1,238,509
Estimated disallowances of Federal, State and other aid	175,336	—	—	—	—	—	—	175,336
Other	—	—	—	48,210	56,202	—	—	104,412
Total liabilities	4,986,002	2,130,301	51,700	5,390,268	2,747,954	—	26,592,509	41,898,734
FUND EQUITY AND OTHER CREDITS:								
Investment in general fixed assets	—	—	—	—	—	7,423,743	—	7,423,743
Contributed capital	—	—	—	6,231,396	—	—	—	6,231,396
Retained earnings, unreserved	—	—	—	206,476	—	—	—	206,476
Fund balances:								
Reserved for capital improvements	—	—	—	902	—	—	—	902
Reserved for debt service	—	—	2,423,240	—	—	—	—	2,423,240
Reserved for non-current mortgage loans	—	—	285,630	—	—	—	—	285,630
Reserved for benefit payments	—	—	—	—	990,852	—	—	990,852
Reserved for debt retirement	—	—	—	158,074	—	—	—	158,074
Reserved for loans	—	—	—	108,152	—	—	—	108,152
Reserved for insurance claims	—	—	—	27,372	—	—	—	27,372
Reserved for donor restrictions	—	—	—	13,579	—	—	—	13,579
Reserved for pension benefits	—	—	—	—	40,708,270	—	—	40,708,270
Unreserved	73,418	(1,289,712)	—	257,398	—	—	—	(958,896)
Total fund equity (deficit) and other credits	73,418	(1,289,712)	2,708,870	7,003,349	41,699,122	7,423,743	—	57,618,790
Commitments and contingencies								
Total liabilities, fund equity and other credits	$5,059,420	$ 840,589	$2,760,570	$12,393,617	$44,447,076	$7,423,743	$26,592,509	$99,517,524

See accompanying notes to financial statements.

THE CITY OF NEW YORK

COMBINED BALANCE SHEET—ALL FUND TYPES AND ACCOUNT GROUPS

JUNE 30, 1989
(in thousands)

	Governmental Fund Types			Proprietary Fund Type	Fiduciary Fund Types	Account Groups		
	General	Capital Projects	Debt Service	Enterprise	Trust and Agency	General Fixed Assets	General Long-term Obligations	Total (Memorandum Only)
ASSETS:								
Cash and cash equivalents	$ 190,321	$ —	$ 90,313	$ 192,873	$ 84,592	$ —	$ —	$ 558,099
Investments, including accrued interest	1,744,214	464,994	2,267,463	1,096,589	38,649,284	—	—	44,222,544
Accounts receivable:								
Real estate taxes (less allowance for uncollectible amounts of $13,799)	71,845	—	—	—	—	—	—	71,845
Federal, State and other aid	1,848,097	182,691	—	—	—	—	—	2,030,788
Patient service, net	—	—	—	450,465	—	—	—	450,465
Other, net	308,315	—	—	191,052	205,648	—	—	705,015
Mortgage loans and interest receivable, net	—	—	303,607	1,625,972	—	—	—	1,929,579
Due from other funds	647,244	207,299	186,908	4,435	2,521	—	—	1,048,407
Property, plant and equipment	—	—	—	10,947,698	—	9,939,367	—	20,887,065
Accumulated depreciation and amortization	—	—	—	(3,250,805)	—	(3,530,237)	—	(6,781,042)
Restricted cash and investments	—	—	—	465,137	—	—	—	465,137
Other assets	—	25,405	—	92,290	8,836	—	—	126,531
Amounts available in Debt Service Funds	—	—	—	—	—	—	2,511,760	2,511,760
Amounts to be provided for general long-term obligations	—	—	—	—	—	—	22,098,007	22,098,007
Total assets	$4,810,036	$880,389	$2,848,291	$11,815,706	$38,950,881	$6,409,130	$24,609,767	$90,324,200

THE CITY OF NEW YORK

COMBINED BALANCE SHEET—ALL FUND TYPES AND ACCOUNT GROUPS

JUNE 30, 1989
(in thousands)

	Governmental Fund Types			Proprietary Fund Type	Fiduciary Fund Types	Account Groups		
	General	Capital Projects	Debt Service	Enterprise	Trust and Agency	General Fixed Assets	General Long-term Obligations	Total (Memorandum Only)
LIABILITIES:								
Accounts payable and accrued liabilities	$3,791,584	$ 691,869	$ 35,633	$ 329,538	$ 1,001,583	$ —	$ —	$ 5,850,207
Bonds and notes payable	—	—	—	3,886,479	—	—	17,514,175	21,400,654
Capital lease obligations	—	—	—	—	—	—	488,695	488,695
Accrued real estate tax refunds	19,087	—	—	—	—	—	155,000	174,087
Accrued tax refunds—other	118,133	—	—	—	—	—	—	118,133
Accrued judgments and claims	71,378	67,063	—	—	—	—	2,300,000	2,438,441
Accrued vacation and sick leave	—	—	—	125,723	—	—	1,360,000	1,485,723
Deferred wages	19,690	—	—	2,742	—	—	30,992	53,424
Accrued pension liability	—	—	—	120,400	—	—	2,760,905	2,881,305
Accrued interest payable	—	—	—	68,018	—	—	—	68,018
Deferred revenues	378,342	525,507	—	101,847	—	—	—	1,005,696
Due to other funds	153,929	519,400	3,376	342,181	29,521	—	—	1,048,407
Estimated disallowances of Federal, State and other aid	189,601	—	—	—	—	—	—	189,601
Other	—	—	—	57,719	—	—	—	57,719
Total liabilities	4,741,744	1,803,839	39,009	5,034,647	1,031,104	—	24,609,767	37,260,110
FUND EQUITY AND OTHER CREDITS:								
Investment in general fixed assets	—	—	—	—	—	6,409,130	—	6,409,130
Contributed capital	—	—	—	6,086,010	—	—	—	6,086,010
Retained earnings, unreserved	—	—	—	101,362	—	—	—	101,362
Fund balances:								
Reserved for debt service	—	—	2,511,760	—	—	—	—	2,511,760
Reserved for non-current mortgage loans	—	—	297,522	—	—	—	—	297,522
Reserved for benefit payments	—	—	—	—	939,649	—	—	939,649
Reserved for debt retirement	—	—	—	130,354	—	—	—	130,354
Reserved for loans	—	—	—	139,976	—	—	—	139,976
Reserved for insurance claims	—	—	—	25,401	—	—	—	25,401
Reserved for donor restrictions	—	—	—	13,886	—	—	—	13,886
Reserved for pension benefits	—	—	—	—	36,980,128	—	—	36,980,128
Unreserved	68,292	(923,450)	—	284,070	—	—	—	(571,088)
Total fund equity (deficit) and other credits	68,292	(923,450)	2,809,282	6,781,059	37,919,777	6,409,130	—	53,064,090
Commitments and contingencies								
Total liabilities, fund equity and other credits	$4,810,036	$ 880,389	$2,848,291	$11,815,706	$38,950,881	$6,409,130	$24,609,767	$90,324,200

THE CITY OF NEW YORK

COMBINED STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES

ALL GOVERNMENTAL FUND TYPES AND EXPENDABLE TRUST FUNDS

FOR THE YEAR ENDED JUNE 30, 1990
(in thousands)

	Governmental Fund Types			Fiduciary Fund Type	
	General	Capital Projects	Debt Service	Expendable Trust	Total (Memorandum Only)
Revenues:					
Real estate taxes	$ 6,542,589	$ —	$ —	$ —	$ 6,542,589
Sales and use taxes	2,796,032	—	—	—	2,796,032
Income taxes	4,417,299	—	—	—	4,417,299
Other taxes	1,258,902	—	—	—	1,258,902
Federal, State and other categorical aid	7,985,060	359,302	157,766	—	8,502,128
Unrestricted Federal and State aid	686,866	—	—	—	686,866
Charges for services	1,077,234	—	—	—	1,077,234
Other revenues	1,131,985	443,949	312,706	118,971	2,007,611
Total revenues	25,895,967	803,251	470,472	118,971	27,288,661
Other Financing Sources:					
Transfer from OTB Enterprise Fund	40,732	—	—	—	40,732
Transfers and other payments for debt service	—	—	1,641,497	—	—*
Net proceeds from sale of notes and bonds	—	2,581,760	373	—	2,582,133
Refunding bond proceeds	—	—	1,653,991	—	1,653,991
Total revenues and other financing sources	25,936,699	3,385,011	3,766,333	118,971	31,565,517
Expenditures:					
Current Operations:					
General government	821,026	—	—	—	821,026
Public safety and judicial	3,522,826	—	—	—	3,522,826
Board of Education	6,377,316	—	—	—	6,377,316
City University	298,502	—	—	—	298,502
Social services	5,931,912	—	—	—	5,931,912
Environmental protection	1,004,823	—	—	—	1,004,823
Transportation services	808,310	—	—	—	808,310
Parks, recreation and cultural activities	267,051	—	—	—	267,051
Housing	574,464	—	—	—	574,464
Health (including payments to HHC)	1,394,562	—	—	—	1,394,562
Libraries	95,035	—	—	—	95,035
Pensions	1,692,624	—	—	—	1,692,624
Judgments and claims	179,062	—	—	—	179,062
Fringe benefit and other benefit payments	1,156,780	—	—	67,768	1,224,548
Other	165,783	—	76,885	—	242,668
Capital Projects	—	3,751,273	—	—	3,751,273
Debt Service:					
Interest	—	—	1,303,753	—	1,303,753
Redemptions	—	—	708,920	—	708,920
Lease payments	—	—	123,196	—	123,196
Total expenditures	24,290,076	3,751,273	2,212,754	67,768	30,321,871
Other Financing Uses:					
Transfers and other payments for debt service	1,641,497	—	—	—	—*
Payment to refunded bond escrow holder	—	—	1,653,991	—	1,653,991
Total expenditures and other financing uses	25,931,573	3,751,273	3,866,745	67,768	31,975,862
Excess (Deficiency) of Revenues and Other Financing Sources Over Expenditures and Other Financing Uses	5,126	(366,262)	(100,412)	51,203	(410,345)
Fund Balances (Deficit) at Beginning of Year	68,292	(923,450)	2,809,282	939,649	2,893,773
Fund Balances (Deficit) at End of Year	$ 73,418	$(1,289,712)	$ 2,708,870	$990,852	$ 2,483,428

See accompanying notes to financial statements.
* Eliminated.

THE CITY OF NEW YORK
COMBINED STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
ALL GOVERNMENTAL FUND TYPES AND EXPENDABLE TRUST FUNDS

FOR THE YEAR ENDED JUNE 30, 1989
(in thousands)

	Governmental Fund Types			Fiduciary Fund Type	
	General	Capital Projects	Debt Service	Expendable Trust	Total (Memorandum Only)
REVENUES:					
Real estate taxes	$ 5,942,929	$ —	$ —	$ —	$ 5,942,929
Sales and use taxes	2,729,885	—	—	—	2,729,885
Income taxes	4,534,427	—	—	—	4,534,427
Other taxes	1,145,786	—	—	—	1,145,786
Federal, State and other categorical aid	7,338,581	234,398	156,447	—	7,729,426
Unrestricted Federal and State aid	713,418	—	—	—	713,418
Charges for services	1,018,766	—	—	—	1,018,766
Other	920,155	495,668	272,640	67,388	1,755,851
Total revenues	24,343,947	730,066	429,087	67,388	25,570,488
OTHER FINANCING SOURCES:					
Transfer from OTB Enterprise Fund	43,651	—	—	—	43,651
Transfer from Expendable Trust Fund	102,000	—	—	—	102,000
Transfers and other payments for debt service	—	—	1,773,508	—	— *
Net proceeds from sale of notes and bonds	—	1,915,000	14,520	—	1,929,520
Refunding bond proceeds	—	—	1,768,726	—	1,768,726
Total revenues and other financing sources	24,489,598	2,645,066	3,985,841	67,388	29,414,385
EXPENDITURES:					
Current Operations:					
General government	759,257	—	—	—	759,257
Public safety and judicial	3,173,618	—	—	—	3,173,618
Board of Education	5,786,328	—	—	—	5,786,328
City University	266,215	—	—	—	266,215
Social services	5,355,102	—	—	—	5,355,102
Environmental protection	909,983	—	—	—	909,983
Transportation services	931,322	—	—	—	931,322
Parks, recreation and cultural activities	259,078	—	—	—	259,078
Housing	602,540	—	—	—	602,540
Health (including payments to HHC)	1,337,108	—	—	—	1,337,108
Libraries	185,069	—	—	—	185,069
Pensions	1,742,457	—	—	—	1,742,457
Judgments and claims	155,118	—	—	—	155,118
Fringe benefit and other benefit payments	995,537	—	—	31,034	1,026,571
Other	251,051	—	28,698	—	279,749
Capital Projects	—	3,141,574	—	—	3,141,574
Debt Service:					
Interest	—	—	1,226,542	—	1,226,542
Redemptions	—	—	972,142	—	972,142
Lease payments	—	—	127,976	—	127,976
Total expenditures	22,709,783	3,141,574	2,355,358	31,034	28,237,749
OTHER FINANCING USES:					
Transfers and other payments for debt service	1,773,508	—	—	—	— *
Transfer to General Fund	—	—	—	102,000	102,000
Payment to refunded bond escrow holder	—	—	1,768,726	—	1,768,726
Total expenditures and other financing uses	24,483,291	3,141,574	4,124,084	133,034	30,108,475
EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES AND OTHER FINANCING USES	6,307	(496,508)	(138,243)	(65,646)	(694,090)
FUND BALANCES (DEFICIT) AT BEGINNING OF YEAR	61,985	(426,942)	2,947,525	1,005,295	3,587,863
FUND BALANCES (DEFICIT) AT END OF YEAR	$ 68,292	$ (923,450)	$2,809,282	$ 939,649	$ 2,893,773

* Eliminated.

THE CITY OF NEW YORK

GENERAL FUND

STATEMENTS OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE BUDGET AND ACTUAL

FOR THE YEARS ENDED JUNE 30, 1990 AND 1989
(in thousands)

	1990*			1989		
	Budget			Budget		
	Adopted	Modified	Actual	Adopted	Modified	Actual
REVENUES:						
Real estate taxes	$ 6,593,000	$ 6,563,000	$ 6,542,589	$ 5,998,300	$ 5,998,300	$ 5,942,929
Sales and use taxes	2,918,450	2,819,850	2,796,032	2,806,765	2,806,765	2,729,885
Income taxes	5,012,750	4,626,500	4,417,299	4,437,108	4,437,108	4,534,427
Other taxes	1,270,530	1,244,250	1,258,902	1,124,615	1,124,615	1,145,786
Federal, State and other categorical aid	7,829,477	8,429,508	7,985,060	7,484,287	7,768,838	7,338,581
Unrestricted Federal and State aid	659,670	642,670	686,866	653,008	653,008	713,418
Charges for services	1,021,117	1,119,098	1,077,234	985,375	985,375	1,018,766
Other revenues	1,063,850	1,192,368	1,131,985	1,435,633	1,335,804	920,155
Total revenues	26,368,844	26,637,244	25,895,967	24,925,091	25,109,813	24,343,947
OTHER FINANCING SOURCES:						
Transfer from OTB Enterprise Fund	51,925	49,300	40,732	55,687	55,687	43,651
Transfer from Expendable Trust Fund	—	—	—	—	102,000	102,000
Total revenues and other financing sources	26,420,769	26,686,544	25,936,699	24,980,778	25,267,500	24,489,598
EXPENDITURES:						
General government	895,057	867,715	821,026	816,190	820,107	759,257
Public safety and judicial	3,430,989	3,552,275	3,522,826	3,075,891	3,205,562	3,173,618
Board of Education	6,181,636	6,431,206	6,377,316	5,665,945	5,832,863	5,786,328
City University	469,946	483,795	298,502	458,746	461,648	266,215
Social services	5,685,114	6,008,696	5,931,912	5,563,746	5,500,651	5,355,102
Environmental protection	1,056,614	1,038,478	1,004,823	938,440	958,259	909,983
Transportation services	701,341	844,574	808,310	836,425	971,696	931,322
Parks, recreation and cultural activities	277,774	270,966	267,051	261,656	260,991	259,078
Housing	564,405	623,747	574,464	595,369	644,565	602,540
Health (including payments to HHC)	1,439,546	1,431,980	1,394,562	1,286,688	1,364,323	1,337,108
Libraries	97,856	95,940	95,035	138,094	185,505	185,069
Pensions	1,829,157	1,696,395	1,692,624	1,926,246	1,752,171	1,742,457
Judgments and claims	174,000	179,100	179,062	158,000	156,000	155,118
Fringe benefits and other benefit payments	1,179,168	1,162,169	1,156,780	1,047,755	997,135	995,537
Other	409,319	196,977	165,783	416,507	344,444	251,051
Total expenditures	24,391,922	24,884,013	24,290,076	23,185,698	23,455,920	22,709,783
OTHER FINANCING USES:						
Transfers and other payments for debt service	2,028,847	1,802,531	1,641,497	1,795,080	1,811,580	1,773,508
Total expenditures and other financing uses	26,420,769	26,686,544	25,931,573	24,980,778	25,267,500	24,483,291
EXCESS OF REVENUES AND OTHER SOURCES OVER EXPENDITURES AND OTHER USES	$ —	$ —	5,126	$ —	$ —	6,307
FUND BALANCE AT BEGINNING OF YEAR			68,292			61,985
FUND BALANCE AT END OF YEAR			$ 73,418			$ 68,292

*See accompanying notes to financial statements.

THE CITY OF NEW YORK

COMBINED STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND EQUITY—PROPRIETARY FUND TYPE AND SIMILAR TRUST FUND

FOR THE YEAR ENDED JUNE 30, 1990
(in thousands)

	Proprietary Fund Type					Fiduciary Fund Type
	Health and Hospitals Corporation	Off-Track Betting Corporation	Housing and Economic Development Funds	Water and Sewer System	Total Enterprise Funds	Pension Trust
OPERATING REVENUES:						
Patient service revenues, net	$ 2,242,911	$ —	$ —	$ —	$ 2,242,911	$ —
Charges for services	—	—	—	804,414	804,414	—
Other revenues	530,731	222,519	189,057	—	942,307	—
Employer, employee contributions	—	—	—	—	—	2,287,802
Investment income, net	—	—	71,845	35,248	107,093	4,270,042
Total operating revenues	2,773,642	222,519	260,902	839,662	4,096,725	6,557,844
OPERATING EXPENSES:						
Personal services	1,820,902	—	21,316	—	1,842,218	—
Affiliation	394,844	—	—	—	394,844	—
Racing industry compensation	—	56,672	—	—	56,672	—
Operations and maintenance	—	—	—	583,600	583,600	—
Interest expense	—	—	158,610	145,367	303,977	—
Administrative and selling	—	14,142	—	552	14,694	—
Depreciation and amortization	116,285	2,604	1,709	76,119	196,717	—
Benefit payments and withdrawals	—	—	—	—	—	2,779,789
Other	489,899	91,689	95,257	—	676,845	—
Distributions to the State and other local governments	—	25,480	—	—	25,480	—
Total operating expenses	2,821,930	190,587	276,892	805,638	4,095,047	2,779,789
Operating income (loss)	(48,288)	31,932	(15,990)	34,024	1,678	3,778,055
NON-OPERATING REVENUES (EXPENSES):						
Interest income	7,862	966	13,535	664	23,027	—
Interest expense	(67,866)	—	—	—	(67,866)	—
Amounts from other OTB communities	—	7,834	—	—	7,834	—
Other	—	—	(3,941)	—	(3,941)	(49,913)
Total non-operating revenues (expenses)	(60,004)	8,800	9,594	664	(40,946)	(49,913)
Income (loss) before transfers	(108,292)	40,732	(6,396)	34,688	(39,268)	3,728,142
OPERATING TRANSFERS:						
Transfer to the General Fund	—	(40,732)	—	—	(40,732)	—
Net income (loss)	(108,292)	—	(6,396)	34,688	(80,000)	3,728,142
FUND EQUITY AT BEGINNING OF YEAR	1,127,115	—	411,587	5,242,357	6,781,059	36,980,128
Contributed fixed assets	149,054	—	—	153,543	302,597	—
Net decrease in donor restricted funds	(307)	—	—	—	(307)	—
FUND EQUITY AT END OF YEAR						
Reserved	1,020,863	—	294,500	5,224,112	6,539,475	—
Reserved for Pension Benefits	—	—	—	—	—	40,708,270
Unreserved	146,707	—	110,691	206,476	463,874	—
FUND EQUITY AT END OF YEAR	$ 1,167,570	$ —	$ 405,191	$ 5,430,588	$ 7,003,349	$ 40,708,270

See accompanying notes to financial statements.

THE CITY OF NEW YORK

COMBINED STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND EQUITY—PROPRIETARY FUND TYPE AND SIMILAR TRUST FUND

FOR THE YEAR ENDED JUNE 30, 1989

(in thousands)

	Proprietary Fund Type					Fiduciary Fund Type
	Health and Hospitals Corporation	Off-Track Betting Corporation	Housing and Economic Development Funds	Water and Sewer System	Total Enterprise Funds	Pension Trust
OPERATING REVENUES:						
Patient service revenues, net	$1,906,824	$ —	$ —	$ —	$1,906,824	$ —
Charges for services	—	—	—	609,255	609,255	—
Other revenues	666,921	221,114	178,737	—	1,066,772	—
Employer, employee contributions	—	—	—	—	—	2,296,788
Investment income, net	—	—	87,509	32,867	120,376	4,006,203
Total operating revenues	2,573,745	221,114	266,246	642,122	3,703,227	6,302,991
OPERATING EXPENSES:						
Personal services	1,637,493	—	21,003	—	1,658,496	—
Affiliation	347,700	—	—	—	347,700	—
Racing industry compensation	—	56,117	—	—	56,117	—
Operations and maintenance	—	—	—	548,488	548,488	—
Interest expense	—	—	162,159	111,773	273,932	—
Administrative and selling	—	13,360	—	554	13,914	—
Depreciation and amortization	105,471	2,401	1,209	76,688	185,769	—
Benefit payments and withdrawals	—	—	—	—	—	2,559,483
Other	481,101	88,801	72,306	—	642,208	—
Distributions to the state and other local governments	—	25,898	—	—	25,898	—
Total operating expenses	2,571,765	186,577	256,677	737,503	3,752,522	2,559,483
Operating income (loss)	1,980	34,537	9,569	(95,381)	(49,295)	3,743,508
NON-OPERATING REVENUES (EXPENSES):						
Interest income	7,985	1,367	13,461	797	23,610	—
Interest expense	(74,864)	—	—	—	(74,864)	—
Amounts from other OTB communities	—	7,747	—	—	7,747	—
Other	—	—	(4,263)	—	(4,263)	(18,235)
Total non-operating revenues (expenses)	(66,879)	9,114	9,198	797	(47,770)	(18,235)
Income (loss) before transfers	(64,899)	43,651	18,767	(94,584)	(97,065)	3,725,273
OPERATING TRANSFERS:						
Transfer to the General Fund	—	(43,651)	—	—	(43,651)	—
Net income (loss)	(64,899)	—	18,767	(94,584)	(140,716)	3,725,273
FUND EQUITY AT BEGINNING OF YEAR	1,076,704	—	392,820	5,118,028	6,587,552	33,254,855
Contributed fixed assets	114,585	—	—	218,913	333,498	—
Net increase in donor restricted funds	725	—	—	—	725	—
FUND EQUITY AT END OF YEAR						
Reserved	958,901	—	295,731	5,140,995	6,395,627	—
Reserved for Pension Benefits	—	—	—	—	—	36,980,128
Unreserved	168,214	—	115,856	101,362	385,432	—
FUND EQUITY AT END OF YEAR	$1,127,115	$ —	$411,587	$5,242,357	$6,781,059	$36,980,128

THE CITY OF NEW YORK

COMBINED STATEMENT OF CASH FLOWS

PROPRIETARY FUND TYPE

FOR THE YEAR ENDED JUNE 30, 1990
(in thousands)

	Health and Hospitals Corporation	Off-Track Betting Corporation	Housing and Economic Development Funds	Water and Sewer System	Total Enterprise Funds
Operating Activities:					
Operating income (loss)	$ (48,288)	$ 31,932	$ (15,990)	$ 34,024	$ 1,678
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:					
Depreciation and amortization	116,285	2,604	1,709	76,119	196,717
Increase in patient service receivables, net	(29,900)	—	—	—	(29,900)
Increase in accounts and other receivables	(7,550)	—	(3,952)	(39,389)	(50,891)
Increase (decrease) in accounts payable and accrued liabilities	30,363	(111)	(6,127)	(1,977)	22,148
Increase in accrued vacation and sick leave	10,289	—	—	—	10,289
Decrease in accrued pension liability	(798)	(53)	—	—	(851)
Increase (decrease) in deferred revenues	—	—	4,252	(2,732)	1,520
Distribution to the City of New York	—	(40,026)	—	—	(40,026)
Program loans issued	—	—	(197,722)	—	(197,722)
Receipt from collections of program loans	—	—	111,899	—	111,899
Distribution to State and local governments	—	(25,463)	—	—	(25,463)
Decrease in payable to the City of New York	—	—	—	(136,247)	(136,247)
Other, net	4,977	25,106	2,768	(13,862)	18,989
Total adjustments	123,666	(37,943)	(87,173)	(118,088)	(119,538)
Net cash provided by (used in) operating activities	75,378	(6,011)	(103,163)	(84,064)	(117,860)
Noncapital Financing Activities:					
Proceeds from issuing bonds, notes and other borrowings	165,000	—	385,111	—	550,111
Repayments of bonds, notes and other borrowings	(165,000)	—	(378,334)	—	(543,334)
Amounts from other OTB communities	—	7,834	—	—	7,834
Other, net	—	—	(4,871)	—	(4,871)
Net cash provided by noncapital financing activities	—	7,834	1,906	—	9,740
Capital and Related Financing Activities:					
Additions to fixed assets, net of proceeds from sales	(171,574)	(3,352)	(1,161)	(298,276)	(474,363)
Proceeds from issuing bonds, notes and other borrowings	—	—	—	437,885	437,885
Repayments of bonds, notes and other borrowings	(6,980)	(415)	(373)	(26,620)	(34,388)
Payments from the City other than for operations, net	149,054	—	—	—	149,054
Interest paid on bonds, notes and other borrowings	(67,866)	—	—	—	(67,866)
Net cash provided by (used in) capital and related financing activities	(97,366)	(3,767)	(1,534)	112,989	10,322
Investing Activities:					
Excess (deficiency) of proceeds from sales of investments net of purchases	—	—	71,091	(66,390)	4,701
Interest on investments	7,862	966	14,694	664	24,186
Net cash provided by (used in) investing activities	7,862	966	85,785	(65,726)	28,887
DECREASE IN CASH AND CASH EQUIVALENTS	(14,126)	(978)	(17,006)	(36,801)	(68,911)
CASH AND CASH EQUIVALENTS BEGINNING OF YEAR	92,581	14,853	92,172	260,013	459,619
CASH AND CASH EQUIVALENTS END OF YEAR	$ 78,455	$ 13,875	$ 75,166	$ 223,212	$ 390,708

See accompanying notes to financial statements.

THE CITY OF NEW YORK
COMBINED STATEMENT OF CASH FLOWS
PROPRIETARY FUND TYPE

FOR THE YEAR ENDED JUNE 30, 1989
(in thousands)

	Health and Hospitals Corporation	Off-track Betting Corporation	Housing and Economic Development Funds	Water and Sewer System	Total Enterprise Funds
Operating Activities:					
Operating income (loss)	$ 1,980	$ 34,537	$ 9,569	$ (95,381)	$ (49,295)
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:					
Depreciation and amortization	105,471	2,401	1,209	76,688	185,769
Increase in patient service receivables, net	(37,196)	–	–	–	(37,196)
Decrease in accounts and other receivables	3,014	–	266	12,212	15,492
Increase (decrease) in accounts payable and accrued liabilities	14,650	(994)	20,747	1,838	36,241
Increase in accrued vacation and sick leave	8,474	–	–	–	8,474
Decrease in accrued pension liability	(737)	(59)	–	–	(796)
Increase (decrease) in deferred revenues	–	–	(3,754)	3,098	(656)
Distribution to the City of New York	–	(44,052)	–	–	(44,052)
Program loans issued	–	–	(149,984)	–	(149,984)
Receipt from collections of program loans	–	–	15,693	–	15,693
Distribution to State and local governments	–	(26,357)	–	–	(26,357)
Decrease in payable to the City of New York	–	–	–	32,335	32,335
Other, net	3,192	24,424	46,084	(3,723)	69,977
Total adjustments	96,868	(44,637)	(69,739)	122,448	104,940
Net cash provided by (used in) operating activities	98,848	(10,100)	(60,170)	27,067	55,645
Noncapital Financing Activities:					
Proceeds from issuing bonds, notes and other borrowings	75,000	–	11,430	–	86,430
Repayments of bonds, notes and other borrowings	(75,000)	–	(155,295)	–	(230,295)
Amounts from other OTB communities	–	7,747	–	–	7,747
Other, net	–	–	(5,005)	–	(5,005)
Net cash provided by (used in) noncapital financing activities	–	7,747	(148,870)	–	(141,123)
Capital and Related Financing Activities:					
Additions to fixed assets net of proceeds from sales	(145,062)	(3,225)	(2,410)	(438,871)	(589,568)
Proceeds from issuing bonds, notes and other borrowings	–	–	130	542,921	543,051
Repayments of bonds, notes and other borrowings	(6,560)	(379)	(189)	(15,050)	(22,178)
Payments from the City other than for operations, net	114,585	–	–	–	114,585
Interest paid on bonds, notes and other borrowings	(74,864)	–	–	–	(74,864)
Net cash provided by (used in) capital and related financing activities	(111,901)	(3,604)	(2,469)	89,000	(28,974)
Investing Activities:					
Excess (deficiency) of proceeds from sales of investments net of purchases	–	–	220,692	112,282	332,974
Interest on investments	7,985	1,367	14,794	797	24,943
Net cash provided by (used in) investing activities	7,985	1,367	235,486	113,079	357,917
Increase (Decrease) in Cash and Cash Equivalents	(5,068)	(4,590)	23,977	229,146	243,465
Cash and Cash Equivalents Beginning of Year	97,649	19,443	68,195	30,867	216,154
Cash and Cash Equivalents End of Year	$ 92,581	$ 14,853	$ 92,172	$ 260,013	$ 459,619

A. Summary of Significant Accounting Policies

The accompanying general purpose financial statements of The City of New York (City) are presented in conformity with generally accepted accounting principles (GAAP) for governments as prescribed by the Governmental Accounting Standards Board (GASB). The amounts shown in the "Total (Memorandum Only)" column of the accompanying combined financial statements are presented only to facilitate financial analysis and are not the equivalent of consolidated financial statements. Reclassification of certain prior year amounts have been made to conform with the current year presentation.

The following is a summary of significant accounting policies and reporting practices of the City:

Reporting Entity

The financial statements present the accounts of the City, including the Board of Education and the community colleges of the City University of New York, and the financial statements of those separately administered organizations that provide services within the geographic boundaries of the City and where the City exercises oversight responsibility, including the appointing of the majority of the Boards of Directors, has special financing relationships and those whose scope of service benefits primarily the City or its residents.

Manifestations of oversight responsibility include:

- Selection of the governing authority,
- Designation of management,
- Ability to significantly influence operations, and
- Accountability for fiscal matters.

The scope of public service criterion considers whether the activity of the potential component unit is for the benefit of the City and/or its residents and whether the activity is conducted within the geographic boundaries of the City and is generally available to City residents.

Those organizations include the following:

Municipal Assistance Corporation For The City of New York (MAC)
New York City Health and Hospitals Corporation (HHC)
New York City Off-Track Betting Corporation (OTB)
New York City Educational Construction Fund (ECF)
City University Construction Fund (CUCF)
New York City School Construction Authority (SCA)
Housing and Economic Development Enterprise Funds:

- New York City Housing Development Corporation (HDC)
- New York City Rehabilitation Mortgage Insurance Corporation (REMIC)
- New York City Industrial Development Agency (IDA)
- Financial Services Corporation of New York City (FSC)
- New York City Public Development Corporation (PDC)
- Brooklyn Navy Yard Development Corporation (BNYDC)
- Business Relocation Assistance Corporation (BRAC)

Expendable Trust Funds:

- New York Police Department Police Officers' Variable Supplements Fund
- New York Police Department Police Superior Officers' Variable Supplements Fund
- New York Fire Department Firefighters' Variable Supplements Fund
- New York Fire Department Fire Officers' Variable Supplements Fund

Pension Trust Funds:

- New York City Employees' Retirement System (NYCERS)
- New York City Teachers' Retirement System—Qualified Pension Plan (TRS)
- New York City Board of Education Retirement System—Qualified Pension Plan (BERS)
- New York Police Department Pension Fund—Article 2 (POLICE)
- New York Fire Department Pension Fund—Article 1-B (FIRE)

Deferred Compensation Plan for Employees of The City of New York and Related Agencies and Instrumentalities (DCP)

Water and Sewer System:

- New York City Municipal Water Finance Authority (Water Authority)
- New York City Water Board (Water Board)

Significant accounting policies and other matters concerning the financial status of these organizations are described elsewhere in the notes to the financial statements.

The City's operations also include those normally performed at the county level and, accordingly, transactions applicable to operations of the five counties which comprise the City are included in these financial statements.

The New York City Transit Authority is an affiliated agency of the Metropolitan Transportation Authority of the State of New York which is a component unit of New York State and therefore is excluded from the City's reporting entity.

Fund Accounting

The City uses funds and account groups to report on its financial position and the results of its operations. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain government functions or activities.

A fund is a separate accounting entity with a self-balancing set of accounts. An account group, is a financial reporting device designed to provide accountability for certain assets and liabilities that are not recorded in the funds because they do not directly affect net expendable available financial resources.

Funds are classified into three categories: governmental, proprietary and fiduciary. Each category, in turn, is divided into separate "fund types".

Governmental Fund Types

General Fund

The General Fund is the general operating fund of the City. Substantially all tax revenues, Federal and State aid (except aid for capital projects) and other operating revenues are accounted for in the General Fund. This fund also accounts for expenditures and transfers as appropriated in the Expense Budget, which provides for the City's day-to-day operations, including transfers to Debt Service Funds for payment of long-term obligations.

Capital Projects Fund

The Capital Projects Fund accounts for resources used to construct or acquire fixed assets and capital improvements. Such assets and improvements include substantially all land, buildings, equipment, water and sewage systems and other elements of the City's infrastructure having a minimum useful life of five years, having a cost of more than $15,000, and having been appropriated in the Capital Budget (see Budgets). The Capital Projects Fund includes the activities of the New York City School Construction Authority (SCA). Resources of the Capital Projects Fund are derived principally from proceeds of City bond issues, payments from the Water Authority and from Federal, State and other aid. The cumulative deficit of $1.290 billion at June 30, 1990 represents the amount expected to be financed from future bond issues or intergovernmental reimbursements. To the extent the deficit will not be financed or reimbursed, a transfer from the General Fund will be required.

Debt Service Funds

The Debt Service Funds account for the accumulation of resources for payment of principal and interest on long-term obligations. Separate funds are maintained to account for transactions relating to (i) the City's General Debt Service Funds including its sinking funds and the debt service funds required by state legislation; (ii) certain other public benefit corporations whose indebtedness has been guaranteed by the City, or with whom the City has entered into lease purchase and similar agreements; (iii) MAC; and (iv) ECF and CUCF as component units of the City.

Proprietary Fund Type

Enterprise Funds

The Enterprise Funds account for the operations of HHC, OTB, HDC, the Water and Sewer System and other component units comprising the Housing and Economic Development Funds. These activities are accounted for in a manner similar to private business enterprises, in which the focus is on the periodic determination of revenues, expenses and net income.

Fiduciary Fund Types

Trust and Agency Funds

The Trust and Agency Funds account for the assets and activities of the Expendable Trust Funds, Pension Trust Funds and the Agency Fund.

The Expendable Trust Funds account for the operations of the Police Officers' Variable Supplements Fund, Police Superior Officers' Variable Supplements Fund, Firefighters' Variable Supplements Fund and the Fire Officers' Variable Supplements Fund and are accounted for in essentially the same manner as governmental funds.

The Pension Trust Funds account for the operations of NYCERS, TRS, BERS, POLICE and FIRE employee retirement systems. These activities are accounted for in essentially the same manner as proprietary funds where the focus is on the periodic determination of revenues, expenses and net assets available for pension benefits.

The Agency Fund accounts for the operations of DCP, which was created in accordance with Internal Revenue Code Section 457. The Agency Fund is custodial in nature and does not involve measurement of results of operations.

Account Groups

General Fixed Assets Account Group

The General Fixed Assets Account Group accounts for those fixed assets which are used for general governmental purposes and are not available for expenditure. Such assets include all capital assets, except for the City's infrastructure elements that are not required to be capitalized under generally accepted accounting principles. Infrastructure elements include roads, bridges, curbs and gutters, streets and sidewalks, park land and improvements and subway tracks and tunnels. The fixed assets of SCA are included in the City's General Fixed Assets Account Group. The fixed assets of the water distribution and sewage collection system are recorded in the Water and Sewer System Enterprise Fund under a lease agreement between the City and the Water Board.

General Long-term Obligations Account Group

The General Long-term Obligations Account Group accounts for unmatured long-term bonds payable which at maturity will be paid through the Debt Service Funds. In addition, the General Long-term Obligations Account Group includes other long-term obligations for (i) capital leases; (ii) judgments and claims; (iii) real estate tax refunds; (iv) unpaid vacation and sick leave; and (v) certain unfunded pension liabilities.

Basis of Accounting

The accounting and financial treatment applied to a fund is determined by its measurement focus. The measurement focus of the Governmental Fund Types and the Expendable Trust Funds is on the flow of current financial resources. This focus emphasizes the determination of, and changes in financial position, and only current assets and current liabilities generally are included on the balance sheet. These Funds use the modified accrual basis of accounting, whereby revenues are recognized in the accounting period in which they become both measurable and available to finance expenditures of the fiscal period. Expenditures are recorded when the related liability is incurred, except for interest on long-term obligations and certain estimated liabilities recorded in the General Long-term Obligations Account Group.

The measurement focus of the Enterprise Funds and the Pension Trust Funds is on the flow of economic resources. This focus emphasizes the determination of net income, financial position, and all assets and liabilities associated with these funds are included on the balance sheet. These funds use the accrual basis of accounting whereby revenues are recognized in the accounting period in which they are earned, and expenses are recognized in the period incurred.

The Agency Fund uses the modified accrual basis of accounting, and does not involve the measurement of operations.

Budgets and Financial Plans

Budgets

Annual Expense Budget appropriations, which are prepared on the modified accrual basis, are adopted for the General Fund and lapse at fiscal year-end. The City also makes appropriations in the Capital Budget to authorize the expenditure of funds for various capital projects. Capital appropriations, unless modified or rescinded, remain in effect until the completion of each project.

The City is required by State Law to adopt and adhere to a budget that would not result in a General Fund deficit.

Expense Budget expenditures are controlled by units of appropriation and quarterly spending allotments. A unit of appropriation is an organizational subdivision and is the level of control within each agency's budget at which expenditures may not legally exceed the appropriation. The number of units of appropriation and the span of operating responsibility which each unit represents, differs from agency to agency depending on the level of control required. Transfers between units of appropriation and supplementary appropriations may be made by the Mayor subject to the approval provisions set forth in the City Charter. Supplementary appropriations increased the Expense Budget by $266 million and $287 million subsequent to its original adoption in fiscal years 1990 and 1989, respectively.

Financial Plans

The New York State Financial Emergency Act for The City of New York, as amended in 1978, requires the City to operate under a "rolling" Four-Year Financial Plan (Plan). Revenues and expenditures, including operating transfers, of each year of the Plan are required to be balanced on a basis consistent with generally accepted accounting principles. The Plan is broader in scope than the Expense Budget; it comprehends General Fund revenues and expenditures, Capital Projects Fund revenues and expenditures and all short and long-term financing.

The Expense Budget is generally consistent with the first year of the Plan and operations under the Expense Budget must reflect the aggregate limitations contained in the approved Plan. The City reviews its Plan periodically during the year and, if necessary, makes modifications to incorporate actual results and revisions to assumptions.

Encumbrances

Encumbrance accounting, under which purchase orders, contracts and other commitments for expenditures are recorded to reflect the use of the applicable spending appropriations, is used by the General Fund during the fiscal year to control expenditures. The cost of those goods received and services rendered on or before June 30 are recognized as expenditures. Encumbrances not resulting in expenditures by year-end, lapse.

Cash and Investments

Cash and cash equivalents include compensating balances maintained with certain banks in lieu of payments for services rendered. The average compensating balances maintained during fiscal years 1990 and 1989 were approximately $156 million and $193 million, respectively.

Investments in marketable fixed income securities are recorded at cost or amortized cost, plus accrued interest. Securities purchased pursuant to agreements to resell are carried at the contract price, exclusive of interest, at which the securities will be resold. Marketable equity securities are carried at market in the Pension Trust Funds and cost in the Expendable Trust Funds. Realized gains or losses on sales of securities are based on the average cost of securities.

Investments of DCP are reported at market value.

Inventories

Materials and supplies are recorded as expenditures in governmental funds at the time of purchase. Inventories on hand at June 30, 1990 and 1989 (estimated at $201 million and $172 million, respectively, based on average cost) have not been reported on the Governmental Funds balance sheets.

Restricted Cash and Investments

Certain proceeds of Enterprise Fund bonds, as well as certain resources set aside for their repayment, are classified as restricted cash and investments on the balance sheet because their use is limited by applicable bond covenants.

Fixed Assets

Fixed assets are generally stated at historical cost, or at estimated historical cost based on appraisals or on other acceptable methods when historical cost is not available. Donated fixed assets are stated at their fair market value as of the date of the donation. Capital leases are classified as fixed assets in amounts equal to the lesser of the fair market value or the present value of net minimum lease payments at the inception of the lease (see Note F).

Accumulated depreciation and amortization are reported as reductions of fixed assets. Depreciation is computed using the straight-line method based upon estimated useful lives of 40 to 50 years for buildings and 5 to 35 years for equipment. Capital lease assets and leasehold improvements are amortized over the term of the lease or the life of the asset, whichever is less.

See Notes J, K and M for fixed asset accounting policies used by HHC, OTB and the Water and Sewer System, respectively.

Allowance for Uncollectible Mortgage Loans

Mortgage loans and interest receivable in the General Debt Service Fund are net of an allowance for uncollectible accounts of $931.7 million and $920.1 million for fiscal years 1990 and 1989, respectively. The allowance is composed of the balance of first mortgages one or more years in arrears and the balance of refinanced mortgages where payments to the City are not expected to be completed for approximately 25 to 30 years.

Vacation and Sick Leave

Earned vacation and sick leave is recorded as an expenditure in the period when it is payable from current financial resources. The estimated value of leave earned by employees which may be used in subsequent years or paid upon termination or retirement, and therefore payable from future resources, is recorded in the General Long-term Obligations Account Group, except for leave of the employees of the Enterprise Funds which is accounted for in those funds.

Treasury Obligations

Bonds payable included in the General Long-term Obligations Account Group and investments in the Debt Service Funds are reported net of "treasury obligations". Treasury obligations represent City bonds held as investments of the Debt Service Funds which are offset and reported as if these bonds had been redeemed.

Judgments and Claims

The City is uninsured with respect to most risks including, but not limited to, property damage, personal injury and workers' compensation. Expenditures for judgments and claims (other than workers' compensation and condemnation proceedings) are recorded on the basis of settlements reached or judgments entered within the current fiscal year. Expenditures for workers' compensation are recorded when paid. Estimated settlements relating to condemnation proceedings are reported in the Capital Projects Fund during the year such claims are filed. The estimated liability for judgments and claims which have not been adjudicated, settled or reported at the end of a fiscal year is recorded in the General Long-term Obligations Account Group. The current liability for settlements reached or judgments entered but not yet paid is recorded in the General Fund.

General Long-term Obligations

For general long-term obligations, only that portion expected to be financed from expendable available financial resources is reported as a fund liability of a governmental fund. The remaining portion of such obligations is reported in the General Long-term Obligations Account Group. Long-term liabilities expected to be financed from proprietary fund operations are accounted for in those funds.

Real Estate Tax

Real estate tax payments for the year ended June 30, 1990 were due July 1, 1989 and January 1, 1990 except that payments by owners of real property assessed at $40,000 or less and cooperatives whose individual units on average are valued at $40,000 or less were due in quarterly installments on the first day of each quarter beginning on July 1.

The levy date for fiscal year 1990 taxes was June 30, 1989. The lien date is the date taxes are due.

Recognized real estate tax revenue represents payments received during the year and payments received within the first two months of the following fiscal year (against the current fiscal year and prior years' levies) reduced by tax refunds made in the same period.

An allowance for estimated uncollectible real estate taxes is provided against the balance of the receivable. Delinquent real estate taxes receivable that are estimated to be collectible but which are not collected in the first two months of the next fiscal year are recorded as deferred revenues.

The City is permitted to levy real estate taxes (i) for general operating purposes in an amount up to 2.5% of the average full value of taxable real estate in the City for the last five years and (ii) in unlimited amounts for the payment of principal and interest on long-term City debt. Amounts collected for payment of principal and interest on long-term debt and not required for that purpose in the year of the levy must be applied towards future years' debt service. Accordingly, for the years ended June 30, 1990 and 1989, $159 million and $160 million, respectively, were transferred to the Debt Service Fund.

Other Taxes and Other Revenues

Recognized sales, income and other taxes represent payments received during the current fiscal year and represent material amounts, net of estimated refunds, collected by the State in the current fiscal year on behalf of the City but received by the City in the next fiscal year.

Licenses, permits, franchises and privileges, fines, forfeitures and other revenues are recorded when received in cash. The City receives revenue from the Water Board for operating and maintenance costs and rental payments for use of the water and sewer system. These revenues are recorded when the services are provided by the City for the Water Board.

Federal, State and Other Aid

Categorical aid, net of a provision for estimated disallowances, is reported as revenue when the related reimbursable expenditures are incurred. Unrestricted aid is reported as revenue in the fiscal year of entitlement.

Bond Discounts/Issuance Costs

In governmental fund types, bond discounts and issuance costs are recognized as expenditures in the period incurred. Bond discounts and issuance costs in the Proprietary Fund Type are deferred and amortized over the term of the bonds using the bonds-outstanding method, which approximates the effective interest method. Bond discounts are presented as a reduction of the face amount of bonds payable, whereas issuance costs are recorded as deferred charges.

Transfers

Payments from a fund receiving revenue to a fund through which the revenue is to be expended are reported as operating transfers. Such payments include transfers for debt service, OTB net revenues and Expendable Trust Funds.

Subsidies

The City makes various payments to subsidize a number of organizations which provide services to City residents. These payments are recorded as expenditures in the year paid.

Pensions

The provision for costs of pensions is recorded on the accrual basis (see Note Q). The provision includes normal costs, interest on pension costs previously accrued but not funded, and amortization of past service costs as determined by the actuary employed by the Boards of Trustees of the City's major actuarial pension systems.

Comparative Data

Comparative total data for the prior year have been presented in the accompanying combining and individual fund and account group financial statements in order to provide an understanding of changes in the City's financial position and operations.

B. Audit Responsibility

The financial statements of certain separately administered organizations included in the financial statements of the City were audited by auditors other than Ernst & Young, the City's principal auditor. The following is a summary of the proportion of certain key financial indicators that are audited by other auditors:

	Fund Types					Account Groups	
	General	Capital Projects	Debt Service	Enterprise	Trust and Agency	General Fixed Assets	General Long-term Obligations
				(percent)			
Total assets/liabilities	0	11	76	99	100	3	27
Operating revenues and other financing sources	0	6	23	99	100	NA	NA

NA—Not Applicable

The most significant separately administered organizations included in the financial statements of the City audited by auditors other than Ernst & Young, the City's principal auditor, were the Municipal Assistance Corporation For The City of New York, New York City Health and Hospitals Corporation, New York City Off-Track Betting Corporation, the entities comprising the Housing and Economic Development Funds except Public Development Corporation and Financial Services Corporation, New York City Municipal Water Finance Authority, the New York City Water Board and the five major actuarial pension systems.

C. Municipal Assistance Corporation for the City of New York (MAC)

MAC is a corporate governmental agency and instrumentality of the State constituting a public benefit corporation. MAC was created in June, 1975 by the Municipal Assistance Corporation For The City of New York Act (Act) to assist the City in providing essential services to its inhabitants without interruption and in reestablishing investor confidence in the soundness of City obligations. Pursuant to the Act, MAC is empowered to issue and sell bonds and notes, pay or loan to the City funds received from such sales, and exchange its obligations for those of the City. Also pursuant to the Act, MAC provides certain oversight of the City's financial activities.

MAC has no taxing power. All outstanding bonds issued by MAC are general obligations of MAC and do not constitute an enforceable obligation or a debt of either the City or the State and neither the City nor the State is liable thereon. Neither the City nor a creditor of the City has any claim to MAC's revenues and assets. Debt service requirements and operating expenses are funded by allocations from the State's collection of certain sales and compensating use taxes (imposed by the State within the City at rates formerly imposed by the City), the stock transfer tax and certain per capita aid, subject in each case to appropriation by the State Legislature. Net collections of taxes and per capita aid are returned to the City by the State after MAC debt service requirements are met. The MAC bond resolutions provide for liens by bondholders on certain monies received by MAC from the State.

MAC was authorized by the Act to issue, until January 1, 1985, obligations in an aggregate principal amount of $10 billion. Of this amount, MAC issued approximately $9.445 billion exclusive of obligations issued to refund outstanding obligations of MAC and notes issued to enable the City to fulfill its borrowing requirements. No obligations of MAC may mature later than July 1, 2008, and no new obligations may be issued by MAC except to renew or refund outstanding obligations. MAC may issue such new obligations provided their issuance would not cause certain debt service limitations and debt service coverage ratios to be exceeded.

As indicated in Note A, the MAC transactions and account balances are included in the accompanying financial statements because MAC's financing activities are considered an essential part of the City's financing activities. In order to include the financial statements of MAC with those of the City, the following eliminations were made: (i) July 1st bond redemptions and interest on bonds payable which are reflected on MAC's statements at June 30; and (ii) certain City obligations purchased by MAC (see Note G). MAC account balances and transactions are shown in the Debt Service Funds and General Long-term Obligations Account Group;

revenues appropriated and paid by the State of New York to MAC are first included in General Fund revenues and then transferred to the Debt Service Fund in the fiscal year of such payments.

D. DEPOSITS AND INVESTMENTS

Deposits

The City's bank depositories are designated by the Banking Commission consisting of the Comptroller, the Mayor and the Finance Commissioner. Independent bank rating agencies are used to determine the financial soundness of each bank, and the City's banking relationships are under constant operational and credit reviews.

The City Charter limits the amount of deposits at any time in any one bank or trust company to a maximum of one-half of the amount of the capital and net surplus of such bank or trust company. Component units included in the City's reporting entity maintain their own banking relationships which generally conform with the City's. Bank balances are currently insured up to $100,000 in the aggregate by the Federal Deposit Insurance Corporation (FDIC) for each bank for all funds other than monies of the retirement systems, which are insured by the FDIC up to $100,000 per retirement system member. At June 30, 1990, the carrying amount of the City's cash and deposits was $388 million and the bank balances were $486 million. Of the bank balances, $115 million was covered by federal depository insurance or collateralized with securities held by the City's agent in the City's name, and $371 million was uninsured and uncollateralized.

The uninsured and uncollateralized cash balances carried during the year did not fluctuate appreciably as they represent primarily the compensating balances required to be maintained at banks for services provided. It is the policy of the City to invest all funds in excess of compensating balance requirements.

Investments

The City's investment of cash in its Governmental Fund Types is limited to U.S. Government securities purchased directly and through repurchase agreements from primary dealers. The repurchase agreements must be collateralized by U.S. Government securities in a range of 100 to 103% of the matured value of the repurchase securities.

The investment policies of the component units included in the City's reporting entity generally conform to those of the City's. The criteria for the Pension Trust Funds' investments are as follows:

1) Fixed income investments may be made only in U.S. Government securities, securities of government agencies backed by the U.S. Government and securities of companies rated single A or better by both Standard & Poor's Corporation and Moody's Investors Service.

2) Equity investments may be made only in those stocks that meet the qualifications of The State Retirement and Social Security Law.

3) Short-term investments may be made in the following:

(a) U.S. Government securities or government agencies securities fully guaranteed by the U.S. Government.

(b) Commercial paper rated A1 or P1 by Standard & Poor's Corporation or Moody's Investors Service, respectively.

(c) Repurchase agreements collateralized in a range of 100 to 103% of matured value, purchased from primary dealers of U.S. Government securities.

4) Investments in bankers' acceptances and certificates of deposit may be made with any of the 10 largest U.S. banks with either the highest or next to the highest rating categories of the leading independent bank rating agencies.

All securities are held by the City's custodial bank (in bearer or book-entry form) solely as agent of the Comptroller of The City of New York on behalf of the various accounts involved. Payments for purchases are not released until the purchased securities are received by the City's custodial bank.

Investments of the City and its component units are categorized by level of credit risk (the risk that a counterparty to an investment transaction will not fulfill its obligations). Category 1, the lowest risk, includes investments that are insured or registered or for which the securities are held by the entity or its agent in the entity's name. Category 2 includes uninsured and unregistered investments for which the securities are held by the counterparty's trust department or agent in the entity's name. Category 3, the highest risk, includes uninsured and unregistered investments for which the securities are held by the counterparty, or by its trust department or agent but not in the entity's name.

The City's investments, including those of the component units, as of June 30, 1990 are classified as follows:

	Category 1	Category 2	Category 3	Total Carrying amount	Market value
	(in millions)				
Repurchase agreements	$ 2,468	$—	$—	$ 2,468	$ 2,468
U.S. Government securities	19,753	—	—	19,753	19,764
Commercial paper	532	76	—	608	608
Corporate bonds	6,061	—	—	6,061	6,167
Corporate stocks	16,156	—	90	16,246	16,246
Guaranteed investment contracts	919	—	—	919	919
Other	3,055	—	—	3,055	3,055
Total	$48,944	$76	$90	$49,110	$49,227

In addition, the restricted cash and investments include $38.2 million of cash, of which the repayment of $400 thousand was insured and $37.8 million was uninsured and uncollateralized. Restricted investments, principally in U.S. Government securities with a cost and approximate market value of $435 million are fully collateralized with securities held by the trustee in the entity's name of which $174 million has maturities of three months or less.

For purposes of the statements of cash flows, the City's Enterprise Fund considers all highly liquid investments (including restricted assets) with a maturity of three months or less when purchased to be cash equivalents.

The following is a reconciliation of cash and cash equivalents per the statements of cash flows to the balance sheets:

	Unrestricted	Restricted	Total
		(in thousands)	
Cash and cash equivalents—June 30, 1988	$181,256	$ 34,898	$216,154
Net increase	11,617	231,848	243,465
Cash and cash equivalents—June 30, 1989	192,873	266,746	459,619
Net decrease	(14,382)	(54,529)	(68,911)
Cash and cash equivalents—June 30, 1990	$178,491	$212,217	$390,708

The following are the noncash investing, capital and financing activities:

The Water Board received capital assets of $154 million and $219 million for fiscal years 1990 and 1989, respectively, which represents contributed capital from the City.

HHC received capital assets of $149 million and $115 million for fiscal years 1990 and 1989, respectively, which represents contributed capital from the City.

E. General Fixed Assets Account Group

The following is a summary of changes in general fixed assets for the year ended June 30, 1990:

	June 30, 1989	Additions	Deletions	June 30, 1990
		(in thousands)		
Land	$ 545,684	$ 997	$ —	$ 546,681
Buildings	5,094,442	364,883	1,543	5,457,782
Equipment	2,490,838	317,632	56,073	2,752,397
Construction work-in-progress	1,808,403	1,038,916	364,883	2,482,436
Total	9,939,367	1,722,428	422,499	11,239,296
Less accumulated depreciation and amortization	3,530,237	333,524	48,208	3,815,553
Net fixed assets	$6,409,130	$1,388,904	$374,291	$ 7,423,743

The following are the sources of funding for the general fixed assets at June 30, 1990. Sources of funding for fixed assets are not available prior to fiscal year 1987.

	Amount (in thousands)
Capital Projects Fund:	
Prior to fiscal year 1987	$ 6,808,724
City bonds	4,250,078
Federal grants	113,750
State grants	55,170
Private grants	11,574
Total	$11,239,296

At June 30, 1990 and 1989, the General Fixed Assets Account Group includes approximately $1.4 billion of City-owned assets leased for $1 per year to the New York City Transit Authority which operates and maintains the assets. Excluded are those assets leased to HHC. In addition, all assets relating to the water and sewer system were transferred from the General Fixed Assets Account Group to the Water Board on July 1, 1985. The fixed assets of HHC and the Water and Sewer system are recorded in the respective Enterprise Funds.

Included in land and buildings at June 30, 1990 and 1989 are leased properties capitalized at $113 million and $115 million with related accumulated amortization of $93 million and $88 million, respectively.

Certain categories of the City's infrastructure are not required to be capitalized in the General Fixed Assets Account Group under generally accepted accounting principles although the acquisition and construction of such items are expenditures of the Capital Projects Fund (see Note A). For this reason, expenditures of the Capital Projects Fund for the year ended June 30, 1990 and June 30, 1989 exceed the $1.722 billion and $931 million increases recorded as general fixed assets by $2.029 billion and $2.211 billion, respectively.

F. Leases

The City leases a significant amount of property and equipment from others. Leased property having elements of ownership are classified as capital leases in the General Fixed Assets Account Group. The related obligations, in amounts equal to the present value of minimum lease payments payable during the remaining term of the leases, are recorded in the General Long-term Obligations Account Group. Other leased property not having elements of ownership and all leased equipment are classified as operating leases. Both capital and operating lease payments are charged to expenditures when payable. Total expenditures on such leases for the years ended June 30, 1990 and June 30, 1989 were approximately $221 million and $222 million, respectively.

As of June 30, 1990, the City (excluding Enterprise Funds) had future minimum payments under capital and operating leases with a remaining term in excess of one year as follows:

	Capital Leases	Operating Leases (in thousands)	Total
Fiscal year ending June 30:			
1991	$ 52,571	$101,360	$ 153,931
1992	50,327	89,788	140,115
1993	48,736	82,944	131,680
1994	45,414	69,943	115,357
1995	43,568	57,041	100,609
Thereafter until 2012	664,373	292,012	956,385
Future minimum payments	904,989	$693,088	$1,598,077
Less interest	458,928		
Present value of future minimum payments	$446,061		

The City also leases City-owned property to others, primarily for markets, ports and terminals. Total rental receipts on these operating leases for the years ended June 30, 1990 and June 30, 1989 were approximately $207 million and $187 million, respectively. As of June 30, 1990, the following future minimum rentals are provided for by the leases:

	Amount (in thousands)
Fiscal year ending June 30:	
1991	$ 43,328
1992	42,738
1993	39,833
1994	38,058
1995	35,827
Thereafter until 2086	974,061
Future minimum rentals	$1,173,845

G. LONG-TERM OBLIGATIONS

Long-term Debt

Following is a summary of bond transactions of the City, MAC and certain public benefit corporations that are component units of the City and/or whose debt is guaranteed by the City. For information on notes and bonds payable of the Enterprise Funds, see Notes J, K, L and M.

	Balance June 30, 1988	1989 Issued or acquired	1989 Repaid, defeased or sold	1989 Balance June 30, 1989	1990 Issued or acquired	1990 Repaid, defeased or sold	1990 Balance June 30, 1990
				(in thousands)			
City debt:							
Term Bonds:							
General Sinking Fund	$ 80,000	$ —	$ —	$ 80,000	$ —	$ —	$ 80,000
Other sinking funds	308,925	50,000	63,600	295,325	—	256,325	39,000
Serial bonds	9,693,633	2,114,620	771,425	11,036,828	4,033,275	1,690,117	13,379,986
	10,082,558	2,164,620	835,025	11,412,153	4,033,275	1,946,442	13,498,986
MAC debt:							
First General Resolution Bonds	1,564,738	—	175,000	1,389,738	—	185,000	1,204,738
Second General Resolution Bonds	6,254,550	1,508,290	1,616,075	6,146,765	—	229,895	5,916,870
	7,819,288	1,508,290	1,791,075	7,536,503	—	414,895	7,121,608
Guaranteed debt:							
New York City Housing Authority	52,043	—	2,496	49,547	—	2,578	46,969
Component unit debt:(1)							
City University Construction Fund(2)	371,465	—	5,973(3)	365,492	373	4,781(3)	361,084
New York City Educational Construction Fund	33,475	134,925	33,475	134,925	—	200	134,725
	404,940	134,925	39,448	500,417	373	4,981	495,809
Total before treasury obligations	18,358,829	3,807,835	2,668,044	19,498,620	4,033,648	2,368,896	21,163,372
Less treasury obligations	1,995,685	171,528	182,768	1,984,445	16,435	329,970	1,670,910
Total	$16,363,144	$3,636,307	$2,485,276	$17,514,175	$4,017,213	$2,038,926	$19,492,462

(1) The debt of CUCF and ECF are reported as bonds outstanding as of June 30, 1989 and 1990 pursuant to their treatment as component units (See Note A).
(2) Excludes $265,621 in 1989 and $262,717 in 1990 to be provided by the State.
(3) Net adjustment based on allocation of debt between New York State and New York City.

The bonds payable, net of treasury obligations, at June 30, 1990 and 1989 summarized by type of issue are as follows:

	1990 General Obligations	1990 Revenue	1990 Total	1989 General Obligations	1989 Revenue	1989 Total
			(in thousands)			
Bonds payable:						
City debt	$11,828,076	$ —	$11,828,076	$ 9,427,708	$ —	$ 9,427,708
MAC debt	7,121,608	—	7,121,608	7,536,503	—	7,536,503
Guaranteed debt	46,969	—	46,969	49,547	—	49,547
Component unit debt	—	495,809	495,809	—	500,417	500,417
Total bonds payable	$18,996,653	$495,809	$19,492,462	$17,013,758	$500,417	$17,514,175

The following table summarizes future debt service requirements as of June 30, 1990:

	City Debt					
	Term Bonds	Serial Bonds	Interest on Bonds	MAC Debt Service	Component Unit and City Guaranteed Debt	Total
	(in thousands)					
Fiscal year ending June 30:						
1991	$ 5,900	$ 409,752	$ 855,120	$ 929,143	$ 47,976	$ 2,247,891
1992	–	642,039	824,226	890,390	50,892	2,407,547
1993	–	653,451	779,077	887,188	50,233	2,369,949
1994	–	671,276	728,607	854,361	51,322	2,305,566
1995	–	605,486	684,766	867,443	51,310	2,209,005
Thereafter until 2147	80,000	8,760,172	6,166,502	7,660,603	847,702	23,514,979
Total	85,900	11,742,176	10,038,298	12,089,128	1,099,435	35,054,937
Less interest component	–	–	10,038,298	4,967,520	556,657	15,562,475
Total debt service requirements	$85,900	$11,742,176	$ –	$ 7,121,608	$ 542,778	$19,492,462

The average interest rates for outstanding City term and serial bonds as of June 30, 1990 and 1989 were 7.7% (range 2.5% to 13.6%) and 7.8% (range 2.5% to 13.6%), respectively, and the interest rates on outstanding MAC bonds as of June 30, 1990 and 1989 ranged from 5.5% to 9.1%. The last maturity of the outstanding City debt is in the year 2147.

In fiscal year 1990, the City sold general obligation bonds of $1.378 billion aggregate principal amount to advance refund certain general obligation bonds of $1.290 billion aggregate principal amount issued in fiscal year 1961 and during fiscal years ranging from 1970 through 1990. The proceeds from the sales after payment of certain expenses incurred in connection with the issuance and sale of the bonds, were placed in irrevocable escrow accounts and invested in U.S. Government securities. As a result of providing for the payment of the principal, applicable redemption premiums and interest due on the bonds at various dates from January 1, 1990 to August 1, 2007, the refunded bonds are considered to be defeased in substance, and the liability has been removed from the General Long-term Obligations Account Group. The refunding transactions will increase the City's aggregate debt service payments by $177 million but provide an economic gain of $13 million.

At June 30, 1990, $2.631 billion of the City's outstanding general obligation bonds are considered defeased.

MAC issued no bonds for refunding purposes during fiscal year 1990. Subsequent to the redemption of $444 million on July 1, 1990, $2.396 billion of MAC bonds which have been advance refunded are defeased in substance.

Annual payments by the City into the General Sinking Fund must be sufficient to provide for the scheduled redemption of the principal of the term bonds. As of June 30, 1990 and 1989, the City had deposited the required installments of $1.3 million and $1.4 million, respectively, into the General Sinking Fund.

The State Constitution requires the City to pledge its full faith and credit for the payment of the principal and interest on City term and serial bonds and guaranteed debt. The general debt-incurring power of the City is limited by the Constitution to 10% of the average of five years' full valuations of taxable real estate. Additional debt may be incurred for housing purposes and is limited to 2% of the average of five years' assessed valuations. Excluded from these debt limitations is certain indebtedness incurred for water supply, certain obligations for transit, sewage, and other specific obligations, which exclusions are based on a relationship of debt service to net revenue.

As of June 30, 1990, the 10% general and 2% additional limitations were approximately \$36.437 billion and \$1.303 billion, respectively, of which the remaining debt-incurring amounts within such limits were \$7.674 billion and \$1.132 billion, respectively. See Note C for information related to MAC debt authorization and issuance limitations.

Pursuant to State legislation on January 1, 1979, the City established a General Debt Service Fund administered and maintained by the State Comptroller into which payments of real estate taxes and other revenues are deposited in advance of debt service payment dates. Debt service on all City notes and bonds is paid from this fund.

Subsequent to June 30, 1990, the City completed the following long-term financing:

City Debt: On September 14, 1990, the City sold in the public credit market \$850 million of general obligation bonds bearing interest rates of 6½% to 8%.

Judgments and Claims

The City is a defendant in lawsuits pertaining to material matters, including those claims asserted which are incidental to performing routine governmental and other functions. This litigation includes but is not limited to, actions commenced and claims asserted against the City arising out of alleged torts, alleged breaches of contracts, alleged violations of law and condemnation proceedings. As of June 30, 1990, claims in excess of \$306 billion were outstanding against the City for which the City estimates its potential future liability to be \$2.2 billion.

As explained in Note A, the estimate of the liability for unsettled claims has been reported in the General Long-term Obligations Account Group. The liability was estimated by categorizing the various claims and applying a historical average percentage, based primarily on actual settlements by type of claim during the preceding ten fiscal years, and was supplemented by information provided by the New York City Law Department with respect to certain large individual claims and proceedings. The recorded liability is the City's best estimate based on available information and application of the foregoing procedures.

In addition to the above claims and proceedings, numerous real estate tax certiorari proceedings are presently pending against the City on grounds of alleged overvaluation, inequality and illegality of assessment. In response to these actions, in December 1981, State legislation was enacted which, among other things, authorizes the City to assess real property according to four classes and makes certain evidentiary changes in real estate tax certiorari proceedings. Based on historical settlement activity, the City estimates its potential liability for outstanding certiorari proceedings to be \$200 million as reported in the General Long-term Obligations Account Group.

Wage Deferral

In fiscal year 1976, certain employees deferred portions of negotiated wage increases and other compensation. In conjunction with a September 1982 collective bargaining settlement, the deferred wages plus accrued interest of 9% per annum would be paid over a seven-year period commencing July 1, 1984. There is no liability for deferred wages reported in the General Long-term Obligations Account Group and at June 30, 1990 there is \$21.8 million accrued in the General Fund.

Changes In Certain Long-term Obligations

In fiscal year 1990, the changes in long-term obligations other than for bonds were as follows:

	Balance June 30, 1989	Additions	Deletions	Balance June 30, 1990
		(in thousands)		
Capital lease obligations	$ 488,695	$ —	$ 42,634	$ 446,061
Real estate tax refunds	155,000	119,647	74,141	200,506
Judgments and claims	2,300,000	59,062	179,062	2,180,000
Vacation and sick leave, net (1)	1,360,000	172,146	—	1,532,146
Deferred wages	30,992	—	30,992	—
Pension liability	2,760,905	—	19,571	2,741,334
Totals	$7,095,592	$350,855	$346,400	$7,100,047

(1) The detail amount of additions and deletions is not readily available.

H. Interfund Receivable and Payable Balances

At June 30, 1990, individual fund interfund receivable and payable balances were:

	Interfund receivable	Interfund payable
	(in thousands)	
General Fund	$ 985,866	$ 150,383
Capital Projects Fund	66,664	829,962
Debt Service Funds:		
General Debt Service Funds	182,364	1,443
Enterprise Funds:		
Off-Track Betting Corporation	—	828
Housing Development Corporation	—	183,551
New York City Water Board	3,615	5,678
Municipal Water Finance Authority	—	66,664
Totals	$1,238,509	$1,238,509

I. Segment Information For Enterprise Funds

Due to their nonhomogeneous nature, the City has presented separate columns for HHC, OTB, the Housing and Economic Development Funds and the Water and Sewer System in the Combined Statement of Revenues, Expenses and Changes in Fund Equity and the Combined Statement of Cash Flows. The following segment information is provided for the assets, liabilities and fund equities for HHC, OTB, the Housing and Economic Development Funds and the Water and Sewer System at June 30, 1990:

	Health and Hospitals Corporation	Off-Track Betting Corporation	Housing and Economic Development Funds	Water and Sewer System	Total
			(in thousands)		
Assets:					
Current	$ 635,999	$13,875	$1,117,192	$ 234,936	$ 2,002,002
Mortgage and interest receivable	—	—	1,739,961	—	1,739,961
Land	37,871	—	—	—	37,871
Buildings and leasehold improvements	635,507	13,702	15,556	—	664,765
Equipment	1,520,061	10,496	—	9,330,271	10,860,828
Less accumulated depreciation	(1,143,160)	(8,636)	(4,306)	(2,271,230)	(3,427,332)
Other	—	2,884	31,734	480,904	515,522
Total assets	$1,686,278	$32,321	$2,900,137	$7,774,881	$12,393,617
Liabilities:					
Current	$ 371,407	$20,539	$ 420,834	$ 106,301	$ 919,081
Long-term	147,301	11,782	2,074,112	2,237,992	4,471,187
Total liabilities	518,708	32,321	2,494,946	2,344,293	5,390,268
Equity	1,167,570	—	405,191	5,430,588	7,003,349
Total liabilities and equity	$1,686,278	$32,321	$2,900,137	$7,774,881	$12,393,617

J. New York City Health and Hospitals Corporation (HHC)

General

HHC, a public benefit corporation, assumed responsibility for the operation of the City's municipal hospital system in 1970. HHC's financial statements include the accounts of HHC and its wholly-owned subsidiaries, HHC Nurse Referrals, Inc. and Outpatient Pharmacies, Inc. All significant intercompany accounts and transactions have been eliminated.

The City provides HHC with support for care given to uninsured indigent patients, members of the uniformed services and prisoners and for other costs not covered by other payors. The City's Annual Expense Budget determines the support to HHC on a cash-flow basis. In addition, the City pays HHC's cost for settlements of claims for medical malpractice, negligence and other miscellaneous torts and contracts as well as certain other HHC costs including pensions, utilities, and interest on capital acquisitions including those acquired through lease purchase arrangements. HHC does not reimburse the City for such costs; accordingly, HHC records both a revenue and an expense in an amount equal to expenditures made on its behalf by the City.

Fluctuations in HHC's excess (deficiency) of revenues over expenses occur because of differences between the cash-flow basis used by the City and the accrual basis used by HHC. These differences relate primarily to depreciation expense, the net change in receivable/payable balances, and the cash provided by (used in) operations as determined by the City's Annual Expense Budget. For fiscal years 1990 and 1989, the City's cash subsidy was $250 million and $389 million, respectively.

Revenues

Patient service accounts receivable and revenues are reported at estimated collectible amounts. Substantially, all direct patient service revenue is derived from third-party payors. Generally, revenues from these sources are based upon cost reimbursement principles and are subject to routine audit by applicable payors. HHC records adjustments resulting from audits and from appeals when the amount is reasonably determinable. Included in operating revenues are certain payments made and other services rendered by the City on behalf of HHC of $481 million and $626 million for fiscal years 1990 and 1989, respectively, and included in other revenues are transfers from donor restricted funds of $33 million and $25 million in fiscal years 1990 and 1989, respectively.

Fund Accounting

HHC maintains separate accounts in its financial records to assure compliance with specific restrictions imposed by the City and other grantors or contributors.

Plant and Equipment

All facilities and equipment are leased from the City at $1 per year. In addition, HHC operates certain facilities which are financed by the New York State Housing Finance Agency (HFA) and leased to the City on behalf of HHC. HHC records as revenue and as expense the interest portion of such lease purchase obligations paid by the City. Because HHC is responsible for the control and maintenance of all plant and equipment, and because depreciation is a significant cost of operations, HHC capitalizes plant and equipment at cost or estimated cost based on appraisals. Depreciation is computed for financial statement purposes using the straight-line method based upon estimated useful lives averaging 10 years. As a result of modernizing programs and changes in service requirements, HHC has closed certain facilities and portions of facilities during the past several years. It is the policy of HHC to reflect the financial effect of the closing of facilities or portions thereof in the financial statements when a decision has been made as to the disposition of such assets. HHC records construction in process that it controls. Costs associated with facilities under construction by HFA are recorded when the facilities are placed in service.

Donor Restricted Assets

Contributions which are restricted as to use are recorded as donor restricted funds.

Pensions

Substantially all HHC employees are eligible to participate in NYCERS (see Note Q). The provisions for pension costs were actuarially determined and amounted to $72 million and $71 million for fiscal years 1990 and 1989, respectively. These amounts were fully funded.

Affiliation Expenses

Affiliation expenses represent contractual expenses incurred by affiliated institutions and charged to HHC for participation in patient service programs at HHC's facilities.

Debt Service

HHC has outstanding revenue bonds, Series A, secured by letters of credit, collateralized by non-medicare/nonmedicaid revenues.

The following table summarizes future debt service requirements as of June 30, 1990:

	Principal	Interest	Total
		(in thousands)	
Fiscal year ending June 30:			
1991	$ 7,445	$ 3,194	$10,639
1992	7,965	2,673	10,638
1993	8,540	2,099	10,639
1994	9,175	1,467	10,642
1995	9,870	770	10,640
Total	$42,995	$10,203	$53,198

The interest rates on the bonds as of June 30, 1990 range from 7.0% to 7.8%.

Changes in Fund Balance

Presented below are the changes in fund balance for the fiscal years ended June 30, 1989 and 1990:

	Unreserved Fund Balance	Contributed Capital Plant and Equipment Funds	Donor Reserved Funds	Total Fund Equity
		(in thousands)		
Balances, June 30, 1988	$164,679	$ 898,864	$13,161	$1,076,704
Excess of expenses over revenues	(64,899)	—	—	(64,899)
Reduction in bonds payable	(6,560)	6,560	—	—
Additions to plant and equipment funded by:				
The City of New York	—	114,585	—	114,585
HHC	(30,477)	30,477	—	—
Donor restricted fund activity:				
Grants and other increases	—	—	26,221	26,221
Transfers to statement of revenues and expenses to support related activities	—	—	(25,496)	(25,496)
Depreciation charged to plant and equipment leased	105,471	(105,471)	—	—
Balances, June 30, 1989	168,214	945,015	13,886	1,127,115
Excess of expenses over revenues	(108,292)	—	—	(108,292)
Reduction in bonds payable	(6,980)	6,980	—	—
Additions to plant and equipment funded by:				
The City of New York	—	149,054	—	149,054
HHC	(22,520)	22,520	—	—
Donor restricted fund activity:				
Grants and other increases	—	—	32,605	32,605
Transfers to statement of revenues and expenses to support related activities	—	—	(32,912)	(32,912)
Depreciation charged to plant and equipment leased	116,285	(116,285)	—	—
Balances, June 30, 1990	$146,707	$1,007,284	$13,579	$1,167,570

K. New York City Off-Track Betting Corporation (OTB)

General

OTB was established in 1970 as a public benefit corporation to operate a system of off-track betting in the City. OTB earns (i) revenues on its betting operations ranging between 17% and 25% of wagers handled, depending on the type of wager; (ii) a 5% surcharge and surcharge breakage on pari-mutuel winnings; and (iii) breakage, the revenue resulting from the rounding down of winning payoffs. Pursuant to State law, OTB (i) distributes various portions of the surcharge and surcharge breakage to other localities in the State, (ii) allocates various percentages of wagers handled to the racing industry, and (iii) allocates various percentages of wagers handled and breakage together with all uncashed pari-mutuel tickets to the State. All remaining net revenue is distributable to the City. In addition, OTB acts as a collection agent for the City with respect to surcharge and surcharge breakage due from other community off-track betting corporations.

Property and Equipment

Property and equipment is recorded at cost. Depreciation and amortization is computed using the straight-line method based upon estimated useful lives ranging from three to ten years. Leasehold improvements are amortized principally over the term of the lease.

Rental expense for leased property for the years ended June 30, 1990 and 1989 was approximately $12.0 million and $10.6 million, respectively. As of June 30, 1990, OTB had future minimum rental obligations on noncancellable operating leases as follows:

	Amount (in thousands)
Fiscal year ending June 30:	
1991	$10,488
1992	9,441
1993	8,340
1994	6,914
1995	6,059
Thereafter until 2000	17,787
Total	$59,029

Pensions

Substantially all full-time employees of OTB are members of the NYCERS (see Note Q). The provisions for pension costs were actuarially determined and amounted to $5.0 million and $4.8 million, for fiscal years 1990 and 1989, respectively. These amounts were fully funded.

Note Payable

In connection with an assignment of a lease in fiscal year 1987, OTB issued a promissory note for $2 million payable in sixty monthly installments with interest at 9% per annum. The outstanding note payable at June 30, 1990 was $697 thousand.

L. HOUSING AND ECONOMIC DEVELOPMENT ENTERPRISE FUNDS

General

The Housing and Economic Development Enterprise Funds are comprised of seven separate public corporations: the New York City Housing Development Corporation (HDC), the New York City Rehabilitation Mortgage Insurance Corporation (REMIC), the New York City Public Development Corporation (PDC), the Financial Services Corporation of New York City (FSC), the Brooklyn Navy Yard Development Corporation (BNYDC), the Business Relocation Assistance Corporation (BRAC) and the New York City Industrial Development Agency (IDA), the largest of which is HDC.

BNYDC had deficit fund balances of $5.8 and $7.3 million, respectively, for fiscal years 1990 and 1989.

HDC

HDC was established in 1971 to encourage private housing development by providing low interest mortgage loans. The combined financial statements include the accounts of HDC and its wholly-owned subsidiaries, Housing Assistance Corporation and Housing New York Corporation. HDC finances multiple dwelling mortgages substantially through issuance of HDC bonds and notes, and also intermediates the sale and refinancing of certain City multiple dwelling mortgages. HDC has a fiscal year ending October 31.

HDC is authorized to issue bonds and notes for any corporate purpose in a principal amount outstanding, exclusive of refunding bonds and notes, not to exceed $2.8 billion and certain other limitations.

HDC is supported by service fees, investment income and interest charged to mortgagors and has been self-sustaining. Mortgage loans are carried at cost. Mortgage loan interest income, fees, charges and interest expense are recognized on the accrual basis. HDC maintains separate funds in its financial records to assure compliance with specific restrictions of its various bond and note resolutions.

Substantially all HDC employees are eligible to participate in NYCERS. The provisions for pension costs were actuarially computed, determined and funded by HDC.

The future debt service requirements on HDC bonds and notes payable at October 31, 1989, its most recent fiscal year-end, were as follows:

	Principal	Interest (in thousands)	Total
Fiscal year ending October 31:			
1990	$ 30,978	$ 149,428	$ 180,406
1991	20,049	148,108	168,157
1992	26,674	146,576	173,250
1993	28,907	144,647	173,554
1994	31,242	142,543	173,785
Thereafter until 2030	1,933,615	2,891,122	4,824,737
Total	$2,071,465	$3,622,424	$5,693,889

The bonds and notes will be repaid from assets and future earnings of the assets. The interest rates on the bonds and notes as of October 31, 1989 range from 1.0% to 11.125%.

HDC had $292.7 million of General Obligation bonds and notes outstanding at October 31, 1989 for which HDC is required to maintain a capital reserve fund equal to one year's debt service. State law in effect provides that the City shall make up any deficiency in such fund. There have not been any capital reserve fund deficiencies.

The following is a summary of bond transactions of HDC for the year ended October 31, 1989:

	Balance November 1, 1988	Issued	Retired	Balance October 31, 1989
		(in thousands)		
General Obligation	$ 295,675	$ —	$ 3,005	$ 292,670
Revenue	1,768,619	385,588	375,412	1,778,795
Total	$2,064,294	$385,588	$378,417	$2,071,465

M. WATER AND SEWER SYSTEM

General

The Water and Sewer System, consisting of two legally separate and independent entities, the New York City Municipal Water Finance Authority (Water Authority) and the New York City Water Board (Water Board), was established on July 1, 1985. The Water and Sewer System provides for water supply and distribution, and sewage collection, treatment and disposal for the City. The Water Authority was established to issue debt to finance the cost of capital improvements to the water and sewer system. The Water Board was established to lease the water and sewer system from the City and to establish and collect fees, rates, rents, and other service charges for services furnished by the system to produce cash sufficient to pay debt service on the Water Authority's bonds and to place the Water and Sewer System on a self-sustaining basis.

Under the terms of the Water and Sewer System General Revenue Bond Resolution, which covers all outstanding bonds of the Water Authority, operations are required to be balanced on a cash basis. At June 30, 1990, the Water Authority has a cumulative deficit of $313 million which is more than offset by a surplus in the Water Board.

Financing Agreement

As of July 1, 1985, the City, the Water Board and the Water Authority entered into a Financing Agreement. The Agreement, as amended, provides that the Water Authority will issue bonds to finance the cost of capital investment in the water and sewer system serving the City. It also sets forth the funding of the debt service costs of the Water Authority, operating costs of the water and sewer system and the rental payment to the City.

Lease Agreement

As of July 1, 1985, the City entered into a long-term lease with the Water Board which transferred all the water and sewer related real and personal property to the Water Board for the term of the lease. The City administers, operates and maintains the water and sewer system. The lease provides for payments to the City to cover the City's cost for operation and maintenance, capital costs not otherwise reimbursed, rent and for other services provided.

Contributed Capital

Pursuant to the lease, the City transferred its water and sewer related assets valued at historical cost, net of depreciation and all work-in-progress, at cost, to the Water Board at July 1, 1985. City financed additions for the years ended June 30, 1990 and 1989 amounted to $153.5 million and $218.9 million, respectively, and are recorded by the Water Board as contributed capital.

Utility Plant-in-Service

All water and sewer related assets leased by the Water Board from the City are recorded at actual and estimated historical cost, net of depreciation. All additions to utility plant-in-service are recorded at cost. Depreciation is computed on all utility plant-in-service using the straight-line method based upon estimated useful lives as follows:

	Years
Buildings	40-50
Water supply and wastewater treatment systems	15-50
Water distribution and sewage collection systems	15-75
Equipment	5-35

Depreciation on contributed utility plant-in-service is allocated to contributed capital after the computation of net income.

Debt Service

During fiscal year 1990, the Water Authority issued Series A revenue bonds in the aggregate amount of $313.5 million and Series B revenue bonds in the aggregate amount of $173.5 million, which reflects capital appreciation bonds at the matured value. Outstanding revenue bonds at June 30, 1990 and 1989 were $2.5 billion and $2.1 billion, respectively, reflecting capital appreciation bonds at their matured value.

The following table summarizes future debt service requirements as of June 30, 1990:

	Principal	Interest (in thousands)	Total
Fiscal year ending June 30:			
1991	$ 37,985	$ 154,071	$ 192,056
1992	40,310	150,678	190,988
1993	46,865	148,124	194,989
1994	49,935	145,054	194,989
1995	53,300	141,694	194,994
Thereafter until 2020	2,291,814	2,079,314	4,371,128
Total	$2,520,209	$2,818,935	$5,339,144

The interest rates on the outstanding bonds as of June 30, 1990 and 1989 ranged from 5.0% to 9.0% and from 4¾% to 9.0%, respectively.

The following is a summary of revenue bond transactions of the Water Authority for the year ended June 30, 1990:

	Balance July 1, 1989	Issued	Retired	Balance June 30, 1990
	(in thousands)			
Revenue bonds	$2,059,824	$487,005	$26,620	$2,520,209

In fiscal year 1987, the Water Authority defeased in substance $162.2 million of revenue bonds. As of June 30, 1990, none of the defeased bonds had been retired from the assets of the escrow account.

Restricted Assets

Proceeds from the issuance of debt and funds set aside for the operation and maintenance of the water and sewer system are classified as restricted assets since their use is limited by applicable bond indentures.

Changes in Contributed Capital

Changes in contributed capital for the fiscal years ended June 30, 1990 and 1989 are as follows:

	1990	1989
	(in thousands)	
Balances, July 1	$5,140,995	$4,991,411
Plant and equipment contributed	153,543	218,913
Allocation of depreciation to contributed capital	(70,426)	(69,329)
Balances, June 30	$5,224,112	$5,140,995

Operating Revenues

Revenues are based on billings at rates imposed by the Water Board that are applied to customers' consumption of water and sewer service and include accruals based upon estimated usage not billed during the fiscal year.

Commitments and Contingencies

Legal Contingencies

The City is a defendant in a number of lawsuits pertaining to the Water and Sewer System. As of June 30, 1990, claims in excess of $3.4 billion were outstanding against the City for which the City estimates its potential future liability to be $276 million. Accordingly, this amount is included in the City's General Long-term Obligations Account Group.

Construction

The Water and Sewer System has contractual commitments of approximately $1.2 billion at June 30, 1990, for water and sewer projects.

N. Expendable Trust Funds

The New York Police Department maintains the Police Officers' Variable Supplements Fund and the Police Superior Officers' Variable Supplements Fund. These Funds operate pursuant to the provisions of Title 13, Chapter 2, of the Administrative Code of The City of New York beginning fiscal year 1971.

The Police Officers' Variable Supplements Fund provides supplemental benefits to police officers who are service retirees of the New York Police Department Pension Fund—Article 1 or Article 2, and who retired on or after October 1, 1968.

The Police Superior Officers' Variable Supplements Fund provides supplemental benefits to any member of the uniformed force of the New York Police Department holding the rank of sergeant or higher, or detective, and is a service retiree of the New York Police Department Pension Fund—Article 1 or Article 2, and retired on or after October 1, 1968.

The New York Fire Department maintains the Firefighters' Variable Supplements Fund and the Fire Officers' Variable Supplements Fund. These Funds operate pursuant to the provisions of Title 13, Chapter 3, of the Administrative Code of The City of New York beginning fiscal year 1971.

The Firefighters' Variable Supplements Fund provides supplemental benefits to firefighters who are service retirees of the New York Fire Department Pension Fund—Article 1 or Article 1-B, and who retired on or after October 1, 1968.

The Fire Officers' Variable Supplements Fund provides supplemental benefits to all members of the uniformed force holding the rank of lieutenant or higher and all pilots and marine engineers (uniformed) who are service retirees of the New York Fire Department Pension Fund—Article 1 or Article 1-B, and who retired on or after October 1, 1968.

The Administrative Code provides that the New York Police Department Pension Fund—Article 2 and the New York Fire Department Pension Fund—Article 1-B pay to the respective variable supplements funds an amount equal to any cumulative hypothetical gain on equity investments. The cumulative hypothetical gain is the earnings on equity investments which exceeds what the earnings might have been had such funds been invested in fixed income investments, less any cumulative hypothetical deficiencies. For fiscal year 1990, there were cumulative hypothetical gains on equity investments for the New York Police Department Pension Fund—Article 2 and the New York Fire Department Pension Fund—Article 1-B. The June 30, 1990 cumulative hypothetical gains on equity investments are as follows:

	Amount (in millions)
Police Superior Officers' Variable Supplements Fund	$15.8
Police Officers' Variable Supplements Fund	2.2
Fire Officers' Variable Supplements Fund	9.4
Firefighters' Variable Supplements Fund	17.3
Total	$44.7

As a result of labor negotiations, legislation effective July 1, 1988 pertaining to the Police Officers' Variable Supplements Fund and the Firefighters' Variable Supplements Fund provides, among other things, for a fixed annual supplemental benefit payment and a change in the way hypothetical gains or losses are computed and thus the payments to the funds will be affected. The revisions to these variable supplements funds will initiate a City guaranteed payment which is estimated to be offset over time by future hypothetical gains. The present value of accumulated benefits as of June 30, 1990 is as follows:

	Amount (in millions)
Police Officers' Variable Supplements Fund	$620
Firefighters' Variable Supplements Fund	283
Total	$903

In addition, the legislation establishing the fixed annual benefit required a transfer of 15% of the assets of the Police Officers' Variable Supplements Fund and the Firefighters' Variable Supplements Fund as of July 1, 1988, but not exceeding the sum of $75 million and $27 million, respectively, to the General Fund. Accordingly, these amounts were recognized in the Expendable Trust Funds, and General Fund for fiscal year 1989, and were transferred.

O. Deferred Compensation Plan for Employees of the City of New York and Related Agencies and Instrumentalities (DCP)

The City offers its employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457. DCP is available to certain employees of The City of New York and related agencies and instrumentalities. It permits them to defer a portion of their salary until future years. The compensation deferred is not available to employees until termination, retirement, death, or unforeseen emergency (as defined by the Internal Revenue Service).

All amounts of compensation deferred, all property and rights purchased with those amounts, and all income attributable to those amounts, are (until paid or made available to the employee or beneficiary) solely the property and rights of the City (without being restricted to the provisions of benefits under DCP), subject to the claims of the City's general creditors. Participants' rights under the DCP are equal to the fair market value of the deferred account for each participant.

It is the opinion of the City's legal counsel that the City has no liability for losses under the DCP but does have the duty of due care that would be required of an ordinary prudent investor. The City believes that it is unlikely that it will use the assets to satisfy the claims of general creditors in the future.

Investments are managed by the DCP's trustee under one of four investment options or a combination thereof. The choices of the investment options are made by the participants.

The following is a summary of the increases and decreases of the fund for the year ended June 30, 1990:

	Amount (in thousands)
Fund assets at July 1, 1989	$195,295
Deferrals of compensation	118,776
Earnings and adjustment to market value	26,065
Payments to eligible participants and beneficiaries	(10,395)
Administrative expenses	(1,133)
Fund assets at June 30, 1990	$328,608

P. Other Postemployment Benefits (OPEB)

The City's OPEB provides basic medical and hospitalization (health care) benefits to eligible retirees and dependents at no cost to the participants. To qualify, retirees must: (i) have worked for the City with at least five years of credited service as a member of an approved pension system, (ii) have been employed by the City or a City related agency prior to retirement, (iii) have worked regularly for at least twenty hours a week prior to retirement and (iv) be receiving a pension check from a retirement system maintained by the City or another system approved by the City. The City's OPEB expense is recorded on a pay-as-you-go basis.

The amount expended for health care benefits for fiscal years 1990 and 1989 is as follows:

	1990		1989	
	Active	Retired	Active	Retired
Number of employees	329,830	140,835	322,897	143,731
Cost of health care (in thousands)	$719,468	$216,948	$619,049	$207,353

Q. Pension Systems

Plan Descriptions

The City sponsors or participates in pension systems providing benefits to its employees. The pension systems function in accordance with existing State statutes and City laws. Each system combines features of a defined benefit pension plan with those of a defined contribution pension plan. Contributions are made by the employers and the employees.

The majority of City employees are members of one of the following five major actuarial pension systems:

1. New York City Employees' Retirement System (NYCERS), a cost-sharing multiple-employer public employee retirement system, for employees of the City not covered by one of the other pension systems and employees of certain component units of the City and certain other government units.

2. New York City Teachers' Retirement System-Qualified Pension Plan (TRS), a cost-sharing multiple-employer public employee retirement system for teachers in the public schools of the City and certain other specified school and college members.

3. New York City Board of Education Retirement System-Qualified Pension Plan (BERS), a single employer public employee retirement system, for nonpedagogical employees of the Board of Education.

4. New York Police Department Pension Fund—Article 2 (POLICE), a single employer public employee retirement system, for full-time uniformed employees of the Police Department.

5. New York Fire Department Pension Fund—Article 1-B (FIRE), a single employer public employee retirement system, for full-time uniformed employees of the Fire Department.

At June 30, 1990, the pension systems membership consisted of:

	NYCERS	TRS	BERS	POLICE	FIRE	TOTAL
Retirees and beneficiaries currently receiving benefits	114,018	38,826	4,257	28,726	10,853	196,680
Terminated but not receiving benefits	4,718	1,559	102	65	6	6,450
Total	118,736	40,385	4,359	28,791	10,859	203,130
Current employees:						
Vested	71,213	46,728	3,119	6,744	4,483	132,287
Nonvested	125,188	41,735	18,693	19,509	7,346	212,471
Total	196,401	88,463	21,812	26,253	11,829	344,758

The pension systems provide pension benefits to retired employees based on salary and length of service. In addition, the pension systems provide cost-of-living and other supplemental pension benefits to certain retirees and beneficiaries. In the event of disability during employment, participants may receive retirement allowances based on satisfaction of certain service requirements and other provisions. The pension systems also provide death benefits.

Subject to certain conditions, members become fully vested as to benefits upon the completion of 10 or 15 years of service. Permanent, full-time employees are required to become members of the pension systems upon employment with the exception of NYCERS. Permanent full-time employees who are eligible to participate in NYCERS are required to become members within six months of their employment but may elect to become members earlier. Other employees who are eligible to participate in NYCERS may become members at their option. Upon termination of employment before retirement, certain members are entitled to refunds of their own contributions including accumulated interest less any loans outstanding.

The City's annualized covered and total annualized covered payroll for each system at June 30, 1990 are as follows:

	City's Annualized Covered Payroll	Total Annualized Covered Payroll
	(in millions)	
NYCERS	$3,131	$ 5,821
TRS	2,826	2,944
BERS	418	418
POLICE	1,242	1,242
FIRE	592	592
Total	$8,209	$11,017

The annualized covered payrolls were reduced by excluding all pending withdrawals (five year outs, et al.). In addition, salaries were increased for some members to reflect overtime earnings. No salaries are included for other members not on the payroll at June 30, 1990, who are valued for accrued benefits only.

Funding Status and Progress

The amount shown as "pension benefit obligation" (PBO) is a standardized disclosure measure of the present value of pension benefits, adjusted for the effects of projected salary increases, estimated to be payable in the future as a result of employee service-to-date. The measure is the actuarial present value of credited projected benefits, prorated on service, and is intended to help users assess the pension systems' funding status on a going-concern basis, assess progress made in accumulating sufficient assets to pay benefits when due, and make comparisons among public employee retirement systems. The measure is independent of the actuarial funding method used to determine contributions to the pension systems.

An actuarial valuation, including a review of the continued reasonableness of the actuarial assumptions, is performed annually as of June 30, for each of the five major actuarial systems. The latest valuation to determine the pension benefit obligation was made as of June 30, 1990.

The more significant assumptions used in the June 30, 1990 and June 30, 1989, calculations of the pension benefit obligations are as follows:

Assumed rate of return on investments	8.25% (4% for benefits payable under the variable annuity programs).
Mortality basis	Tables based on current experience.
Turnover	Tables based on current experience.
Retirement	Tables based on current experience, varies from earliest age a member is eligible to retire until age at end of tables.
Asset Valuation	For NYCERS, POLICE and FIRE, the asset valuation method for the entire portfolio (equities and fixed income) is a typical five-

year average market value method. However, if the asset value calculated in this manner exceeds 120% or is less than 80% of market value on the valuation date, then it is lowered or raised to 120% or 80% of market value, respectively. The deferred charge account was also eliminated. For TRS and BERS, the asset valuation method for funds other than those of the variable annuity programs is the same as above. For assets of the variable annuity funds, current market value is used.

Salary .... In general, merit and promotion component averages 1% per year plus assumed general wage increase of 5.5% per year (for BERS, the assumed general wage increase is 6.0% per year as of June 30, 1989 and 5.5% per year as of June 30, 1990).

Unfunded actuarial accrued liabilities .... A portion of the frozen initial actuarial accrued liability as of June 30, 1975 remaining unfunded as of June 30, 1980, is being amortized over a 35-year period beginning July 1, 1980. Other components of the unfunded actuarial accrued liability are being amortized over 10 to 40 years.

The following is a comparison of the pension benefit obligation and net assets available for benefits for the five major actuarial pension systems as of June 30, 1990:

	Retirees and beneficiaries currently receiving benefits and terminated vested participants not yet receiving benefits	Current Employees					
		Accumulated employee contributions including allocated investment income	Employer-financed vested	Employer-financed nonvested	Total pension benefit obligation	Net assets available for benefits	Unfunded pension benefit obligation
				(in millions)			
NYCERS	$ 9,520.9	$1,349.0	$ 4,902.4	$3,416.4	$19,188.7	$17,648.8	$1,539.9
TRS	5,638.3	1,400.0	5,688.0	2,531.8	15,258.1	13,789.4	1,468.7
BERS	287.1	74.0	203.7	129.8	694.6	597.6	97.0
POLICE	4,621.6	320.0	1,500.5	1,451.9	7,894.0	6,235.4	1,658.6
FIRE	2,036.5	76.0	905.8	751.5	3,769.8	2,437.1	1,332.7
Total	$22,104.4	$3,219.0	$13,200.4	$8,281.4	$46,805.2	$40,708.3	$6,096.9

Investments in marketable fixed income securities are recorded at cost or amortized cost, plus accrued interest. Securities purchased pursuant to agreements to resell are carried at the contract price, exclusive of interest, at which the securities will be resold. Marketable equity securities are carried at market. Realized gains or losses on sales of securities are based on the average cost of securities.

The market value of net assets available for benefits as of June 30, 1990 is as follows:

	Amount (in millions)
NYCERS	$17,701.1
TRS	13,819.0
BERS	598.4
POLICE	6,244.6
FIRE	2,440.9
Total	$40,804.0

The pension benefit obligation for the active participants is based on current salaries with projected increases to retirement.

The City also has three pension systems closed to active members, whose retirees and beneficiaries are not covered by any of the five major actuarial pension systems. The pension benefit obligation for these three pension systems as of June 30, 1990 is approximately $411 million. These three pension systems are funded by the City on a pay-as-you-go basis. The City's contribution for these three pension systems for fiscal year 1990 amounted to $91 million.

The net assets for benefits shown in the City's financial statements exclude the accrued pension contribution of $2.741 billion for amortization of the two-year payment lag reported in the General Long-term Obligations Account Group, $120 million reported in the Enterprise Funds and $408 million from other government units. Prior to fiscal year 1981, pension contributions had been made on a statutory basis which reflected pension costs incurred two years earlier and a phase-in of certain actuarial assumptions. The City's liability resulting from the two-year lag is being amortized over 40 years. The City's expenditure for pension costs for the year ended June 30, 1990, included the ninth contribution to amortize this liability resulting from the two-year lag.

Contributions Required and Contributions Made

The City's funding policy is to provide for periodic employer contributions at actuarially determined rates that, expressed as percentages of annualized covered payroll, are designed to accumulate sufficient assets to pay benefits when due.

The frozen entry age actuarial cost method of funding with 35-year amortization of revised unfunded frozen initial accrued liabilities (reduced by unfunded accrued liability adjustments amortized over periods ranging from 10 to 30 years) is utilized by the pension systems' actuary to calculate the contributions from the employers. Under this method, the excess of the actuarial present value of projected benefits over the sum of the actuarial value of assets plus the unfunded frozen actuarial accrued liability is allocated over future earnings. Contributions are accrued by the pension systems and are funded by the employers on a current basis and amounted to $2.0 billion and $2.1 billion at June 30, 1990 and 1989, respectively.

Actuarial assumptions used to compute the pension benefit obligation are the same as those used to compute the contribution requirements.

The City's expenditures for pension costs, for the years ended June 30, 1990 and 1989 were approximately $1.8 billion and were equal to the amounts recommended by the pension systems' actuary.

The City's pension expenditures recommended by the actuary for June 30, 1990, were as follows:

	Expenditures for			Expenditures as a percentage of City annualized covered payroll
	Normal cost	Amortization of actuarial accrued liability	Total	
		(in millions)		
NYCERS	$289.4	$211.9	$ 501.3*	16.0%
TRS	242.0	184.5	426.5*	15.1
BERS	23.2	11.8	35.0	8.4
POLICE	292.2	185.2	477.4	38.4
FIRE	130.7	122.4	253.1	42.7
OTHER	NA	NA	112.6	—
Total			$1,805.9	

* NYCERS and TRS are cost-sharing multiple-employer public employee retirement systems. The City's total actuarially determined contributions as a percent of contributions for all employers to NYCERS and TRS were 60.12% and 96.08%, respectively.

NA: Not Available.

Included in the above total is approximately $48.7 million of payments (net of revenue received from the State as reimbursement) for State employees in the City's pension systems and payments made on behalf of certain employees in the New York City Transit Authority and the New York City Housing Authority. These payments and the related reimbursements are recorded as either expenditures or revenues in individual program categories rather than as pension expenditures in the Combined Statement of Revenues, Expenditures and Changes in Fund Balance.

Other pension expenditures represent contributions to other actuarial and pay-as-you-go pension systems for certain employees, retirees and beneficiaries not covered by any of the five major actuarial pension systems. The City also contributes per diem amounts into certain union-administered annuity funds. Employee contributions for the current year amounted to:

	Employee Contributions	Employee contributions as a percentage of total annualized covered payroll
	(in thousands)	
NYCERS	$112,455	1.9%
TRS	57,203	1.9
BERS	7,475	1.8
POLICE	15,994	1.3
FIRE	11,812	2.0
Total	$204,939	

In fiscal year 1988, legislation was enacted to create four variable supplements funds for the Housing Police and the Transit Police to be funded by a percentage of the cumulative hypothetical gain from NYCERS. The cumulative hypothetical gain is the earnings on equity investments which exceeds what the earnings might have been had such funds been invested in fixed income investments, less any cumulative hypothetical deficiencies.

In fiscal year 1990, the percentage of the cumulative hypothetical gains on equity investments was $8.9 million.

Trend Information

Trend information for the three years ended June 30, 1990, 1989 and 1988 is as follows:

	1990	1989	1988
Net assets available for benefits as a percentage of pension benefit obligation(a):			
NYCERS	92.0%	88.4%	83.2%
TRS	90.4	91.9	90.6
BERS	86.0	83.9	82.1
POLICE	79.0	74.9	69.4
FIRE	64.6	62.5	56.4
Unfunded pension benefit obligation as a percentage of total annualized covered payroll(a):			
NYCERS	26.5%	38.2%	55.9%
TRS	49.9	41.7	43.9
BERS	23.2	35.8	57.3
POLICE	133.5	159.0	179.9
FIRE	225.0	227.1	249.9
Employer contributions (all made in accordance with actuarially determined requirements) as a percentage of total annualized covered payroll:			
NYCERS	14.3%	15.1%	16.2%
TRS	15.1	15.6	18.6
BERS	8.4	9.8	14.6
POLICE	38.4	45.1	41.7
FIRE	42.7	46.3	40.8

(a) The PBO is the actuarial present value of credited projected benefits produced by the credited projected benefit attribution approach prorated on service as required by GASB Statement No. 5.

Ten-year historical trend information is presented in the pension systems' separately issued publicly available financial statements. The information is presented to enable the reader to assess the progress made by the pension systems in accumulating sufficient assets to pay pension benefits as they become due. Selected ten-year historical trend information on the pension systems is also presented in the statistical section of the City's Comprehensive Annual Financial Report.

On August 1, 1975, Women in City Government United, representing all retired and active female employees of the City and certain Covered Organizations, commenced a class action in the United States District Court for the Southern District of New York (the "Southern District") against the City, NYCERS and its officers and trustees and others. Plaintiffs alleged that certain retirement plans discriminate against female employees in violation of the United States Constitution and certain Federal statutes and regulations. On April 24, 1981, the Southern District granted plaintiffs' motion for summary judgment in regard to liability on their Federal statutory claim, but deferred judgment, pending a trial, as to appropriate relief to be granted. Through a combination of state legislation, administrative action and a court-approved consent decree, all claims of class members who retired on or after August 1, 1983 were settled, and mortality tables were revised to achieve gender neutrality and to reflect modern mortality experience. However, certain other issues concerning class members who retired prior to August 1, 1983 remained pending. The 1985 Consent Decree applied only to NYCERS members who retired on or after August 1, 1983, because that was the effective date of a decision by the Supreme Court of the United States holding that Title VII of the Civil Rights Act of 1964 requires employer-sponsored pension plans to provide equal benefits for male and female employees (*Arizona* v. *Norris*). By Stipulation of Settlement and Dismissal signed January 9, 1989, the parties settled the remainder of the case (*i.e.*, all issues concerning plaintiffs who retired on or before July 31, 1983) for the sum of $19 million. The Stipulation was approved by the Court, following distribution and notice of the settlement agreement and a hearing, on December 12, 1989. Final Judgment was entered on April 25, 1990. The settlement fund, including interest, was paid by the City (not NYCERS) in September 1990 to a settlement administrator, which will distribute it to the individual retirees and their estates pursuant to a complex formula approved by the Court. The issue of payment of attorneys' fees to plaintiffs' attorneys remains to be resolved.

R. Contractual Commitments

At June 30, 1990, uncompleted contracts relating to projects of the Capital Projects Fund amounted to approximately $5.2 billion.

Capital Requirements

To address the need for significant infrastructure and public facility capital investments, the City has prepared a ten-year capital spending program which contemplates expenditures of $57.3 billion over fiscal years 1989 through 1998. To help meet its capital spending program, the City borrowed $2.6 billion in the public credit markets in fiscal year 1990. The City plans to increase its public borrowings to $4.3 billion (including water and sewer financing) in fiscal year 1991.

APPENDIX C

CERTAIN DEFINITIONS

As used "SECTION II: THE BONDS—Adjustable Rate Bonds", the following terms have the meanings set forth below:

Bond Counsel: Any nationally recognized bond counsel retained by the City.

Bondholder or *Owner:* The person in whose name any Adjustable Rate Bond is registered on the books of the City.

Business Day: A day (i) other than a day on which banks located in the City are required or authorized by law or executive order to close and (ii) on which the New York Stock Exchange is not closed.

Conversion: A change in the type of Rate Period applicable to Adjustable Rate Bonds of any maturity to a Fixed Rate Period, the Money Market Mode or a Variable Rate, including a change to a different type of Variable Rate Period and including a change from a Term Rate Period to a Term Rate Period equal (or approximately equal) in length to a different number of years from the preceding Term Rate Period.

Conversion Date: The effective date of a Conversion.

Credit Facility: The Standby Bond Purchase Agreement, dated March 25, 1991, among the City, the Banks and Morgan Guaranty Trust Company, as agent for the Banks.

Daily Rate: The interest rate that may be determined for Adjustable Rate Bonds of a maturity on each Business Day pursuant to the applicable provisions of the Certificate.

Fixed Rate: The rate at which Adjustable Rate Bonds of any maturity shall bear interest from and including the Fixed Rate Conversion Date therefor to the maturity date thereof.

MMMR Period: The period during which a specific Money Market Municipal Rate applies.

Money Market Mode: The Period or sequence of Periods during which a maturity of Adjustable Rate Bonds bears interest at Money Market Municipal Rates.

Money Market Municipal Rate: The interest rate that may be separately determined for each Adjustable Rate Bond of a maturity pursuant to the applicable provisions of the Certificate.

Monthly Rate: The interest rate that may be determined for Adjustable Rate Bonds of a maturity on a monthly basis pursuant to the applicable provisions of the Certificate.

Notice: A Notice of Bank Purchase, as defined in the Credit Facility.

Quarterly Rate: The interest rate that may be determined for Adjustable Rate Bonds of a maturity on a quarterly basis pursuant to the applicable provisions of the Certificate.

Rate Period or *Period:* With respect to a Money Market Municipal Rate, a Daily Rate, a Weekly Rate, a Monthly Rate, a Quarterly Rate, a Semiannual Rate, a Term Rate or a Fixed Rate, the period during which a specific rate of interest determined for any Adjustable Rate Bonds of any maturity will remain in effect.

Record Date: With respect to each Interest Payment Date, (i) during a Daily, Weekly or Monthly Rate Period, the last day of the calendar month next preceding such Interest Payment Date; (ii) during a Quarterly, Semiannual, Term or Fixed Rate Period, the fifteenth day of the calendar month next preceding such Interest Payment Date.

Remarketing Agent: Shearson Lehman Brothers Inc. or any successor appointed pursuant to the Certificate.

Semiannual Rate: The interest rate that may be determined for Adjustable Rate Bonds of a maturity on a semiannual basis pursuant to the applicable provisions of the Certificate.

Tender Agent: The Chase Manhattan Bank, N.A., New York, New York, or any successor appointed pursuant to the Certificate. The Tender Agent's designated office is One New York Plaza, 14th Floor, New York, New York 10081.

Term Rate: The interest rate that may be determined for Adjustable Rate Bonds of any maturity for a Period that is equal or approximately equal to (but not more than) one year or any whole multiple thereof.

Termination Notice: A Termination Notice, as defined in the Credit Facility.

Variable Rate: As the context requires, the Daily Rate, Weekly Rate, Monthly Rate, Quarterly Rate, Semiannual Rate or Term Rate applicable to Adjustable Rate Bonds of any maturity.

Weekly Rate: The interest rate that may be determined for Adjustable Rate Bonds of a maturity on a weekly basis pursuant to the applicable provisions of the Certificate.

Written Notice: Notice in writing which may be delivered by hand, first class mail, facsimile transmission (such as telecopy), telegram or telex.

THE BANKS

The information with respect to each Bank contained in this Appendix relates to and has been obtained from such Bank. The City makes no representation as to the accuracy or adequacy of such information. The delivery of the Official Statement shall not create any implication that there has been no change in the affairs of any of the Banks since the date hereof, or that the information contained or referred to in this Appendix is correct as of any time subsequent to the date of such information. For information concerning the Credit Facility between the City and the Banks, see "SECTION II: THE BONDS—Adjustable Rate Bonds—*Credit Facility*".

Morgan Guaranty Trust Company of New York

Morgan Guaranty Trust Company of New York ("Morgan Guaranty") is a wholly owned subsidiary and the principal asset of J.P. Morgan & Co. Incorporated ("Morgan"), a Delaware corporation whose principal office is located in New York, New York. Morgan Guaranty is a commercial bank offering a wide range of banking services to its customers both domestically and internationally. Its business is subject to examination and regulation by Federal and New York State banking authorities. As of December 31, 1990, Morgan Guaranty and its subsidiaries had total assets of $67.2 billion, total net loans of $21.8 billion, total deposits of $37.6 billion, and stockholder's equity of $3.4 billion. As of December 31, 1989, Morgan Guaranty and its subsidiaries had total assets of $63.6 billion, total net loans of $22.4 billion, total deposits of $40.7 billion, and stockholder's equity of $3.0 billion.

The Consolidated Statement of Condition of Morgan Guaranty as of December 31, 1990, is set forth on page 18 of Exhibit 28 to Form 8-K dated January 14, 1991, as filed by Morgan with the Securities and Exchange Commission. Morgan Guaranty will provide without charge to each person to whom this Official Statement is delivered on the request of any such person, a copy of the Form 8-K referred to above. Written requests should be directed to: Morgan Guaranty Trust Company of New York, 60 Wall Street, New York, New York 10260, Attention: Office of the Secretary.

The Industrial Bank of Japan, Limited

Introduction. The Industrial Bank of Japan, Limited ("IBJ") was incorporated for an unlimited duration on March 27, 1902 in Japan under Japanese law. IBJ's head office is located at 3-3, Marunouchi 1-chome, Chiyoda-ku, Tokyo. IBJ is the oldest and largest of Japan's long-term credit banks and, in terms of deposits and debentures, is also one of the largest commercial banks in Japan. On March 31, 1990, IBJ had total assets of 43,603 billion yen ($276,000 million), total loans and bills discounted outstanding of 23,017 billion yen ($145,680 million) and total debentures and deposits of 32,929 billion yen ($208,409 million). Unless otherwise specified, yen amounts in this Official Statement have been translated into U.S. dollars at the "Spot Mean Rate" (the spot mean exchange rate quoted on the Tokyo foreign exchange market) at March 31, 1990 of 158.00 Japanese yen to one U.S. dollar.

IBJ has 26 domestic branches and together with its overseas subsidiaries, has offices in 23 countries. IBJ's shares are listed on the Tokyo Stock Exchange and the Osaka Securities Exchange.

The Branch. IBJ operates a branch in New York (the "Branch") pursuant to a license issued by the Banking Department of the State of New York on March 5, 1984. Prior to this date, IBJ operated an agency pursuant to a license issued by the Banking Department of the State of New York on November 16, 1972. The Branch conducts an extensive banking business concentrating primarily on international banking transactions and servicing the financial needs of IBJ's Japanese customers (and their subsidiaries) in the United States.

At March 31, 1990, the Branch had total assets (determined on the basis of Japanese accounting principles) of approximately $20 billion, loans (net of unearned income) of approximately $4 billion, of which approximately $1 billion was due from foreign customers, and deposits of approximately $6 billion, of which approximately $3 billion was due to banks in foreign countries. Balances due from depository institutions included approximately $3 billion owed by foreign depository institutions. Commitments and contingencies (other than foreign exchange commitments) totalled approximately $5 billion (of which approximately $2 billion was participated to others).

The address of the Branch is 245 Park Avenue, New York, New York 10167.

It should be noted that the financial statements of IBJ, available at the address of the Branch listed above, conform with accounting principles that vary from those generally accepted in the United States.

BROWN & WOOD

ONE WORLD TRADE CENTER
NEW YORK, N.Y. 10048
TELEPHONE: 212-839-5300
FACSIMILE: 212-839-5599

555 CALIFORNIA STREET
SAN FRANCISCO, CA. 94104
TELEPHONE: 415-398-3909
FACSIMILE: 415-397-4621

10900 WILSHIRE BOULEVARD
LOS ANGELES, CA. 90024
TELEPHONE: 213-208-4343
FACSIMILE: 213-208-5740

815 CONNECTICUT AVENUE, N.W.
WASHINGTON, D.C. 20006
TELEPHONE: 202-223-0220
FACSIMILE: 202-223-0485

BLACKWELL HOUSE
GUILDHALL YARD
LONDON EC2V 5AB
TELEPHONE: 071-606-1888
FACSIMILE: 071-796-1807

March 28, 1991

HONORABLE ELIZABETH HOLTZMAN
Comptroller
The City of New York
Municipal Building
New York, New York 10007

Dear Comptroller Holtzman:

We have acted as bond counsel in connection with the issuance on this date by The City of New York (the "City"), a municipal corporation of the State of New York (the "State"), of $65,000,000 General Obligation Bonds, Fiscal 1991 Series E (the "Bonds").

The Bonds are issued pursuant to the provisions of the Constitution of the State, the Local Finance Law of the State, and the Charter of the City, and in accordance with a certificate (the "Certificate") of the Deputy Comptroller for Finance of the City dated the date hereof.

Based on our examination of existing law, such legal proceedings and such other documents as we deem necessary to render this opinion, we are of the opinion that:

1. The Bonds have been duly authorized, executed and issued in accordance with the Constitution and statutes of the State and the Charter of the City and constitute valid and legally binding obligations of the City for the payment of which the City has validly pledged its faith and credit, and all real property within the City subject to taxation by the City is subject to the levy by the City of ad valorem taxes, without limit as to rate or amount, for payment of the principal of and interest on the Bonds.

2. Except as provided in the following sentence, interest on the Bonds is not includable in the gross income of the owners of the Bonds for purposes of Federal income taxation under existing law. Interest on the Bonds will be includable in the gross income of the owners thereof retroactive to the date of issue of the Bonds in the event of a failure by the City to comply with applicable requirements of the Internal Revenue Code of 1986, as amended (the "Code"), and covenants regarding use, expenditure and investment of bond proceeds and the timely payment of certain investment earnings to the United States Treasury; and we render no opinion as to the exclusion from gross income of interest on the Bonds for Federal income tax purposes on or after the date on which any action is taken under the Certificate upon the approval of counsel other than Brown & Wood.

3. Interest on the Bonds is not a specific preference item for purposes of the Federal individual or corporate alternative minimum tax. The Code contains other provisions that could result in tax consequences, upon which we render no opinion, as a result of ownership of such Bonds or the inclusion in certain computations (including without limitation those related to the corporate alternative minimum tax and environmental tax) of interest that is excluded from gross income.

4. Interest on the Bonds is exempt from personal income taxes imposed by the State or any political subdivision thereof, including the City.

The rights of the owners of the Bonds and the enforceability thereof may be subject to bankruptcy, insolvency, reorganization, moratorium and other similar laws affecting creditors' rights heretofore or hereafter enacted, to the extent constitutionally applicable, and the enforcement of related contractual and statutory covenants of the City and the State may also be subject to the exercise of the State's police powers and of judicial discretion in appropriate cases.

Very truly yours,

A0880 ATTN:
RON

MSRB

NYNNY 0328

FORM G-36

19178/23149

FULL NAME OF ISSUER AND DESCRIPTION OF ISSUE City of New York G.O. BONDS.

STATE New York.

CITY/COUNTY New York.

PAR VALUE OF ISSUE 65,000,000

DATE OF FINAL MATURITY 9/1/92 - 9/1/95

DATED DATE 3/28/91

CUSIP NUMBERS (and corresponding maturity dates)

649647XR0
649647XS8
649648WU2
64964G7H2

MANAGING UNDERWRITER Lehman Bros.