

NEW ISSUE

In the opinion of Bond Counsel, 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. 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.

\$985,000,000 The City of New York General Obligation Bonds, Fiscal 1992 Series C

\$781,900,000 FIXED RATE BONDS, SUBSERIES C-1

\$203,100,000 ADJUSTABLE RATE BONDS, SUBSERIES C-2, C-3, C-4 and C-5

Dated: Date of Delivery

Due: August 1, as shown on the inside cover page

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—Bond Certificates".

Interest on the Fixed Rate Bonds will be payable semi-annually, beginning on August 1, 1992 and on each February 1 and August 1, thereafter. The Fixed Rate Bonds can be purchased in amounts of \$5,000 or any integral multiple thereof. The Fixed Rate Bonds are subject to redemption prior to maturity as described in "SECTION II: THE BONDS—Optional Redemption" and certain maturities will be insured by one of AMBAC Indemnity Corporation, Financial Security Assurance Inc. or Municipal Bond Investors Assurance Corporation. See "SECTION II: THE BONDS—Bond Insurance". The Fixed Rate Bonds will not be entitled to the benefits of any Credit Facility.

The Adjustable Rate Bonds will bear interest at a Daily Rate from their date of issuance until converted. Interest on each maturity of a Subseries 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 at the Daily Rate will be payable on the first day of each 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 at a maximum rate of 9% per annum on the Adjustable Rate Bonds tendered for purchase as described herein will be made pursuant to the terms of the Credit Facilities described herein provided severally by the following Banks, representing separate obligations of the respective Banks in respect of the separate Subseries:

Morgan Guaranty Trust Company of New York The Fuji Bank, Limited, New York Branch

The Industrial Bank of Japan, Limited, New York Branch The Sumitomo Bank, Limited, New York Branch

The Subseries C-2, Subseries C-3, Subseries C-4 and Subseries C-5 Bonds are each supported by a separate Credit Facility (collectively, the Credit Facilities); each such Credit Facility is the obligation only of the Bank issuing such Credit Facility. Morgan Guaranty Trust Company of New York, The Industrial Bank of Japan, Limited, New York Branch, The Fuji Bank, Limited, New York Branch, and The Sumitomo Bank, Limited, New York Branch will issue a Credit Facility supporting only the Subseries C-2, Subseries C-3, Subseries C-4 and Subseries C-5 Bonds, respectively. The Credit Facilities 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. The several obligations of the Banks are shown on the inside Cover Page.

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, and Barnes & Darby, 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, and Wood, Williams, Rafalsky & Harris, New York, New York. It is expected that the Bonds will be available for delivery in New York, New York, on or about January 7, 1992.

Bear, Stearns & Co. Inc.

The First Boston Corporation

Goldman, Sachs & Co.

Lehman Brothers

Merrill Lynch & Co.

Artemis Capital Group, Inc.

BT Securities Corporation

Chemical Securities, Inc.

Dillon, Read & Co. Inc.

Donaldson, Lufkin & Jenrette Securities Corporation

First Albany Corporation

Grigsby Brandford Powell Inc.

J.P. Morgan Securities Inc.

Morgan Stanley & Co.

PaineWebber Incorporated

Prudential Securities Inc.

Pryor, McClendon, Counts & Co., Inc.

Samuel A. Ramirez & Co., Inc.

Roosevelt & Cross Incorporated

Muriel Siebert & Co., Inc.

Smith Barney, Harris Upham & Co. Inc.

Tucker Anthony Incorporated

Dean Witter Reynolds Inc.

Maturity	Subseries							
	C-1 Principal Amount	C-1 Interest Rate	C-1 Price or Yield	C-2 Principal Amount(1)	C-3 Principal Amount(2)	C-4 Principal Amount(3)	C-5 Principal Amount(4)	Total Principal Amount
1993	\$ 10,700,000	5.10%	100%	\$ 9,800,000	\$11,400,000	\$ —	\$ —	\$ 31,900,000
1994	—	—	—	23,200,000	5,100,000	3,600,000	—	31,900,000
1995	12,750,000(5)	5	100	—	15,400,000	17,100,000	2,600,000	47,850,000
1996	20,550,000(5)	5.35	100	—	—	14,300,000	13,000,000	47,850,000
1997	3,070,000(5)	5½	5.55	—	—	7,600,000	16,000,000	26,670,000
1998	4,670,000(5)	5.70	100	—	—	4,000,000	18,000,000	26,670,000
1999	5,670,000(5)	5.80	100	—	—	—	21,000,000	26,670,000
2000	5,670,000(5)	5.90	100	—	—	—	21,000,000	26,670,000
2001	26,670,000(5)	6	6.10	—	—	—	—	26,670,000
2002	26,670,000(6)	6¼	100	—	—	—	—	26,670,000
2003	26,670,000(6)	6.30	6.35	—	—	—	—	26,670,000
2004	26,670,000(6)	6.40	6.45	—	—	—	—	26,670,000
2005	26,670,000(6)	6.40	6.50	—	—	—	—	26,670,000
2006	26,670,000(5)	6¾	6.55	—	—	—	—	26,670,000
2007	26,670,000(5)	6¾	6.55	—	—	—	—	26,670,000
2008	26,670,000(5)	6¾	6.55	—	—	—	—	26,670,000
2009	26,670,000(7)	6¼	6.67	—	—	—	—	26,670,000
2010	38,790,000(7)	6¼	6.67	—	—	—	—	38,790,000
2011	40,000,000(7)	6¼	6.67	—	—	—	—	40,000,000
2012	40,000,000(5)	6¾	99.25	—	—	—	—	40,000,000
2013	40,000,000(5)	6¾	99.25	—	—	—	—	40,000,000
2014	40,000,000(5)	6¾	99.25	—	—	—	—	40,000,000
2015	40,000,000(6)	6¾	99.25	—	—	—	—	40,000,000
2016	40,000,000	7	7.70	—	—	—	—	40,000,000
2017	40,000,000	7	7.70	—	—	—	—	40,000,000
2018	40,000,000	7	7.70	—	—	—	—	40,000,000
2019	40,000,000	7½	7.75	—	—	—	—	40,000,000
2020	40,000,000	7½	7.75	—	—	—	—	40,000,000
2021	40,000,000	7½	7.75	—	—	—	—	40,000,000
	<u>\$781,900,000</u>			<u>\$33,000,000</u>	<u>\$31,900,000</u>	<u>\$46,600,000</u>	<u>\$91,600,000</u>	<u>\$985,000,000</u>

- (1) Supported by a Credit Facility provided by Morgan Guaranty Trust Company of New York ("Morgan Guaranty"). Offered at a price equal to par.
- (2) Supported by a Credit Facility provided by The Industrial Bank of Japan, Limited, New York Branch ("IBJ"). Offered at a price equal to par.
- (3) Supported by a Credit Facility provided by The Fuji Bank, Limited, New York Branch ("Fuji Bank"). Offered at a price equal to par.
- (4) Supported by a Credit Facility provided by The Sumitomo Bank, Limited, New York Branch ("Sumitomo"). Offered at a price equal to par.
- (5) Insured by Municipal Bond Investors Assurance Corporation ("MBIA"). See "SECTION II: THE BONDS—Bond Insurance".
- (6) Insured by AMBAC Indemnity Corporation ("AMBAC Indemnity"). See "SECTION II: THE BONDS—Bond Insurance".
- (7) Insured by Financial Security Assurance Inc. ("Financial Security"). See "SECTION II: THE BONDS—Bond Insurance".

Ratings

	Moody's		Standard & Poor's	
	Long Term	Short Term	Long Term	Short Term
Subseries C-1	Baa1	—	A-	—
Subseries C-1 Insured Bonds	*	—	*	—
Subseries C-2	Aaa	VMIG 1	AAA	A-1+
Subseries C-3	Aa2	VMIG 1	AA	A-1+
Subseries C-4	Aa3	VMIG 1	AA-	A-1+
Subseries C-5	Aa3	VMIG 1	AA	A-1+

* The City expects that the ratings on the Bonds insured by AMBAC Indemnity, Financial Security and MBIA will be received prior to January 7, 1992. See "SECTION IX: OTHER INFORMATION—Ratings".

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	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.

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.

**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 \$985,000,000 aggregate principal amount of the City's General Obligation Bonds, Fiscal 1992 Series C (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 73.5% of the City's total employment earnings for the 1990 calendar year. Additionally, the City is the nation's leading tourist destination. The City's manufacturing activity is conducted primarily in apparel and printing.

Over the past three years, the rate of economic growth in the City has slowed substantially, and the City's economy is currently in recession. The City projects, and its current five-year financial plan assumes, a continuation of the recession in the New York City region in the 1991 and 1992 calendar years with a recovery early in the 1993 calendar year. The Mayor is responsible for preparing the City's four-year financial plan, including the City's current financial plan for the 1992 through 1996 fiscal years (the "1992-1996 Financial Plan" or "Financial Plan"). The City Comptroller has issued reports concluding that the recession of the City's economy will be more severe and last longer than is assumed in the Financial Plan. See "SECTION I: RECENT FINANCIAL DEVELOPMENTS" and "SECTION VII: 1992-1996 FINANCIAL PLAN—Certain Reports".

For each of the 1981 through 1991 fiscal years, the City achieved balanced operating results as reported in accordance with generally accepted accounting principles ("GAAP"). During its 1991 fiscal year, as a result of the recession, the City experienced significant shortfalls from its July 1990 projections in virtually every major category of tax revenues. The City was required to close substantial budget gaps in its 1990 and 1991 fiscal years in order to maintain balanced operating results. 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. The City Comptroller has issued reports that have warned of the adverse effects on the City's economy of the tax increases that were imposed during fiscal years 1991 and 1992. 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—1987-1991 Statement of Operations".

Pursuant to the laws of the State, the City prepares an annual financial plan, which, prior to the current five-year financial plan, has been a four-year financial plan, and 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: 1992-1996 FINANCIAL PLAN". The City is required to submit its financial plans to review bodies, including the New York State Financial Control Board ("Control Board"). If the City were to experience certain adverse financial circumstances, including the occurrence or the substantial likelihood and imminence of the occurrence of an annual operating deficit of more than \$100 million or the loss of access to the public credit markets to satisfy the City's capital and seasonal financing requirements, the Control Board would be required by State law to exercise powers, among others, of prior approval of City financial plans, proposed borrowings and certain contracts. For further information regarding the Control Board and State laws which provide for oversight and, under certain

capital requirements. The terms and success of projected public sales of City general obligation bonds and notes will be subject to prevailing market conditions at the time of the sale, and no assurance can be given that the credit markets will absorb the projected amounts of public bond and note sales. In addition, future developments concerning the City and public discussion of such developments, the City's future financial needs and other issues may affect the market for outstanding City general obligation bonds and notes. If the City were unable to sell its general obligation bonds and notes, it would be prevented from meeting its planned operating and capital expenditures.

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 those forecast in the Financial Plan. In addition, the Control Board and other agencies 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. See "SECTION VII: 1992-1996 FINANCIAL PLAN—Certain Reports". For information concerning the City's credit rating, see "SECTION IX: OTHER INFORMATION—Ratings".

The factors affecting the City's financial condition and the Bonds described throughout this Official Statement are complex and are not intended to be summarized in this Introductory Statement. 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 the 1991 fiscal year. During the 1990 fiscal year, the City implemented various actions to offset a projected budget deficit of \$2.2 billion for the 1991 fiscal year, including \$822 million of tax increases and \$660 million of expenditure reductions. In fiscal year 1991 the local and national recessions continued to exert downward pressure on City revenue sources, as in the 1990 fiscal year, and to increase public assistance needs, resulting in an additional potential budget gap of approximately \$1.0 billion for the 1991 fiscal year. As a result, the City implemented various additional gap-closing measures, including service reductions, productivity measures, the sale of certain City assets, the use of \$110 million from the general reserve, the use of funds from the labor/pension reserves, and savings on other than personal service ("OTPS") costs. For further information, see "SECTION VI: FINANCIAL OPERATIONS".

During the 1991 fiscal year, the City also proposed various actions for the 1992 fiscal year to close a potential gap of \$3.3 billion in the 1992 fiscal year, compared to the \$970 million deficit initially projected for the 1992 fiscal year in the City's financial plan adopted in July 1990. This \$3.3 billion gap resulted from, among other things, additional projected tax revenue shortfalls of approximately \$1.4 billion in the 1992 fiscal year, due primarily to weaknesses in personal income tax withholding and sales tax receipts; \$564 million of proposed reductions of State aid for the City; approximately \$400 million of projected increases in legally mandated expenditures, including public assistance and Medicaid expenditures; and \$73 million of increased debt service costs. The gap-closing measures for the 1992 fiscal year proposed during the 1991 fiscal year, and outlined in the City's financial plan for fiscal years 1992 through 1995 submitted to the Control Board on July 12, 1991 (the "July Financial Plan"), included receipt of \$605 million from tax increases, including increases in the real property tax and personal income tax; \$184 million of projected reduced debt service costs; approximately \$1.5 billion of proposed service reductions, including a reduction in the number of City employees through attrition and layoffs; proposed productivity savings of \$545 million; revenue initiatives of \$213 million, including improved tax audit collections; \$84 million resulting from the proposed consolidation and restructuring of agency operations; and other non-tax revenue measures totaling \$250 million.

On November 6, 1991, the City published the Financial Plan, which is a proposed modification to the July Financial Plan covering the 1992 through 1996 fiscal years and which relates to the City, the Board of Education ("BOE") and the City University of New York ("CUNY"). The 1992-1996 Financial Plan projects revenues and expenditures for the 1992 fiscal year to be balanced in accordance with GAAP, and reflects changes in actual receipts and forecast revenues and expenditures as a result

circumstances, control of the City's financial and management practices, see "SECTION III: GOVERNMENT AND FINANCIAL CONTROLS—City Financial Management, Budgeting and Control—*Financial Emergency Act*".

The City depends on the State for State aid both to enable the City to balance its budget and to meet its cash requirements. The State budget for its 1992 fiscal year, originally formulated on June 10 and revised (after completion of the Spring borrowing in June) on July 4, 1991, reflects a substantial reduction in projected tax revenues for the State's 1992 fiscal year compared to previously projected levels. On October 30, 1991, the State reported a budget gap of \$689 million for its 1992 fiscal year, and on November 5, 1991, the Governor announced that the potential budgetary imbalance for such fiscal year had increased to \$875 million. As a result, the City may experience reductions in projected State aid in the 1992 fiscal year. If the State experiences revenue shortfalls or spending increases beyond its projections during its 1992 fiscal year or subsequent years, such developments could also result in reductions in projected State aid to the City. In addition, there can be no assurance that State budgets in future fiscal years will be adopted by the April 1 statutory deadline and that there will not be adverse effects on the City's cash flow and additional City expenditures as a result of such delays. For information concerning recent revisions to the State budget, see "SECTION I: RECENT FINANCIAL DEVELOPMENTS".

The City's projections set forth in the Financial Plan are based on various assumptions and contingencies which are uncertain and which may not materialize. Changes in major assumptions could significantly affect the City's ability to balance its budget as required by State law and to meet its annual cash flow and financing requirements. Such assumptions and contingencies include the timing of any regional and local economic recovery, the absence of wage increases in excess of the increases assumed in the Financial Plan, employment growth, provision of State and Federal aid and mandate relief, State legislative approval of future State budgets, levels of education expenditures as may be required by State law, adoption of future City budgets and proposed real property tax increases by the New York City Council, and approval by the Governor, the State Legislature or the Municipal Assistance Corporation For The City of New York ("MAC") of various other actions proposed in the Financial Plan.

The City's projections are also subject to the City's ability to implement necessary service and personnel reduction programs successfully. The Financial Plan published on November 6, 1991 contains substantial proposed expenditure cuts for the 1993 through 1996 fiscal years, which are to be set forth in greater detail when the City publishes its preliminary budget and modified financial plan in January, 1992. The proposed expenditure reductions will be difficult to implement because of their size and the substantial expenditure reductions already imposed on City operations in the past two years. In addition, it is not certain that the Financial Plan or the January modification will satisfy the conditions of MAC which would allow inclusion of a proposed \$1 billion in MAC funding. The uncertainty concerning the proposed MAC funding, as well as certain developments since the publication of the Financial Plan, may require expenditure reductions of greater severity to achieve a balanced financial plan. Since November, the State's projected budget deficit has increased for its 1992 and 1993 fiscal years, which is likely to reduce State aid below the levels assumed in the Financial Plan. In addition, since November most forecasts for the national economy have been revised downward, the national employment data have shown declines, and there is a significant risk that economic activity in the City may be similarly affected, which could result in lower revenues or higher expenses than forecast in the Financial Plan. Moreover, the City Actuary has preliminarily determined that the City may be required to make pension contributions which could be materially greater than the amounts assumed in the Financial Plan. See "SECTION I: RECENT FINANCIAL DEVELOPMENTS".

Implementation of the Financial Plan is also dependent upon the City's ability to market its securities successfully in the public credit markets. The City's four-year capital plan for fiscal years 1992 through 1995 contemplates issuance of \$13.8 billion of general obligation bonds to reconstruct and rehabilitate the City's infrastructure and physical assets and to make capital investments, including \$1.3 billion of such amount to refund certain outstanding City credit-enhanced bonds. A significant portion of such bond financing is used to reimburse the City's general fund for capital expenditures already incurred. In addition, the City issues revenue and tax anticipation notes to finance its seasonal working

of changes in circumstances since July 1991. For the 1992 fiscal year, the Financial Plan includes actions to offset an additional potential \$210 million budget gap, resulting principally from the restoration of certain essential or mandated services and increased Medicaid and public assistance and other costs. The gap-closing measures include reductions in OTPS costs and a reduction in the reserve for expenses relating to prior years.

In addition, the 1992-1996 Financial Plan sets forth a program to close a projected gap of approximately \$1.2 billion in the 1993 fiscal year. The gap-closing program for the 1993 fiscal year includes \$133 million of reduced costs resulting from proposed reductions in the projected number of City employees through attrition; \$75 million of reduced costs or increased revenues resulting from restructuring the delivery of City services; savings of \$93 million resulting from the Governor's proposed State cost containment and assumption of certain local Medicaid costs; \$170 million of State assistance from the Governor's proposed "New York, New York" program involving various mandate relief measures, the reallocation of State education aid among various localities and other actions; \$450 million of proposed transitional assistance from MAC resulting from a MAC refunding; additional OTPS savings; and other revenue increases from improved audits and other actions. The Financial Plan also outlines a gap-closing program for the 1994 through 1996 fiscal years which, in addition, includes a proposal to amend the State Constitution to permit the City to issue bonds with level debt service to extend the average life of City financings, which would reduce debt service costs by an aggregate of \$150 million in the 1995 and 1996 fiscal years through refunding certain outstanding City bonds; additional MAC transitional funding in the 1994 fiscal year totaling \$550 million; real property tax increases of \$330 million in the 1995 fiscal year, which is estimated to generate \$338 million in the 1996 fiscal year; and increased revenues resulting from restructuring the delivery of City services, including revenues from a possible increased gas tax or auto registration fee or other user fees to fund a proposed transportation authority. The transitional assistance from MAC proposed by the City is subject to MAC approval. In addition, various actions proposed in the Financial Plan are subject to final approval by the Governor and approval by the State Legislature, the proposed amendment to the State Constitution providing for level debt service requires approval of the State Legislature and a voter referendum, and the proposed real property tax increases are subject to approval by the City Council. The Chairman of MAC and others have criticized certain elements of the 1992-1996 Financial Plan, including the use of the funds generated by the MAC refunding proposed in the Financial Plan. The City and MAC are currently discussing the use, structure and timing of any possible transitional funding. MAC has stated that, in order to proceed with the refunding, MAC will require that the Financial Plan and the MAC refunding have the support of the Control Board, the City Council, the rating agencies and the State Legislature. See "SECTION VII: 1992-1996 FINANCIAL PLAN—Certain Reports" and "SECTION IX: OTHER INFORMATION—Ratings".

On or before January 16, 1992 the City will publish its preliminary budget and modified financial plan, which, in accordance with law and practice, will further detail the plan to achieve balanced operating results for the 1993 fiscal year, and which may differ from the Financial Plan. See "INTRODUCTORY STATEMENT". The City Comptroller has issued reports that have projected potential budget gaps in fiscal years 1992 through 1995 that are greater than those identified in the Financial Plan by approximately between \$257 and \$357 million, \$715 million, \$1.0 billion and \$1.4 billion, respectively, and have identified certain additional risks. See "SECTION VII: 1992-1996 FINANCIAL PLAN—Certain Reports". On November 21, 1991, the City Council proposed a plan for the City which, among other things, contained alternatives to the gap-closing actions proposed in the Financial Plan. The alternatives proposed by the City Council include a four-year property tax freeze; the downsizing and restructuring of City government and a productivity program, which include a head count reduction program of approximately 24,000 employees; OTPS savings through improving the existing procurement procedures; the use of \$300 million of transitional assistance from MAC in each of the 1993 and 1994 fiscal years; and, in the 1995 and 1996 fiscal years, the use of an additional \$400 million of MAC transitional assistance to fund a reserve fund.

The City has reached collective bargaining 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"), Local 237 of the International Brotherhood of Teamsters ("Local 237"), the Communications Workers of America ("CWA") and other smaller unions, which cover approximately

70% of the City's workforce for the 1991 fiscal year and a portion of the 1992 fiscal year. The collective bargaining agreements included total increases of between 5.0% and 5.8%, a portion of which was funded from funds previously allocated for collective bargaining increases, with the remainder from a combination of State funds and reduced contributions to certain pension funds based on revised earnings assumptions on such funds' assets.

The 1992-1996 Financial Plan incorporates certain assumptions regarding the costs of collective bargaining agreements to be negotiated in the future. For all employees whose unions have not reached collective bargaining agreements with the City for the 1991 fiscal year, the 1992-1996 Financial Plan includes funds for an incremental 1.5% increase in the 1992 fiscal year and a 1.5% increase carried forward from the 1991 fiscal year, with no increase in the 1993 and 1994 fiscal years and a 1.5% increase in each of the 1995 and 1996 fiscal years. In addition, the Financial Plan assumes no additional wage increases for UFT, District Council 37, Local 237, CWA and other employees whose unions have settled following the expiration of their respective agreements with the City in fiscal year 1992 until the 1995 and 1996 fiscal years for which a 1.5% increase is assumed. Each 1% wage increase for all employees upon expiration at various times during the 1992 fiscal year of their respective collective bargaining agreements would cost the City an additional \$80 million in fiscal year 1992 and \$142 million in each of the 1993 through 1996 fiscal years above the amounts provided for in the Financial Plan. These additional costs assume that all employees whose unions have not reached collective bargaining agreements with the City for the 1991 fiscal year reach settlements consistent with the 1.5% wage increase assumed in the Financial Plan and with contract lengths similar to District Council 37, Local 237 and CWA.

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 37, Local 237 and CWA and the wage and benefit increases set forth in such agreements and regarding the impasse hearings held in September 1991 between the Patrolmen's Benevolent Association (the "PBA") and the City, which hearings recently resulted in a binding award, see "SECTION VII: 1992-1996 FINANCIAL PLAN—Assumptions—*Expenditure Assumptions*—1. Personal Service Costs".

As a result of the national and regional economic recession, the State's projections of tax revenues for its 1991 fiscal year were substantially reduced and corresponding reductions were made in projected tax revenues for the State's 1992 fiscal year. Consequently, the State budget for the 1992 fiscal year, which was balanced as adopted, contains substantial decreases in certain expenditures, as well as increases in certain revenues, from previously projected levels, which in the aggregate total \$6.5 billion. The State's budget for its 1992 fiscal year includes increases in certain State taxes and fees, including an increase in the State tax on petroleum products, a freeze in the scheduled reduction in the personal income tax, thereby avoiding a tax cut that would otherwise cost the State approximately \$400 million in its 1992 fiscal year, an anticipated revenue increase of \$100 million from the personal income tax for certain taxpayers, and an increase in the tax rate on certain regulated businesses expected to yield \$200 million; substantial spending reductions, including cuts in State operations and reductions in State aid to localities, such as reductions in education aid, unrestricted local aid and other programs of aid to localities; and non-recurring revenues.

In the second quarterly revision to the State budget, released on October 30, 1991, the State reported a potential budgetary imbalance of \$689 million for the 1992 fiscal year. This imbalance results from a combined reduction of \$344 million in receipts, including reduced receipts in most taxes and lottery revenues, and an increase of \$345 million in disbursements, primarily for Medicaid, welfare, prisons, social services and mental hygiene programs, as compared to the first quarterly revision to the State budget issued on July 26, 1991. The disparity between the State's first and second quarterly updates is due largely to the fact that the earlier forecast was based on a consensus of national economists which predicted a relatively mild and brief recession followed by a slow steady recovery. The continued weakness in the economy has increased unemployment, resulting in lower tax revenues, at the same time greater demands are being placed upon a variety of social services. On November 5, 1991, the Governor announced that the potential budgetary imbalance for the 1992 fiscal year had increased to \$875 million. The Governor has recently proposed a deficit reduction plan, a portion of

which will require legislative approval, to eliminate the State gap for its 1992 fiscal year, which includes reduced spending for education, Medicaid and other programs and which could reduce net assistance to the City by \$111 million in the City's 1992 fiscal year and \$59 million in the City's 1993 fiscal year. The Governor is currently having discussions with leaders of the State Legislature concerning gap-closing actions for the State's 1992 and 1993 fiscal years. The plan ultimately adopted may call for additional reductions in State aid to localities, including the City. The State noted that the State's forecasts are subject to numerous uncertainties, including the potential for large downward revisions in estimates of employment and uncertainty as to the ability or willingness of consumers to increase spending. Moreover, the State has noted that, while a formal estimate of the potential gap for the 1993 fiscal year has not been completed, the revised economic forecast, together with the recent changes in receipts and disbursements, could double the previously estimated \$1.8 billion potential gap for the State's 1993 fiscal year. There is a significant risk that the potential gaps for the State's 1992 and 1993 fiscal years will exceed the most recent State assessment for its 1992 and 1993 fiscal years, and there can be no assurance that such potential gaps will not materially exceed such projections.

Actions taken to close the State's potential gaps for its 1992 and 1993 fiscal years may result in reductions in State aid to localities, including the City. If additional revenue shortfalls or spending increases occur during the State's 1992 fiscal year or subsequent years beyond current projections, such developments could also result in reductions in State aid to localities, including the City. Moreover, the delay in the adoption of the State's budget beyond the statutory April 1, 1991 deadline and the resultant delay in the State's Spring borrowing delayed the projected receipt by the City of approximately \$3.1 billion of State aid during the City's most recent fiscal year, and there can be no assurance that State budgets in future fiscal years will be adopted by the April 1 statutory deadline. For further information concerning the State, see "SECTION VII: 1992-1996 FINANCIAL PLAN—Assumptions".

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 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, redemption premium, if any, 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, applicable redemption premium, if any, 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. The principal of and interest on the Bonds will be paid from the Fund until the Act expires on July 1, 2008. Subsequently, principal of and interest on the Bonds will be paid from a separate fund or funds

maintained in accordance with the City Covenants. Since its inception, the Fund has been fully funded at the beginning of each payment period.

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.

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 (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".

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. The General Municipal Law currently provides that the maximum rate of interest which may be authorized by a court of law on a judgment or accrued claim against a municipality is 9%. 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.

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 mechanisms 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 City will further covenant to comply with the financial reporting requirements of the Act, as in effect from time to time.

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.

Optional Redemption

The Fixed Rate Bonds will be subject to redemption at the option of the City on or after August 1, 2002, in whole or in part, by lot within each maturity, on any date, at the following redemption prices, plus accrued interest to the date of redemption:

<u>Redemption Dates</u>	<u>Redemption Price as Percentage of Par</u>
August 1, 2002 through July 31, 2003	101½%
August 1, 2003 through July 31, 2004	100¾
August 1, 2004 and thereafter	100

The City may select amounts and maturities of Fixed Rate Bonds for redemption in its sole discretion.

The Adjustable Rate Bonds will be subject to redemption prior to maturity as described below in "SECTION II: THE BONDS—Adjustable Rate Bonds—*Redemption*".

On and after any redemption date, interest will cease to accrue on the Bonds called for redemption.

Use of Proceeds

The proceeds from the sale of the Bonds will be used for various municipal capital purposes. The City purposes for which some of the Bonds are being issued are to be accomplished through voluntary organizations (the "Organizations") that are described in Section 501(c)(3) of the Internal Revenue Code of 1986, as amended (the "Code"), selected by the City and engaged in providing housing facilities (the "Projects"). For further information concerning the City's capital projects, see "SECTION V: CITY SERVICES AND EXPENDITURES—Capital Expenditures" and "SECTION VII: 1992-1996 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 dates of issuance as described below in "SECTION II: THE BONDS—Adjustable Rate Bonds—*Interest on Adjustable Rate Bonds*". Each maturity of each Subseries 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, the applicable Subseries Bank (each a "Bank"), 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 or Weekly Rates; (b) the first day of each calendar month, in the case of interest payable at Monthly Rates; (c) 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; (d) 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; (e) the first day of each February and August, in the case of interest payable at a Fixed Rate, or in any case not otherwise specified; (f) the first Business Day following an MMMR Period, in the case of interest payable at Money Market Municipal Rates; (g) the date of any redemption or mandatory tender of Adjustable Rate Bonds for purchase and (h) 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 Subseries and 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 Variable Rate or a Money Market Municipal Rate of interest on the Adjustable Rate Bonds shall not exceed 9% per annum and, in no event, shall the rate of interest on the Adjustable Rate Bonds exceed 25% 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) as of such day.

Notice of each Variable Rate shall be given by the Remarketing Agent by telephone confirmed in writing to the City, the Subseries Bank, 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 Rate 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 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 Subseries Bank, 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 Subseries and 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 the 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 Subseries Bank. 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 for the Bonds being converted 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

Any Adjustable Rate Bond purchased by a Bank (a "Purchased Bond") 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 for such Bond, 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

Each Adjustable Rate Bond of a Subseries bearing interest at a Variable Rate or a Money Market Municipal Rate shall be subject to optional or mandatory tender for purchase by the Tender Agent or (if not defeased) by the Subseries Bank 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 Bondholders 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 Facilities*".

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. Each Bank agrees in the Credit Facility to which it is a party to purchase tendered Adjustable Rate Bonds of the stated Subseries (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 Facilities*".

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.

If the funds available for purchases of a Subseries of Adjustable Rate Bonds are inadequate for the purchase of all Adjustable Rate Bonds of a Subseries tendered on any Purchase Date, all undefeased Adjustable Rate Bonds of that Subseries 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 undefeased tendered Adjustable Rate Bonds of that Subseries 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 of that Subseries.

Mandatory Tender to Banks

Each of the Adjustable Rate Bonds of a Subseries bearing interest at a Variable Rate or a Money Market Municipal Rate (and not defeased) is subject to mandatory tender for purchase by the Subseries Bank pursuant to its Credit Facility, on the Purchase Date following a Notice from the Fiscal Agent to such Subseries Bank, 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 to the Subseries Bank by a specified time on that day or (y) the Fiscal Agent receives a Termination Notice from a Subseries Bank, the Fiscal Agent shall give the Notice to such Bank on that day (or, at latest, by a specified 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 Subseries Bank, if received not later than the specified 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 applicable 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 Subseries Bank's 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 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 Subseries Bank. All Adjustable Rate Bonds purchased pursuant to this paragraph shall be paid for from funds furnished under the applicable 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 applicable Bank's Commitment (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.

Redemption

Adjustable Rate Bonds are subject to 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, Subseries 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 Subseries and 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 Subseries and maturity subject to such redemption which are held by or for the Subseries Bank, (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 Facilities

Prior to and including the Fixed Rate Conversion Date for each Subseries and 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 Subseries and 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.

Each Registered owner of an Adjustable Rate Bond 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 for such Bond. Under such Credit Facility, the Subseries Bank agrees to make available to the Tender Agent or the Fiscal Agent, upon receipt of an appropriate demand for payment, the Purchase Price for Adjustable Rate Bonds of the stated Subseries. Each Bank's commitments under the Credit Facilities will be sufficient to pay a Purchase Price equal to the principal of and up to 185 days' interest on the Adjustable Rate Bonds at an assumed rate of 9% as follows:

<u>Bank</u>	<u>Subseries</u>	<u>Principal</u>	<u>Interest</u>
Morgan Guaranty	C-2	\$33,000,000	\$1,526,250
IBJ	C-3	31,900,000	1,475,375
Fuji Bank	C-4	46,600,000	2,155,250
Sumitomo	C-5	91,600,000	4,236,500

No Bank is responsible for any of the other Banks' performance of its obligations under the Credit Facilities.

Mandatory purchase by the Subseries Bank 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 of the Subseries and (at the option of the Subseries Bank) 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

Subseries Bank, all interest accruing thereon from the last date for which interest was paid shall accrue for the benefit of and be payable to the Subseries Bank.

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

The obligation of each Subseries Bank to purchase Adjustable Rate Bonds pursuant and subject to the terms and conditions of the Credit Facility for such Bonds is irrevocable and constitutes an extension of credit to the City for the benefit of the Bondholders of such Subseries at the time such Credit Facility becomes effective, and the obligation of the City to repay amounts advanced by such Bank under such Credit Facility in respect of such Bank's purchase of Bonds shall be evidenced by the Bonds so purchased by such Bank.

To the extent provided in the Certificate and the Credit Facilities, if any decrease in the ratings applicable to debt of any Bank adversely affects the interest rate payable by the City on any Adjustable Rate Bonds, the City shall have the right to seek a substitute bank or banks to assume the rights and obligations of such Bank. The holders of the affected 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 Facilities 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".

Bond Insurance

The following information pertaining to AMBAC Indemnity, Financial Security and MBIA has been supplied, respectively, by AMBAC Indemnity, Financial Security and MBIA. The City makes no representation as to the accuracy or adequacy of such information or as to the absence of material adverse changes in such information subsequent to the dates indicated. Summaries of or references to the insurance policies to be issued by AMBAC Indemnity, Financial Security and MBIA are made subject to all the detailed provisions thereof to which reference is hereby made for further information and do not purport to be complete statements of any or all of such provisions. See "APPENDIX F—SPECIMEN INSURANCE POLICIES".

AMBAC Insured Bonds

AMBAC Indemnity has made a commitment to issue a municipal bond insurance policy (the "AMBAC Policy") relating to the Fixed Rate Bonds maturing on August 1 in 2002 through 2005, inclusive, and 2015 (the "AMBAC Insured Bonds"), effective as of the date of issuance of the AMBAC Insured Bonds. Under the terms of the AMBAC Policy, AMBAC Indemnity will pay to the United States Trust Company of New York, in New York, New York, or any successor thereto (the "Insurance Trustee") that portion of the principal of and interest on the AMBAC Insured Bonds which shall become Due for Payment but shall be unpaid by reason of Nonpayment by the Issuer (as such terms are defined in the AMBAC Policy). AMBAC Indemnity will make such payments to the Insurance Trustee on the later of the date on which such principal and interest becomes Due for Payment and the fifth (5th) day next following the date on which AMBAC Indemnity shall have received notice of Nonpayment from the City's Fiscal Agent. The insurance will extend for the term of the AMBAC Insured Bonds and, once issued, cannot be cancelled by AMBAC Indemnity.

The AMBAC Policy will insure payment only on stated maturity dates, in the case of principal, and on stated dates for payment, in the case of interest. In the event of any acceleration of the principal of the Bonds, the insured payments will be made at such times and in such amounts as would have been made had there not been an acceleration.

In the event the City's Fiscal Agent has notice that any payment of principal or interest on an AMBAC Insured Bond which has become Due for Payment and which is made to a Bondholder by or on behalf of the City has been deemed a preferential transfer and therefore recovered from its registered owner pursuant to the United States Bankruptcy Code in accordance with a final, nonappealable order of a court of competent jurisdiction, such registered owner will be entitled to payment from AMBAC Indemnity to the extent of such recovery if sufficient funds are not otherwise available.

The AMBAC Policy does not insure any risk other than Nonpayment, as defined in the Policy. Specifically, the Municipal Bond Insurance Policy does not cover:

1. payment on acceleration, as a result of a call for redemption or as a result of any other advancement of maturity.
2. payment of any redemption, prepayment or acceleration premium.
3. nonpayment of principal or interest caused by the insolvency or negligence of any Trustee or Paying Agent, if any.

If it becomes necessary to call upon the AMBAC Policy, payment of principal requires surrender of AMBAC Insured Bonds to the Insurance Trustee together with an appropriate instrument of assignment so as to permit ownership of such AMBAC Insured Bonds to be registered in the name of AMBAC Indemnity to the extent of the payment under the AMBAC Policy. Payment of interest pursuant to the AMBAC Policy requires proof of Bondholder entitlement to interest payments and an appropriate assignment of the Bondholder's right to payment to AMBAC Indemnity.

Upon payment of the insurance benefits, AMBAC Indemnity will become the owner of the AMBAC Insured Bond or right to payment of principal or interest on such AMBAC Insured Bond and will be fully subrogated to the surrendering Bondholder's rights to payment. Reference is made to Appendix F for a specimen of the AMBAC Policy.

In cases where the AMBAC Insured Bonds are issuable in book entry form, the Insurance Trustee shall disburse principal and interest to a Bondholder only upon evidence satisfactory to the Insurance Trustee and AMBAC Indemnity that the ownership interest of the Bondholder in the right to payment of such principal and interest has been effectively transferred to AMBAC Indemnity on the books maintained for such purpose. AMBAC Indemnity shall be fully subrogated to all of the Bondholders' rights to payment to the extent of the insurance disbursements so made.

The insurance provided by the AMBAC Policy is not covered by the property/casualty insurance security fund specified by the insurance laws of the State.

AMBAC Indemnity is a Wisconsin-domiciled stock insurance corporation regulated by the Insurance Department of the State of Wisconsin and licensed to do business in 50 states and the District of Columbia, with admitted assets of approximately \$1,300,000,000 (unaudited) and statutory capital of approximately \$784,000,000 (unaudited) as of September 30, 1991. Statutory capital consists of AMBAC Indemnity's policyholders' surplus and statutory contingency reserve. AMBAC Indemnity was formerly a wholly-owned subsidiary of Citicorp Financial Guaranty Holdings, Inc. ("Holdings") (formerly known as AMBAC Inc.), a financial holding company and itself a wholly-owned subsidiary of Citibank, N.A. ("Citibank").

On May 1, 1991, AMBAC Inc. ("AMBAC Inc."), a financial holding company recently formed by Holdings, registered for sale with the Securities and Exchange Commission 17,600,000 shares of its common stock. The registration statement with respect to such sale was declared effective on July 11, 1991. As a result of the sale, Citibank, through its affiliate Holdings, owns approximately 49% of the total equity of AMBAC Inc., with a right to cast 20% of the total number of votes of all shares of outstanding common stock of AMBAC Inc. until such time as Citibank, including its affiliates, reduces its equity ownership to less than 25% of AMBAC Inc. (at which time the shares owned by it become non-voting). As of the date of the consummation of the sale of common stock, AMBAC Indemnity becomes a direct wholly-owned subsidiary of AMBAC Inc. The Wisconsin Insurance Department has stated that the sale of common stock described herein does not require its prior approval. Both Moody's Investors Service, Inc. ("Moody's") and Standard & Poor's Corporation ("Standard &

Poor's") have reaffirmed that the sale of the common stock of AMBAC Inc. does not affect AMBAC Indemnity's triple-A claims-paying ability ratings.

Copies of AMBAC Indemnity's financial statements prepared in accordance with statutory accounting standards are available from AMBAC Indemnity. The address of AMBAC Indemnity's administrative offices and its telephone number are One State Street Plaza, 17th Floor, New York, New York 10004 and (212) 668-0340.

AMBAC Indemnity has entered into pro rata share reinsurance agreements under which a percentage of the insurance underwritten pursuant to certain municipal bond insurance programs of AMBAC Indemnity has been and will be assumed by a number of foreign and domestic unaffiliated reinsurers.

AMBAC Indemnity has obtained a ruling from the Internal Revenue Service to the effect that the insuring of an obligation by AMBAC Indemnity will not affect the treatment for federal income tax purposes of interest on such obligation and that insurance proceeds representing maturing interest paid by AMBAC Indemnity under policy provisions substantially identical to those contained in its AMBAC Policy shall be treated for federal income tax purposes in the same manner as if such payments were made by the issuer of the Bonds.

AMBAC Indemnity makes no representation regarding the AMBAC Insured Bonds or the advisability of investing in the AMBAC Insured Bonds and makes no representation regarding, nor has it participated in the preparation of, the Official Statement other than the information supplied by AMBAC Indemnity and presented under the heading "AMBAC Insured Bonds".

Financial Security Insured Bonds

Concurrently with the issuance of the Fixed Rate Bonds maturing on August 1 in 2009 through 2011, inclusive (the "Financial Security Insured Bonds"), Financial Security will issue its Municipal Bond Insurance Policy for the Financial Security Insured Bonds (the "Policy"). The Policy unconditionally guarantees the payment of that portion of the principal of and interest on the Financial Security Insured Bonds that has become due for payment, but shall be unpaid by reason of nonpayment by the City. On the later of the day on which such principal and interest is due or on the business day next following the business day on which Financial Security shall have received notice by telephone or telecopy, subsequently confirmed in a signed writing, or written notice by registered or certified mail, from an Owner of Financial Security Insured Bonds or the City's Fiscal Agent, of the nonpayment of such amount by the City, Financial Security will disburse such amount due on any Financial Security Insured Bond to the City's Fiscal Agent, for the benefit of the Owners or, at the election of Financial Security, directly to each Owner, in either case upon receipt by Financial Security in form reasonably satisfactory to it of (a) evidence of the Owner's right to receive payment of the principal and interest that is due for payment and (b) evidence, including any appropriate instruments of assignment, that all of such Owner's rights to payment of such principal and interest shall be vested in Financial Security. The term "nonpayment" in respect of a Financial Security Insured Bond includes any payment of principal or interest insured by Financial Security made to an Owner of a Financial Security Insured Bond that has been recovered from such Owner pursuant to the United States Bankruptcy Code by a trustee in bankruptcy in accordance with a final, nonappealable order of a court having competent jurisdiction.

The Policy is non-cancellable and the premium will be fully paid at the time of delivery of the Financial Security Insured Bonds. The Policy covers failure to pay principal of the Financial Security Insured Bonds on their respective stated maturity dates, and not on any other date on which the Financial Security Insured Bonds may have been called for redemption, acceleration or other advancement of maturity, unless Financial Security shall elect, in its sole discretion, to pay such principal due upon acceleration together with any interest accrued to the date of acceleration, and covers the failure to pay an installment of interest on the stated date for its payment. Payment by Financial Security of principal due upon acceleration and interest accrued to the accelerated maturity date (to the extent unpaid by the City) shall fully discharge Financial Security's obligations under the Policy.

Financial Security may appoint a fiscal agent (“Financial Security’s Fiscal Agent”) for purposes of the Policy by giving written notice to the City’s Fiscal Agent specifying the name and notice address of Financial Security’s Fiscal Agent. From and after the date of receipt of such notice by the City’s Fiscal Agent, (i) copies of all notices required to be delivered to Financial Security pursuant to the Policy shall be simultaneously delivered to Financial Security’s Fiscal Agent and to Financial Security and shall not be deemed received until received by both and (ii) all payments required to be made by Financial Security under the Policy may be made directly by Financial Security or by Financial Security’s Fiscal Agent on behalf of Financial Security. Financial Security’s Fiscal Agent is the agent of Financial Security only and Financial Security’s Fiscal Agent shall in no event be liable to Owners of the Financial Security Insured Bonds for any acts of Financial Security’s Fiscal Agent or any failure of Financial Security to deposit or cause to be deposited sufficient funds to make payments due under the Policy.

Under the Policy, Financial Security will, to the extent permitted by applicable law, waive, only for the benefit of the Owners of Financial Security Insured Bonds, all rights and defenses that might otherwise have been available to Financial Security to avoid payment of its obligations under the Policy in accordance with its terms.

THE POLICY IS NOT COVERED BY THE PROPERTY/CASUALTY INSURANCE SECURITY FUND SPECIFIED IN ARTICLE 76 OF THE NEW YORK INSURANCE LAW.

Financial Security is approximately 91.6% owned by US WEST, Inc. and 8.4% owned by The Tokio Marine and Fire Insurance Co. Ltd. (“Tokio Marine”). Neither US WEST, Inc. nor Tokio Marine is obligated to pay the debts of or the claims against Financial Security. Financial Security is domiciled in the State of New York and is subject to regulation by the State of New York Insurance Department. As of September 30, 1991, the total policyholders’ surplus and contingency reserves and the total unearned premium reserve, respectively, of Financial Security and its consolidated subsidiaries were, in accordance with statutory accounting principles, approximately \$410,208,000 and \$193,846,000 and the total shareholders’ equity and the total unearned premium reserve, respectively, of Financial Security and its consolidated subsidiaries were, in accordance with generally accepted accounting principles, approximately \$557,440,000 and \$181,664,000. Copies of Financial Security’s financial statements may be obtained by writing to Financial Security at 350 Park Avenue, New York, New York 10022, Attention: Communications Department. Financial Security’s telephone number is (212) 826-0100.

Other than with respect to information concerning Financial Security contained under the caption “Financial Security Insured Bonds” herein, none of the information in this Official Statement has been supplied or verified by Financial Security and Financial Security makes no representation or warranty, express or implied, as to (i) the accuracy or completeness of such information; (ii) the validity of the Bonds; or (iii) the tax exempt status of the interest on the Bonds.

MBIA Insured Bonds

The Fixed Rate Bonds maturing on August 1 in 1995 through 2001, inclusive, 2006 through 2008, inclusive, and 2012 through 2014, inclusive, are insured by MBIA (the “MBIA Insured Bonds”). The following information has been furnished by MBIA for use in this Official Statement and is applicable only to the MBIA Insured Bonds. Reference is made to Appendix F for a specimen of the MBIA policy. The description below reflects the terms of the MBIA policy. It is understood that certain provisions of the MBIA policy relating to mandatory redemption and acceleration may not be applicable to the MBIA Insured Bonds.

The MBIA policy unconditionally and irrevocably guarantees the full and complete payment required to be made by or on behalf of the City to the City’s Fiscal Agent or its successor of an amount equal to (i) the principal of (either at the stated maturity or by an advancement of maturity pursuant to a mandatory sinking fund payment) and interest on MBIA Insured Bonds as such payments shall become due but shall not be so paid (except that in the event of any acceleration of the due date of such principal by reason of mandatory or optional redemption or acceleration resulting from default or otherwise, other than any advancement of maturity pursuant to a mandatory sinking fund payment, the

payments guaranteed by the MBIA policy shall be made in such amounts and at such times as such payments of principal would have been due had there not been any such acceleration); and (ii) the reimbursement of any such payment which is subsequently recovered from any owner of the MBIA Insured Bonds pursuant to a final judgment by a court of competent jurisdiction that such payment constitutes an avoidable preference to such owner within the meaning of any applicable bankruptcy law (a "Preference").

The MBIA policy does not insure against loss of any prepayment premium which may at any time be payable with respect to any MBIA Insured Bond. The MBIA policy does not, under any circumstance, insure against loss relating to: (i) optional or mandatory redemptions (other than mandatory sinking fund redemptions); (ii) any payments to be made on an accelerated basis; (iii) payments of the purchase price of Bonds upon tender by an owner thereof; or (iv) any Preference relating to (i) through (iii) above. The MBIA policy also does not insure against nonpayment of principal of or interest on the MBIA Insured Bonds resulting from the insolvency, negligence or any other act or omission of the City's Fiscal Agent or any other paying agent for the MBIA Insured Bonds.

Upon receipt of telephonic or telegraphic notice, such notice subsequently confirmed in writing by registered or certified mail, or upon receipt of written notice by registered or certified mail, by MBIA from the City's Fiscal Agent or any owner of an MBIA Insured Bond the payment of an insured amount for which is then due, that such required payment has not been made, MBIA on the due date of such payment or within one business day after receipt of notice of such nonpayment, whichever is later, will make a deposit of funds, in an account with Citibank, in New York, New York, or its successor, sufficient for the payment of any such insured amounts which are then due. Upon presentment and surrender of such MBIA Insured Bonds or presentment of such other proof of ownership of the MBIA Insured Bonds, together with any appropriate instruments of assignment to evidence the assignment of the insured amounts due on the MBIA Insured Bonds as are paid by MBIA, and appropriate instruments to effect the appointment of MBIA as agent for such owners of the MBIA Insured Bonds in any legal proceeding related to payment of insured amounts on the MBIA Insured Bonds, such instruments being in a form satisfactory to Citibank, Citibank shall disburse to such owners or the City's Fiscal Agent payment of the insured amounts due on such MBIA Insured Bonds, less any amount held by the City's Fiscal Agent for the payment of such insured amounts and legally available therefor.

MBIA is the principal operating subsidiary of MBIA Inc. The principal shareholders of MBIA Inc. are The Aetna Casualty and Surety Company, The Fund American Companies, Inc., subsidiaries of CIGNA Corporation, and Credit Local de France, CAECL S.A., and they own approximately 35% of the outstanding common stock of MBIA Inc. Neither MBIA Inc. nor its shareholders are obligated to pay the debts of or claims against MBIA. MBIA is a limited liability corporation rather than a several liability association. MBIA is domiciled in the State of New York and licensed to do business in all 50 states, the District of Columbia and the Commonwealth of Puerto Rico.

As of December 31, 1990, MBIA had admitted assets of \$1.8 billion (audited), total liabilities of \$1.2 billion (audited), and total capital and surplus of \$579 million (audited) prepared in accordance with statutory accounting practices prescribed or permitted by insurance regulatory authorities. As of June 30, 1991, MBIA had admitted assets of \$2.1 billion (unaudited), total liabilities of \$1.5 billion (unaudited), and total capital and surplus of \$606 million (unaudited) determined in accordance with statutory accounting practices prescribed or permitted by insurance regulatory authorities. Copies of MBIA's year end financial statements prepared in accordance with statutory accounting practices are available from MBIA. The address of MBIA is 113 King Street, Armonk, New York 10504.

Moody's rates all bond issues insured by MBIA "Aaa" and short term loans "MIG 1," both designated to be of the highest quality.

Standard & Poor's rates all new issues insured by MBIA "AAA" Prime Grade.

The Moody's rating of MBIA should be evaluated independently of the Standard & Poor's rating of MBIA. No application has been made to any other rating agency in order to obtain additional ratings on the MBIA Insured Bonds. The ratings reflect the respective rating agency's current assessment of the creditworthiness of MBIA and its ability to pay claims on its policies of insurance. Any further

explanation as to the significance of the above ratings may be obtained only from the applicable rating agency.

The above ratings are not recommendations to buy, sell or hold the MBIA Insured Bonds, and such ratings may be subject to revision or withdrawal at any time by the rating agencies. Any downward revision or withdrawal of either or both ratings may have an adverse effect on the market price of the MBIA Insured Bonds.

This policy is not covered by the Property/Casualty Insurance Security Fund specified in Article 76 of the New York Insurance Law.

Bond Certificates

Book-Entry Only System

The Depository Trust Company (“DTC”), New York, New York, will act as securities depository for the Bonds. The Bonds will be issued as fully-registered bonds registered in the name of Cede & Co. (DTC’s partnership nominee). One fully-registered Bond certificate will be issued for each maturity of the Bonds, each in the aggregate principal amount of such maturity, and will be deposited with DTC.

DTC is a limited-purpose trust company organized under the New York Banking Law, a “banking organization” within the meaning of the New York Banking Law, 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. DTC holds securities that its participants (“Participants”) deposit with DTC. DTC also facilitates the settlement among Participants of securities transactions, such as transfers and pledges, in deposited securities through electronic computerized book-entry changes in Participants’ accounts, thereby eliminating the need for physical movement of securities certificates. Direct Participants include securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is owned by a number of its Direct Participants and by the New York Stock Exchange, Inc., the American Stock Exchange, Inc., and the National Association of Securities Dealers, Inc. Access to the DTC system is also available to others such as securities brokers and dealers, banks, and trust companies that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly (“Indirect Participants”). The Rules applicable to DTC and its Participants are on file with the Securities and Exchange Commission.

Purchases of Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Bonds on DTC’s records. The ownership interest of each actual purchaser of each Bond (“Beneficial Owner”) is in turn to be recorded on the Direct and Indirect Participants’ records. Beneficial Owners will not receive written confirmation from DTC of their purchase, but Beneficial Owners are expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Bonds are to be accomplished by entries made on the books of Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in Bonds, except in the event that use of the book-entry system for the Bonds is discontinued.

To facilitate subsequent transfers, all Bonds deposited by Participants with DTC are registered in the name of DTC’s partnership nominee, Cede & Co. The deposit of Bonds with DTC and their registration in the name of Cede & Co. effect no change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Bonds; DTC’s records reflect only the identity of the Direct Participants to whose accounts such Bonds are credited, which may or may not be the Beneficial Owners. The Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time.

Redemption notices shall be sent to Cede & Co., if less than all of the Bonds within an issue are being redeemed. DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such issue to be redeemed.

Neither DTC nor Cede & Co. will consent or vote with respect to Bonds. Under its usual procedures, DTC mails an omnibus proxy (the "Omnibus Proxy") to the City as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts the Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Principal, redemption premium, if any, and interest payments on the Bonds will be made to DTC. DTC's practice is to credit Direct Participants' accounts on the payable date in accordance with their respective holdings shown on DTC's records unless DTC has reason to believe that it will not receive payment on the payable date. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC, the Fiscal Agent, or the City, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of principal, redemption premium, if any, and interest to DTC is the responsibility of the City or the Fiscal Agent, disbursement of such payments to Direct Participants shall be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners shall be the responsibility of Direct and Indirect Participants.

A Beneficial Owner shall give notice to elect to have its Adjustable Rate Bonds purchased or tendered, through its Participant, to the Tender Agent, and shall effect delivery of such Adjustable Rate Bonds by causing the Direct Participant to transfer the Participant's interest in the Adjustable Rate Bonds, on DTC's records, to the Tender Agent. The requirement for physical delivery of Adjustable Rate Bonds in connection with a demand for purchase or a mandatory purchase will be deemed satisfied when the ownership rights in the Adjustable Rate Bonds are transferred by Direct Participants on the DTC's records.

DTC may discontinue providing its services as securities depository with respect to the Bonds at any time by giving reasonable notice to the City or the Fiscal Agent. Under such circumstances, in the event that a successor securities depository is not obtained, Bond certificates are required to be printed and delivered.

The City may decide to discontinue use of the system of book-entry transfers through DTC (or a successor securities depository). In that event, Bond certificates will be printed and delivered.

The information in this section concerning DTC and DTC's book-entry system has been obtained from sources that the City believes to be reliable, but the City takes no responsibility for the accuracy thereof.

Payments and Transfers

No assurance can be given by the City that DTC will make prompt transfer of payments to the Participants or that Participants will make prompt transfer of payments to Beneficial Owners. The City is not responsible or liable for payment by DTC or Participants or for sending transaction statements or for maintaining, supervising or reviewing records maintained by DTC or 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.

Discontinuance of the Book-Entry Only System

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 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. 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.

- 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 has powers and responsibilities relating to land use and City contracts and 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.
- 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, with an expanded Council of 51 members elected and to take office on January 1, 1992. 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. The City Council has powers and responsibilities relating to franchises and land use.
- 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 disability of the Mayor or a vacancy in the office. 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.

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.

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 and the power to determine the non-property tax revenue forecast on which the City Council must rely in adopting a balanced City budget. 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

OMB, with a staff of approximately 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 Budgets and four-year financial plans.

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 budgets that are balanced when reported in accordance with GAAP. From time to time certain Covered Organizations have had budgets providing for balanced operations on a cash basis but not balanced under GAAP.

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.

The Mayor's Executive Budget for each of the 1986 through 1991 fiscal years received the Government Finance Officers Association (the "GFOA") Award for Distinguished Budget Presentation.

Office of the Comptroller

The City Comptroller is the City's chief fiscal officer and is responsible under the City Charter for reviewing and commenting on the City's Budgets and financial plans, including the assumptions and methodologies used in their preparation. The City Comptroller, as an independently elected public official, is required to report annually to the City Council on the state of the City's economy and finances and periodically to the Mayor and the City Council on the financial condition of the City and to make recommendations, comments and criticisms on the operations, fiscal policies and financial transactions of the City. Such reports, among other things, have differed with certain of the economic,

revenue and expenditure assumptions and projections in the City's financial plans and Budgets. See "SECTION VII: 1992-1996 FINANCIAL PLAN—Certain Reports".

The Office of the Comptroller, with a professional staff of approximately 620, establishes the City's accounting and financial reporting practices and internal control procedures. The City Comptroller is also responsible for the preparation of the City's annual financial statements, which, since 1978, have been required to be reported in accordance with GAAP.

The Comprehensive Annual Financial Report of the Comptroller for the 1990 fiscal year, which includes, among other things, the City's financial statements for the 1990 fiscal year, has received the GFOA award of the Certificate of Achievement for Excellence in Financial Reporting, the eleventh consecutive year the Comprehensive Annual Financial Report of the Comptroller has won such award.

All contracts for goods and services requiring the expenditure of City moneys must be registered with the City Comptroller. No contract can be registered unless funds for its payment have been appropriated by the City Council. The City Comptroller also prepares vouchers for payments for such goods and services and cannot prepare a voucher unless funds are available in the Budgets for its payment.

The City Comptroller is also required by the City Charter to audit all City agencies and has the power to audit all City contracts. The Office of the Comptroller conducts both financial and management audits and has the power to investigate corruption in connection with city contracts or contractors.

The Mayor and City Comptroller are responsible for the issuance of City indebtedness. The City Comptroller oversees the payment of such indebtedness and is responsible for the custody of certain sinking funds.

Financial Reporting and Control Systems

Since 1978, the City's financial statements have been required to be audited by independent certified public accountants and to be presented in accordance with GAAP. The City has completed eleven 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 each of OMB and 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.

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 were 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 a joint certification that sales of securities in the public credit market by or for the benefit of the City during the immediately preceding fiscal year and the current fiscal year satisfied its capital and seasonal financing requirements during such period and that there is a substantial likelihood that such securities can be sold in the general public market from the date of the joint certification through the end of the next succeeding fiscal year in amounts that will satisfy substantially all of the capital and seasonal financing requirements of the City during such period in accordance with the financial plan then in effect.

Financial Control Board Oversight

The Control Board, with MAC and the State Deputy Comptroller for The City of New York (“OSDC” or “State Deputy Comptroller”), who is appointed by 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.

During a Control Period, in addition to the requirements described above, the Control Board is required to: (i) approve or disapprove the four-year financial plan of the City and of the Covered Organizations and modifications thereto; (ii) approve or disapprove long-term and short-term borrowings and certain contracts, including collective bargaining agreements, of the City and the Covered Organizations; and (iii) establish procedures with respect to the disbursement of monies to the City and the Covered Organizations from the Control Board Fund (as defined in the Act) created by the Act.

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 1991, while unrestricted Federal aid has been sharply reduced. The City projects that local revenues will provide approximately 67.4% of total revenues in the 1992 fiscal year while Federal aid, including categorical grants, will provide 11.1%, and State aid, including unrestricted aid and categorical grants, will provide 21.4%. 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: 1992-1996 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 46.5% of its total tax revenues and 27.1% of its total revenues for the 1992 fiscal year from the real estate tax. For information concerning tax revenues and total revenues of the City for prior fiscal years, see "SECTION VI: FINANCIAL OPERATIONS—1987-1991 Statement of Operations".

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 payments 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, less the amount of revenue raised from real estate tax by the City in the current fiscal year for payment of interest on City notes outstanding in the current fiscal year. As shown in the table below, the percentage of the debt service levy to the total levy decreased in the 1988 and 1989 fiscal years, increased in fiscal year 1990, decreased in fiscal year 1991 and increased again in fiscal year 1992. The most recent calculation of the operating limit does not reflect the current downturn in the real estate market, which could substantially lower the operating limit in the future.

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

<u>Fiscal Year</u>	<u>Total Levy(1)</u>	<u>Levy Within Operating Limit</u>	<u>Debt Service Levy(2)</u>	<u>Percent of Debt Service Levy to Total Levy</u>	<u>Operating Limit</u>	<u>Percent of Levy Within Operating Limit to Operating Limit</u>	<u>Rate Per \$100 of Full Valuation(3)</u>	<u>Weighted Average Tax Rate Per \$100 Assessed Valuation</u>
(Dollars in Millions)								
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
1992	8,318.8	6,262.8	2,056.0	24.7	10,631.8	58.9	1.96	10.64

- (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 dollar of full valuation for the 1987 through 1992 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 recent surveys. Ratios, and therefore full values, may be revised when new surveys are completed. The ratios and full values used to compute the 1992 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. For information concerning litigation asserting that the special equalization ratios calculated by the State Board in the 1991 calendar year violate state law because they substantially overestimate the full value of City real estate for the purposes of calculating the operating limit for the 1992 fiscal year, and that the City's real estate tax levy for operating purposes in the 1992 fiscal year exceeds the State Constitutional limit, see "SECTION IX: OTHER INFORMATION—Litigation —*Taxes*".

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

<u>Fiscal Year</u>	<u>Billable Assessed Valuation of Taxable Real Estate(2)</u>	<u>Special Equalization Ratio(3)</u>	<u>Full Valuation(2)(3)</u>
1988	\$59,316,861,486	.1902	311,865,728,107
1989	64,342,267,379	.1779	361,676,601,343
1990	70,252,467,843	.1698	413,736,559,735
1991	76,528,438,709	.1605	476,812,702,237
1992	78,660,903,551	.1399	562,265,214,803

- (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 1992 fiscal year, the billable assessed value of real estate categorized by the City as exempt is \$56 billion, or 41.8% of the \$134 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, 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 was 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 are 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 1992 fiscal year for the thirteenth consecutive year. The City commenced revising its assessment procedures during the 1982 fiscal year to reflect more accurately current real estate values. Billable assessed valuation for taxable property increased approximately 2.8% in fiscal year 1992 over the \$76.5 billion final valuation for fiscal year 1991. Actual assessed valuation decreased approximately 8.6% 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
1991	7,681.3	223.4	7,195.2	93.7	262.6	3.42
1992(4)	8,318.8	165.0	7,841.0	94.3	312.8	3.76

(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.

(4) Forecast.

Other Taxes

The City expects to derive approximately 53.5% of its total tax revenues for the 1992 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 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. For further information concerning the City's authority to impose real property taxes, see "SECTION IV: SOURCES OF CITY REVENUE—Real Estate Taxes". 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, reserve fund requirements and operating expenses, with the balance, if any, payable to the City.

Revenues from other taxes in the 1991 fiscal year increased by only \$129 million or approximately 1.5% over the 1990 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 1987 through 1991 fiscal years.

	1987	1988	1989	1990	1991
(In Millions)					
Personal Income	\$2,163	\$2,089	\$2,445	\$2,538	\$2,798
General Corporation	1,169	1,256	1,263	1,123	1,125
Banking Corporation	307	333	285	196	256
Unincorporated Business Income	302	315	356	357	370
Sales	2,044	2,223	2,330	2,431	2,354
Commercial Rent	525	584	651	685	718
Real Property Transfer	245	216	207	215	147
Mortgage Recording	253	201	213	154	137
Utility	170	145	168	184	184
All Other(1)	571	582	536	630	553
Total	\$7,749	\$7,944	\$8,454	\$8,513	\$8,642

(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 1987 through 1991 fiscal years.

	<u>1987</u>	<u>1988</u>	<u>1989</u>	<u>1990</u>	<u>1991</u>
	(In Millions)				
Licenses, Permits and Franchises	\$ 177	\$ 231	\$ 193	\$ 189	\$ 201
Interest Income	128	129	194	194	167
Charges for Services	241	253	286	299	337
Water and Sewer Payments(1)	438	435	546	571	596
Rental Income	188	202	187	207	169
Fines and Forfeitures	247	265	297	310	366
Other	228	186	367	464	426
Total	<u>\$1,647</u>	<u>\$1,701</u>	<u>\$2,070</u>	<u>\$2,234</u>	<u>\$2,262</u>

(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 ("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 ("HFA"). The increase in miscellaneous revenues for the 1991 fiscal year was due primarily to a sale of property by the City to the Federal Government for \$104 million and transfers of surplus funds from the Public Development Corporation and the New York City Housing Development Corporation ("HDC") amounting to \$62 million.

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. In recent years, however, such allocation has been based on prior year levels in lieu of the statutory formula. For a further discussion of unrestricted State aid, see "SECTION VII: 1992-1996 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 1987 through 1991 fiscal years.

	<u>1987</u>	<u>1988</u>	<u>1989</u>	<u>1990</u>	<u>1991</u>
	(In Millions)				
Federal Revenue Sharing Aid.....	\$ 46	\$ —	\$ —	\$ —	\$ —
State Per Capita Aid	535	535	535	535	535
State Shared Taxes(1)	47	47	47	47	20
Other(2)	49	71	131	105	145
Total	<u>\$ 677</u>	<u>\$ 653</u>	<u>\$ 713</u>	<u>\$ 687</u>	<u>\$ 700</u>

(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 1987, 1988, 1989, 1990 and 1991 fiscal years are \$44 million, \$44 million, \$50 million, \$58 million and \$64 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: 1992-1996 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 1987 through 1991 fiscal years.

	<u>1987</u>	<u>1988</u>	<u>1989</u>	<u>1990</u>	<u>1991</u>
	(In Millions)				
Federal					
JTPA	\$ 92	\$ 85	\$ 76	\$ 74	\$ 73
Community Development(1)	201	214	223	234	227
Welfare	1,434	1,433	1,531	1,634	1,842
Education	431	453	512	611	667
Other	241	279	269	320	338
Total	<u>\$2,399</u>	<u>\$2,464</u>	<u>\$2,611</u>	<u>\$2,873</u>	<u>\$3,147</u>
State					
Welfare	\$1,255	\$1,283	\$1,350	\$1,482	\$1,620
Education	2,227	2,472	2,791	3,072	3,285
Higher Education	98	100	110	111	119
Health and Mental Health	174	195	218	244	237
Other	218	242	247	263	250
Total	<u>\$3,972</u>	<u>\$4,292</u>	<u>\$4,716</u>	<u>\$5,172</u>	<u>\$5,511</u>

(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 CUCF. For information regarding expenditures for City services, see "SECTION VI: FINANCIAL OPERATIONS—1987-1991 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 73.5% 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 1991-1992 school year is estimated to be 980,510. Through fiscal year 1991, 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 1987 and 1991, the percentage of the City's total expenditures allocated to BOE has remained relatively stable at approximately 25.2%; in fiscal year 1992 the percentage of the City's total expenditure is projected to remain at 25.2%. See "SECTION VII: 1992-1996 FINANCIAL PLAN—Assumptions—*Expenditure Assumptions*—2. Other Than Personal Service 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 35.8% 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 reduced the City's share of Medicaid costs in 1983 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 Medicaid costs for Federally eligible recipients.

City expenditures and transfers have increased during the five-year period ended June 30, 1991, 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.

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 1987 through 1991 fiscal years.

	<u>1987</u>	<u>1988</u>	<u>1989</u>	<u>1990</u>	<u>1991</u>
Education	80,421	82,441	84,754	86,224	86,071
Police	33,962	34,077	33,414	32,976	34,401
Social Services	25,859	27,080	29,227	31,491	31,404
Higher Education	3,876	3,872	3,828	3,843	3,864
Environmental Protection and Sanitation	17,539	17,454	17,812	18,300	17,366
Fire	13,599	13,306	13,321	12,769	12,679
All Other	<u>49,982</u>	<u>53,752</u>	<u>56,027</u>	<u>57,487</u>	<u>57,423</u>
Total	<u>225,238</u>	<u>231,982</u>	<u>238,383</u>	<u>243,090</u>	<u>243,208</u>

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 1987 through 1991 fiscal years.

	<u>1987</u>	<u>1988</u>	<u>1989</u>	<u>1990</u>	<u>1991</u>
Transit Authority	51,631	52,498	52,315	51,471	49,035
Housing Authority	14,655	15,241	14,747	15,253	15,106
HHC	<u>44,209</u>	<u>44,473</u>	<u>45,115</u>	<u>46,194</u>	<u>45,717</u>
Total(2)	<u>110,495</u>	<u>112,212</u>	<u>112,177</u>	<u>112,918</u>	<u>109,858</u>

(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 for certain awards arrived at through impasse procedures. During a Control Period, and subject to the foregoing exception, the Control Board would be required to disapprove collective bargaining agreements that are inconsistent with the City's current financial plan.

In the 1991 fiscal year, unions representing approximately 70% of the City's work force reached collective bargaining agreements with the City with terms of between twelve and fifteen months. These agreements expire between September and December 1991. Approximately 30% of the City's work force, primarily uniformed employees, have been without collective bargaining agreements since various times in the 1991 fiscal year. In September 1991, an impasse panel held hearings concerning the collective bargaining impasse between the City and the Police Benevolent Association ("PBA") which

represents approximately 18,000 police officers. The panel issued its binding award on November 15, 1991.

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 collective bargaining agreements and the arbitration award to the PBA, as well as assumptions with respect to the cost of future labor settlements and related effects on the 1992-1996 Financial Plan, see "SECTION VII: 1992-1996 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 makes substantial capital expenditures 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 "SECTION VII: 1992-1996 FINANCIAL PLAN—Long-Term Capital and Financing Program" and "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. On May 10, 1991 the City announced a Ten-Year Capital Strategy for fiscal years 1992-2001 totalling \$67.0 billion, of which approximately 70% will be financed with City funds. The 1992-2001 Ten-Year Capital Strategy includes: (i) \$8.5 billion to construct new schools and improve existing educational facilities; (ii) \$4.8 billion for expanding and upgrading the City's housing stock; (iii) \$3.0 billion for reconstruction or resurfacing more than 12,630 lane miles of City streets; (iv) \$2.0 billion for continued City-funded investment in mass transit; (v) \$3.0 billion for the continued reconstruction of all four East River bridges and over 250 other bridge structures; (vi) \$1.3 billion for the major reconstruction of Elmhurst, Kings County, Queens and Coney Island Hospitals; (vii) \$1.1 billion to expand current jail capacity; and (viii) \$775 million for construction of new court buildings. Such programs are currently expected to be funded primarily from the issuance of general obligation bonds.

The City's capital expenditures, including expenditures funded by State and Federal grants, totaled \$15.3 billion during the 1987 through 1991 fiscal years. City-funded expenditures, which have been financed through the issuance of City and Water Authority bonds, totaled \$13.3 billion during the 1987

through 1991 fiscal years. The following table summarizes the major categories of capital expenditures in the past five fiscal years.

	<u>1987</u>	<u>1988</u>	<u>1989</u>	<u>1990</u>	<u>1991</u>	<u>Total</u>
	(In Millions)					
Education	\$ 139	\$ 147	\$ 208	\$ 380	\$ 694	\$ 1,568
Environmental Protection	562	567	622	637	826	3,214
Transportation	231	249	422	392	399	1,693
Transit Authority(1)	138	229	472	360	381	1,580
Housing	71	201	367	572	689	1,900
Hospitals	75	110	118	148	195	646
Sanitation	165	141	210	223	172	911
All Other(2)	526	587	724	1,039	877	3,753
Total Expenditures(3)	<u>\$1,907</u>	<u>\$2,231</u>	<u>\$3,143</u>	<u>\$3,751</u>	<u>\$4,233</u>	<u>\$15,265</u>
City-funded Expenditures(4)	<u>\$1,526</u>	<u>\$2,039</u>	<u>\$2,690</u>	<u>\$3,213</u>	<u>\$3,878</u>	<u>\$13,346</u>

(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 1987 through 1991 fiscal years include City, State and Federal funding and represent amounts which include an accrual for work-in-progress. The figures for the 1987 through 1991 fiscal years 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.

The 1992-2001 Ten-Year Capital Strategy reduced commitments by \$2.9 billion and expenditures by \$2.1 billion for capital programs through fiscal year 1995 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: 1992-1996 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, 1991, 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—1987-1991 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 1992 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 based upon numerous assumptions and 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.

1987-1991 Statement of Operations

The following table sets forth the City's results of operations for its 1987 through 1991 fiscal years reported in accordance with GAAP. The information regarding the 1987 through 1991 fiscal years 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 1990 and 1991 financial statements included in "APPENDIX B—FINANCIAL STATEMENTS". The 1987 through 1989 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)				
	1987	1988	1989	1990	1991
	(In Millions)				
Revenues and Transfers					
Real Estate Tax(2)	\$ 4,976	\$ 5,382	\$ 5,943	\$ 6,543	\$ 7,251
Other Taxes(3)	7,749	7,944	8,454	8,513	8,642
Miscellaneous Revenues	1,647	1,701	2,070	2,234	2,262
Unrestricted Federal and State Aid	677	653	713	687	700
Federal Categorical Grants	2,399	2,464	2,611	2,873	3,147
State Categorical Grants	3,972	4,292	4,716	5,172	5,511
Less: Disallowances Against Categorical Grants	(30)	(10)	(18)	(85)	(32)
Total Revenues and Transfers	\$21,390	\$22,426	\$24,489	\$25,937	\$27,481
Expenditures and Transfers					
Social Services	\$ 4,916	\$ 5,015	\$ 5,355	\$ 5,932	\$ 6,686
Board of Education	4,802	5,285	5,786	6,377	6,694
City University	243	259	266	299	313
Public Safety and Judicial	2,632	2,920	3,174	3,523	3,494
Health Services	1,260	971	1,337	1,395	1,463
Pensions	1,675	1,753	1,742	1,693	1,479
Debt Service(3)	1,249	1,224	1,324	1,205	1,503
MAC Debt Service Funding(3)	550	428	515	522	449
All Other	4,055	4,561	4,984	4,986	5,395
Total Expenditures and Transfers	\$21,382	\$22,416	\$24,483	\$25,932	\$27,476
Surplus(4)	\$ 8	\$ 10	\$ 6	\$ 5	\$ 5

- (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) Real Estate Tax for the 1991 fiscal year includes \$56 million of Criminal Justice Fund revenues.
- (3) 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 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".
- (4) The General Fund surplus is the surplus after discretionary transfers and expenditures. The City had General Fund operating surpluses of \$27 million, \$253 million, \$409 million, \$225 million and \$567 million before discretionary transfers and expenditures for the 1991, 1990, 1989, 1988 and 1987 fiscal years, respectively.

Forecast of 1992 Results

The following table compares the forecast for the 1992 fiscal year contained in the financial plan submitted to the Control Board on July 12, 1991 (the "July 1991 Forecast") with the forecast for the 1992 fiscal year contained in the City's financial plan for the 1992 fiscal year published on November 6, 1991, which has been submitted to the Control Board (the "November 1991 Forecast"). These forecasts were prepared on a basis consistent with GAAP.

	July 1991 Forecast	November 1991 Forecast	Increase (Decrease) from July 1991 Forecast
	(In Millions)		
REVENUES			
Taxes			
General Property Tax	\$ 7,694	\$ 7,711	\$ 17 (1)
Other Taxes	8,554	8,500	(54)(2)
Tax Audit Revenue	501	501	0
Criminal Justice Fund	168	155	(13)(3)
Miscellaneous Revenues	2,841	2,865	24 (4)
Unrestricted Intergovernmental Aid	764	755	(9)
Inter-Fund Revenues	221	226	5
Less: Intra-City Revenues	(499)	(463)	36
Disallowances Against Categorical Grants	(15)	(15)	—
Total City Funds	<u>\$20,229</u>	<u>\$20,235</u>	<u>\$ 6</u>
Federal Categorical Grants	3,042	3,216	174 (5)
State Categorical Grants	5,246	5,433	187 (5)
Total Revenues	<u>\$28,517</u>	<u>\$28,884</u>	<u>\$367</u>
EXPENDITURES			
Personal Service	\$14,348	\$14,473	\$125 (6)
Other Than Personal Service	11,976	12,182	206 (7)
Debt Service	2,002	2,002	—
MAC Debt Service Funding	540	540	—
General Reserve	150	150	—
Total Expenditures	<u>\$29,016</u>	<u>\$29,347</u>	<u>\$331</u>
Less: Intra-City Expenses	(499)	(463)	36
Total Expenditures	<u>\$28,517</u>	<u>\$28,884</u>	<u>\$367</u>
GAP TO BE CLOSED	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>

- (1) The increase in the General Property Tax forecast is primarily due to the collection of payments against prior year levies.
- (2) The current forecast for Other Taxes reflects decreased collections for the commercial rent tax of \$15 million, the mortgage recording tax of \$2 million and the sales tax of \$70 million. Personal income tax collections increased by \$10 million, banking corporation tax collections increased by \$15 million, real property transfer tax collections increased by \$3 million and all other tax collections increased by \$5 million.
- (3) The forecasted decrease in the Criminal Justice Fund assumes a reduction in lottery receipts.
- (4) The increase in the forecast for Miscellaneous Revenues is \$60 million exclusive of the changes in Intra-City Revenues. This change is primarily due to an increase in private grants of \$14 million, a one-time payment from AT&T of \$14 million, a tuition increase in the Community Colleges expected to yield \$18 million and additional water and sewer revenue of \$8 million.
- (5) The change in the forecast for both Federal and State Categorical Grants reflects budget modifications processed from July through September, as well as revisions to forecasted expenditures.
- (6) The increase in Personal Service reflects in part the categorical modifications processed from July through September and expenditure increases included in the Financial Plan.
- (7) The increase in the OTPS forecast is in part due to projected increases in Public and Medical Assistance costs, expenditure adjustments associated with the budget modifications relating to Federal and State Categorical Grants that were processed from July through September, and other expenditure adjustments included in the Financial Plan.

SECTION VII: 1992-1996 FINANCIAL PLAN

The following table sets forth the City's projected operations on a basis consistent with GAAP for the 1992 through 1996 fiscal years as contained in the 1992-1996 Financial Plan. This table should be read in conjunction with the accompanying notes, "Actions to Close the Gaps" and "Assumptions", below. For information regarding recent developments, see "SECTION I—RECENT FINANCIAL DEVELOPMENTS".

	1992-1996 Fiscal Years(1)(2)				
	1992	1993	1994	1995	1996
	(In Millions)				
REVENUES					
Taxes					
General Property Tax(3)	\$ 7,711	\$ 7,817	\$ 7,958	\$ 8,046	\$ 8,346
Other Taxes(3)(4)	8,500	8,641	8,887	9,141	9,675
Tax Audit Revenue	501	347	344	344	344
Criminal Justice Fund(3)	155	290	400	437	455
Miscellaneous Revenues	2,865	2,740	2,715	2,717	2,737
Unrestricted Intergovernmental Aid	755	759	772	776	783
Inter-Fund Revenues(5)	226	228	228	228	228
Less: Intra-City Revenues	(463)	(518)	(518)	(518)	(518)
Disallowances Against Categorical Grants	(15)	(15)	(15)	(15)	(15)
Total City Funds	<u>\$20,235</u>	<u>\$20,289</u>	<u>\$20,771</u>	<u>\$21,156</u>	<u>\$22,035</u>
Federal Categorical Grants	3,216	3,127	3,192	3,227	3,227
State Categorical Grants(6)	5,433	5,595	5,842	5,962	5,964
Total Revenues(7)	<u>\$28,884</u>	<u>\$29,011</u>	<u>\$29,805</u>	<u>\$30,345</u>	<u>\$31,226</u>
EXPENDITURES					
Personal Service(8)	\$14,473	\$14,688	\$14,878	\$15,110	\$15,370
Other Than Personal Service	12,182	13,005	13,768	14,412	14,671
Debt Service(4)(9)	2,002	2,370	2,733	3,003	3,365
MAC Debt Service Funding(4)	540	470	554	59	277
General Reserve	150	200	200	200	200
	<u>\$29,347</u>	<u>\$30,733</u>	<u>\$32,133</u>	<u>\$32,784</u>	<u>\$33,883</u>
Less: Intra-City Expenses	(463)	(518)	(518)	(518)	(518)
Total Expenditures(7)	<u>\$28,884</u>	<u>\$30,215</u>	<u>\$31,615</u>	<u>\$32,266</u>	<u>\$33,365</u>
GAP TO BE CLOSED	<u>\$ 0</u>	<u>(\$ 1,204)</u>	<u>(\$ 1,810)</u>	<u>(\$ 1,921)</u>	<u>(\$ 2,139)</u>
GAP-CLOSING PROGRAM					
City Actions	\$ 0	\$ 1,034	\$ 1,605	\$ 1,686	\$ 1,904
State Actions Including Mandate Relief	0	170	215	255	255
Reserve for Service Enhancements, Tax Reductions and Other Contingencies	0	0	(10)	(20)	(20)
TOTAL GAP-CLOSING PROGRAM	<u>\$ 0</u>	<u>\$ 1,204</u>	<u>\$ 1,810</u>	<u>\$ 1,921</u>	<u>\$ 2,139</u>

(1) The four-year financial plan for the 1991 through 1994 fiscal years, as submitted to the Control Board on July 11, 1990, contained the following projections for the 1991-1994 fiscal years: (i) for 1991, total revenues of \$27.922 billion and total expenditures of \$27.922 billion; (ii) for 1992, total revenues of \$29.142 billion and total expenditures of \$30.112 billion with a gap to be closed of \$970 million; (iii) for 1993, total revenues of \$30.705 billion and total expenditures of \$31.516 billion with a gap to be closed of \$811 million; and (iv) for 1994, total revenues of \$32.308 billion and total expenditures of \$33.180 billion with a gap to be closed of \$872 million.

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 next page)

(footnotes continued from previous page)

- (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 required by the Act to be balanced when reported in accordance with GAAP. The financial plan for the Transit Authority's 1992 fiscal year is reported on a cash basis and is not balanced in accordance with GAAP.
- (3) Criminal Justice Fund revenues comprise \$130 million, \$130 million, \$150 million, \$150 million and \$150 million from general property tax receipts projected for the 1992 through 1996 fiscal years, respectively; \$25 million, \$50 million, \$50 million, \$120 million and \$120 million projected to be received from the City lottery for the 1992 through 1996 fiscal years, respectively; and \$110 million, \$200 million, \$167 million and \$185 million projected to be received from personal income tax for the 1993 through 1996 fiscal years, respectively.
- (4) 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 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.
- (5) 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.
- (6) State categorical grants for the City's 1992 fiscal year are forecast at a level consistent with the State budget for the State's 1991-1992 fiscal year. For the 1993 through 1996 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 1992. See "SECTION VII: 1992-1996 FINANCIAL PLAN—Assumptions."
- (7) 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".
- (8) For an explanation of projected expenditures for personal service costs, see "SECTION V: CITY SERVICES AND EXPENDITURES—Employees and Labor Relations".
- (9) The debt service expenditures projected for fiscal years 1993 through 1996 are reduced by \$135 million, \$171 million, \$189 million and \$162 million, respectively, and the City's direct subsidy to HHC in these years is increased by an equal amount. Such amounts are equal to estimates of principal and interest payments to be made in those years on City debt issued to finance capital improvements to the facilities of HHC.

Actions to Close the Gaps

The 1992-1996 Financial Plan reflects a program of proposed actions by the City and the State government to close the gaps between projected revenues and expenditures for the 1993, 1994, 1995 and 1996 fiscal years.

City gap-closing actions total \$1.0 billion in the 1993 fiscal year, \$1.6 billion in the 1994 fiscal year, \$1.7 billion in the 1995 fiscal year and \$1.9 billion in the 1996 fiscal year. The gap-closing program for the 1993 fiscal year includes \$133 million of reduced costs resulting from proposed reductions in the projected number of City employees through attrition; \$75 million of reduced costs or increased revenues resulting from restructuring the delivery of City services; savings of \$93 million resulting from the Governor's proposed State cost containment and assumption of certain local Medicaid costs; \$450 million of proposed transitional assistance from MAC resulting from a MAC refunding; additional OTPS savings; and other revenue increases from improved audits and other actions.

State actions proposed in the gap-closing total \$170 million, \$215 million, \$255 million and \$255 million in each of the 1993, 1994, 1995 and 1996 fiscal years, respectively. These actions include the Governor's proposed "New York, New York" program including various mandate relief measures, the reallocation of State education aid among various localities and other actions.

In addition to a continuation of the gap-closing initiatives described above, the gap-closing program for the 1994 through 1996 fiscal years includes a proposal to amend the State Constitution to permit the

City to issue bonds with level debt service to extend the average life of City financings, which would reduce debt service costs by an aggregate of \$150 million in the 1995 and 1996 fiscal years through refunding certain outstanding City bonds; additional MAC transitional funding in the 1994 fiscal year totaling \$550 million; real property tax increases of \$330 million in the 1995 fiscal year, which is estimated to generate \$338 million in the 1996 fiscal year; and increased revenues resulting from restructuring the delivery of City services, including revenues from a possible increased gas tax or auto registration fee or other user fees to fund a proposed transportation authority. Included in the gap-closing program for each of the fiscal years 1995 and 1996 are 1.5% wage increases totalling \$123 million and \$344 million, respectively.

The transitional assistance from MAC proposed by the City is subject to MAC approval. In addition, various actions proposed in the Financial Plan are subject to final approval by the Governor and approval by the State Legislature, the proposed amendment to the State Constitution providing for level debt service requires approval of the State Legislature and a voter referendum, and the proposed real property tax increases are subject to approval by the City Council. The Chairman of MAC and others have criticized certain elements of the 1992-1996 Financial Plan, including the use of the funds generated by the MAC refunding proposed in the Financial Plan. The City and MAC are currently discussing the use, structure and timing of any possible transitional funding. MAC has stated that, in order to proceed with the refunding, MAC will require that the Financial Plan and the MAC refunding have the support of the Control Board, the City Council, the rating agencies and the State Legislature.

The City's projected budget gaps for the 1993, 1994, 1995 and 1996 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 1993 budget are not taken into account in projecting the budget gaps for the 1994, 1995 and 1996 fiscal years. State actions are uncertain and no assurance can be given that such actions will in fact be taken or that the savings that the City projects will result from these actions will be realized. See "SECTION VII: 1992-1996 FINANCIAL PLAN—Assumptions".

Although the City has maintained balanced budgets in each of its last eleven fiscal years, there can be no assurance that the gap-closing actions proposed in the Financial Plan can be successfully implemented or 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 1992-1996 Financial Plan is based on numerous assumptions, including the ending of the national recession in the first half of the 1991 calendar year; declines in City employment in the 1991 and 1992 calendar years; and the recovery of the City's and the region's economy early in calendar year 1993. The 1992-1996 Financial Plan is subject to various other uncertainties and contingencies relating to, among other factors, the extent, if any, to which wage increases for City employees exceed the annual increases assumed for the 1992 through 1996 fiscal years; continuation of the 9% interest earnings assumptions for pension fund assets affecting the City's required pension fund contributions; the adverse impact of the war in the Middle East on the City's economy; the effect of the October 1987 stock market crash and declines in employment in the financial services industry since 1987; the effect on the national economy of high debt burdens and questionable bank balance sheets; the willingness and ability of MAC to provide transitional funding assistance in the 1993 and 1994 fiscal years resulting from the refunding of certain outstanding MAC bonds; 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 mandate relief, in the context of the State's current financial condition; the willingness of the Federal government to provide Federal aid; legislative approval of any future proposed tax increases and the State budgets; adoption of the City's budgets by the City Council; 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; the City's ability to market its securities successfully in the public credit markets; and additional expenditures that may be incurred as a result of deterioration in the condition of the City's infrastructure. Certain of these assumptions have been questioned by the City Comptroller and other public officials. See "SECTION VII: 1992-1996 FINANCIAL PLAN—Certain Reports". For further information concerning certain legislation requiring minimum levels of funding for education, see "SECTION VII: 1992-1996 FINANCIAL PLAN—Assumptions—*Expenditure Assumptions—2. Other than Personal Service Costs—Board of Education*".

For the State's 1991 fiscal year, which ended on March 31, 1991, actual tax receipts in the State's General Fund (the major operating fund of the State) were \$1.720 billion lower than projected in May 1990, after adjusting for, among other actions, sales and use tax receipts of \$996 million deposited in the Local Government Assistance Corporation Tax Fund ("LGATF"), which were subsequently received in the General Fund as Transfers from Other Funds, and after repeal of the March prepayment of certain sales and use taxes. The drop in total tax receipts was caused primarily by personal income tax receipts of approximately \$1.044 billion below the May 1990 projection, while sales and use tax receipts were down \$440 million, more than \$300 million of which was attributable to the repeal of the March prepayment of sales tax. To meet the projected General Fund cash basis operating gap arising from the lower tax receipts the State implemented a deficit reduction plan in December 1990 that provided approximately \$1.0 billion in disbursement savings and increased non-tax receipts. In addition, the State sold two tax and revenue anticipation deficit notes: a public issue of \$905 million on February 28, 1991 and a \$176.5 million sale to the State's Short-Term Investment Pool on March 29, 1991.

As a result of the national and regional economic recession, the State's projections of tax revenues for its 1991 fiscal year were substantially reduced and corresponding reductions were made in projected tax revenues for the State's 1992 fiscal year. Consequently, the State budget for the 1992 fiscal year, which is balanced as adopted, contains substantial decreases in certain expenditures, as well as increases in certain revenues, from previously projected levels, which in the aggregate total \$6.5 billion. The State's budget for its 1992 fiscal year includes increases in certain State taxes and fees, including an increase in the State tax on petroleum products, a freeze in the scheduled reduction in the personal income tax, thereby avoiding a tax cut that would otherwise cost the State approximately \$400 million in its 1992 fiscal year, an anticipated revenue increase of \$100 million from the personal income tax for certain taxpayers, and an increase in the tax rate on certain regulated businesses expected to yield \$200 million; substantial spending reductions, including cuts in State operations and reductions in State aid to localities, such as reductions in education aid, unrestricted local aid and other programs of aid to localities; and non-recurring revenues.

In the second quarterly revision to the State budget, released on October 30, 1991, the State reported a potential budgetary imbalance of \$689 million for the 1992 fiscal year. This imbalance results from a combined reduction of \$344 million in receipts, including reduced receipts in most taxes and lottery revenues, and an increase of \$345 million in disbursements, primarily for Medicaid, welfare, prisons, social services and mental hygiene programs, as compared to the first quarterly revision to the State budget issued on July 26, 1991. The disparity between the State's first and second quarterly updates is due largely to the fact that the earlier forecast was based on a consensus of national economists which predicted a relatively mild and brief recession followed by a slow steady recovery. The continued weakness in the economy has increased unemployment, resulting in lower tax revenues, at the same time greater demands are being placed upon a variety of social services. On November 5, 1991, the Governor announced that the potential budgetary imbalance for the 1992 fiscal year had increased to \$875 million. The Governor has recently proposed a deficit reduction plan, a portion of which will require legislative approval, to eliminate the State gap for its 1992 fiscal year, which includes reduced spending for education, Medicaid and other programs and which could reduce net assistance to the City by \$111 million in the City's 1992 fiscal year and \$59 million in the City's 1993 fiscal year. The Governor is currently having discussions with leaders of the State Legislature concerning gap-closing actions for the State's 1992 and 1993 fiscal years. The plan ultimately adopted may call for additional reductions in State aid to localities, including the City. The State noted that the State's forecasts are subject to numerous uncertainties, including the potential for large downward revisions in estimates of employment and uncertainty as to the ability or willingness of consumers to increase spending. Moreover, the State has noted that, while a formal estimate of the potential gap for the 1993 fiscal year

has not been completed, the revised economic forecast, together with the recent changes in receipts and disbursements, could double the previously estimated \$1.8 billion potential gap for the State's 1993 fiscal year. There is a significant risk that the potential gaps for the State's 1992 and 1993 fiscal years will exceed the most recent State assessment for its 1992 and 1993 fiscal years, and there can be no assurance that such potential gaps will not materially exceed such projections.

Actions taken to close the State's potential gaps for its 1992 and 1993 fiscal years may result in reductions in State aid to localities, including the City. If additional revenue shortfalls or spending increases occur during the State's 1992 fiscal year or subsequent years beyond current projections, such developments could also result in reductions in State aid to localities, including the City. The delay in the adoption of the State's budget for its 1992 fiscal year 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 1991 fiscal year. As a consequence, the City was required to issue \$1.25 billion in short-term notes on May 7, 1991 to meet cash flow requirements for the remainder of its 1991 fiscal year.

The projections and assumptions contained in the 1992-1996 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 October 1991. 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 early in the 1993 calendar year. However, there can be no assurance that the City will recover from the current recession at the time or to the extent assumed in the Financial Plan. The City Comptroller has issued reports concluding that the recession of the City's economy will be more severe and last longer than is assumed in the Financial Plan. See "SECTION VII: 1992-1996 FINANCIAL PLAN—Certain Reports".

The following table presents a forecast of the key economic indicators for the calendar years 1991 through 1996. This forecast is based upon information available in October 1991.

FORECAST OF KEY ECONOMIC INDICATORS

U.S. ECONOMY	1991	1992	Calendar Years		1995	1996
			1993	1994		
<i>Economic Activity and Income</i>						
Real GNP (\$ billions of 1982 dollars)	4,141.3	4,270.9	4,395.5	4,516.7	4,647.7	4,770.3
Percent Change	(0.4)	3.1	2.9	2.8	2.9	2.6
Pre-tax Corporate Profits (\$ billions)	282.3	311.2	328.8	334.3	350.3	360.8
Percent Change	(7.4)	10.2	5.7	1.7	4.8	3.0
Personal Income (\$ billions)	4,805.2	5,070.5	5,398.4	5,730.5	6,066.8	6,430.0
Percent Change	3.4	5.5	6.5	6.2	5.9	6.0
Nonagricultural Employment (millions)	109.0	110.2	112.4	115.0	117.1	119.0
Percent Change	(0.9)	1.1	2.0	2.3	1.9	1.6
Unemployment Rate	6.8	6.4	6.0	5.7	5.6	5.6
CPI-All Urban (1982-84 = 100)	136.3	141.1	146.3	151.7	157.1	163.0
Percent Change	4.2	3.6	3.7	3.7	3.5	3.8
3 Month T-Bill Rate	5.5	5.9	6.2	6.1	6.1	5.9
CITY ECONOMY						
Personal Income (\$ billions)	163.2	170.4	179.5	190.5	202.9	215.4
Percent Change	0.1	4.4	5.3	6.2	6.5	6.1
Nonagricultural Employment (thousands)	3,433.1	3,416.5	3,422.1	3,458.3	3,493.8	3,526.8
Percent Change	(3.8)	(0.5)	0.2	1.1	1.0	1.0
Retail Sales (\$ billions)	36.5	38.0	40.0	42.6	45.5	48.5
Percent Change	0.4	4.2	5.3	6.5	6.8	6.5
CPI-All Urban NY-NJ Area (1982-84 = 100)	144.9	149.9	155.2	161.2	167.7	174.8
Percent Change	4.6	3.4	3.6	3.9	4.0	4.2

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, projected growth in the operating limit and approval by the City Council of proposed tax increases. See "SECTION IV: SOURCES OF CITY REVENUES—Real Estate Tax".

The delinquency rate for the 1991 fiscal year was 3.42%. The 1992-1996 Financial Plan projects delinquency rates of 3.76%, 3.42%, 3.0%, 2.57% and 2.45%, respectively, for the 1992 through 1996 fiscal years. 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 1992-1996 Financial Plan. The amounts set forth below include projected Tax Audit and tax program revenues.

	<u>1992</u>	<u>1993</u>	<u>1994</u>	<u>1995</u>	<u>1996</u>
	(In Millions)				
Personal Income	\$3,076	\$3,054	\$3,058	\$3,002	\$ 3,214
General Corporation	1,127	1,127	1,178	1,223	1,261
Banking Corporation	302	277	284	295	299
Unincorporated Business Income	394	414	440	467	497
Sales	2,340	2,381	2,512	2,666	2,841
Commercial Rent	735	733	753	779	812
Real Property Transfer	132	131	137	151	169
Mortgage Recording	124	124	131	146	164
Utility	183	187	192	198	205
All Other(1)	588	560	546	558	557
Total	<u>\$9,001</u>	<u>\$8,988</u>	<u>\$9,231</u>	<u>\$9,485</u>	<u>\$10,019</u>

(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 \$82.7 million in 1992 through 1996.

The 1992-1996 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 tax, further deterioration in the outlook for corporate profits in the 1992 fiscal year and moderate growth thereafter; (iii) with respect to the banking corporation tax, mixed earnings outlook in fiscal year 1992 as some banks return to profitability partially offset by other banks which continue to write down real estate loan losses, resulting in a moderate improvement commencing in fiscal year 1992; (iv) with respect to the unincorporated business tax, moderate growth in fiscal year 1992 with a rebound in the securities industry, partially offset by continued declines in the service sector, and continued improvement in fiscal year 1993; (v) with respect to the sales tax, growth below the rate of inflation based on the projections for local employment and wage income; (vi) with respect to the mortgage recording and real property transfer taxes, a sluggish recovery in residential market activity and continued decline in the commercial market through the 1992 fiscal year, and no growth in fiscal year 1993 with a slow recovery in the 1994 fiscal year; (vii) with respect to the commercial rent tax, declines in asking and effective office rental rates coupled with a continued increase in vacancy rates and low growth in the tax base attributable to a small percentage of tenants still bound by lease escalators; and (viii) with respect to the All Other category, the current general economic forecast. The 1992-1996 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, 1993, and the City intends to seek extensions through the 1996 fiscal year.

4. MISCELLANEOUS REVENUES

The following table sets forth amounts of miscellaneous revenues projected to be received by the City in the 1992-1996 Financial Plan.

	<u>1992</u>	<u>1993</u>	<u>1994</u>	<u>1995</u>	<u>1996</u>
	(In Millions)				
Licenses, Permits and Franchises	\$ 208	\$ 209	\$ 212	\$ 209	\$ 212
Interest Income	110	110	110	110	110
Charges for Services	389	367	368	367	368
Water and Sewer Payments(1)	761	793	785	794	813
Rental Income	162	131	121	118	115
Fines and Forfeitures	395	397	397	397	397
Other	377	215	204	204	204
Intra-City Revenues	463	518	518	518	518
Total	<u>\$2,865</u>	<u>\$2,740</u>	<u>\$2,715</u>	<u>\$2,717</u>	<u>\$2,737</u>

(1) Received from the Water Board. For further information regarding the Water Board, see "1992-1996 FINANCIAL PLAN—Long-Term Capital and Financing Program".

The 1992-1996 Financial Plan projects that miscellaneous revenues will remain relatively stable compared to the 1992 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 1992 through 1996 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 1992 include \$40 million from proposed transfers of reserves from HDC, the Economic Development Corporation and the Rehabilitation Mortgage Insurance Corporation.

5. UNRESTRICTED INTERGOVERNMENTAL AID

The following table sets forth amounts of unrestricted intergovernmental aid projected to be received by the City in the 1992-1996 Financial Plan.

	<u>1992</u>	<u>1993</u>	<u>1994</u>	<u>1995</u>	<u>1996</u>
	(In Millions)				
State Revenue Sharing	\$535	\$535	\$535	\$535	\$535
Other Aid	220	224	237	241	248
Total	<u>\$755</u>	<u>\$759</u>	<u>\$772</u>	<u>\$776</u>	<u>\$783</u>

The projection for State revenue sharing in the 1992 through 1996 fiscal years reflects the continuation of the level of revenue sharing monies contained in legislation enacted in 1987.

The "Other Aid" category consists of \$21 million annually of Highway Assistance Program Aid and approximately \$73 to \$95 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: 1992-1996 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 1992-1996 Financial Plan.

	<u>1992</u>	<u>1993</u>	<u>1994</u>	<u>1995</u>	<u>1996</u>
	(In Millions)				
Federal					
JTPA	\$ 94	\$ 74	\$ 74	\$ 74	\$ 74
Community Development(1)	253	235	233	233	233
Welfare	1,942	1,992	2,058	2,093	2,093
Education	673	673	673	673	673
Other	254	153	154	154	154
Total	<u>\$3,216</u>	<u>\$3,127</u>	<u>\$3,192</u>	<u>\$3,227</u>	<u>\$3,227</u>
State					
Welfare	\$1,784	\$1,943	\$2,029	\$2,072	\$2,072
Education	3,063	3,071	3,233	3,282	3,282
Higher Education	116	116	116	115	118
Health and Mental Health	220	236	235	235	235
Other	250	229	229	258	257
Total	<u>\$5,433</u>	<u>\$5,595</u>	<u>\$5,842</u>	<u>\$5,962</u>	<u>\$5,964</u>

(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 1992-1996 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 the possible impact on State aid to the City, see "SECTION VII: 1992-1996 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 October 31, 1991, approximately 9.39% 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 1992-1996 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 \$46 million in the 1991 fiscal year. This decrease reflects improved claims control procedures and favorable experience with the level of disallowances in recent years. As of June 30, 1991, the City had accumulated a reserve of \$162 million for future disallowances of categorical aid. The 1992-1996 Financial Plan contains a provision for aid disallowances of \$15 million for each of the City's 1992 through 1996 fiscal years.

The Federal fiscal year 1992 budget process is not yet complete, but most major appropriation bills with an impact on the City have been completed. The City does not anticipate significant cuts in federal aid, and will receive increases in several programs including \$128 million for the HOME program for construction and rehabilitation of low income housing, and \$12 million in additional Community Development funds, and \$70 million for construction of secondary sewage treatment plants. The

President has not yet signed the Labor, Health and Human Services, Education bill which affects several categorical programs, including Chapter I education grants, and negotiations continue on the surface transportation bill which will provide mass transit funding to the TA and capital funds for roads, highways and bridges.

Expenditure Assumptions

1. PERSONAL SERVICE COSTS

The following table sets forth projected expenditures for personal service costs contained in the 1992-1996 Financial Plan.

	<u>1992</u>	<u>1993</u>	<u>1994</u>	<u>1995</u>	<u>1996</u>
	(In Millions)				
Wages and Salaries	\$10,425	\$10,461	\$10,585	\$10,679	\$10,682
Pensions	1,482	1,514	1,389	1,329	1,373
Other Fringe Benefits	2,277	2,416	2,605	2,806	3,019
Reserve for Collective Bargaining(1) ...	289	298	300	298	297
Total	<u>\$14,473</u>	<u>\$14,689</u>	<u>\$14,879</u>	<u>\$15,112</u>	<u>\$15,371</u>

(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 1992-1996 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 215,211 on June 30, 1992 to an estimated level of 221,974 by June 30, 1996.

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 1996 and 1997. 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, 1993 and 1994. A 1.5% increase is included in the Financial Plan for each of the 1995 and 1996 fiscal years.

The City has also reached settlements with District Council 37, Local 237, CWA and other smaller unions covering a total of approximately 167,000 employees. The 15-month contracts provide total wage and benefit increases of 5%. The contracts will cost the City \$173 million in fiscal year 1992 and \$183 million in each year thereafter. Funds for all costs above those for the 1.5% increase for the 1992 fiscal year and the 1.5% increase carried forward from the 1991 fiscal year included in the Financial Plan 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. In addition, the New York Police Department Pension Fund, Article 2 and the New York Fire Department Pension Fund, Article 1-B have increased the earnings assumptions for their assets. Legislation permitting such increase in the earnings assumption has been approved and was signed by the Governor. The Financial Plan does not provide for any additional increases for District Council 37, Local 237 and CWA until the 1995 and 1996 fiscal years for which a 1.5% increase is assumed. The City's agreements with the UFT, District Council 37, Local 237, CWA and other smaller unions cover approximately 70% of the City's workforce. For all employees whose unions have not reached collective bargaining agreements with the City, the 1992-1996 Financial Plan includes funds for an incremental 1.5% increase in the 1992 fiscal year and a 1.5% increase carried forward from the 1991 fiscal year, with no increase in the 1993 and 1994 fiscal years and a 1.5% increase in each of the 1995 and 1996 fiscal years. Each 1% wage increase for all employees upon expiration at various times during the 1992 fiscal year of their respective collective bargaining agreements would cost the City an additional \$80 million in fiscal year 1992 and \$142 million in each of the 1993 through 1996 fiscal years.

above the amounts provided for in the Financial Plan. These additional costs assume that all employees whose unions have not reached collective bargaining agreements with the City reach settlements consistent with the 1.5% wage increase assumed in the Financial Plan and with contract lengths similar to District Council 37, Local 237 and CWA. 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. A collective bargaining impasse was declared between the City and the PBA, which represents 18,000 police officers, on May 21, 1991. An impasse panel was appointed and issued its award on November 15, 1991. The award provides for a 15 month contract, retroactive to July 1, 1990, and provides varying increases for current police officers and police officers to be hired on or after July 1, 1991, with a cost to the City equivalent to an increase of 4.1%. The 4.1% cost to the City of the award will be funded as follows: 1.5% from funds previously allocated in the Financial Plan for collective bargaining increases in the 1992 fiscal year, 1.5% from funds previously allocated in the Financial Plan for collective increases carried forward from the 1991 fiscal year, and 1.1% from reduced contributions to the New York Police Department Pension Fund, Article 2 based on revised earnings assumptions on its assets.

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 COSTS

The following table sets forth projected OTPS expenditures contained in the 1992-1996 Financial Plan.

	<u>1992</u>	<u>1993</u>	<u>1994</u>	<u>1995</u>	<u>1996</u>
	(In Millions)				
Administrative OTPS	\$ 5,714	\$ 5,954	\$ 6,217	\$ 6,475	\$ 6,475
Public Assistance	2,541	2,819	2,975	3,027	3,027
Medical Assistance (Excluding City Medicaid Payments to HHC)	1,681	1,837	2,002	2,183	2,382
HHC Support	774	826	912	1,001	1,025
Other	1,473	1,571	1,664	1,728	1,763
Total	<u>\$12,183</u>	<u>\$13,007</u>	<u>\$13,770</u>	<u>\$14,414</u>	<u>\$14,672</u>

Administrative OTPS

The 1992-1996 Financial Plan contains estimates of the City's administrative OTPS expenditures for general supplies and materials, equipment and selected contractual services in the 1992 fiscal year. Thereafter, to account for inflation, selected OTPS expenditures are projected to rise by approximately, 3.8% in fiscal year 1993, 4.7% in fiscal year 1994, 5.5% in fiscal year 1995 and 0% in fiscal year 1996.

Energy

The 1992-1996 Financial Plan assumes different rates of inflation for energy costs for each of the 1992 through 1996 fiscal years. Inflation rates for each of the 1992 through 1996 fiscal years are set forth in the following table.

	<u>1992</u>	<u>1993</u>	<u>1994</u>	<u>1995</u>	<u>1996</u>
Gasoline and Fuel Oil	10.4%	3.0%	5.0%	9.0%	9.0%
Electricity	3.0	2.0	3.0	5.0	5.0
Natural Gas	3.0	2.0	5.0	9.0	9.0

Total energy expenditures are projected at \$427 million in the 1992 fiscal year, rising to \$480 million in the 1995 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 1992 adjustments, where applicable.

Public Assistance

The average number of persons receiving income benefits under public assistance is projected to be 983,731 per month in the 1992 fiscal year. The 1992-1996 Financial Plan projects that the average number of recipients will increase by 9.7% in the 1992 fiscal year from the average number of recipients in the 1991 fiscal year. The 1992-1996 Financial Plan assumes that past trends of increases in the public assistance grant level will continue during the 1992 fiscal year, with a projected annual increase of 3.0%. Of total public assistance expenditures in the City for the 1992 fiscal year, the City-funded portion is projected to be \$693.2 million. The City-funded portion of public assistance expenditures is projected to be \$789.7 million in the 1993 fiscal year, an increase of 13.9% over the 1992 fiscal year, rising to \$853.9 million in the 1996 fiscal year.

Medical Assistance

Medical assistance payments projected in the 1992-1996 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 is estimated at \$1.6 billion for the 1992 fiscal year and is expected to increase to \$2.3 billion in the 1996 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 1992-1996 Financial Plan are reduced due to the State having assumed all Medicaid costs for the mentally disabled and all but 20% of the non-Federal share of long-term care costs. The 1992-1996 Financial Plan projects savings of \$514 million in the 1992 fiscal year due to the State having assumed such costs, and projects such savings will increase to \$753 million in the 1996 fiscal year.

Health and Hospitals Corporation

The 1992-1996 Financial Plan anticipates a decrease in 1992 of \$253.6 million in the City subsidy portion of the total City funds provided to HHC from the 1991 fiscal year.

Support for HHC in the 1992-1996 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 \$695.2 million in the 1992 fiscal year and are projected to be approximately \$703.1 million in the 1996 fiscal year.

HHC operates under its own section of the 1992-1996 Financial Plan as a Covered Organization. HHC's financial plan projects City-funded expenditures of \$795.2 million for the 1992 fiscal year (excluding debt service and lease payments), increasing to \$824.0 million in the 1996 fiscal year. The City-funded expenditures in the 1992 fiscal year include \$46.1 million of general City support, \$695.2 million of Medicaid payments to HHC and \$26.0 million for certain mental health payments. The HHC plan projects total expenditures of \$2.997 billion in the 1992 fiscal year, increasing to \$3.173 billion in the 1996 fiscal year. The plan projects no gaps between revenues and expenditures in the 1992 through 1996 fiscal years. These projections assume: (i) a 1.5% increase in wage costs in the 1992 fiscal year and no increases thereafter; (ii) a 1.6% increase in each of the 1992 through 1996 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 2.6% in fiscal year 1992, 4.2% in fiscal year 1993, 4.5% in fiscal year 1994, 4.5% in fiscal year 1995 and 4.5% in fiscal year 1996 in other than personal service costs (excluding fuel and per diem nursing costs); and (v) a weighted Medicaid in-patient rate increase of 6.4%, 2.9%, 1.9%, 0% and 0% in fiscal years 1992 through 1996, respectively.

Other

The projections set forth in the 1992-1996 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 July 12, 1991, the City submitted to the Control Board a financial plan for the Transit Authority covering its 1991 through 1995 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 balanced budget on a cash-basis and operating expenses of \$3.6 billion. City assistance to the TA is \$567.2 million for the TA's 1991 fiscal year.

The Transit Authority Financial Plan forecasts cash basis gaps of \$401.6 million, \$641.2 million, \$662.0 million and \$700.5 million in its 1992 through 1995 fiscal years, respectively, before implementation of gap-closing actions. These gaps are not required to be funded in the City's own financial plans. The gaps projected in the Transit Authority Financial Plan for its 1992 to 1995 fiscal years occur, in part, because expenditures are expected to increase by 9.2% between fiscal years 1991 and 1995 while revenues are expected to decrease by 6.9% between fiscal years 1991 and 1995. 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 will be available to the Metropolitan Transportation Authority (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 \$227 million, \$232 million and \$237 million in its fiscal years 1993 through 1995, 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 June 17, 1991, TA officials announced that the TA's projected gap for its 1991 fiscal year could reach up to \$232 million primarily as a result of continued declines in ridership, further deterioration in revenues from real estate taxes and decreases in State and City aid to the TA. The MTA Board approved actions to close the projected 1991 fiscal year gap by expenditure reductions, refundings of outstanding bonds and implementation of a new capital reimbursement procedure for the TA (which has been implemented) among other things. TA officials project that the 1991 fiscal year gap has been closed. In August 1991, MTA officials projected a gap of \$460 million for the TA's 1992 fiscal year. This projection did not include any additional costs from new collective bargaining agreements or a fare increase. On November 12, 1991, the TA announced that the projected gap for its 1992 fiscal year had been reduced to \$263 million through reductions in staff through attrition and other management efficiencies. In its budget submission to the MTA, the TA includes a 25 cent fare increase to a \$1.40 fare to close this projected gap. Additional State assistance or other actions could reduce the proposed fare increase. The MTA Board is expected to vote on the TA 1992 fiscal year budget on December 20, 1991. Such projected gap could increase if any of the assumptions used in projecting the gap do not occur as planned.

The MTA's 1987-1991 Capital Program amendment authorizes commitments of \$8.6 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: 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 which sale, 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. In September 1991, the MTA submitted to the MTA Capital Program Review Board (the "CPRB") a revision to the 1987-1991 Capital Program that reduces the TA portion by a net of \$240 million to reflect the expected delay in the sale of the Coliseum as well as certain other changes. On October 29, 1991, the MTA withdrew the proposed amendment to the 1987-1991 Capital Program at the request of the CPRB to allow it additional time to review the proposed amendments. The proposed amendment is expected to be resubmitted shortly. 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: 1992-1996 FINANCIAL PLAN—Assumptions—*Expenditure Assumptions*—4. MAC Debt Service Funding".

In October 1991, the MTA submitted for the CPRB's approval a 1992-1996 Capital Program proposal with projected total spending of \$10.6 billion of which the TA portion is \$7.7 billion. The proposal identified approximately \$6 billion in potential funding sources which would require action by the Federal government, the State and the City, leaving a funding gap of over \$4 billion. There can be no assurance that such governmental actions will be taken, that the additional funding sources will be identified or that the 1992-1996 Capital Program will not be delayed or reduced. If the 1992-1996 Capital Program is delayed or reduced because of funding shortfalls or other factors, ridership and fare revenues may decline. A loss of fare revenues could, among other things, impair the MTA's ability to meet its operating expenses without additional State assistance.

Board of Education

The Stavisky-Goodman Act 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 purposes of BOE in the three preceding fiscal years, unless BOE has submitted its budget request for a lesser amount. BOE has entered into an agreement with the City which provides for an additional allocation of \$32 million of operating funds by the City to BOE in fiscal year 1992 and has amended its budget request to conform to funding allocated by the City including the \$32 million and \$65 million of State education aid to BOE. BOE has agreed that the City will satisfy the requirements of the Stavisky-Goodman Act for the 1992 fiscal year by complying with such agreement.

The UFT has filed suit against the City and BOE alleging that funds appropriated for BOE in the budget for the 1992 fiscal year were either \$218 million or \$89 million less than required by the Stavisky-Goodman Act, depending on the applicable method of calculation.

Judgments and Claims

In the fiscal year ended June 30, 1991, the City expended \$196 million for judgments and claims. The 1992-1996 Financial Plan includes provisions for judgments and claims of \$200 million, \$207 million, \$212 million, \$220 million and \$229 million for the 1992 through 1996 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, 1991 amounted to approximately \$2.1 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 1991 Financial Statements estimate that the potential exposure to the City in the *certiorari* proceedings, as of June 30, 1991, could amount to approximately \$218 million. Provision has been made in the 1992-1996 Financial Plan for estimated refunds for overpayments of real estate taxes in the amount of \$60 million in fiscal year 1992 and an average of \$71 million in each of the 1993 through 1996 fiscal years, based on an analysis of claims settled within recent fiscal years. An additional provision of \$91 million for overpayments of real estate taxes in prior years has been made in the 1991 fiscal year. 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 \$42.5 million in fiscal year 1992 and \$125 million thereafter 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 Ten-Year Capital Strategy includes \$1.6 billion for the construction of long-term disposal facilities. The construction of sludge dewatering facilities, which are considered the first stage of land-based sludge disposal, is expected to be completed in fiscal year 1992 at a cost of approximately \$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 1992 through 1996 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 1992 through 1996, the amounts that the City will receive for operating purposes under the agreements as amended are \$150 million, \$175 million, \$185 million, \$515 million and \$75 million respectively.

5. GENERAL RESERVE

The 1992-1996 Financial Plan includes a reserve of \$150 million in the 1992 fiscal year and \$200 million in the 1993 through 1996 fiscal years.

Certain Reports

From time to time, the Control Board staff, MAC, 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 December 11, 1991 that warned of a potential budget gap in fiscal year 1992 of between \$257 and \$357 million and identified certain additional risks. In a report issued on November 18, 1991, the City Comptroller identified major uncertainties in the implementation of certain of the proposals in the Financial Plan to close the projected budget gaps in fiscal years 1993 through 1996, including both the likelihood and the wisdom of the proposed refinancing of existing debt by MAC. The City Comptroller had issued a report in July 1991, prior to the publication of the Financial Plan, that projected potential budget gaps in fiscal years 1993 through 1995 that are greater than those identified in the Financial Plan by approximately \$715 million, \$1.0 billion and \$1.4 billion, respectively. Such report also identified certain additional risks. The City Comptroller's estimates of budget gaps are based on projections of lower tax collections, higher expenditures for social services and higher labor costs than are forecast in the Financial Plan. The projections of tax collections and social services spending are based on the Comptroller's forecast that the local economy will perform more poorly than is forecast in the Financial Plan.

The Office of the Comptroller issued a report on April 19, 1991 that estimated that, all other things being equal, each \$100 million increase in state and local taxes during a recession could lead to a loss of approximately 10,800 private sector jobs in the City. The report also warned that factors beyond the City's control, including the state of the national economy and the relative local and national inflation rates, affect the local employment level. The report estimated that the state and local tax increases enacted in fiscal year 1991 and proposed for fiscal year 1992 could lead to the loss of approximately 265,000 private sector jobs in the City by 1994 and could delay the recovery of the City's economy from its recession until 1994 or beyond. The report did not analyze the effects of service reductions in lieu of tax increases on the City's economy. The local tax increases enacted for fiscal year 1992, however, were less than those proposed.

In other reports, the City Comptroller has expressed concerns about the effects on the City's economy and budgets of rapidly increasing water and sewer rates, 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, federal deficit reduction measures and the increasing percentage of

future years' revenues projected to be consumed by debt service, even after a reduction in the capital program.

In the December and subsequent reports, the City Comptroller called for improved productivity, increased competition in the City contracting process, greater savings from attrition, 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.

On November 4, 1991, OSDC issued a report relating to debt service of the City, which noted that the proposed MAC financing reduces required debt payments during the term of the Financial Plan, but increases debt payments immediately thereafter and would generate larger budget gaps in the future, in the absence of reform measures such as continued workforce reductions and other structural reforms of government operations, changes in the City's relationship with the State and long-term tax policy. The report noted that similar refundings and other devices that lowered costs in the short-term by between \$40 million and \$702 million annually for the 1985 through 1995 fiscal years will begin to increase costs starting in the 1996 fiscal year by \$300 million to \$400 million annually.

On December 5, 1991, OSDC issued a report on the Financial Plan. The report concluded that the Financial Plan does not give reasonable assurance of the City achieving structural balance for several reasons, including: (i) the Financial Plan's reliance on progressively larger gap-closing actions in each year, including a real estate tax increase in the 1995 fiscal year and debt refundings and increased workforce reductions in the 1995 and 1996 fiscal years, (ii) a greater than forecast budget gap in the 1996 fiscal year as a result of different forecasts, debt service increases and inflation adjustments for energy and other supplies and materials not reflected in the Financial Plan, (iii) reliance on increased State assistance, which is uncertain, (iv) delay in the employee reduction program until the later years in the Financial Plan and (v) lack of specificity as to which City services will be consolidated or eliminated during the period of the Financial Plan. With respect to the 1992 fiscal year, the report found a potential for a budget gap of \$306 million, due primarily to its lower estimates of tax revenue and State aid and higher labor, overtime and social service costs. In addition, the report noted that the gap could grow by \$108 million if the Governor's budget deficit reduction program is implemented and by \$137 million if there is continued slippage in the City's cost reduction program for the 1992 fiscal year. The report also projected budget gaps of \$1,715 million, \$2,473 million, \$2,877 million and \$3,591 million in fiscal years 1993 through 1996, respectively, due to shortfalls in revenues, including lower tax collections and State aid, and increased expenditures, including higher than projected labor and social service costs. The report noted that these projected gaps could increase by \$175 million annually as a result of the Governor's proposed deficit reduction plan for the State's 1992 fiscal year and possible further actions by the State to balance its fiscal year 1993 budget, and up to an additional \$130 million annually due to the recurring impact of slippage in the City's cost reduction program for the 1992 fiscal year. The report also noted that the Financial Plan does not reflect in the 1996 fiscal year the impact of inflation on the cost of materials, supplies and energy. In addition, the report noted that the Financial Plan assumes that the caseload in certain programs, such as foster care and public assistance, will remain unchanged during the later years of the Financial Plan, which may not be realistic, based on the fact that an upturn in the local economy could be delayed until the first half of the 1994 fiscal year and public assistance caseload changes have historically lagged behind changes in the economy by approximately one year.

On December 13, 1991, OSDC issued its monthly Financial Plan Status Report. The report revised its estimate of the amount of potential slippage in the City's cost reduction program for the 1992 fiscal year from up to \$137 million to up to \$214 million. In addition, the report expressed serious concerns about the City's ability to monitor certain of the initiatives proposed by BOE, due to the lack of detailed data on enrollment, personnel levels and expenditures, and that the absence of this information has made it impossible to verify BOE's contention that no slippage is occurring in these initiatives, whose value is in excess of \$200 million.

On December 18, 1991, the staff of the Control Board issued a report on the Financial Plan. In the report, the staff concluded that the City's budget gaps are structural gaps, which are not due solely to cyclical effects of the economy, and necessitate substantial permanent changes in spending and revenues. The report noted that the Financial Plan does not provide a clear, structurally balanced plan,

and that the present revenue structure falls short of supporting the present expense structure by amounts ranging from \$333 million in the 1992 fiscal year to \$1.2 billion in the 1996 fiscal year greater than the projections in the Financial Plan. The report stated that the shortfall is due, in large part, to overly optimistic revenue projections and underestimated recurring expenses, including expenses for public assistance, BOE and overtime, as well as the potential for slippage in the City's expenditure reduction program and certain other actions which are not in the control of the City, such as proposed refundings and the receipt of proposed State aid. The report also noted an additional risk of \$179 million in the 1993 fiscal year, \$111 million in the 1994 fiscal year, \$81 million in the 1995 fiscal year and \$201 million in the 1996 fiscal year caused by potential underfunding of BOE under the Stavisky-Goodman Act. The staff noted that economic forecasting is particularly uncertain at this time, as a result of the large range of predictions for job loss and creation and the high volatility of the current tax base. Moreover the report pointed out previous inconsistencies in the City's plans for labor costs, public assistance, education, waste disposal and criminal justice. It also stated that there is a fundamental inconsistency between the debt service that will be created by the capital plan and the local economy's ability to support the current structure of operating services and revenues, and concluded that the development of a planned debt policy to supplement the Financial Plan is essential to ensure that financing decisions and capital program objectives lie within the City's fiscal and economic capacity.

Long-Term Capital and Financing Program

The City makes substantial capital expenditures 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. However, as discussed below, 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 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 1992. City-funded expenditures, which more than tripled between fiscal years 1980 and 1985, are forecast at \$3.7 billion in the 1992 fiscal year; total expenditures are forecast at \$4.1 billion in 1992. For additional information concerning the City's capital expenditures and the 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 1992-1995 fiscal years.

	1992		1993		1994		1995	
	City Funds	All Funds	City Funds	All Funds	City Funds	All Funds	City Funds	All Funds
	(In Millions)							
Mass Transit(1)	\$ 395	\$ 395	\$ 221	\$ 221	\$ 218	\$ 218	\$ 547	\$ 547
Roadway, Bridges	387	706	359	497	645	766	324	381
Environmental Protection(2)	1,493	1,552	769	769	1,736	1,736	1,186	1,186
Education	920	920	742	742	599	599	423	423
Housing	495	528	335	357	278	285	196	225
Hospitals	452	471	341	341	215	268	327	389
Sanitation	354	354	300	750	234	234	459	459
City Operations/Facilities	1,359	1,506	1,188	1,217	526	575	897	996
Economic and Port Development	82	85	111	112	49	49	67	67
Reserve For Unattained Commitments	(1,420)	(1,420)	39	39	(147)	(147)	76	76
Total Commitments(3)	<u>\$4,516</u>	<u>\$5,097</u>	<u>\$4,405</u>	<u>\$5,044</u>	<u>\$4,353</u>	<u>\$4,583</u>	<u>\$4,501</u>	<u>\$4,749</u>
Total Expenditures(4)	<u>\$3,745</u>	<u>\$4,111</u>	<u>\$3,510</u>	<u>\$4,092</u>	<u>\$3,941</u>	<u>\$4,421</u>	<u>\$4,395</u>	<u>\$4,750</u>

(footnotes continued on next page)

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- (1) Excludes the Transit Authority's non-City portion of the MTA's five-year Capital Program.
- (2) Includes water supply, water mains, water pollution control, sewer projects and related equipment.
- (3) 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.
- (4) Expenditures represent cash payments and appropriations planned to be expended for financing costs, excluding amounts for original issue discount.

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 1992 through 1996 fiscal years.

1992-1996 FINANCING PROGRAM

	<u>1992</u>	<u>1993</u>	<u>1994</u>	<u>1995</u>	<u>1996</u>	<u>Total</u>
	(In Millions)					
SOURCES OF FUNDS:						
City General Obligation Bonds	\$4,383	\$2,815	\$3,159	\$3,402	\$3,477	\$17,236
Water Authority Revenue Bonds	1,008	872	1,082	1,315	1,537	5,814
Other Sources(1)	(113)	29	(56)	(45)	(52)	(237)
Total	<u>\$5,278</u>	<u>\$3,716</u>	<u>\$4,185</u>	<u>\$4,672</u>	<u>\$4,962</u>	<u>\$22,813</u>
USES OF FUNDS:						
City Capital Improvements	\$3,745	\$3,510	\$3,941	\$4,395	\$4,648	\$20,239
City Refunding(2)	1,301	0	0	0	0	1,301
Reserve Funds and Other(3)	232	206	244	277	314	1,273
Total	<u>\$5,278</u>	<u>\$3,716</u>	<u>\$4,185</u>	<u>\$4,672</u>	<u>\$4,962</u>	<u>\$22,813</u>

- (1) Other Sources comprises changes in restricted balances from City and Water Authority debt issuances.
- (2) While no provision has been made in the fiscal years 1992 through 1996 financing program, the City contemplates the tax-exempt refunding of certain outstanding taxable debt pursuant to a private letter ruling issued in October, 1991 by the Internal Revenue Service. While no provision has been made in the 1993 through 1996 fiscal years, both the City and MAC may undertake further refundings when favorable market conditions exist.
- (3) 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. Includes amounts for original issue discount of \$101 million, \$92 million, \$103 million, \$111 million and \$114 million in the 1992 through 1996 fiscal years, respectively.

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 five-year financing program and four-year capital program 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 Ten-Year Capital Strategy covering fiscal years 1992-2001 projects water and sewer investment at approximately \$10.6 billion of the \$47.2 billion City-funded portion of the plan. The City retains the legal authorization to fund any portion of the \$10.6 billion strategy 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 would 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. The Ten-Year Capital Strategy for fiscal years 1992-2001 totals \$67 billion, of which approximately 70% will be financed with City funds. The Ten-Year Capital Strategy reduced commitments by \$2.9 billion and expenditures by \$2.1 billion for capital programs during the next four years from levels forecast in the financial plan then in effect affecting this period. 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. For information concerning litigation which, if determined against the City, could have an adverse impact on the amount of debt the City can have outstanding under the general debt limit (defined as 10% of the average full value of taxable real estate in the City for the most recent five years), see "SECTION IX: OTHER INFORMATION—Litigation—Taxes".

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 City expects to release a report by the end of the calendar year showing that the funds required to bring the assets covered by the inventory into a state of good repair are substantially greater than the amount provided for in the Financial Plan.

The capital strategy assumes the receipt of \$17.1 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. Seasonal financing requirements for the 1991 fiscal year increased to \$3.65 billion from \$2.45 billion in 1990. The City currently projects that the City will issue \$2.25 billion of short-term obligations in fiscal year 1992, which amount is subject to change. To date in fiscal year 1992, the City has issued \$2.25 billion of notes. For information concerning the delay in the adoption of the State's budget for its 1992 fiscal year which required the City to issue \$1.25 billion in short-term notes on May 7, 1991, see "SECTION VII: 1992-1996 FINANCIAL PLAN—Assumptions". The delay in the adoption of the State's budget for its 1991 fiscal year required the City to issue \$900 million in short-term notes on May 15, 1990.

Seasonal financing requirements were \$1.2 billion, \$925 million and \$1.0 billion in the 1989, 1988 and 1987 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 September 30, 1991.

(In Thousands)		
Gross City Long-Term Indebtedness(1)	\$17,109,424	
Less: Assets Held for Debt Service(2)	<u>1,435,767</u>	
Net City Long-Term Indebtedness		\$15,673,657
Gross MAC Long-Term Indebtedness(3)	6,471,293	
Less: Assets Held for Debt Service(3)	<u>1,119,708</u>	
Net MAC Long-Term Indebtedness		5,351,585
PBC Indebtedness(4)		
Bonds Payable	580,360	
Capital Lease Obligations	<u>396,120</u>	
Gross PBC Indebtedness(5)	976,480	
Less: Assets Held for Debt Service	<u>177,593</u>	
Net PBC Indebtedness		<u>798,887</u>
Combined Net City, MAC and PBC Indebtedness		<u><u>\$21,824,129</u></u>

- (1) Amount does not reflect the issuance of \$1,269,100,000 principal amount of Fiscal 1992 Series B Bonds sold on December 3, 1991 or the refunding of the bonds refunded thereby.
- (2) With respect to City long-term indebtedness, "Assets Held for Debt Service" consists of sinking fund assets, General Debt Service Fund assets, and \$1,393.5 million principal amount of City serial bonds held by MAC. At September 30, 1991, \$0.3 million (or 3.5%) 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 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 \$285.8 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 1987 through 1991, and as of September 30, 1991, except for short-term debt information, which is as of November 1, 1991.

	City(1)		MAC(4)		Component Unit and City	Total
	Long-Term Debt(2)	Short-Term Debt(3)	Long-Term Debt(5)	Short-Term Debt	Guaranteed Debt(2)	
	(In Millions)					
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
1991	15,293	—	5,265	—	762	22,320
September 30, 1991	15,674	2,250	5,352	—	799	24,075

- (1) Amount does not reflect the issuance of \$1,269,100,000 principal amount of Fiscal 1992 Series B Bonds sold on December 3, 1991 or the refunding of the bonds refunded thereby. 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—

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- 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 tax anticipation notes on August 1, 1990, \$1.3 billion of revenue anticipation notes on November 27, 1990, and \$1.25 billion of revenue anticipation notes on May 7, 1991, all of which matured and were paid on June 28, 1991. Amount includes \$1.0 billion of tax anticipation notes issued on August 7, 1991, all of which mature on February 3, 1992, and \$1.25 billion of revenue anticipation notes issued on October 15, 1991, all which mature on June 30, 1992.
 - (4) MAC reported outstanding long-term indebtedness without reduction for reserves, as follows: \$7,900 million, \$7,636 million, \$7,307 million, \$6,901 million and \$6,471 million as of June 30 of each of the years 1987 through 1991 and \$6,471 million as of September 30, 1991.
 - (5) Calculations of net MAC indebtedness include the total bonds outstanding under MAC’s First, Second and 1991 General Bond Resolutions and accrued interest on those bonds less the amounts held by MAC in its debt service and reserve funds.

Rapidity of Principal Retirement

The following table details, as of September 30, 1991, 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	24.83%
10 years	49.45
15 years	67.98
20 years	82.23
25 years	92.62
30 years	99.61

City, MAC and City-guaranteed PBC Debt Service Requirements

The following table summarizes future debt service requirements as of September 30, 1991 on City and MAC term and serial bonds outstanding and City-guaranteed debt of and capital lease obligations to certain PBCs.

Fiscal Years	City Long-Term Debt			Component Unit and City Guaranteed Debt(3)	MAC Funding Requirements	Total
	Serial Bonds(1)	Sinking Fund Bonds(2)	Interest(1)			
(In Thousands)						
1992	\$ 356,374	\$ —	\$ 784,169	\$ 60,677	\$ 895,201	\$ 2,096,421
1993	824,816	—	1,138,148	92,637	815,491	2,871,092
1994	926,231	—	1,074,662	93,524	865,159	2,959,576
1995	856,301	—	1,013,209	93,497	699,434	2,662,441
1996	813,450	—	948,308	96,492	516,335	2,374,585
1997	850,526	—	886,979	98,873	579,156	2,415,534
1998	785,351	—	821,788	98,840	590,850	2,296,829
1999	773,996	—	763,822	99,175	609,366	2,246,359
2000	688,345	—	709,304	99,159	544,784	2,041,592
2001 through 2147	8,760,510	80,000	6,059,299	1,074,170	4,361,799(4)	20,335,778
Total	<u>\$15,635,900</u>	<u>\$80,000</u>	<u>\$14,199,688</u>	<u>\$1,907,044</u>	<u>\$10,477,575</u>	<u>\$42,300,207</u>

- (1) Amount does not reflect the issuance of \$1,269,100,000 principal amount of Fiscal 1992 Series B Bonds sold on December 3, 1991 or the refunding of the bonds refunded thereby. Excludes debt service payments on \$1,393.5 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 September 30, for each of the fiscal years 1986 through 1991, 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.

<u>Fiscal Year</u>	<u>Debt Per Capita</u>	<u>Debt as % of Total Taxable Real Property By</u>	
		<u>Assessed Valuation</u>	<u>Estimated Full Valuation</u>
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
1991.....	2,964	28.5	4.6

Source: Comprehensive Annual Financial Report of the Comptroller for the Fiscal Year Ended June 30, 1991.

Ratio of Debt to Personal Income

The following table sets forth, for each of fiscal years 1983 through 1989, 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.

<u>Fiscal Year</u>	<u>Debt per Capita</u>	<u>Personal Income per Capita(1)</u>	<u>Debt per Capita as % of Personal Income per Capita</u>
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
1989	2,202	20,856	10.56

Source: Comprehensive Annual Financial Report of the Comptroller for the Fiscal Year Ended June 30, 1990 and, for fiscal year 1989, calculations by the Office of the Comptroller.

(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.

All money paid from the General Debt Service Fund to the Fiscal Agent for the payment of the principal of or interest on any Bond that remains unclaimed at the end of two years after such principal or interest shall have become due and payable will be paid to the City, and the holder of such Bond shall thereafter look only to the City for payment.

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 TANs may be issued by the City which would cause the principal amount of TANs outstanding to exceed 90% of the "available revenues", as defined in the Act, for that fiscal year; TANs must mature not later than the last day of the fiscal year in which they were issued; and in no event may renewals of TANs mature later than one year subsequent to the last day of the fiscal year in which such TANs 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 November 1, 1991, the maximum amount of additional short-term debt which the City could issue was approximately \$2.184 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, but would currently prevent issuance of any City notes issued in a fiscal year and maturing in a subsequent fiscal year, including renewals of RANs and issuance of TANs in the current fiscal year to mature in the next fiscal year. This limitation, and other restrictions on maturities of City notes and other requirements described above, could be amended by State legislative action.

The State Constitution 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"). For information concerning litigation which, if determined against the City, could have an adverse impact on the amount of debt the City can have outstanding under the general debt limit, see "SECTION IX: OTHER INFORMATION—Litigation—Taxes". 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 long-term indebtedness issued for certain types of public improvements and capital projects are considered excluded debt. The City's statutory authority for variable rate debt is limited to 10% of the general debt limit. 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 September 30, 1991.

GENERAL DEBT LIMIT		
Total Debt-Incurring Power		\$42,527,136,125
Gross Debt—Funded	\$16,942,965,956	
Less: Excluded Debt	<u>1,352,204,340</u>	
	15,590,761,616	
Less: Assets of Sinking Funds and General Debt Service Fund and Balance of Appropriations for Redemption of Debt	<u>373,116,018</u>	
Net Debt	15,217,645,598	
Add: Net Contracts and Other Liabilities	<u>3,964,202,587</u>	<u>19,181,848,185</u>
Remaining Debt-Incurring Power Within Limit		<u>\$23,345,287,940</u>
TWO PERCENT DEBT LIMIT		
Total Debt-Incurring Power		\$ 1,396,403,756
Charges:		
Housing Authority Indebtedness	\$ 1,195,000	
Limited Profit Housing Program	16,964,329	
Housing and Industrial Urban Renewal Programs	<u>143,002,122</u>	<u>161,161,451</u>
Remaining Debt-Incurring Power Within Limit		<u>\$ 1,235,242,305</u>

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 September 30, 1991, when the debt-incurring capacity under the general debt limit was \$23.345 billion, the unencumbered margin was \$12.2 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.

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 reserve fund requirements or MAC operating expenses; revenues which are not needed by MAC are paid by the State to the City.

As of September 30, 1991, MAC had outstanding an aggregate of approximately \$6.471 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 1992 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, 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 September 30, 1991, 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 \$1.286 billion was held by MAC as of September 30, 1991. MAC has also exchanged \$1.839 billion principal amount of MAC bonds for City debt, of which approximately \$107.7 million was held by MAC on September 30, 1991.

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 City University Construction Fund 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 September 30, 1991, approximately \$133.4 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 September 30, 1991, the City had guaranteed \$43.3 million principal amount of HA bonds. The Federal government has agreed to pay debt service on \$56.8 million principal amount of additional HA indebtedness guaranteed by the City. The City has also guaranteed the repayment of \$266.8 million principal amount of HA indebtedness to the State, of which the Federal government has agreed to pay debt service on \$137.4 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 \$95.8 million in the 1991 fiscal year and are projected to amount to approximately \$107.7 million in the 1992 fiscal year.

New York State Housing Finance Agency

As of September 30, 1991, \$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 September 30, 1991, \$706.4 million principal amount of bonds, relating to Community College facilities, of the Dormitory Authority of the State of New York (the "Dormitory Authority") 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 September 30, 1991, approximately \$92.3 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

As of September 30, 1991, \$67.6 million principal amount of UDC bonds subject to executed or proposed lease arrangements was outstanding. This amount differs from the amount calculated by UDC (\$79.0 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 September 30, 1991, \$285.6 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 \$254.3 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 1992 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 September 30, 1991, HDC's combined capital reserve funds amounted to approximately \$31.4 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, 1991 consisted of approximately 347,000 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 209,000 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 11,000 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 1992 fiscal year are expected to approximate \$1.5 billion. In fiscal years 1993 through 1996, these expenditures are expected to approximate \$1.5 billion, \$1.4 billion, \$1.3 billion and \$1.4 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 1991 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 approximately 20% 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 City Actuary has preliminarily determined that the City may be required to make pension contributions which could be materially greater than the amounts assumed in the Financial Plan.

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.

<u>June 30,</u>	<u>Amount(1)</u> <u>(In Billions)</u>
1987	\$9.93
1988	7.79
1989	6.51
1990	6.10
1991	4.16

(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, 1991, there was approximately \$378 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 1992-1996 Financial Plan. The City has estimated that its potential future liability on account of outstanding claims against it as of June 30, 1991 amounted to approximately \$2.1 billion. See "SECTION VII: 1992-1996 FINANCIAL PLAN—Assumptions—*Expenditure Assumptions—2. Other Than Personal Service 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 \$218 million at June 30, 1991. 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. On June 4, 1991, the Appellate Division, First Department affirmed the Court's decision. On September 24, 1991, the Appellate Division, First Department denied Con Edison's motion for leave to appeal to the New York State Court of Appeals. Con Edison has sought leave to appeal directly from the Court of Appeals.

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 was 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. On October 17, 1991, the Court of Appeals granted Bankers Trust's motion for leave to appeal.

4. On October 11, 1991, an organization calling itself Taxpayers for an Affordable New York commenced an action with several other plaintiffs in State Supreme Court, Albany County, against the State Board, the State and the City seeking, among other things, a declaratory judgment that the Tax Resolution adopted by the City Council for fiscal year 1992, as it pertains to real property taxation, violates the State Constitution. Plaintiffs allege that the special equalization ratios calculated by the State Board in 1991 result in the overstatement of the actual full valuation of real property in the City by hundreds of billions of dollars with the result that the City's real estate tax levy for fiscal year 1992 is in excess of the State Constitution's real estate tax limit. This limit is based on a percentage of the average full valuation of taxable real property in the City for the most recent five years. Although plaintiffs do not specify the extent of the alleged real property overvaluation, an adverse determination significantly reducing such limit could subject the City to substantial liability for real property tax refunds and could have an adverse impact on the amount of debt the City can have outstanding under the general debt limit (defined as 10% of the average full value of taxable real estate in the City for the most recent five years).

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. Several notices of appeal have been filed from the Court's final order, issued March 6, 1991, by various plaintiffs and defendants, including the City. The City's appeal covers, *inter alia*, those parts of the Court's order which did not dismiss certain claims that alleged both economic loss and indirect physical damage.

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 May 16, 1991, the Appellate Division unanimously upheld the lower Court's dismissal of the complaint. On September 19, 1991, the Court of Appeals dismissed plaintiffs' appeal as of right and on December 18, 1991, the Court of Appeals denied plaintiffs' motion for leave to appeal.

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 October 1, 1991, plaintiff argued its appeal in the Appellate Division, First Department.

4. 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 granted on August 7, 1991.

5. Thirty-one actions seeking in excess of \$364 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.

6. On April 3, 1990, the New York State Court of Appeals ruled that the shelter allowance set by 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 State Department of Social Services ("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 has been completed and the parties are submitting post trial briefs.

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 recipients. 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. On April 23, 1991, the Court dismissed the shelter allowance claim against the City since the allowances are set by State regulations. The Court also ordered a hearing on the adequacy of the home relief allowances for individuals. The State has appealed the Court's decision (but not that part that dismisses the claim against the City) and on December 4, 1991 the appeal was argued before the Appellate Division, First Department.

7. 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 were completed before the IBA on September 12, 1991, and post hearing briefs will be filed in February 1992.

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.

8. On July 11, 1991, the Appellate Division, First Department reversed a decision of the New York State Supreme Court that dismissed, on a motion for summary judgment, those portions of an action against the City seeking nearly \$800 million in lost profits. Plaintiff alleges the lost profits result from alleged breaches of two 1982 letter agreements which designated plaintiff as the conditional developer of portions of the downtown Washington Street Urban Development Area. Under the agreements, plaintiff was to negotiate contracts of sale and prepare development plans for presentation to the Board of Estimate. The agreements contemplated that, should Board of Estimate approval be obtained, plaintiff would have the right to purchase and develop the sites. Plaintiff claims that even though it performed all its obligations under the contract, the City improperly removed it as the conditional developer of the sites. On October 15, 1991, the Appellate Division, First Department, granted the City's motion for leave to appeal to the State Court of Appeals.

9. In July 1991, the UFT and various individuals ("plaintiffs") commenced an action against the City claiming that the City's budget for the 1992 fiscal year provides insufficient funds to the BOE to comply with the Stavisky-Goodman Act and an Article 78 proceeding seeking to compel the City to modify the City's expense budget for fiscal year 1992 so as to increase the amount of funding appropriated to BOE. The pleadings were subsequently amended to include BOE as a defendant. The amended pleadings allege that the amount of underfunding is either \$218 million or \$89 million depending on the method of calculation used. For further information regarding the Stavisky-Goodman Act, see "SECTION VII: 1992-1996 FINANCIAL PLAN—Assumptions —*Expenditure Assumptions—2. Other Than Personal Service Costs—Board of Education*".

10. On May 2, 1988, the Gay Teachers Association, three employees of BOE and the domestic partners of these employees commenced an action in State Supreme Court, New York County, against BOE, the City, the State and others, challenging the policy of BOE of providing health insurance benefits to its employees, their spouses and children, but not to the domestic partners of gay and lesbian employees. Plaintiffs claim that this policy is discriminatory and violates the equal protection and due process clauses of the State Constitution, as well as various provisions of State law, the City Administrative Code and State Executive Order No. 28. Plaintiffs seek injunctive relief and compensatory and punitive damages. On August 16, 1991, the Court denied all but one aspect of the City's motion to dismiss for failure to state a cause of action, but did strike plaintiffs' request for punitive damages. On September 6, 1991, the City served a Notice of Appeal to the Appellate Division, First Department. If plaintiffs were to prevail ultimately in this action, the City could become subject to substantially increased costs for health insurance benefits.

11. On February 28, 1991, the Appellate Division, First Department, upheld a decision of the Supreme Court, New York County, in an action brought by the New York City Coalition to End Lead Poisoning and other plaintiffs, against the City and other defendants, ordering the City to promulgate regulations consistent with local law governing the removal of lead-based paint in residential buildings. Regulations are being drafted which would require actions to abate lead paint on the part of the City that could result in substantial costs to the City. In addition, the litigation challenges other aspects of the City's lead poisoning prevention activities such as screening children for lead poisoning, the timeliness and adequacy of the City's enforcement programs and inspection of day care facilities. Adverse determinations on these issues could result in substantial additional costs to the City. Additionally, legislation is pending in the United States Congress that would impose substantial costs on municipalities, including the City, in connection with lead paint removal.

Tax Exemption

In the opinion of Brown & Wood, New York, New York, and Barnes & Darby, 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 (a) in the event of a failure by the City or any of the Organizations to comply with applicable requirements of 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, or (b) with respect to each Organization, in the event that the \$150,000,000 limitation imposed by the Code on outstanding tax-exempt nonhospital bonds is exceeded within three years of the later of the date such Organization's Project is placed in service or the date of issue of the Bonds; and no opinion is rendered by either firm as to the exclusion from gross income of the interest on the Bonds for Federal tax purposes on or after the date on which any action is taken under the Certificate upon the approval of counsel other than such firm. The Organizations will covenant, among other things, not to take any action that would cause interest on the Bonds to be includable in the gross income of the owners thereof. In rendering their opinions, Brown & Wood and Barnes & Darby will rely upon the representations made by the Organizations with respect to material facts within the knowledge of the Organizations and upon the accompanying opinions of their counsel and Brown & Wood and Barnes & Darby will make no independent investigation thereof. See "SECTION II: THE BONDS—USE OF PROCEEDS."

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 and Barnes & Darby 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. Interest on 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.

The initial public offering price of the Fixed Rate Bonds due in 1997, 2001 and 2003 and thereafter (the "OID Bonds"), is less than the amount payable at maturity. The difference between the initial public offering price to the public (excluding bond houses and brokers) at which price a substantial amount of the OID Bonds is sold and the amount payable at maturity constitutes original issue discount, which will be excludable from gross income to the same extent as interest on the Bonds for Federal, New York State and New York City income tax purposes. The Code provides that the amount excludable accrues in accordance with a constant interest method based on the compounding of interest, and that a holder's adjusted basis for purposes of determining a holder's gain or loss on disposition of such Bonds will be increased by such amount. A portion of the original issue discount that accrues in each year to an owner of an OID Bond which is a corporation will be included in the calculation of the corporation's Federal alternative minimum tax liability and Federal environmental tax liability. Consequently, corporate owners of any OID Bond should be aware that the accrual of original issue discount in each year may result in an alternative minimum tax liability or an environmental tax liability although the owner of such OID Bond has not received cash attributable to such original issue discount in such year.

A subsequent purchaser of an OID Bond who purchases the OID Bond at a cost less than the stated redemption price at maturity will also be entitled to exclude from gross income and add to the holder's adjusted basis a portion of the original issue discount described as follows. If the subsequent purchaser purchases an OID Bond at a price that exceeds the sum of the initial public offering price to the public and the original issue discount accrued prior to acquisition (i.e., at a premium), the original issue discount that accrues and is added to the holder's adjusted basis will be reduced by that portion of the premium allocable to such year. If the subsequent purchaser purchases an OID Bond at a price less than the sum of the initial public offering price to the public and the original issue discount accrued prior to acquisition (i.e., at a market discount), the original issue discount that accrues and is added to the holder's adjusted basis will be less than the total discount and such subsequent purchaser will be required to treat any gain on a subsequent disposition or redemption of the OID Bond as capital gain.

Owners of OID Bonds should consult their personal tax advisors with respect to the determination for Federal income tax purposes of the amount of original issue discount or interest properly accruable with respect to such Bonds, other tax consequences of owning OID Bonds and the other state and local tax consequences of holding such Bonds.

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

Moody's has rated the Fixed Rate Bonds Baa1. Standard & Poor's has rated the Fixed Rate Bonds A-. These ratings do not reflect any bond insurance relating to any portion of the Fixed Rate Bonds. The City expects that ratings on the AMBAC Insured Bonds, Financial Security Insured Bonds and the MBIA Insured Bonds will be received prior to January 7, 1992. The ratings on the AMBAC Insured Bonds, Financial Security Insured Bonds and the MBIA Insured Bonds will be based on the insurance policies to be issued by AMBAC Indemnity, Financial Security and MBIA, respectively. AMBAC Indemnity's claims-paying ability is rated Aaa by Moody's and AAA by Standard & Poor's.

Moody's rates bonds insured by Financial Security Aaa. Standard & Poor's rates bonds insured by Financial Security AAA. Moody's rates all bond issues insured by MBIA Aaa. Standard & Poor's rates all new issues insured by MBIA AAA. The Adjustable Rate Bonds, Subseries C-2, Subseries C-3, Subseries C-4 and Subseries C-5 are rated Aaa/VMIG 1, Aa2/VMIG 1, Aa3/VMIG 1 and Aa3/VMIG 1, respectively, by Moody's and AAA/A-1+, AA/A-1+, AA-/A-1+ and AA/A-1+, respectively, by Standard & Poor's, based upon the understanding that, with respect to such ratings for a Subseries, upon delivery of such Adjustable Rate Bonds of a Subseries, such Adjustable Rate Bonds of a Subseries will be entitled to the benefits of the applicable Credit Facility. On November 15, 1991, Standard & Poor's stated that the recent modification to the 1992-1996 Financial Plan "falls short of establishing structural balance over the plan period." Such ratings reflect only the views of Moody's and Standard & Poor's, from which an explanation of the significance of such ratings may be obtained. There is no assurance that such ratings will continue for any given period of time or that they will be revised downward or withdrawn entirely. Any such downward revision or withdrawal could have an adverse effect on the market prices of Bonds.

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 Fixed Rate Bonds are being purchased for reoffering by the Underwriters, for whom Bear, Stearns & Co. Inc.; The First Boston Corporation; Goldman, Sachs & Co.; Merrill Lynch, Pierce, Fenner & Smith Incorporated; and Shearson Lehman Brothers Inc. are acting as lead Managers. The Adjustable Rate Bonds are being purchased for reoffering by Bear, Stearns & Co. Inc.; The First Boston Corporation; Goldman, Sachs & Co.; J.P. Morgan Securities Inc.; Merrill Lynch, Pierce, Fenner & Smith Incorporated; and Shearson Lehman Brothers Inc., as Underwriters. The Bonds are being purchased at an aggregate purchase price of \$957,111,585.50 less the amount to be paid to Fuji Bank, IBJ, Morgan Guaranty and Sumitomo for part of the cost of the Credit Facilities and to AMBAC Indemnity, Financial Security and MBIA for insurance which the Underwriters will purchase. The aggregate initial public offering price is \$964,305,244.30. 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 bonds and notes 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 opinions of Brown & Wood, New York, New York, and Barnes & Darby, New York, New York, Bond Counsel to the City. Reference should be made to the forms of such opinions set forth in Appendix E hereto for the matters covered by such opinions and the scope of Bond Counsel's engagement in relation to the issuance of the Bonds. Such firms are 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, and Wood, Williams, Rafalsky & Harris, New York, New York, Counsel for the Underwriters. Such firms are also acting as counsel for and against the City in certain other unrelated matters.

Financial Advisor

The City retains Public Resources Advisory Group (“PRAG”) and P.G. Corbin & Company, Inc. to act as financial advisors 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 Plan, 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 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 has made no independent verification of the information presented herein and does not warrant its accuracy.

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, reaching 7,890,000, and remained relatively stable between 1950 and 1970. From 1970 to 1980, however, the City's population declined substantially, falling 10.4% over the decade. The final results of the 1990 census show a moderate increase in the City's population since 1980 due to an influx of immigrants primarily from Asia, the Caribbean and Latin America. The following table provides information concerning the City's population.

POPULATION OF NEW YORK CITY

Distribution of Population By County (Borough)

<u>Year</u>	<u>Total Population</u>	<u>1970 = 100</u>	<u>Bronx (The Bronx)</u>	<u>Kings (Brooklyn)</u>	<u>New York (Manhattan)</u>	<u>Queens (Queens)</u>	<u>Richmond (Staten Island)</u>
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 undercount 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 1990.

**Distribution of Population by Age
(In Thousands)**

<u>Age</u>	<u>1960</u>		<u>1970</u>		<u>1980</u>		<u>1990</u>	
	<u>Population</u>	<u>% of Total</u>	<u>Population</u>	<u>% of Total</u>	<u>Population</u>	<u>% of Total</u>	<u>Population</u>	<u>% of Total</u>
Under 5	687	8.8	616	7.8	471	6.7	510	7.0
5 to 17	1,478	19.0	1,619	20.5	1,295	18.3	1,177	16.1
18 to 24	663	8.5	889	11.3	826	11.7	778	10.6
25 to 34	1,056	13.6	1,076	13.6	1,203	17.0	1,369	18.7
35 to 44	1,071	13.8	916	11.6	834	11.8	1,117	15.2
45 to 64	2,013	25.9	1,832	23.2	1,491	21.1	1,419	19.4
65 and Over	814	10.4	948	12.0	952	13.4	953	13.0

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

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 national economy, as evidenced by certain of the broad economic indicators. The City's economy improved after that crisis, and through 1987 certain of the key economic indicators posted steady growth. However, over the past three years, the rate of economic growth in the City has slowed substantially and the City's economy is currently in a recession, as evidenced by declining economic activity, sluggish increases in wage rates and income and stagnant retail sales. Trends of certain major economic indicators for the City and the nation are shown in the following table.

	Trends of Major Economic Indicators 1969-90						
	Levels				Average Annual Percent Change		
	1969	1976	1988	1990	1969-76	1976-88	1988-90
<u>NYC</u>							
Population(1) (millions)	7.9	7.4	7.4	7.3	(0.8)	0.0	(0.2)
Employment(2) (millions)	3.8	3.2	3.6	3.6	(2.4)	1.0	(0.5)
Personal Income(3)(billions)	\$38.6	\$58.1	\$143.0	N/A	6.0	7.8	N/A
Real Per Capita Personal Income(4)	\$12,757.4	\$12,871.1	\$15,727.4	N/A	0.1	2.0	N/A
<u>United States</u>							
Population(1) (millions)	202.8	218.1	245.8	249.6	1.0	1.0	0.8
Employment(2) (millions)	70.4	79.4	105.5	110.0	1.7	2.4	2.1
Personal Income(3)(billions)	\$773.0	\$1,451.4	\$4,070.8	\$4,645.5	9.4	9.0	6.8
Real Per Capita Personal Income(4)	\$10,385.9	\$11,695.5	\$13,991.6	\$14,240.1	1.8	1.5	0.9

(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.

Employment Trends

From 1969 to 1977, economic activity in the City declined sharply while the U.S. economy expanded, despite two national recessions (1969 to 1970 and 1973 to 1975) during this period. Locally, total employment dropped 16.1 percent, from 3,798,000 jobs to 3,188,000 jobs, or 2.2 percent per year over the eight-year period. A loss of 287,000 jobs, or 5.2 percent per year, to 539,000 jobs in the manufacturing sector accounted for nearly half of the City's total employment loss during this period. Employment in the finance, insurance and real estate ("FIRE") sector declined by 50,000 jobs, or 1.4 percent per year, to 414,000 jobs, while service sector employment remained relatively constant at 783,000 jobs.

The ripple effects of the decline in the manufacturing and FIRE sectors of the City's economy, along with stagnation in the services sector, caused declines during the 1969 to 1977 period in other sectors sensitive to the health of the rest of the local economy. In particular, government employment fell 0.9 percent per year to 508,000 jobs; transportation and public utilities employment dropped 2.8 percent per year to 258,000 jobs; wholesale and retail trade employment declined 2.3 percent per year to 620,000 jobs; and construction employment decreased 6.0 percent per year to 64,000 jobs.

Conversely, from 1969 to 1977, U.S. real GNP rose on average 2.5 percent per year and employment increased at an average annual rate of 2.0 percent. Thus, as the nation emerged from the OPEC-induced recession in 1973 to 1975, a continuing local economic decline plunged the City into a fiscal crisis that led it to the brink of bankruptcy.

The City's economy during the period from 1977 to 1987 contrasts sharply with the 1969 to 1977 period. During the 1977 to 1987 period, the City's economy expanded along with that of the nation. From the late 1970s to the late 1980s, U.S. real GNP rose 2.7 percent per year, despite a severe recession from 1980 to 1982. But unlike growth in the 1969 to 1977 period when U.S. inflation accelerated and interest rates rose, in the 1977 to 1987 period, inflation generally decelerated and interest rates dropped by 50 percent from their 1981 peak. This provided a powerful impetus to the financial markets and the result was a bull market which nearly tripled stock prices and increased the volume of shares traded by 800 percent. As a consequence, the City's FIRE sector employment grew dramatically and carried the rest of the local economy along with it.

Due to the strong growth in the FIRE and service sectors, total City employment rose 1.2 percent a year to reach 3,590,000 in 1987, the highest level in a decade and a half. More specifically, during the 1977 to 1987 period, FIRE employment grew 2.9 percent per year to 550,000 jobs; service sector employment rose 3.5 percent per year to 1,108,000 jobs; wholesale and retail trade employment increased 0.3 percent per year to 638,000 jobs; government employment grew 1.3 percent per year to 580,000 jobs; and construction employment increased 6.3 percent per year to 119,000 jobs. Meanwhile, manufacturing employment continued its long-term decline, dropping 3.4 percent per year to 380,000 jobs, and transportation and public utilities employment also continued to decline, decreasing nearly 1.8 percent per year to 215,000 jobs.

Another turning point in the City's economy was the October 1987 stock market crash. During 1988, the U.S. economy boomed with real GNP growth of 4.5 percent and an increase in employment of 3.3 percent, both above their average annual growth rates for the period from 1969 to 1987 of 2.6 and 2.1 percent, respectively. The City's economy, however, stagnated, and the ripple effects of job losses resulting from post-crash layoffs of more than 20,000 employees in the FIRE sector, where earnings are 50 percent above the City average, caused City growth in 1988 essentially to disappear. After increases of 40,000 jobs a year from 1977 to 1987, City employment increased by only 15,000 jobs, or 0.4 percent, in 1988. All of that increase was attributable to government employment, which added 15,800 jobs. Service sector employment added 14,600 jobs, less than half its average annual growth in the 1977 to 1987 period, and such growth was more than offset by declines in employment in the FIRE and manufacturing sectors.

During 1989, the U.S. economy grew moderately with an increase in real GNP of 2.5 percent and an increase in employment of 2.7 percent. The City's economy, however, continued to stagnate, with continued declines in employment in the FIRE and manufacturing sectors and very weak growth in government employment.

The national economic downturn which began in July 1990 adversely affected the local economy, which had been declining since late 1989. As a result, the City experienced significant job losses in 1990 with total employment declining by 1.0 percent or 37,000 jobs. Employment increased only in the service, transportation and public utilities and government sectors, at rates of 1.4 percent, 3.5 percent (due to a strike in 1989) and 1.1 percent, respectively. These increases were, however, more than offset by the job losses in the other major sectors, specifically, the FIRE, wholesale and retail trade, manufacturing and construction sectors which experienced decreases of 2.5 percent, 3.9 percent, 6.1 percent and 6.6 percent, respectively.

So far, during 1991, both the national and local economies continue to decline, with the City declining at a faster rate than the nation. In October 1991, employment in the U.S. had decreased by 1.0 million jobs and revised data show that employment in the City had decreased by 147,000 jobs since October 1990.

Certain City employment information is presented in the tables below. These tables are derived from the Establishment Survey and the Current Population Survey which use significantly different estimation techniques that are not comparable.

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)**

<u>Sector</u>	<u>Peak Employment(1)</u>		<u>Average Annual Employment</u>					
	<u>Year</u>	<u>Level</u>	<u>1985</u>	<u>1986</u>	<u>1987</u>	<u>1988</u>	<u>1989</u>	<u>1990</u>
Private Sector								
Non-Manufacturing	1989	2645.9	2522.5	2575.0	2629.4	2638.2	2645.9	2623.8
Services(2)	1990	1163.3	1038.5	1076.2	1108.4	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)**

<u>Year</u>	<u>Jan</u>	<u>Feb</u>	<u>Mar</u>	<u>Apr</u>	<u>May</u>	<u>June</u>	<u>July</u>	<u>Aug</u>	<u>Sept</u>	<u>Oct</u>	<u>Nov</u>	<u>Dec</u>
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
1991	3430.5	3426.5	3450.1	3449.8	3450.0	3456.8	3405.2	3391.1	3385.8	3394.2		

(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.

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

Year	Civilian Labor Force			Labor Force Participation Rate(1)		Unemployment Rate(2)	
	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

Year	Unemployment											
	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	8.1	8.9	8.9	8.7	8.8	9.3	7.7	8.5	10.2	

- (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.

Consumer Prices and Wage Rates

The City's economic growth during 1977 to 1987, fueled by the boom in the financial sector, aggravated local inflationary pressures. Since 1983, the local Consumer Price Index increased more than the national average, rising 4.6 percent per year on average through 1989 versus 3.6 percent per year for the nation. This was a reversal of the trend in the 1970s and early 1980s, when local inflation lagged the national rate by a percentage point. In 1988, local prices rose 4.9 percent, or 0.8 percentage points faster than the national rate, and in 1989, local inflation measured 5.6 percent compared to the national 4.8 percent rate. In 1990, prices at the local and national levels experienced a sharp increase over 1989, climbing 6.1 percent and 5.4 percent, respectively. Largely responsible for the surge in prices in 1990 was a steep upturn in energy prices created by an OPEC agreement and the Middle East crisis. In the first half of 1991, inflation has tempered with the downturns of the national and local economies and the end of the Gulf War. Given the weaker local economy vis-a-vis that of the nation, the premium of the New York area inflation rate over the national rate has narrowed considerably with local inflation

running at an annual rate of 4.9 percent compared to a national rate of 4.7 percent through September 1991.

The growth in the financial sector in the 1980s accelerated wage rate increases in the City, which had run at about the national average of 7.5 percent per year from 1975 to 1981, a period of double-digit inflation. Inflation has subsided since 1981; however, bolstered by high bonus payments in the financial sector, with its multiplier effects on other industries, overall wage rates climbed 7.1 percent per year from 1982 to 1988, or approximately 3.5 percentage points above the U.S. rate. In 1988, the premium over the national wage rate increased to nearly 5 percentage points, as local wages, boosted by record bonus payments on Wall Street for 1987, rose 8.5 percent compared to 3.5 percent for the nation.

In 1989, given the sharp decrease in FIRE sector bonus payments and base compensation, local wage rates rose only 3.4 percent, falling below the national increase of 3.8 percent for the first time since 1979. As the stock market stabilized, local wage rates increased 6.5 percent versus 3.8 percent for the nation in 1990.

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

Area(1)	All Items—Urban Areas												
	Percent Increase Over Prior Year												
	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	6.2	3.2	4.4	3.5	1.9	3.7	4.1	4.8	5.4

(1) Area is generally the Standard Metropolitan Statistical Area (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 1990 census.

(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.

Information on consumer price trends in the New York-Northeastern New Jersey metropolitan area for certain items is set forth in the table below.

BY EXPENDITURE CLASS

Expenditure Class	Annual Average % Increase 1980-90		% Increase 1990		% Increase November 1991 over November 1990	
	U.S.	New York-NE. N.J.	U.S.	New York-NE. N.J.	U.S.	New York-NE. N.J.
All Items	4.8	5.4	5.4	6.1	3.0	3.6
Food and Beverages	4.3	5.1	5.7	5.7	2.4	1.6
Housing	4.8	5.6	4.5	5.6	3.3	4.5
Apparel and Upkeep	3.2	2.8	4.6	6.9	4.3	3.6
Transportation	3.9	4.2	5.6	5.7	(1.5)	(1.1)
Medical Care	8.1	8.4	9.1	10.7	7.9	7.3
Entertainment	4.7	5.2	4.7	4.7	4.5	3.5
Other Goods and Services	7.8	8.3	7.6	8.0	8.1	9.6

Note: Monthly data are not seasonally adjusted.

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

Personal 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. As a result of the surge in wage rates and employment, growth in personal income in New York City also increased in the mid-1980s. From 1970 to 1981, income growth in the City was below the U.S. rate by nearly four percentage points, as U.S. employment grew and City employment for most of that period declined. From 1982 to 1989 (the most recent year for which local personal income data are available), New York City personal income averaged 7.7 percent growth, compared to 7.3 percent for the nation, caused by the prosperity in the City's financial sector. The following table sets forth recent information regarding personal income in the City.

PERSONAL INCOME IN NEW YORK CITY(1)

Year	Personal Income			Per Capita Personal Income					
	NYC Total (In Billions)	Average Annual % Change		NYC	Average Annual % Change		New York City as a Percent of		
		NYC	U.S.(2)		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	131.3	6.8	6.8	17,880	6.4	5.7	115.9	77.1	91.4
1988	143.0	8.9	8.1	19,455	8.8	7.0	117.8	76.8	91.0
1989	153.9	7.6	7.7	20,856	7.2	6.6	118.6	N/A	N/A

(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. There are important implications of this structural shift from the manufacturing to the FIRE and services sectors. First, 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 to 1989, its earnings share increased by about 9 percentage points, which reflects its high per employee income. However, the sudden shock in the financial industry of the October 1987 stock market crash had a disproportionately 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 October 1987 crash, significantly offsetting the employment gains in other sectors. The City's and the nation's employment and income by industry sector are set forth in the following table.

SECTORAL DISTRIBUTION OF EMPLOYMENT AND EARNINGS(1)

<u>Sector</u>	<u>Employment</u>				<u>Earnings(2)</u>			
	<u>1977</u>		<u>1990</u>		<u>1977</u>		<u>1989</u>	
	<u>NYC</u>	<u>U.S.</u>	<u>NYC</u>	<u>U.S.</u>	<u>NYC</u>	<u>U.S.</u>	<u>NYC</u>	<u>U.S.</u>
Private Sector								
Non-Manufacturing	67.2%	57.8%	73.5%	66.0%	70.7%	56.7%	78.5%	64.1%
Services(3)	24.6	18.5	32.6	25.7	26.0	19.6	32.6	25.9
Wholesale and Retail trade	19.5	22.5	17.0	23.5	16.7	16.6	12.9	16.3
Finance, Insurance and Real Estate	13.0	5.4	14.5	6.1	14.4	5.6	22.2	7.2
Transportation and Public Utilities	8.1	5.7	6.3	5.3	11.2	7.5	6.7	6.7
Contract Construction	2.0	4.7	3.2	4.7	2.3	5.9	3.8	6.3
Mining	0.0	1.0	0.0	0.6	0.1	1.5	0.2	1.0
Manufacturing	16.9	23.9	9.5	17.4	15.6	26.1	8.3	20.0
Durable	5.1	14.1	2.5	10.1	4.5	16.6	2.0	12.6
Non-Durable	11.8	9.8	7.0	7.3	11.1	9.5	6.3	7.4
Government(4)	15.9	18.3	17.0	16.7	13.7	17.2	13.2	15.9
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 1989 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.

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 and thus far in 1991.

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 tables set forth the number of persons receiving public assistance in the City.

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

<u>Year (1)</u>	<u>Total</u>	<u>Average Annual Change (%)</u>	<u>Home Relief</u>	<u>AFDC</u>	<u>AFDC Unemployed Parent</u>
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 eligibility.

(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)

<u>Year</u>	<u>Jan.</u>	<u>Feb.</u>	<u>Mar.</u>	<u>Apr.</u>	<u>May</u>	<u>June</u>	<u>July</u>	<u>Aug.</u>	<u>Sept.</u>	<u>Oct.</u>	<u>Nov.</u>	<u>Dec.</u>
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	899.9	914.0	923.2	929.2	936.8	945.1	953.8	955.2	969.5		

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.

Retail Sales

The City is a major retail trade market, and has the greatest volume of retail sales of any city in the nation. 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 and 1986, retail sales, particularly of durable goods, grew at an increased rate, outpacing the nation in 1985 and 1986. Retail sales increased a paltry 0.4 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, but in 1988, sales increased by 10.0 percent. By 1989 and 1990, however, the local recession became apparent as retail sales in the City declined by 0.3% and 1.5%, respectively, over the previous years' figures. The September 1991 figures indicate a decrease of 2.3 percent over September 1990. Trends in the City's retail sales are shown in the table below.

RETAIL SALES IN NEW YORK CITY

Year	Total Retail Sales (In Billions)		Annual Percent Change					
			Total Retail Sales		Non-Durable(1)		Durable(2)	
	NYC	U.S.	NYC	U.S.	NYC	U.S.	NYC	U.S.
1980.....	\$22.3	\$ 954.8	16.3%	6.6%	14.2%	11.3%	24.1%	-2.3%
1981.....	23.4	1,038.3	4.8	8.7	8.1	8.8	-6.0	8.7
1982.....	23.4	1,068.2	0.2	2.9	-1.7	2.6	7.4	3.4
1983.....	25.5	1,168.2	8.6	9.4	5.9	6.1	18.2	16.4
1984.....	27.0	1,284.6	6.0	10.0	4.7	6.9	9.8	16.2
1985.....	29.2	1,374.5	8.4	7.0	6.7	5.5	13.5	9.7
1986.....	33.5	1,450.1	14.6	5.5	9.2	3.7	29.6	8.7
1987.....	33.6	1,539.4	0.4	6.2	1.0	6.1	-1.3	6.2
1988.....	37.0	1,644.0	10.0	6.8	9.1	5.6	12.3	8.8
1989.....	36.9	1,741.9	-0.3	6.0	0.4	6.9	-2.0	4.4
1990.....	36.3	1,808.4	-1.5	3.8	0.6	5.9	-6.6	0.4

(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, stationery 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

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

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 securities, banking, law, accounting and advertising firms. While the City had experienced a substantial number of business relocations during the previous decade, the number of relocations declined significantly after 1976, although declines in back office employment continued. 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 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.

The Business Activity Index (“BAI”) for the City, which is a measure of the overall health of the economy, reflects both long-term trends in the City’s economic base and short-term fluctuations in 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. The table below shows the City and State BAI for the past several years.

BUSINESS ACTIVITY INDEX
(Annual Average, 1977 = 100)

	<u>1984</u>	<u>1985</u>	<u>1986</u>	<u>1987</u>	<u>1988</u>	<u>1989</u>	<u>1990</u>	<u>1991(1)</u>
New York City	109	112	116	121	124	125	126	125
New York State	114	119	124	129	135	137	137	137

(1) Through August 1991.

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.

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 1988 fiscal year, average per capita City taxes were \$1,812 and average per capita State taxes paid by residents of the State were \$1,462, a combined tax burden of \$3,274 per capita. Nationwide, per capita local taxes averaged \$698 and per capita state taxes averaged \$1,074 for the 1988 fiscal year for a combined tax burden of \$1,772.

The cost of energy in the City is one of the highest in the nation, particularly for electricity. In May 1991, electric costs in the City for industrial users was ranked the third highest among electric utility service areas in the nation.

During certain prior periods, in particular the mid-1960s and from 1977 through most of 1982, the demand for office space in the City greatly exceeded the available supply, and as a result, the rental cost of available space escalated sharply. However, at the end of 1982 and in early 1983, construction activity increased and the office market softened. Recent data from Cushman & Wakefield indicate that the office market in the City, particularly in the downtown area where older, poorly maintained buildings have been vacated, has been softening due to an increased availability of office space, with the overall vacancy rate in Manhattan at approximately 17.5%.

Hotel Occupancy Rate

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. 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, and they 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. In 1988, 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. The table below shows the number of visitors to the City and the City's hotel occupancy rate for each year since 1980.

Number of Visitors and Hotel Occupancy Rate in New York City

<u>Year</u>	<u>Visitors(1) (In Millions)</u>	<u>Hotel Occupancy Rate(2) Annual Average of Monthly Rates</u>
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.

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 one landfill. The capacity of the Fresh Kills landfill 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, the Ten-Year Capital Strategy, for fiscal years 1992-2001 which projects available capital funds over this period of \$67.0 billion, of which \$47.2 billion

would be obtained from City sources. A portion of these funds is for rehabilitation or replacements of various elements of the infrastructure.

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)

<u>Ownership/Occupancy Status</u>	<u>1981</u>	<u>1984</u>	<u>1987</u>
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

Office building construction in the Manhattan Central Business District is currently 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. However, in 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, then the largest amount since 1973.

During the late 1970's demand for office space, as a result of increased employment in the service 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. Vacancy rates have continued to rise as a result of the 1987 stock market crash and subsequent retrenchment of the FIRE sector. By the end of 1990, vacancy rates for the Manhattan commercial market were close to 17%, as office construction continued and very little new space was occupied. Through September of 1991, the average office vacancy rate in Manhattan was approximately 17.6%.

With respect to housing construction 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.

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

CONSTRUCTION ACTIVITY IN NEW YORK CITY

Year	Cost of Construction (In Millions)(1)			New Housing Units(1)	No. of Buildings	Manhattan Central Business District(2) Office Building Completions
	Total	New Residential	New Non- Residential			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. In addition, the termination in
(footnotes continued on next page)

(footnotes continued from previous page)

1985 of the Section 421-a tax abatement program 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.

(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.

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)

County (Borough)	Fiscal Year					
	1987	1988	1989	1990	1991	1992
Bronx (The Bronx)	\$ 3,336	\$ 3,444	\$ 3,670	\$ 3,973	\$ 4,330	\$ 4,516
Kings (Brooklyn)	7,623	7,892	8,363	9,023	9,723	9,896
New York (Manhattan)	32,027	35,183	38,928	42,889	47,227	48,755
Queens (Queens)	9,931	10,310	10,807	11,543	12,386	12,666
Richmond (Staten Island)	2,172	2,283	2,374	2,627	2,669	2,635
Total	<u>\$55,089</u>	<u>\$59,112</u>	<u>\$64,142</u>	<u>\$70,054</u>	<u>\$76,334</u>	<u>\$78,468</u>

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		Fiscal Year 1989		Fiscal Year 1990		Fiscal Year 1991		Fiscal Year 1992	
	Assessed Value (In Millions)	Percentage Of Taxable Real Estate	Assessed Value (In Millions)	Percentage Of Taxable Real Estate	Assessed Value (In Millions)	Percentage Of Taxable Real Estate	Assessed Value (In Millions)	Percentage Of Taxable Real Estate	Assessed Value (In Millions)	Percentage Of Taxable Real Estate
One Family Dwellings	\$ 3,530.0	6.0%	\$ 3,722.2	5.8%	\$ 3,911.4	5.6%	\$ 4,054.6	5.3%	\$ 4,100.5	5.2%
Two Family Dwellings	2,794.3	4.7	2,921.2	4.6	3,051.9	4.4	3,146.6	4.1	3,156.4	4.0
Walk-Up Apartments	4,101.5	6.9	4,487.8	7.0	5,019.8	7.2	5,597.6	7.3	6,209.4	7.9
Elevator Apartments	11,183.5	18.9	12,094.6	18.9	13,176.9	18.8	14,622.4	19.2	15,152.8	19.3
Warehouses	582.8	1.0	668.2	1.0	767.1	1.1	895.5	1.2	926.8	1.2
Factory and Industrial Buildings	1,176.6	2.0	1,263.4	2.0	1,429.1	2.0	1,629.5	2.1	1,688.7	2.2
Garages and Gasoline Stations	702.6	1.2	779.2	1.2	883.5	1.3	1,028.6	1.3	1,107.3	1.4
Hotels	1,081.7	1.8	1,219.7	1.9	1,429.7	2.0	1,610.7	2.1	1,775.4	2.3
Hospitals and Health	371.0	0.6	400.9	0.6	374.6	0.5	391.6	0.5	402.6	0.5
Theatres	145.3	0.2	151.5	0.2	165.5	0.2	186.4	0.2	177.4	0.2
Store Buildings	3,218.5	5.4	3,897.9	6.1	4,479.3	6.4	5,289.0	6.9	4,221.1	5.4
Loft Buildings	1,989.3	3.4	2,135.4	3.3	2,467.1	3.5	2,524.1	3.3	2,398.1	3.1
Churches, Synagogues, etc.	29.9	0.0	30.9	0	30.5	0	54.3	0.1	41.1	0.1
Asylums and Homes	40.3	0.1	47.9	0.1	53.4	0.1	70.8	0.1	78.8	0.1
Office Buildings	16,780.7	28.4	18,494.9	28.8	20,980.8	29.9	23,410.5	30.7	24,134.5	30.8
Places of Public Assembly	96.6	0.2	99.6	0.2	107.9	0.2	123.1	0.2	135.3	0.2
Outdoor Recreation Facilities	69.4	0.1	75.0	0.1	85.4	0.1	80.6	0.1	82.7	0.1
Condominiums	1,252.8	2.1	2,144.4	3.3	2,812.9	4.0	3,345.2	4.4	3,963.1	5.1
Residence Multi-Use	206.3	0.3	228.7	0.4	267.5	0.4	318.1	0.4	1,004.5	1.3
Transportation Facilities	27.1	0	24.4	0	26.5	0	32.5	0	32.2	0
Utility Bureau Properties	0.1	0	0.1	0	0.1	0	0.0	0	0.0	0
Vacant Land	538.6	0.9	613.4	1.0	758.8	1.1	811.7	1.1	839.1	1.1
Educational Structures	86.3	0.1	106.4	0.2	119.4	0.2	138.6	0.2	142.9	0.2
Selected Government Installations	6.9	0	2.5	0	2.4	0	3.8	0	4.4	0
Miscellaneous	218.4	0.4	219.6	0.3	227.9	0.3	285.7	0.4	303.0	0.4
Real Estate of Utility Corporations and Special Franchises	8,881.2	15.0	8,311.9	13.0	7,424.6	10.6	6,682.1	8.8	6,389.4	8.1
Total	\$59,111.6	100.0%	\$64,141.7	100.0%	\$70,053.9	100.0%	\$76,333.6	100.0%	\$78,467.6	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 1992 fiscal year, the assessed valuation of real estate of utility corporations is \$3.9 billion. The following table presents the 42 non-utility, non-residential properties having the greatest assessed valuation in the 1992 fiscal year as indicated in the tax rolls.

Largest Real Estate Taxpayers (1)

<u>Property</u>	<u>1992 Fiscal Year Assessed Valuation</u>	<u>Property</u>	<u>1992 Fiscal Year Assessed Valuation</u>
55 Water Street Building	\$243,140,000	Burlington House	\$130,500,000
Pan Am Building	238,400,000	Dai-Ichi Seimei-Citicorp Center	130,500,000
Exxon Building	229,500,000	Manufacturers Hanover Plaza	130,000,000
Empire State Building	201,550,000	Paramount Plaza	128,250,000
McGraw-Hill Building	180,000,000	J.C. Penney Building	128,225,616
General Motors Building	172,080,000	Simon & Schuster Building	125,178,000
One Liberty Plaza	171,540,000	Kalikow Building	124,942,500
International Building	170,292,000	Produce Exchange	122,400,000
The Chase Manhattan Building	168,750,000	American Express Plaza	121,180,000
Morgan Guaranty Trust	166,350,000	Carpet Center	120,321,250
One Penn Plaza	164,950,000	Shearson Lehman Operation Center	119,700,000
Equitable Life Association	163,979,993	Mobil Building	115,000,000
Sperry Rand Building	160,200,000	Chemical Bank Building	109,427,000
One New York Plaza Building	158,220,000	Continental Illinois Center	108,300,000
245 Park Avenue	157,260,000	Citibank-Citicorp	105,723,260
Time Life Building	156,810,000	W.R. Grace Building	103,450,000
Equitable Tower	150,669,993	One Bankers Trust Plaza Building	103,000,000
Solow Building	146,970,000	Park Avenue Plaza	100,117,000
Bristol Meyers	138,014,000	595 Lexington Avenue	99,054,000
Celanese Building	135,000,000	Two Penn Plaza	98,090,750
666 Fifth Avenue	135,000,000	Bank of America Plaza	96,780,000

(1) Excludes real estate of public utilities.

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

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**FINANCIAL STATEMENTS
OF
THE CITY OF NEW YORK
June 30, 1991 and 1990**

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Report of Independent Auditors

The People of The City of New York

We have audited the accompanying general purpose financial statements of The City of New York ("The City") as of and for the years ended June 30, 1991 and 1990, as listed in the accompanying index. These general purpose financial statements are the responsibility of the City's management. Our responsibility is to express an opinion on these financial statements based on our audits. 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 general purpose financial statements, insofar as it relates to the amounts included for such entities, is based solely on the reports of the other auditors.

We conducted our audits 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 audits and the reports of other auditors provide a reasonable basis for our opinion.

In our opinion, based on our audits and the reports of the other auditors, the general purpose financial statements referred to above present fairly, in all material respects, the financial position of The City of New York at June 30, 1991 and 1990, and the results of its operations and cash flows of its proprietary fund type for the years then ended in conformity with generally accepted accounting principles.

Ernst & Young
Mitchell/Titus & Co.

October 31, 1991

THE CITY OF NEW YORK
COMBINED BALANCE SHEET—ALL FUND TYPES AND ACCOUNT GROUPS

JUNE 30, 1991
(in thousands)

	Governmental Fund Types		Debt Service	Proprietary Fund Type	Fiduciary Fund Types	Account Groups		Total (Memorandum Only)
	General	Capital Projects				Enterprise	Trust and Agency	
ASSETS:								
Cash and cash equivalents	\$ 109,869	\$ 2,790	\$ 27,946	\$ 159,299	\$ 218,534	\$ —	\$ —	\$ 518,438
Investments, including accrued interest	1,771,520	717,072	2,172,644	885,770	45,984,584	—	—	51,531,590
Accounts receivable:								
Real estate taxes (less allowance for uncollectible amounts of \$149,558)	298,809	—	—	—	—	—	—	298,809
Federal, State and other aid	2,723,210	245,159	—	—	—	—	—	2,968,369
Patient service, net	—	—	—	568,186	—	—	—	568,186
Other, net	324,251	—	—	317,244	328,443	—	—	969,938
Mortgage loans and interest receivable, net	—	—	262,216	1,876,115	—	—	—	2,138,331
Due from other funds	627,103	104,076	33,356	11,960	—	—	—	776,495
Property, plant and equipment	—	—	—	12,498,250	—	12,338,140	—	24,836,390
Accumulated depreciation and amortization	—	—	—	(3,649,561)	—	(4,018,267)	—	(7,667,828)
Restricted cash and investments	—	—	—	768,733	—	—	—	768,733
Other assets	—	64,926	210	193,884	30,477	—	—	289,497
Amounts available in Debt Service Funds	—	—	—	—	—	2,414,551	—	2,414,551
Amounts to be provided for general long-term obligations	—	—	—	—	—	—	27,279,610	27,279,610
Total assets	\$5,854,762	\$1,134,023	\$2,496,372	\$13,629,880	\$46,562,038	\$ 8,319,873	\$29,694,161	\$107,691,109

See accompanying notes to financial statements.

THE CITY OF NEW YORK
COMBINED BALANCE SHEET—ALL FUND TYPES AND ACCOUNT GROUPS

JUNE 30, 1991
(in thousands)

	Governmental Fund Types			Proprietary Fund Type	Fiduciary Fund Types	Account Groups			Total (Memorandum Only)
	General	Capital Projects	Debt Service			Enterprise	Trust and Agency	General Fixed Assets	
LIABILITIES:									
Accounts payable and accrued liabilities	\$4,651,061	\$ 869,445	\$ 55,891	\$ 476,921	\$2,267,949	\$ —	\$ —	\$ —	\$ 8,321,267
Bonds and notes payable	—	—	—	5,180,434	—	—	22,589,339	—	27,769,773
Capital lease obligations	—	—	—	—	—	—	515,284	—	515,284
Accrued real estate tax refunds	119,529	—	—	—	—	—	217,574	—	337,103
Accrued tax refunds—other	115,802	—	—	—	—	—	—	—	115,802
Accrued judgments and claims	86,869	104,107	—	—	—	—	—	—	2,265,495
Accrued vacation and sick leave	—	—	—	151,312	—	—	—	2,074,519	1,714,630
Deferred wages	19,101	—	—	—	—	—	—	1,563,318	65,797
Accrued pension liability	—	—	—	117,363	—	—	—	46,696	2,804,794
Accrued interest payable	—	—	—	74,724	—	—	—	2,687,431	74,724
Deferred revenues	622,069	399,180	—	113,397	—	—	—	—	1,134,646
Due to other funds	—	479,525	25,930	271,040	—	—	—	—	776,495
Estimated disallowances of Federal, State and other aid	—	—	—	—	—	—	—	—	161,661
Other	161,661	—	—	—	—	—	—	—	161,661
Total liabilities	5,776,092	1,852,257	81,821	6,439,425	2,288,443	—	29,694,161	—	46,132,199
EQUITY AND OTHER CREDITS:									
Investment in general fixed assets	—	—	—	—	—	8,319,873	—	—	8,319,873
Contributed capital	—	—	—	6,328,567	—	—	—	—	6,328,567
Retained earnings:									
Reserved	—	—	—	312,313	—	—	—	—	312,313
Unreserved	—	—	—	549,575	—	—	—	—	549,575
Fund balances:									
Reserved for debt service	—	—	2,159,123	—	—	—	—	—	2,159,123
Reserved for non-current mortgage loans	—	—	255,428	—	—	—	—	—	255,428
Reserved for benefit payments	—	—	—	—	984,927	—	—	—	984,927
Reserved for pension benefits	—	—	—	—	43,288,668	—	—	—	43,288,668
Unreserved, undesignated	78,670	(718,234)	—	—	—	—	—	—	(639,564)
Total fund equity (deficit) and other credits	78,670	(718,234)	2,414,551	7,190,455	44,273,595	8,319,873	—	—	61,558,910
Commitments and contingencies	—	—	—	—	—	—	—	—	—
Total liabilities, fund equity and other credits	\$5,854,762	\$1,134,023	\$2,496,372	\$13,629,880	\$46,562,038	\$8,319,873	\$29,694,161	—	\$107,691,109

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			Total (Memorandum Only)
	General	Capital Projects	Debt Service	Enterprise	Trust and Agency	General Fixed Assets	General Long-term Obligations	General Fixed Assets	General Long-term Obligations		
ASSETS:											
Cash and cash equivalents	\$ 173,028	\$ —	\$ 28,355	\$ 181,641	\$ 8,583	\$ —	\$ —	\$ —	\$ —	\$ —	\$ 391,607
Investments, including accrued interest	1,305,201	468,341	2,258,431	1,031,492	44,048,351	—	—	—	—	—	49,111,816
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	—	480,365	—	—	—	—	—	—	2,328,329
Patient service, net	—	—	—	254,115	331,084	—	—	—	—	—	480,365
Other, net	333,727	—	291,039	1,739,961	—	—	—	—	—	—	918,926
Mortgage loans and interest receivable, net	—	—	182,364	3,615	—	—	—	—	—	—	2,031,000
Due from other funds	985,866	66,664	—	11,562,480	—	—	—	—	—	—	1,238,509
Property, plant and equipment	—	—	—	(3,426,948)	—	—	—	—	—	—	22,801,776
Accumulated depreciation and amortization	—	—	—	473,201	—	—	—	—	—	—	(7,242,501)
Restricted cash and investments	—	—	—	112,764	59,058	—	—	—	—	—	473,201
Other assets	—	55,623	381	—	—	—	—	—	—	—	227,826
Amounts available in Debt Service Funds	—	—	—	—	—	—	—	—	—	—	2,423,240
Amounts to be provided for general long-term obligations	—	—	—	—	—	—	—	—	—	—	—
Total assets	\$5,059,420	\$840,589	\$2,760,570	\$12,412,686	\$44,447,076	\$ 7,423,743	\$ 24,169,269	\$26,592,509	\$26,592,509	\$26,592,509	\$99,536,593

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		Total Memorandum Only
	General	Capital Projects	Debt Service			Enterprise	Trust and Agency	
LIABILITIES:								
Accounts payable and accrued liabilities	\$3,842,121	\$ 826,902	\$ 50,257	\$ 367,942	\$2,691,752	\$ —	\$ —	\$ 7,778,974
Bonds and notes payable	—	—	—	4,307,373	—	—	—	23,799,835
Capital lease obligations	—	—	—	—	—	—	—	446,061
Accrued real estate tax refunds	33,602	—	—	—	—	—	—	234,108
Accrued tax refunds—other	172,100	—	—	—	—	—	—	172,100
Accrued judgments and claims	83,563	100,562	—	—	—	—	—	2,364,125
Accrued vacation and sick leave	—	—	—	136,012	—	—	—	1,668,158
Deferred wages	21,840	—	—	—	—	—	—	21,840
Accrued pension liability	—	—	—	119,607	—	—	—	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	—	—	—	51,021	56,202	—	—	107,223
Total liabilities	4,986,002	2,130,301	51,700	5,409,337	2,747,954	—	26,592,509	41,917,803
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:								
Reserved	—	—	—	308,079	—	—	—	308,079
Unreserved	—	—	—	463,874	—	—	—	463,874
Fund balances:								
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 pension benefits	—	—	—	—	40,708,270	—	—	40,708,270
Unreserved, undesignated	73,418	(1,289,712)	—	—	—	—	—	(1,216,294)
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	\$12,412,686	\$44,447,076	\$7,423,743	\$26,592,509	\$99,536,593

See accompanying notes to financial statements.

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, 1991
(in thousands)

	Governmental Fund Types			Fiduciary	Total (Memorandum Only)
	General	Capital Projects	Debt Service	Fund Type Expendable Trust	
REVENUES:					
Real estate taxes	\$ 7,250,979	\$ —	\$ —	\$ —	\$7,250,979
Sales and use taxes	2,660,250	—	—	—	2,660,250
Income taxes	4,756,602	—	—	—	4,756,602
Other taxes	1,188,810	—	—	—	1,188,810
Federal, State and other categorical aid	8,682,406	227,984	70,033	—	8,980,423
Unrestricted Federal and State aid	699,851	—	—	—	699,851
Charges for services	1,134,086	—	—	—	1,134,086
Other revenues	1,072,139	708,601	254,614	62,388	2,097,742
Total revenues	27,445,123	936,585	324,647	62,388	28,768,743
OTHER FINANCING SOURCES:					
Transfer from OTB Enterprise Fund	36,412	—	—	—	36,412
Transfers and other payments for debt service	—	—	1,819,259	—	— *
Net proceeds from sale of notes and bonds	—	3,867,810	53,972	—	3,921,782
Refunding bond proceeds	—	—	421,106	—	421,106
Total revenues and other financing sources	27,481,535	4,804,395	2,618,984	62,388	33,148,043
EXPENDITURES:					
Current operations:					
General government	811,460	—	—	—	811,460
Public safety and judicial	3,494,011	—	—	—	3,494,011
Board of Education	6,694,188	—	—	—	6,694,188
City University	312,809	—	—	—	312,809
Social services	6,686,418	—	—	—	6,686,418
Environmental protection	997,386	—	—	—	997,386
Transportation services	934,297	—	—	—	934,297
Parks, recreation and cultural activities	260,151	—	—	—	260,151
Housing	574,764	—	—	—	574,764
Health (including payments to HHC)	1,463,074	—	—	—	1,463,074
Libraries	138,761	—	—	—	138,761
Pensions	1,478,906	—	—	—	1,478,906
Judgments and claims	196,316	—	—	—	196,316
Fringe benefit and other benefit payments	1,237,620	—	—	68,313	1,305,933
Other	376,863	—	52,214	—	429,077
Capital projects	—	4,232,917	—	—	4,232,917
Debt service:					
Interest	—	—	1,520,407	—	1,520,407
Redemptions	—	—	843,598	—	843,598
Lease payments	—	—	39,462	—	39,462
Refunding Escrow	—	—	36,516	—	36,516
Total expenditures	25,657,024	4,232,917	2,492,197	68,313	32,450,451
OTHER FINANCING USES:					
Transfers and other payments for debt service	1,819,259	—	—	—	— *
Payment to refunded bond escrow holder	—	—	421,106	—	421,106
Total expenditures and other financing uses	27,476,283	4,232,917	2,913,303	68,313	32,871,557
EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES AND OTHER FINANCING USES	5,252	571,478	(294,319)	(5,925)	276,486
FUND BALANCES (DEFICIT) AT BEGINNING OF YEAR	73,418	(1,289,712)	2,708,870	990,852	2,483,428
FUND BALANCES (DEFICIT) AT END OF YEAR	\$ 78,670	\$(718,234)	\$2,414,551	\$ 984,927	\$2,759,914

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, 1990
(in thousands)

	Governmental Fund Types			Fiduciary	Total (Memorandum Only)
	General	Capital Projects	Debt Service	Fund Type Expendable Trust	
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
GENERAL FUND
STATEMENTS OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE BUDGET AND ACTUAL
FOR THE YEARS ENDED JUNE 30, 1991 AND 1990
(in thousands)

	1991			1990		
	Budget		Actual	Budget		Actual
	Adopted	Modified		Adopted	Modified	
REVENUES:						
Real estate taxes	\$ 7,245,000	\$ 7,230,000	\$ 7,250,979	\$ 6,593,000	\$ 6,563,000	\$ 6,542,589
Sales and use taxes	2,935,590	2,804,600	2,660,250	2,918,450	2,819,850	2,796,032
Income taxes	5,133,905	4,851,100	4,756,602	5,012,750	4,626,500	4,417,299
Other taxes	1,145,200	1,170,200	1,188,810	1,270,530	1,244,250	1,258,902
Federal, State and other categorical aid	8,400,751	8,988,206	8,682,406	7,829,477	8,429,508	7,985,060
Unrestricted Federal and State aid	682,445	724,627	699,851	659,670	642,670	686,866
Charges for services	1,182,990	1,169,790	1,134,086	1,021,117	1,119,098	1,077,234
Other revenues	934,668	1,087,668	1,072,139	1,063,850	1,192,368	1,131,985
Total revenues	27,660,549	28,026,191	27,445,123	26,368,844	26,637,244	25,895,967
OTHER FINANCING SOURCES:						
Transfer from OTB Enterprise Fund	46,000	44,000	36,412	51,925	49,300	40,732
Total revenues and other financing sources	27,706,549	28,070,191	27,481,535	26,420,769	26,686,544	25,936,699
EXPENDITURES:						
General government	885,252	870,299	811,460	895,057	867,715	821,026
Public safety and judicial	3,462,948	3,557,570	3,494,011	3,430,989	3,552,275	3,522,826
Board of Education	6,475,477	6,738,999	6,694,188	6,181,636	6,431,206	6,377,316
City University	494,849	503,400	312,809	469,946	483,795	298,502
Social services	6,369,282	6,742,916	6,686,418	5,685,114	6,008,696	5,931,912
Environmental protection	1,132,410	1,081,054	997,386	1,056,614	1,038,478	1,004,823
Transportation services	899,533	963,490	934,297	701,341	844,574	808,310
Parks, recreation and cultural activities	265,282	260,655	260,151	277,774	270,966	267,051
Housing	582,825	586,315	574,764	564,405	623,747	574,464
Health (including payments to HHC)	1,483,398	1,474,004	1,463,074	1,439,546	1,431,980	1,394,562
Libraries	145,397	138,874	138,761	97,856	95,940	95,035
Pensions	1,774,948	1,474,921	1,478,906	1,829,157	1,696,395	1,692,624
Judgments and claims	184,000	196,600	196,316	174,000	179,100	179,062
Fringe benefits and other benefit payments	1,279,196	1,247,005	1,237,620	1,179,168	1,162,169	1,156,780
Other	447,839	472,103	376,863	409,319	196,977	165,783
Total expenditures	25,882,636	26,308,205	25,657,024	24,391,922	24,884,013	24,290,076
OTHER FINANCING USES:						
Transfers and other payments for debt service	1,823,913	1,761,986	1,819,259	2,028,847	1,802,531	1,641,497
Total expenditures and other financing uses	27,706,549	28,070,191	27,476,283	26,420,769	26,686,544	25,931,573
EXCESS OF REVENUES AND OTHER SOURCES OVER EXPENDITURES AND OTHER USES	\$ —	\$ —	5,252	\$ —	\$ —	5,126
FUND BALANCE AT BEGINNING OF YEAR			73,418			68,292
FUND BALANCE AT END OF YEAR			\$ 78,670			\$ 73,418

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, 1991
(in thousands)

	Proprietary Fund Type				Total Enterprise Fund	Fiduciary Fund Type
	Health and Hospitals Corporation	Off-Track Betting Corporation	Housing and Economic Development Funds	Water and Sewer System		Pension Trust
OPERATING REVENUES:						
Patient service revenues, net	\$2,538,472	\$ —	\$ —	\$ —	\$2,538,472	\$ —
Charges for services	—	—	—	908,282	908,282	—
Other revenues	506,382	218,126	182,130	—	906,638	—
Employer, employee contributions	—	—	—	—	—	1,960,934
Investment income, net	—	—	60,242	47,512	107,754	3,685,940
Total operating revenues	3,044,854	218,126	242,372	955,794	4,461,146	5,646,874
OPERATING EXPENSES:						
Personal services	1,942,256	—	21,510	—	1,963,766	—
Affiliation	432,053	—	—	—	432,053	—
Racing industry compensation	—	55,743	—	—	55,743	—
Operations and maintenance	—	—	—	656,410	656,410	—
Interest expense	—	—	156,992	199,756	356,748	—
Administrative and selling	—	13,592	—	1,624	15,216	—
Depreciation and amortization	141,047	2,698	1,292	94,036	239,073	—
Benefit payments and withdrawals	—	—	—	—	—	3,050,480
Other	568,282	88,073	58,200	—	714,555	—
Distributions to the State and other local governments	—	24,773	—	—	24,773	—
Total operating expenses	3,083,638	184,879	237,994	951,826	4,458,337	3,050,480
Operating income (loss)	(38,784)	33,247	4,378	3,968	2,809	2,596,394
NON-OPERATING REVENUES (EXPENSES):						
Interest income	7,084	777	10,096	2,400	20,357	—
Interest expense	(90,017)	—	—	—	(90,017)	—
Amounts from other OTB communities ..	—	6,916	—	—	6,916	—
Other	—	—	(11,257)	—	(11,257)	(15,996)
Total non-operating revenues (expense)	(82,933)	7,693	(1,161)	2,400	(74,001)	(15,996)
Income (loss) before transfers ..	(121,717)	40,940	3,217	6,368	(71,192)	2,580,398
OPERATING TRANSFERS:						
Transfer to the General Fund	—	(36,412)	—	—	(36,412)	—
Net income (loss)	(121,717)	4,528	3,217	6,368	(107,604)	2,580,398
FUND EQUITY AT BEGINNING OF YEAR						
Contributed fixed assets	1,167,570	—	405,191	5,430,588	7,003,349	40,708,270
Net decrease in donor restricted funds ..	196,189	—	—	97,591	293,780	—
Net decrease in donor restricted funds ..	930	—	—	—	930	—
FUND EQUITY AT END OF YEAR						
Reserved	1,091,108	4,528	293,276	5,251,968	6,640,880	—
Reserved for Pension Benefits	—	—	—	—	—	43,288,668
Unreserved	151,864	—	115,132	282,579	549,575	—
FUND EQUITY AT END OF YEAR	\$1,242,972	\$ 4,528	\$408,408	\$5,534,547	\$7,190,455	\$43,288,668

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 Fund	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 (expense)	(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						
Contributed fixed assets	1,127,115	—	411,587	5,242,357	6,781,059	36,980,128
Net decrease in donor restricted funds	149,054	—	—	153,543	302,597	—
	(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 CASH FLOWS
PROPRIETARY FUND TYPE

FOR THE YEAR ENDED JUNE 30, 1991
(in thousands)

	<u>Health and Hospitals Corporation</u>	<u>Off-Track Betting Corporation</u>	<u>Housing and Economic Development Funds</u>	<u>Water and Sewer System</u>	<u>Total</u>
Operating Activities:					
Operating income (loss)	\$ (38,784)	\$ 33,247	\$ 4,378	\$ 3,968	\$ 2,809
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:					
Depreciation and amortization	141,047	2,698	1,292	94,036	239,073
Increase in patient service receivables, net	(87,821)	—	—	—	(87,821)
Increase (decrease) in accounts and other receivables	10,048	—	(8,015)	(65,884)	(63,851)
Increase in accounts payable and accrued liabilities	58,444	1,821	9,195	9,550	79,010
Increase in accrued vacation and sick leave	15,300	—	—	—	15,300
Decrease in accrued pension liability	(2,184)	(65)	—	—	(2,249)
Increase (decrease) in deferred revenues	—	—	(645)	10,745	10,100
Distribution to the City of New York	—	(36,264)	—	—	(36,264)
Program loans issued	—	—	(96,967)	—	(96,967)
Receipt from collections of program loans	—	—	18,949	—	18,949
Distribution to State and local governments	—	(25,169)	—	—	(25,169)
Increase in payable to the City of New York	—	—	—	43,829	43,829
Other (net)	(3,408)	21,728	(79,972)	(37,807)	(99,459)
Total Adjustments	<u>131,426</u>	<u>(35,251)</u>	<u>(156,163)</u>	<u>54,469</u>	<u>(5,519)</u>
Net cash provided by (used in) operating activities	<u>92,642</u>	<u>(2,004)</u>	<u>(151,785)</u>	<u>58,437</u>	<u>(2,710)</u>
Noncapital Financing Activities:					
Proceeds from issuing bonds, notes and other borrowings	180,000	—	122,815	—	302,815
Repayments of bonds, notes and other borrowings	(180,000)	—	(138,386)	—	(318,386)
Amounts from other OTB communities	—	6,916	—	—	6,916
Other (net)	—	—	(12,204)	—	(12,204)
Net cash provided by (used in) noncapital financing activities	<u>—</u>	<u>6,916</u>	<u>(27,775)</u>	<u>—</u>	<u>(20,859)</u>
Capital and Related Financing Activities:					
Additions to fixed assets, net of proceeds from sales	(202,917)	(2,590)	(756)	(643,325)	(849,588)
Proceeds from issuing bonds, notes and other borrowings	—	—	—	943,728	943,728
Repayments of bonds, notes and other borrowings	(7,445)	(454)	(414)	(65,080)	(73,393)
Payments from the City other than for operations, net	196,189	—	—	—	196,189
Interest paid on bonds, notes and other borrowings	(90,017)	—	—	—	(90,017)
Net cash provided by (used in) capital and related financing activities	<u>(104,190)</u>	<u>(3,044)</u>	<u>(1,170)</u>	<u>235,323</u>	<u>126,919</u>
Investing Activities:					
Excess (deficiency) of proceeds from sales of investments net of purchases	—	—	149,586	(116,559)	33,027
Interest on investments	7,084	777	10,934	2,400	21,195
Net cash provided by (used in) investing activities	<u>7,084</u>	<u>777</u>	<u>160,520</u>	<u>(114,159)</u>	<u>54,222</u>
INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	(4,464)	2,645	(20,210)	179,601	157,572
CASH AND CASH EQUIVALENTS BEGINNING OF YEAR	83,259	13,875	73,512	223,212	393,858
CASH AND CASH EQUIVALENTS END OF YEAR	<u>\$ 78,795</u>	<u>\$ 16,520</u>	<u>\$ 53,302</u>	<u>\$ 402,813</u>	<u>\$ 551,430</u>

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

HHC received capital assets of \$196 million for fiscal year 1991 which represents contributed capital from the City.

The Water Board received capital assets of \$98 million for fiscal year 1991 which represents contributed capital from the City.

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, 1990
(in thousands)

	Health and Hospitals Corporation	Off-Track Betting Corporation	Housing and Economic Development Funds	Water and Sewer System	Total
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	(9,174)	—	(4,128)	(39,389)	(52,691)
Increase (decrease) in accounts payable and accrued liabilities	32,387	(111)	(9,108)	(1,977)	21,191
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	4,420	(13,862)	20,641
Total adjustments	<u>124,066</u>	<u>(37,943)</u>	<u>(88,678)</u>	<u>(118,088)</u>	<u>(120,643)</u>
Net cash provided by (used in) operating activities	<u>75,778</u>	<u>(6,011)</u>	<u>(104,668)</u>	<u>(84,064)</u>	<u>(118,965)</u>
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	<u>—</u>	<u>7,834</u>	<u>1,906</u>	<u>—</u>	<u>9,740</u>
Capital and Related Financing Activities:					
Additions to fixed assets, net of proceeds from sales ..	(171,574)	(3,352)	(1,310)	(298,276)	(474,512)
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	<u>(97,366)</u>	<u>(3,767)</u>	<u>(1,683)</u>	<u>112,989</u>	<u>10,173</u>
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	<u>7,862</u>	<u>966</u>	<u>85,785</u>	<u>(65,726)</u>	<u>28,887</u>
DECREASE IN CASH AND CASH EQUIVALENTS	(13,726)	(978)	(18,660)	(36,801)	(70,165)
CASH AND CASH EQUIVALENTS BEGINNING OF YEAR	96,985	14,853	92,172	260,013	464,023
CASH AND CASH EQUIVALENTS END OF YEAR	\$ 83,259	\$ 13,875	\$ 73,512	\$ 223,212	\$ 393,858

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

HHC received capital assets of \$149 million for fiscal year 1990 which represents contributed capital from the City.

The Water Board received capital assets of \$154 million for fiscal year 1990 which represents contributed capital from the City.

See accompanying notes to financial statements.

THE CITY OF NEW YORK
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 1991 and 1990

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)

Water and Sewer System:

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

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—Subchapter 2 (POLICE)
- New York Fire Department Pension Fund—Subchapter 2 (FIRE)

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

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 \$718 million at June 30, 1991 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 the roads, bridges, curbs and gutters, streets and sidewalks, park land and improvements and subway tracks and tunnels. The fixed assets of the 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; (v) certain unfunded pension liabilities; and (vi) certain unpaid deferred wages.

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 have General Fund expenditures in excess of revenues.

Expenditures made against the Expense Budget are controlled through the use of quarterly spending allotments and units of appropriation. A unit of appropriation represents a subdivision of an agency's budget 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 size of the agency and 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 \$364 million and \$266 million subsequent to its original adoption in fiscal years 1991 and 1990, 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 1991 and 1990 were approximately \$221 million and \$156 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 the 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, 1991 and 1990 (estimated at \$203 million and \$201 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 \$969.2 million and \$931.7 million for fiscal years 1991 and 1990, 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. Settlements relating to condemnation proceedings are reported in the Capital Projects Fund when the liability is estimable. 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, 1991 were due July 1, 1990 and January 1, 1991 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 1991 taxes was June 30, 1990. 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.

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 in excess of that required for that purpose in the year of the levy must be applied towards future years' debt service. For the year ended June 30, 1991, no such excess amount was available to be transferred to the Debt Service Fund. For the year ended June 30, 1990, an excess amount of \$159 million was 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 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, privileges and franchises, 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 pension costs 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.

Pronouncements Issued But Not Yet Effective

In May, 1990, the GASB issued Statement No. 11, *Measurement Focus and Basis of Accounting—Governmental Fund Operating Statements*. The Statement establishes an accrual basis of accounting with a financial resources measurement focus for governmental funds. The operating results expressed using the financial resources measurement focus show the extent to which financial resources obtained during a period are sufficient to cover claims against financial resources incurred during that period. The City currently follows the modified accrual basis. Using the modified accrual basis, revenues are recognized in the accounting period in which they become measurable and available and expenditures are recognized when the fund liability is incurred, if measurable, except for unmatured interest on general long-term debt, which is recognized when due. The City will first be required to comply with Statement No. 11 for the year ending June 30, 1995. Early implementation of Statement No. 11 is not permitted. The City has not yet completed the complex analysis required to estimate the financial statement impact of Statement No. 11.

In June, 1991, the GASB issued Statement No. 14, *The Financial Reporting Entity*. This Statement establishes standards for reporting on the financial reporting entity. The entity, currently reported on by the City, is based upon National Council On Governmental Accounting (NCGA) Statements 3 and 7 and NCGA Interpretation 7. The application of the standards in Statement No. 14 may result in changes in the entities included in the City's financial statements as well as changes in the manner in which such entities are reported. The City will first be required to comply with Statement No. 14 for the year ending June 30, 1994. The City has not yet completed the analysis required to assess the financial statement impact of Statement No. 14.

B. AUDIT RESPONSIBILITY

In 1991, the most significant separately administered organizations included in the financial statements of the City audited by auditors other than Ernst & Young and Mitchell/Titus & Co., the City's auditors, are the Municipal Assistance Corporation For The City of New York, New York City Health and Hospitals Corporation, the major entities comprising the Housing and Economic Development Funds, the New York City Municipal Water Finance Authority, and the New York City Water Board.

In 1990, the most significant separately administered organizations included in the financial statements of the City audited by auditors other than Ernst & Young and Mitchell/Titus & Co., the City's auditors, 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 major 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.

The following describes the proportion of certain key financial information that is audited by other auditors in 1991 and 1990:

	Fund Types								Account Groups					
	General		Capital Projects		Debt Service		Enterprise		Trust and Agency		General Fixed Assets		General Long-term Obligations	
	1991	1990	1991	1990	1991	1990	1991	1990	1991	1990	1991	1990	1991	1990
	(percent)													
Total assets/liabilities	0	0	12	11	85	76	99	99	1	100	10	3	24	27
Operating revenues and other financing sources	0	0	13	6	48	23	95	99	0	100	NA	NA	NA	NA

NA: Not Applicable

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 which MAC issued approximately \$9.445 billion, exclusive of obligations issued to refund outstanding obligations of MAC and of notes issued to enable the City to fulfill its seasonal borrowing requirements. In July, 1990, State legislation was enacted which, among other things, authorized MAC to issue up to an additional \$1.5 billion of bonds and notes to fund a portion of the capital programs of the New York City Transit Authority and the New York City School Construction Authority. This legislation also provides for a reduction in the July, 1990 issuance authority to the extent that the transit and schools capital programs are funded by the City. As of June 30, 1991, the City has funded \$290 million of these programs.

MAC continues to be authorized to issue obligations to renew or refund outstanding obligations, without limitation as to amount. No obligations of MAC may mature later than July 1, 2008. MAC may issue 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 periodic 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, 1991, the carrying amount of the City's cash and deposits was \$518 million and the bank balances were \$439 million. Of the bank balances, \$134 million was covered by federal depository insurance or collateralized with securities held by the City's agent in the City's name, and \$305 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 agreements.

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 in U.S. Government securities, securities of government agencies backed by the U.S. Government, securities of companies rated single A or better by both Standard & Poor's Corporation and Moody's Investors Service, and any bond on the Legal Investments for New York Savings Banks list published annually by the New York State Banking Department.

- 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 banks with either the highest or next to the highest rating categories of the leading independent bank rating agencies.

5) Investments up to 7½% of total pension fund assets in instruments not specifically covered by the State Retirement and Social Security Law.

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, 1991 and 1990 are classified as follows:

	1991			Total Carrying Amount	Market Value
	Category				
	1	2	3		
			(in millions)		
Repurchase agreements	\$ 3,693	\$ —	\$ —	\$ 3,693	\$ 3,693
U.S. Government securities	16,426	—	—	16,426	17,661
Commercial paper	1,072	114	—	1,186	1,186
Corporate bonds	4,527	—	—	4,527	4,731
Corporate stocks	20,613	—	—	20,613	20,690
Guaranteed investment contracts	996	—	—	996	996
Other	2,241	—	—	2,241	2,253
	<u>\$49,568</u>	<u>\$114</u>	<u>\$ —</u>	49,682	51,210
Mutual Funds (1)				122	122
Investment Fund—Fixed Income (1)				369	383
Investment Fund—Equity (1)				1,359	1,359
Total investments				<u>\$51,532</u>	<u>\$53,074</u>

(1) These securities are not categorized because they are not evidenced by securities that exist in physical or book entry form.

In addition, the restricted cash and investments include \$45.4 million of cash, of which the repayment of \$500 thousand was insured and \$44.9 million was uninsured and uncollateralized. Restricted investments, principally in U.S. Government securities with a cost and approximate market value of \$723.3 million are fully collateralized with securities held by the trustee in the entity's name of which \$346.7 million has maturities of three months or less.

NOTES TO FINANCIAL STATEMENTS, Continued

	1990			Total Carrying Amount	Market Value
	Category				
	1	2	3		
	(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	—	—	16,156	16,156
Guaranteed investment contracts	919	—	—	919	919
Other	3,055	—	—	3,055	3,055
	<u>\$48,944</u>	<u>\$ 76</u>	<u>\$ —</u>	<u>49,020</u>	<u>49,137</u>
Mutual Funds (1)				90	90
Total investments				<u>\$49,110</u>	<u>\$49,227</u>

(1) These securities are not categorized because they are not evidenced by securities that exist in physical or book entry form.

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:

	Health and Hospitals Corporation	Off-Track Betting Corporation	Housing and Economic Development Funds	Water and Sewer System	Total
Cash and cash equivalents—June 30, 1989	\$ 96,985	\$14,853	\$ 92,172	\$260,013	\$464,023
Net increase (decrease) in unrestricted	(13,419)	(978)	(18,660)	17,421	(15,636)
Net decrease in restricted	(307)	—	—	(54,222)	(54,529)
Cash and cash equivalents—June 30, 1990	83,259	13,875	73,512	223,212	393,858
Net increase (decrease) in unrestricted	(4,394)	2,645	(20,210)	617	(21,342)
Net increase (decrease) in restricted	(70)	—	—	178,984	178,914
Cash and cash equivalents—June 30, 1991	<u>\$ 78,795</u>	<u>\$16,520</u>	<u>\$ 53,302</u>	<u>\$402,813</u>	<u>\$551,430</u>

NOTES TO FINANCIAL STATEMENTS, Continued

E. GENERAL FIXED ASSETS ACCOUNT GROUP

The following is a summary of changes in general fixed assets for the fiscal years ended June 30, 1990 and 1991:

	June 30, 1989	Additions	Deletions	June 30, 1990 (in thousands)	Additions	Deletions	June 30, 1991
Land	\$ 545,684	\$ 997	\$ —	\$ 546,681	\$ 738	\$ —	\$ 547,419
Buildings	5,094,442	364,883	1,543	5,457,782	231,718	—	5,689,500
Equipment	2,490,838	317,632	56,073	2,752,397	267,047	113,553	2,905,891
Construction work-in-progress	1,808,403	1,038,916	364,883	2,482,436	944,612	231,718	3,195,330
Total	9,939,367	1,722,428	422,499	11,239,296	1,444,115	345,271	12,338,140
Less accumulated depreciation and amortization	3,530,237	333,524	48,208	3,815,553	294,310	91,596	4,018,267
Net fixed assets	<u>\$6,409,130</u>	<u>\$1,388,904</u>	<u>\$374,291</u>	<u>\$7,423,743</u>	<u>\$1,149,805</u>	<u>\$253,675</u>	<u>\$8,319,873</u>

The following are the sources of funding for the general fixed assets at June 30, 1991 and 1990. Sources of funding for fixed assets are not available prior to fiscal year 1987.

	1991	1990
	(in thousands)	
Capital Projects Fund:		
Prior to fiscal year 1987	\$ 6,810,757	\$ 6,808,724
City bonds	5,280,357	4,250,078
Federal grants	176,816	113,750
State grants	57,547	55,170
Private grants	12,663	11,574
Total	<u>\$12,338,140</u>	<u>\$11,239,296</u>

At June 30, 1991 and 1990, 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. Those assets leased to HHC and to the water and sewer system are excluded from the General Fixed Assets Account Group and are recorded in the respective Enterprise Funds.

Included in land and buildings at June 30, 1991 and 1990 are leased properties capitalized at \$161 million and \$113 million with related accumulated amortization of \$88 million and \$93 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, 1991 and June 30, 1990 exceed the \$1.444 billion and \$1.722 billion increases recorded as general fixed assets by \$2.789 billion and \$2.029 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 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, 1991 and June 30, 1990 were approximately \$282 million and \$221 million, respectively.

NOTES TO FINANCIAL STATEMENTS, Continued

As of June 30, 1991, 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:

	<u>Capital Leases</u>	<u>Operating Leases</u>	<u>Total</u>
	(in thousands)		
Fiscal year ending June 30:			
1992	\$ 59,733	\$117,579	\$177,312
1993	58,318	109,267	167,585
1994	55,151	96,333	151,484
1995	53,495	82,424	135,919
1996	55,010	76,047	131,057
Thereafter until 2086	735,183	448,264	1,183,447
Future minimum payments	1,016,890	<u>\$929,914</u>	<u>\$1,946,804</u>
Less interest	<u>501,606</u>		
Present value of future minimum payments	<u>\$ 515,284</u>		

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, 1991 and June 30, 1990 were approximately \$170 million and \$207 million, respectively. As of June 30, 1991, the following future minimum rentals are provided for by the leases:

	<u>Amount</u>
	(in thousands)
Fiscal year ending June 30:	
1992	\$ 46,732
1993	44,079
1994	41,312
1995	39,020
1996	38,802
Thereafter until 2086	1,198,796
Future minimum rentals	<u>\$1,408,741</u>

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.

NOTES TO FINANCIAL STATEMENTS, Continued

	Balance June 30, 1989	Issued	Repaid or Defeased	Balance June 30, 1990	Issued	Repaid or Defeased	Balance June 30, 1991
	(in thousands)						
City debt:							
Term bonds	\$ 375,325	\$ —	\$ 256,325	\$ 119,000	\$ —	\$ 39,000	\$ 80,000
Serial bonds	11,036,828	4,033,275	1,690,117	13,379,986	3,892,925	540,432	16,732,479
	<u>11,412,153</u>	<u>4,033,275</u>	<u>1,946,442</u>	<u>13,498,986</u>	<u>3,892,925</u>	<u>579,432</u>	<u>16,812,479</u>
MAC debt:							
First General Resolution							
Bonds	1,389,738	—	185,000	1,204,738	—	210,000	994,738
Second General Resolution							
Bonds	6,146,765	—	229,895	5,916,870	—	345,300	5,571,570
1991 General Resolution							
Bonds	—	—	—	—	138,440	—	138,440
	<u>7,536,503</u>	<u>—</u>	<u>414,895</u>	<u>7,121,608</u>	<u>138,440</u>	<u>555,300</u>	<u>6,704,748</u>
Guaranteed debt:							
New York City Housing							
Authority	49,547	—	2,578	46,969	—	2,663	44,306
Component unit debt:(1)							
City University Construction							
Fund(2)	365,492	373	4,781(3)	361,084	316,893	274,367(3)	403,610
New York City Educational							
Construction Fund	134,925	—	200	134,725	—	1,300	133,425
	<u>500,417</u>	<u>373</u>	<u>4,981</u>	<u>495,809</u>	<u>316,893</u>	<u>275,667</u>	<u>537,035</u>
Total before treasury							
obligations	19,498,620	4,033,648	2,368,896	21,163,372	4,348,258	1,413,062	24,098,568
Less treasury obligations	1,984,445	16,435	329,970	1,670,910	—	161,681	1,509,229
Total	<u>\$17,514,175</u>	<u>\$4,017,213</u>	<u>\$2,038,926</u>	<u>\$19,492,462</u>	<u>\$4,348,258</u>	<u>\$1,251,381</u>	<u>\$22,589,339</u>

- (1) The debt of CUCF and ECF are reported as bonds outstanding as of June 30, 1990 and 1991 pursuant to their treatment as component units (See Note A).
- (2) Excludes \$262,717 in 1990 and \$304,313 in 1991 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, 1991 and 1990 summarized by type of issue are as follows:

	1991			1990		
	General Obligations	Revenue	Total	General Obligations	Revenue	Total
	(in thousands)					
Bonds payable:						
City debt	\$15,303,250	\$ —	\$15,303,250	\$11,828,076	\$ —	\$11,828,076
MAC debt	6,704,748	—	6,704,748	7,121,608	—	7,121,608
Guaranteed debt	44,306	—	44,306	46,969	—	46,969
Component unit debt	—	537,035	537,035	—	495,809	495,809
Total bonds payable	<u>\$22,052,304</u>	<u>\$537,035</u>	<u>\$22,589,339</u>	<u>\$18,996,653</u>	<u>\$495,809</u>	<u>\$19,492,462</u>

NOTES TO FINANCIAL STATEMENTS, Continued

The following table summarizes future debt service requirements as of June 30, 1991:

	City Debt			MAC Debt Service	Component Unit and City Guaranteed Debt	Total
	Term Bonds	Serial Bonds	Interest on Bonds			
	(in thousands)					
Fiscal year ending June 30:						
1992	\$ —	\$ 743,884	\$ 1,138,319	\$ 887,217	\$ 45,504	\$ 2,814,924
1993	—	824,796	1,084,802	885,926	53,902	2,849,426
1994	—	896,121	1,022,275	853,096	54,794	2,826,286
1995	—	826,191	962,816	866,227	54,765	2,709,999
1996	—	769,250	900,541	524,348	55,262	2,249,401
Thereafter until 2147	80,000	11,163,008	8,559,872	7,120,302	865,587	27,788,769
Total	80,000	15,223,250	13,668,625	11,137,116	1,129,814	41,238,805
Less interest component	—	—	13,668,625	4,432,368	548,473	18,649,466
Total debt service requirements	<u>\$80,000</u>	<u>\$15,223,250</u>	<u>\$ —</u>	<u>\$ 6,704,748</u>	<u>\$ 581,341</u>	<u>\$22,589,339</u>

The average interest rates for outstanding City term and serial bonds as of June 30, 1991 and 1990 were 7.8% (range 2.5% to 13.6%) and 7.7% (range 2.5% to 13.6%), respectively, and the interest rates on outstanding MAC bonds as of June 30, 1991 and 1990 ranged from 5.3% to 8.5% and 5.5% to 9.1%, respectively. The last maturity of the outstanding City debt is in the year 2147.

At June 30, 1991, \$2.283 billion of the City's general obligation bonds have been advance refunded by a series of bonds issued during fiscal years 1986 through 1990 and accordingly have been accounted for as if redeemed.

In fiscal year 1991, bonds issued for refunding purposes by MAC reduced debt service payments by \$20.6 million during the calendar years 1991 through 2008, producing present value savings of \$8.2 million. At June 30, 1991, \$2.181 billion of MAC bonds which have been advance refunded are considered defeased.

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, 1991 and 1990, the City had deposited the required installments of \$1.1 million and \$1.3 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, 1991, the 10% general and 2% additional limitations were approximately \$42.527 billion and \$1.396 billion, respectively, of which the remaining debt-incurring amounts within such limits were \$12.167 billion and 1.235 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, 1991, the City completed the following long-term financing:

City Debt: On August 15, 1991, the City sold in the public credit market \$800 million aggregate principal amount of general obligation bonds, consisting of \$661 million of tax-exempt current interest bonds, \$89 million of tax-exempt capital appreciation bonds, \$40 million of taxable current interest bonds and \$10 million of taxable capital appreciation bonds.

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, 1991 and 1990, claims in excess of \$322 billion and \$306 billion, respectively, were outstanding against the City for which the City estimates its potential future liability to be \$2.1 billion and \$2.2 billion, respectively.

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 \$218 million as reported in the General Long-term Obligations Account Group.

Wage Deferral

In fiscal year 1991, the Board of Education entered into an agreement whereby teachers would defer a portion of their fiscal year 1991 salary. The City will repay the deferred wages in two installments: (i) one-half to be repaid on September 1, 1995; and (ii) the second half plus interest at 9% per annum on the unpaid balance from September 1, 1995 to be repaid on September 1, 1996.

Changes In Certain Long-term Obligations

In fiscal years 1990 and 1991, the changes in long-term obligations other than for bonds were as follows:

	Balance June 30, 1989	Additions	Deletions	Balance June 30, 1990	Additions	Deletions	Balance June 30, 1991
	(in thousands)						
Capital lease obligations . . .	\$ 488,695	\$ —	\$ 42,634	\$ 446,061	\$ 69,223	\$ —	\$ 515,284
Real estate tax refunds . . .	155,000	119,647	74,141	200,506	170,721	153,653	217,574
Judgments and claims . . .	2,300,000	59,062	179,062	2,180,000	90,837	196,318	2,074,519
Vacation and sick leave . . .	1,360,000	172,146(1)	—	1,532,146	31,172(1)	—	1,563,318
Deferred wages	30,992	—	30,992	—	46,696	—	46,696
Pension liability	2,760,905	—	19,571	2,741,334	—	53,903	2,687,431
Totals	<u>\$7,095,592</u>	<u>\$350,855</u>	<u>\$346,400</u>	<u>\$7,100,047</u>	<u>\$408,649</u>	<u>\$403,874</u>	<u>\$7,104,822</u>

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

NOTES TO FINANCIAL STATEMENTS, Continued

H. INTERFUND RECEIVABLE AND PAYABLE BALANCES

At June 30, 1991 and 1990, individual fund interfund receivable and payable balances were as follows:

	1991		1990	
	Interfund receivable	Interfund payable	Interfund receivable	Interfund payable
	(in thousands)			
General Fund	\$627,103	\$ —	\$ 985,866	\$ 150,383
Capital Projects Fund	104,076	479,525	66,664	829,962
Debt Service Funds:				
General Debt Service Funds	33,356	25,930	182,364	1,443
Enterprise Funds:				
Off-Track Betting Corporation	—	976	—	828
Housing Development Corporation	—	153,893	—	183,551
New York City Water Board	11,960	12,095	3,615	5,678
Municipal Water Finance Authority	—	104,076	—	66,664
Totals	<u>\$776,495</u>	<u>\$776,495</u>	<u>\$1,238,509</u>	<u>\$1,238,509</u>

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, 1991 and 1990:

	1991				
	Health and Hospitals Corporation	Off-Track Betting Corporation	Housing and Economic Development Funds	Water and Sewer System	Total
	(in thousands)				
Assets:					
Current	\$ 713,026	\$16,520	\$ 958,470	\$ 369,644	\$ 2,057,660
Mortgage and interest receivable	—	—	1,876,115	—	1,876,115
Land	37,954	—	—	—	37,954
Buildings and leasehold improvements	709,194	15,405	15,399	—	739,998
Equipment	1,649,962	10,613	—	10,059,723	11,720,298
Less accumulated depreciation	(1,284,961)	(10,564)	(4,942)	(2,349,094)	(3,649,561)
Other	19,787	4,565	32,806	790,258	847,416
Total assets	<u>\$1,844,962</u>	<u>\$36,539</u>	<u>\$2,877,848</u>	<u>\$8,870,531</u>	<u>\$13,629,880</u>
Liabilities:					
Current	\$ 464,838	\$20,943	\$ 450,790	\$ 164,741	\$ 1,101,312
Long-term	137,152	11,068	2,018,650	3,171,243	5,338,113
Total liabilities	<u>601,990</u>	<u>32,011</u>	<u>2,469,440</u>	<u>3,335,984</u>	<u>6,439,425</u>
Equity	<u>1,242,972</u>	<u>4,528</u>	<u>408,408</u>	<u>5,534,547</u>	<u>7,190,455</u>
Total liabilities and equity	<u>\$1,844,962</u>	<u>\$36,539</u>	<u>\$2,877,848</u>	<u>\$8,870,531</u>	<u>\$13,629,880</u>

NOTES TO FINANCIAL STATEMENTS, Continued

	1990				Total
	Health and Hospitals Corporation	Off-Track Betting Corporation	Housing and Economic Development Funds (in thousands)	Water and Sewer System	
Assets:					
Current	\$655,686	\$13,875	\$1,117,174	\$ 234,936	\$ 2,021,671
Mortgage and interest receivable	—	—	1,739,961	—	1,739,961
Land	37,871	—	—	—	37,871
Buildings and leasehold improvements	635,507	13,702	14,572	—	663,781
Equipment	1,520,061	10,496	—	9,330,271	10,860,828
Less accumulated depreciation	(1,143,160)	(8,636)	(3,922)	(2,271,230)	(3,426,948)
Other	—	2,884	31,734	480,904	515,522
Total assets	<u>\$1,705,965</u>	<u>\$32,321</u>	<u>\$2,899,519</u>	<u>\$7,774,881</u>	<u>\$12,412,686</u>
Liabilities:					
Current	\$ 391,094	\$20,539	\$ 420,216	\$ 106,301	\$ 938,150
Long-term	147,301	11,782	2,074,112	2,237,992	4,471,187
Total liabilities	538,395	32,321	2,494,328	2,344,293	5,409,337
Equity	1,167,570	—	405,191	5,430,588	7,003,349
Total liabilities and equity	<u>\$1,705,965</u>	<u>\$32,321</u>	<u>\$2,899,519</u>	<u>\$7,774,881</u>	<u>\$12,412,686</u>

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 funds to HHC for care given to uninsured indigent patients, members of the uniformed services and prisoners and other costs and expenses not covered by other payors. In addition, the City pays for settlements of claims for medical malpractice, negligence and other miscellaneous torts and contracts as well as costs relating to pensions, utilities, and interest on capital acquisitions including those acquired through lease purchase arrangements. HHC does not reimburse the City for such costs. HHC records both a revenue and an expense in an amount equal to expenditures made on its behalf by the City. For fiscal years 1991 and 1990, the City's cash subsidy was \$213 million and \$250 million, respectively; the payments made by the City on behalf of HHC was \$463 million and \$481 million for fiscal years 1991 and 1990, 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 other revenues are transfers from donor restricted funds of \$28 million and \$33 million in fiscal years 1991 and 1990, 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 the cost of construction that it controls as costs are incurred. Costs associated with facilities constructed 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 \$55 million and \$72 million for fiscal years 1991 and 1990, 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 nonmedicare/nonmedicaid revenues.

The following table summarizes future debt service requirements as of June 30, 1991:

	<u>Principal</u>	<u>Interest</u> (in thousands)	<u>Total</u>
Fiscal year ending June 30:			
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	<u>\$35,550</u>	<u>\$7,009</u>	<u>\$42,559</u>

The interest rates on the bonds as of June 30, 1991 and 1990 ranged from 7.2% to 7.8% and from 7.0% to 7.8%, respectively.

Changes in Fund Equity

Presented below are the changes in Fund Equity for the fiscal years ended June 30, 1990 and 1991:

NOTES TO FINANCIAL STATEMENTS, Continued

	Unreserved Retained Earnings	Contributed Capital Plant and Equipment (in thousands)	Reserve for Donor Restrictions	Total Fund Equity
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
Excess of expenses over revenues	(121,717)	—	—	(121,717)
Reduction in bonds payable	(7,445)	7,445	—	—
Additions to plant and equipment funded by:				
The City of New York	—	196,189	—	196,189
HHC	(6,728)	6,728	—	—
Donor restricted fund activity:				
Grants and other increases	—	—	28,523	28,523
Transfers to statement of revenues and expenses to support related activities	—	—	(27,593)	(27,593)
Depreciation charged to plant and equipment leased	141,047	(141,047)	—	—
Balances, June 30, 1991	<u>\$ 151,864</u>	<u>\$1,076,599</u>	<u>\$ 14,509</u>	<u>\$1,242,972</u>

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; (iii) a 1% surcharge on multiple, exotic, and super exotic wagering pools; and (iv) 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; (iii) allocates various percentages of wagers handled and breakage together with all uncashed pari-mutuel tickets to the State; and (iv) allocates the 1% surcharge on exotic wagering pools for the financing of capital acquisitions. 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, 1991 and 1990 was approximately \$11.2 million and \$12.0 million, respectively. As of June 30, 1991, OTB had future minimum rental obligations on noncancelable operating leases as follows:

NOTES TO FINANCIAL STATEMENTS, Continued

	<u>Amount</u> (in thousands)
Fiscal year ending June 30:	
1992	\$10,557
1993	9,164
1994	7,889
1995	6,962
1996	5,977
Thereafter until 2000	15,688
Total	<u>\$56,237</u>

Pensions

Substantially all full-time employees of OTB are members of NYCERS (see Note Q). The provisions for pension costs were actuarially determined and amounted to \$3.6 million and \$5.0 million, for fiscal years 1991 and 1990, 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, 1991 was \$243 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 retained earnings of \$4.1 and \$5.8 million respectively, for fiscal years 1991 and 1990.

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.

NOTES TO FINANCIAL STATEMENTS, Continued

The future debt service requirements on HDC bonds and notes payable at October 31, 1990, its most recent fiscal year-end, were as follows:

	<u>Principal</u>	<u>Interest</u> (in thousands)	<u>Total</u>
Fiscal year ending October 31:			
1991	\$ 117,180	\$ 143,288	\$ 260,468
1992	25,379	141,055	166,434
1993	27,827	139,201	167,028
1994	31,392	137,172	168,564
1995	34,110	134,858	168,968
Thereafter until 2030	<u>1,819,834</u>	<u>2,554,244</u>	<u>4,374,078</u>
Total	<u>\$2,055,722</u>	<u>\$3,249,818</u>	<u>\$5,305,540</u>

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, 1990 range from 1.00% to 11.125%.

HDC had \$288.1 million and \$292.7 million, respectively, of General Obligation bonds and notes outstanding at October 31, 1990 and 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 fiscal years ended October 31, 1989 and 1990:

	<u>Balance</u> <u>October 31,</u> <u>1988</u>	<u>Issued</u>	<u>Retired</u>	<u>Balance</u> <u>October 31,</u> <u>1989</u>	<u>Issued</u>	<u>Retired</u>	<u>Balance</u> <u>October 31,</u> <u>1990</u>
	(in thousands)						
General Obligation	\$ 295,675	\$ —	\$ 3,005	\$ 292,670	\$ —	\$ 4,610	\$ 288,060
Revenue	1,768,619	385,588	375,412	1,778,795	122,815	133,948	1,767,662
Total	<u>\$2,064,294</u>	<u>\$385,588</u>	<u>\$378,417</u>	<u>\$2,071,465</u>	<u>\$122,815</u>	<u>\$138,558</u>	<u>\$2,055,722</u>

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, 1991, the Water Authority has a cumulative deficit of \$469 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, 1991 and 1990 amounted to \$97.6 million and \$153.5 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:

	<u>Years</u>
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 years 1991 and 1990, the Water Authority issued Series A revenue bonds in the aggregate amount of \$300.2 million and \$313.5 million, respectively, which reflects capital appreciation bonds at the matured value, and Series B revenue bonds in the aggregate amount of \$336.4 million and \$173.5 million, respectively, of which the latter reflects capital appreciation bonds at the matured value; Series C revenue bonds were issued in the aggregate amount of \$354.6 million during fiscal year 1991. Other than Series B and Series C revenue bonds mentioned above for fiscal year 1991, outstanding revenue bonds at June 30, 1991 and 1990 totaling \$3.4 billion and \$2.5 billion, respectively, reflect capital appreciation bonds at their matured value.

The following table summarizes future debt service requirements as of June 30, 1991:

	<u>Principal</u>	<u>Interest</u> (in thousands)	<u>Total</u>
Fiscal year ending June 30:			
1992	\$ 45,730	\$ 225,780	\$ 271,510
1993	56,925	215,314	272,239
1994	60,590	211,657	272,247
1995	64,605	207,655	272,260
1996	68,985	203,286	272,271
Thereafter until 2020	3,149,534	3,034,090	6,183,624
Total	<u>\$3,446,369</u>	<u>\$4,097,782</u>	<u>\$7,544,151</u>

The interest rates on the outstanding bonds as of June 30, 1991 and 1990 ranged from 5¼% to 9.0% and from 5.0% to 9.0%, respectively.

NOTES TO FINANCIAL STATEMENTS, Continued

The following is a summary of revenue bond transactions of the Water Authority for the fiscal years ended June 30, 1990 and 1991:

	Balance June 30, 1989	Issued	Retired	Balance June 30, 1990	Issued	Retired	Balance June 30, 1991
				(in thousands)			
Revenue bonds	\$2,059,824	\$487,005	\$26,620	\$2,520,209	\$968,240	\$42,080	\$3,446,369

In fiscal year 1987, the Water Authority defeased in substance \$162.2 million of revenue bonds. As of June 30, 1991, none of the defeased bonds had been retired from the assets of the escrow account.

On September 25, 1991, the Water Authority sold \$583,155,000 fiscal 1992 Series A Water and Sewer System revenue bonds for purposes of financing a portion of the cost of the Capital Renovation and Improvements program of the system, funding certain reserves, paying costs of issuance and advance refunding a portion of the Water Authority's outstanding Water and Sewer System revenue bonds, fiscal 1987 Series B and fiscal 1988 Series A.

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, 1991 and 1990 are as follows:

	1991	1990
	(in thousands)	
Balances, June 30	\$5,224,112	\$5,140,995
Plant and equipment contributed	97,591	153,543
Allocation of depreciation to contributed capital	(69,735)	(70,426)
Balances, June 30	\$5,251,968	\$5,224,112

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, 1991, claims in excess of \$2.4 billion were outstanding against the City for which the City estimates its potential future liability to be \$223 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 \$1.5 billion at June 30, 1991, 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.

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

NOTES TO FINANCIAL STATEMENTS, Continued

The Police Superior Officers' Variable Supplements Fund provides supplemental benefits to retirees of the uniformed force of the New York Police Department who retired holding the rank of sergeant or higher, or detective, and is a service retiree of the New York Police Department Pension Fund—Subchapter 1 or Subchapter 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.

The Firefighters' Variable Supplements Fund provides supplemental benefits to retirees who retired for service as firefighters of the New York Fire Department Pension Fund—Subchapter 1 or Subchapter 2, and who retired on or after October 1, 1968.

The Fire Officers' Variable Supplements Fund provides supplemental benefits to retirees of the uniformed force who retired 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—Subchapter 1 or Subchapter 2, and who retired on or after October 1, 1968.

The Administrative Code provides that the New York Police Department Pension Fund—Subchapter 2 and the New York Fire Department Pension Fund—Subchapter 2 pay to the respective variable supplements funds an amount equal to certain excess earnings on equity investments. The excess earnings are the earnings on equity investments which exceed what the earnings might have been had such funds been hypothetically invested in fixed income securities, less any cumulative deficiencies. For fiscal year 1991, there were no excess earnings on equity investments. For fiscal year 1990, the hypothetical gains on equity investments were as follows:

	<u>Amount</u> (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	<u>17.3</u>
Total	<u>\$44.7</u>

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 excess earnings or losses are computed. Consequently, 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 excess earnings. The present value of accumulated benefits as of June 30, 1991 and 1990 is as follows:

	<u>1991</u>	<u>1990</u>
	(in millions)	
Police Officers' Variable Supplements Fund	\$608	\$620
Firefighters' Variable Supplements Fund	<u>292</u>	<u>283</u>
Total	<u>\$900</u>	<u>\$903</u>

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).

NOTES TO FINANCIAL STATEMENTS, Continued

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 fiscal years ended June 30, 1991 and 1990:

	<u>1991</u>	<u>1990</u>
	(in thousands)	
Fund assets at beginning of fiscal year	\$328,608	\$195,295
Deferrals of compensation	122,545	118,776
Earnings and adjustment to market value	33,396	26,065
Payments to eligible participants and beneficiaries	(16,581)	(10,395)
Administrative expenses	<u>(1,354)</u>	<u>(1,133)</u>
Fund assets at end of fiscal year	<u>\$466,614</u>	<u>\$328,608</u>

P. OTHER POSTEMPLOYMENT BENEFITS

In accordance with collective bargaining agreements, the City provides Other Postemployment Benefits (OPEB) which include basic medical and hospitalization (health care) benefits to eligible retirees and dependents at no cost to 93.1% of the participants. Basic health care premium costs which are partially paid by the remaining participants vary according to the terms of their elected plans. 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 (requirement does not apply if retirement is as a result of accidental disability); (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 amounts expended for health care benefits for fiscal years 1991 and 1990 are as follows:

	<u>1991</u>		<u>1990</u>	
	<u>Active</u>	<u>Retired</u>	<u>Active</u>	<u>Retired</u>
Number of employees	337,363	149,846	329,830	140,835
Cost of health care (in thousands)	\$850,481	\$254,029	\$719,468	\$216,948

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:

NOTES TO FINANCIAL STATEMENTS, Continued

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 cost-sharing multiple employer public employee retirement system, for non-pedagogical employees of the Board of Education and certain employees of the School Construction Authority.

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

At June 30, 1991 and 1990, the pension systems membership consisted of:

	1991					
	NYCERS	TRS	BERS	POLICE	FIRE	TOTAL
Retirees and beneficiaries currently receiving benefits	119,411	40,722	4,364	29,557	11,463	205,517
Terminated but not receiving benefits	1,843	1,621	102	51	8	3,625
Total	<u>121,254</u>	<u>42,343</u>	<u>4,466</u>	<u>29,608</u>	<u>11,471</u>	<u>209,142</u>
Current employees:						
Vested	76,165	49,427	3,106	5,805	3,817	138,320
Nonvested	120,932	38,553	19,698	22,071	7,836	209,090
Total	<u>197,097</u>	<u>87,980</u>	<u>22,804</u>	<u>27,876</u>	<u>11,653</u>	<u>347,410</u>
	1990					
	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	<u>118,736</u>	<u>40,385</u>	<u>4,359</u>	<u>28,791</u>	<u>10,859</u>	<u>203,130</u>
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	<u>196,401</u>	<u>88,463</u>	<u>21,812</u>	<u>26,253</u>	<u>11,829</u>	<u>344,758</u>

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

NOTES TO FINANCIAL STATEMENTS, Continued

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, 1991 and 1990 are as follows:

	1991		1990	
	City's Annualized Covered Payroll	Total Annualized Covered Payroll	City's Annualized Covered Payroll	Total Annualized Covered Payroll
	(in millions)			
NYCERS	\$3,374	\$ 6,119	\$3,131	\$ 5,821
TRS	3,002	3,122	2,826	2,944
BERS	430	439	418	418
POLICE	1,295	1,295	1,242	1,242
FIRE	596	596	592	592
Total	<u>\$8,697</u>	<u>\$11,571</u>	<u>\$8,209</u>	<u>\$11,017</u>

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, 1991 and 1990, who are valued for accrued benefits only.

Substantially all of the collective bargaining agreements with employees expired between June and September 1990. Much of the salary data received from the employers did not include contractual salary increases for employees whose unions have reached or are still in the process of negotiating collective bargaining agreements with their employers.

June 30, 1991 salaries were adjusted by the Actuary to be consistent with labor settlements that had been reached and/or estimated to be achieved.

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 and any step rate benefits, 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, 1991.

NOTES TO FINANCIAL STATEMENTS, Continued

The more significant assumptions used in the June 30, 1991, and June 30, 1990, calculations of the pension benefit obligations are as follows:

	<u>June 30, 1991</u>	<u>June 30, 1990</u>
Assumed rate of return on investments . . .	9.0% for NYCERS, TRS, and BERS (4.0% per annum for benefits payable under the variable annuity programs), and 8.5% for POLICE and FIRE.	8.25% (4% for benefits payable under the variable annuity programs).
Mortality basis	Tables based on current experience.	Tables based on current experience.
Turnover	Tables based on current experience.	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.	Tables based on current experience, varies from earliest age a member is eligible to retire until age at end of tables.
Net Asset Available		
For Benefits	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.	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.
Salary	In general, merit and promotion component averages 1% per year plus assumed general wage increase of 5.5% per year.	In general, merit and promotion component averages 1% per year plus assumed general wage increase of 5.5% per year.

The June 30, 1990 PBO decreased by approximately \$2,695 million utilizing the new assumption and methods. The decrease in the June 30, 1990 PBO by each pension system is as follows:

	<u>Amount</u> <u>(in millions)</u>
NYCERS	\$(1,346)
TRS	(1,042)
BERS	(45)
POLICE	(168)
FIRE	(94)
Total	<u>\$(2,695)</u>

NOTES TO FINANCIAL STATEMENTS, Continued

The following outlines significant funding changes:

Chapter 948 of the Laws of 1990 which amended the funding provisions of the TRS effective June 30, 1990 was signed into law on December 26, 1990. The funding provisions were amended in relation to the rate of interest used in the actuarial valuation of liabilities and amortization payments for the purpose of calculating employer contributions.

Chapters 607, 608 and 610 of the Laws of 1991 changed the interest rate assumption for calculation of employer contributions to the pension systems. The laws also mandated that transfers to the variable supplements funds (VSFs), for any Base Fiscal Year beginning on or after July 1, 1990, would be calculated as if certain provisions of Chapter 581 of the Laws of 1989 and of Chapter 878 of the Laws of 1990 had never been enacted.

Chapters 607, 608 and 610 of the Laws of 1991 which amended the funding provisions of the pension systems effective June 30, 1990 were signed into law on July 26, 1991. The funding provisions were amended in relation to the rates of interest used in the actuarial valuation of liabilities and amortization payments for the purpose of calculating employer contributions. The laws provide that an actuarial interest rate assumption of 9.0% per annum for NYCERS, TRS and BERS (4.0% per annum for benefits payable under the variable annuity programs) and 8.5% per annum for POLICE and FIRE will be in effect for that purpose with respect to employer contributions due for Fiscal Year 1991.

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, 1991 and 1990:

		1991					
	Retirees and beneficiaries currently receiving benefits and terminated vested participants not yet receiving benefits	Current Employees			Total pension benefit obligation	Net assets available for benefits	Unfunded pension benefit obligation
		Accumulated employee contributions including allocated investment income	Employer-financed vested	Employer-financed nonvested			
		(in millions)					
NYCERS	\$ 9,862.2	\$1,454.4	\$ 4,621.6	\$3,067.5	\$19,005.7	\$18,486.9	\$ 518.8
TRS	6,087.6	1,469.8	5,656.1	2,342.1	15,555.6	14,882.2	673.4
BERS	308.9	89.1	170.3	129.6	697.9	661.8	36.1
POLICE	5,019.9	351.6	1,342.9	1,575.8	8,290.2	6,605.6	1,684.6
FIRE	2,238.2	80.3	814.6	769.9	3,903.0	2,652.1	1,250.9
Total	<u>\$23,516.8</u>	<u>\$3,445.2</u>	<u>\$12,605.5</u>	<u>\$7,884.9</u>	<u>\$47,452.4</u>	<u>\$43,288.6</u>	<u>\$4,163.8</u>
		1990					
	Retirees and beneficiaries currently receiving benefits and terminated vested participants not yet receiving benefits	Current Employees			Total pension benefit obligation	Net assets available for benefits	Unfunded pension benefit obligation
		Accumulated employee contributions including allocated investment income	Employer-financed vested	Employer-financed nonvested			
		(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	<u>\$22,104.4</u>	<u>\$3,219.0</u>	<u>\$13,200.4</u>	<u>\$8,281.4</u>	<u>\$46,805.2</u>	<u>\$40,708.3</u>	<u>\$6,096.9</u>

NOTES TO FINANCIAL STATEMENTS, Continued

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, 1991 and 1990 is as follows:

	<u>1991</u>	<u>1990</u>
	(in millions)	
NYCERS	\$18,563.4	\$17,701.1
TRS	14,947.7	13,819.0
BERS	664.0	598.4
POLICE	6,618.9	6,244.6
FIRE	2,660.7	2,440.9
Total	<u>\$43,454.7</u>	<u>\$40,804.0</u>

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, 1991 and 1990 is approximately \$388 million and \$411 million, respectively, and exceeded their respective net assets of \$10 million by \$378 million and \$401 million, respectively. 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 years 1991 and 1990 amounted to \$77 million and \$91 million, respectively.

The net assets for benefits shown in the City's financial statements as of June 30, 1991 and 1990 exclude the accrued pension contribution of \$2.687 billion and \$2.741 billion, respectively, for amortization of the two-year payment lag reported in the General Long-term Obligations Account Group, \$117 million and \$120 million, respectively, reported in the Enterprise Funds and \$400 million and \$408 million, respectively, 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 was being amortized over 40 years. As of June 30, 1990, legislation changed the amortization period from 40 years to 20 years. The City's expenditure for pension costs for the year ended June 30, 1991, included the first contribution to amortize this liability over the 20 year period.

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 actuarial cost method used to determine both the Fiscal Year 1991 pension expense and the employer contributions to the five major actuarial systems is the Frozen Entry Age Actuarial Cost method where, because of the change in the actuarial interest rate, the present value of future normal contributions has been reestablished.

Under this method, the excess of the actuarial present value of projected benefits of members of the retirement system as of the valuation date, over the sum of the actuarial value of assets plus the unfunded actuarial accrued liability, is allocated on a level basis over the future earnings of members who are on payroll as of the valuation date. Actuarial gains and losses are reflected in the employer normal contribution rate.

The actuarial cost method used to determine both the Fiscal Year 1990 pension expense and the employer contribution to the five major actuarial systems is the Frozen Entry Age actuarial cost method with 35-year amortization of a revised unfunded frozen initial accrued liability (adjusted by unfunded accrued liability adjustments amortized over 30 years). Other components of the unfunded accrued liability were being amortized over 10 to 40 years. Contributions are

NOTES TO FINANCIAL STATEMENTS, Continued

accrued by the pension systems and are funded by the employers on a current basis and amounted to \$1.9 billion and \$2.0 billion at June 30, 1991 and 1990, respectively.

Unfunded actuarial accrued liabilities are amortized as follows:

<u>June 30, 1991</u>	<u>June 30, 1990</u>
<p>Unfunded Accrued Liabilities ("UAL") and the Balance Sheet Liabilities ("BSL") as of June 30, 1990 are being amortized over 20 years using schedules of payments for the UAL and BSL components combined comparable in pattern to the previous schedules of payments for the first five years, with the balances of the UAL and BSL components at the end of five years being amortized over the remaining 15 years. The BSL components are being amortized using level payments over 20 years from June 30, 1990.</p>	<p>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.</p>

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, 1991 and 1990 were approximately \$1.6 billion, and were equal to the amounts recommended by the pension systems' actuary.

The fiscal year 1991 employer contributions decreased by approximately \$373 million compared to what it would have been utilizing the former assumptions and methods. The decrease in the fiscal year 1991 employer contribution requirements by each pension system is as follows:

	<u>Amount</u> (in millions)
NYCERS	\$(200)
TRS	(134)
BERS	(9)
POLICE	(21)
FIRE	(9)
Total	<u>\$(373)</u>

NOTES TO FINANCIAL STATEMENTS, Continued

The City's pension expenditures recommended by the actuary for June 30, 1991 were as follows:

	Expenditures for			Expenditures as a percentage of City annualized payroll	
	Normal cost	Amortization of actuarial accrued liability (in millions)	Total	Normal cost	Amortization of actuarial accrued liability
NYCERS	\$241.9	\$142.1	\$ 384.0	7.2%	4.2%
TRS	245.8	112.0	357.8	8.2	3.7
BERS	25.5	10.3	35.8	5.9	2.4
POLICE	283.9	159.7	443.6	21.9	12.3
FIRE	127.1	129.2	256.3	21.3	21.7
OTHER	NA	NA	106.0		
Total			<u>\$1,583.5</u>		

* NYCERS, TRS and BERS 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, TRS and BERS, were 60.12%, 95.95%, and 99.12% respectively.

NA: Not Available.

Included in the above total is approximately \$48.2 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.

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 payroll	
	Normal cost	Amortization of actuarial accrued liability (in millions)	Total	Normal cost	Amortization of actuarial accrued liability
NYCERS	\$289.4	\$211.9	\$ 501.3*	9.2%	6.8%
TRS	242.0	184.5	426.5*	8.6	6.5
BERS	23.2	11.8	35.0	5.6	2.8
POLICE	292.2	185.2	477.4	23.5	14.9
FIRE	130.7	122.4	253.1	22.1	20.7
OTHER	NA	NA	112.6	—	—
Total			<u>\$1,805.9</u>		

* 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.

NOTES TO FINANCIAL STATEMENTS, Continued

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 fiscal years 1991 and 1990 amounted to:

	1991		1990	
	Employee contributions	Employee contributions as a percentage of total annualized covered payroll	Employee contributions	Employee contributions as a percentage of total annualized covered payroll
	(in thousands)			
NYCERS	\$120,088	2.0%	\$112,455	1.9%
TRS	32,930	1.1	57,203	1.9
BERS	11,777	2.7	7,475	1.8
POLICE	13,008	1.0	15,994	1.3
FIRE	4,001	.7	11,812	2.0
Total	<u>\$181,804</u>		<u>\$204,939</u>	

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 certain excess earnings from NYCERS. The excess earnings is the earnings on equity investments which exceeds what the earnings might have been had such funds been hypothetically invested in fixed income securities, less any cumulative deficiencies.

In fiscal year 1991, there were no excess earnings on equity investments. In fiscal year 1990, the excess earnings on equity investments was \$8.9 million.

Trend Information

Trend information for the three years ended June 30, 1991, 1990 and 1989 is as follows:

	1991	1990	1989
Net assets available for benefits as a percentage of pension benefit obligation (a):			
NYCERS	97.3%	92.0%	88.4%
TRS	95.7	90.4	91.9
BERS	94.8	86.0	83.9
POLICE	79.7	79.0	74.9
FIRE	68.0	64.6	62.5
Unfunded pension benefit obligation as a percentage of total annualized covered payroll (a):			
NYCERS	8.5%	26.5%	38.2%
TRS	21.6	49.9	41.7
BERS	8.2	23.2	35.8
POLICE	130.1	133.5	159.0
FIRE	210.0	225.0	227.1

(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.

NOTES TO FINANCIAL STATEMENTS, Continued

Employer contributions (all made in accordance with actuarially determined requirements) as a percentage of total annualized covered payroll:

NYCERS	10.4%	14.3%	15.1%
TRS	11.9	15.1	15.6
BERS	8.2	8.4	9.8
POLICE	34.3	38.4	45.1
FIRE	43.0	42.7	46.3

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.

The trend information included in Note Q and the Statistical section of the City's Comprehensive Annual Report differs from the trend information for those years shown in the pension systems financial statements. The trend information for net assets shown in the City's Comprehensive Annual Report excludes the Employer Contribution Receivable Long-Term.

Other

Subsequent to June 30, 1991, certain employees of the City have indicated their intent to retire under the provisions of early retirement incentive plans made available under Chapter 178 of the Laws of 1991. The cost of these plans will be funded over five years beginning in fiscal 1993. The present value of the additional benefits for members of TRS as of June 30, 1991 is approximately \$130 million. For NYCERS, the cost of the additional benefits as of June 30, 1991 has not yet been estimated.

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 of 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. In October, 1991, the Settlement Administrator distributed the Fund 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, 1991, uncompleted contracts relating to projects of the Capital Projects Fund amounted to approximately \$5.6 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 \$51.5 billion over fiscal years 1992 through 2001. To help meet its capital spending program, the City borrowed \$3.9 billion in the public credit markets in fiscal year 1991. The City plans to increase its public borrowings to \$5.5 billion (including water and sewer financing) in fiscal year 1992.

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 Subseries and 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 Facilities: The several Standby Bond Purchase Agreements, between the City and each of the Banks.

Daily Rate: The interest rate that may be determined for Adjustable Rate Bonds of a Subseries and maturity on each Business Day pursuant to the applicable provisions of the Certificate.

Fixed Rate: The rate at which Adjustable Rate Bonds of any Subseries and 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 a Subseries 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 Subseries and maturity pursuant to the applicable provisions of the Certificate.

Monthly Rate: The interest rate that may be determined for Adjustable Rate Bonds of a Subseries and maturity on a monthly basis pursuant to the applicable provisions of the Certificate.

Notice: A Notice of Purchase, as defined in each Credit Facility.

Quarterly Rate: The interest rate that may be determined for Adjustable Rate Bonds of a Subseries and 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 Subseries and 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: Bear, Stearns & Co. Inc. or any successor appointed pursuant to the Certificate.

Semiannual Rate: The interest rate that may be determined for Adjustable Rate Bonds of a Subseries and maturity on a semiannual basis pursuant to the applicable provisions of the Certificate.

Subseries Bank: The Bank providing a Credit Facility for a Subseries of Bonds.

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 Subseries and 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 Facilities.

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 Subseries and maturity.

Weekly Rate: The interest rate that may be determined for Adjustable Rate Bonds of a Subseries and 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 Facilities between the City and the Banks, see "SECTION II: THE BONDS—Adjustable Rate Bonds—*Credit Facilities*".

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 September 30, 1991, Morgan Guaranty and its subsidiaries had total assets of \$76.1 billion, total net loans of \$23.0 billion, total deposits of \$38.4 billion, and stockholder's equity of \$3.9 billion. 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.

The Consolidated Statement of Condition of Morgan Guaranty as of September 30, 1991 is set forth on page 18 of Exhibit 28 to Form 8-K dated October 10, 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 10260-0060, Attention: Office of the Secretary.

The Fuji Bank, Limited, New York Branch

The Fuji Bank, Limited, New York Branch ("Fuji Bank") is licensed by the State of New York as an unincorporated branch of The Fuji Bank, Limited ("Fuji"), a banking corporation organized under the laws of Japan whose principal office is located in Tokyo, Japan. Fuji conducts banking operations through additional branch offices and subsidiaries in the United States and around the world.

As of March 31, 1991 on a non-consolidated basis (not taking into account its subsidiaries), Fuji had total assets of approximately \$420.3 billion, total deposits of approximately \$296.2 billion, total loans and bills discounted of approximately \$219.7 billion and stockholders' equity of approximately \$13.2 billion, and for the year then ended had net income of approximately \$849 million (assuming an exchange rate of 140.95 yen to one United States dollar prevailing on March 31, 1991). These figures were determined in accordance with generally accepted accounting principles in Japan which differ in certain material respects from United States generally accepted accounting principles.

Fuji Bank will provide without charge a copy of Fuji's Annual Report (including non-consolidated financial statements) for the year ended March 31, 1991 or any more recent publicly available Annual Report or Condensed Interim Statements of Condition. Written requests should be directed to The Fuji Bank, Limited, New York Branch, Two World Trade Center, 79th Floor, New York, New York 10048, Attention: Vice President and Manager, Public Finance Group.

Fuji maintains its records and prepares its financial statements in Japanese yen. Amounts in U.S. dollars are included solely for the convenience of readers outside Japan. The inclusion of U.S. dollar amounts is not intended to imply that Japanese yen could readily be converted, realized or settled in U.S. dollars at that rate or any other rate.

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, 1991, IBJ had total assets of Y45,062 billion (\$319,705 million), total loans and bills discounted outstanding of Y25,362 billion (\$179,935 million) and total debentures and deposits of Y33,777 billion (\$239,637 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, 1991 of 140.95 Japanese yen to one U.S. dollar.

IBJ has 28 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 the Branch in New York 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, 1991, the Branch had total assets (determined on the basis of Japanese accounting principles) of approximately \$23 billion, loans (net of unearned income) of approximately \$5 billion, of which approximately \$1 billion was due from foreign customers, and deposits of approximately \$6 billion, of which approximately \$2 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) totaled approximately \$6 billion (of which approximately \$3 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.

The Sumitomo Bank, Limited

General. As one of Japan's 11 city banks (excluding The Bank of Tokyo, Ltd.) The Sumitomo Bank, Limited ("Sumitomo") provides a comprehensive range of wholesale and retail banking services both in Japan and abroad. Through its head office and branch network in Japan and overseas, Sumitomo accepts deposits, makes loans and extends guarantees to corporations, individuals, governments and governmental entities. Sumitomo also underwrites and deals in bonds issued by or under the guarantee of the Japanese government and local governmental entities. Among the 143 ordinary banks in Japan, Sumitomo ranked third in terms of assets as of April 1, 1990 and first in terms of net income for the fiscal year ended March 31, 1990.

As of March 31, 1991, on a consolidated basis, the total assets of Sumitomo amounted to Y62,773,660 million (U.S. \$445,361 million), total deposits stood at Y44,740,200 million (U.S. \$317,419 million) and total shareholders' equity was Y2,159,957 million (U.S. \$15,324 million). This financial information is based on a yen to dollar exchange rate, as of March 31, 1991, of Y140.95:U.S. \$1.00. Financial information relating to Sumitomo herein is prepared in accordance with accounting principles generally accepted in Japan, which differ in significant respects from United States generally accepted accounting principles.

As of March 31, 1990, Sumitomo conducted operations in Japan through 325 branches, 46 subbranches and two agencies. Overseas Sumitomo had 17 branches, two agencies, three subbranches, 22 representative offices, 16 subsidiaries and seven affiliates located in 31 countries. The registered head office of Sumitomo is at 6-5, Kitahama 4-chome, Chuo-ku, Osaka 541, Japan, and its Tokyo head office is located at 3-2, Marunouchi 1-chome, Chiyoda-ku, Tokyo 100, Japan. The common stock of

Sumitomo is listed on the Tokyo, Osaka and other Japanese stock exchanges, as well as the London Stock Exchange and the Bourse de Paris.

The New York Branch. Sumitomo has been licensed by the Superintendent of Banks of the State of New York to operate a branch in New York State since April 1977. Prior to that time, Sumitomo operated an agency in New York under a license initially granted in 1952. The New York Branch conducts an extensive banking business concentrating primarily on international banking transactions and servicing the financial needs of its Japanese and American customers in the United States. As of March 31, 1991, the total assets of the New York Branch were approximately \$25.45 billion. Total assets include customers' liabilities under acceptances, guarantees and letters of credit which, under Japanese generally accepted accounting principles, are treated as assets in an amount equal to Sumitomo's liabilities under such acceptances, guarantees and letters of credit (in contrast to United States generally accepted accounting principles, under which such amounts are disclosed in notes to the financial statements).

Financial Performance for the Fiscal Year Ended March 31, 1991. Non-consolidated net income of Sumitomo for fiscal 1991 was Y135,531 million (U.S. \$962 million). This financial information is based on a yen to dollar exchange rate, as of March 31, 1991, of Y140.95:U.S. \$1.00. Sumitomo's total assets as of March 31, 1991, amounted to Y61.4 trillion (U.S. \$435,946 million) on a non-consolidated basis. Deposits at the end of March 1991 totalled Y43,599 billion (U.S. \$309,321 million) on a non-consolidated basis.

Available Information. The Sumitomo Bank, Limited, will provide without charge, upon request, a copy of its most recent Annual Report. Requests to Sumitomo for such report should be made by mail or phone to The Sumitomo Bank, Limited, New York Branch, One World Trade Center, Suite 9651, New York, New York 10048, Attention: Manager, Loan Administration Department, Telephone (212) 553-0100.

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BROWN & WOOD

ONE WORLD TRADE CENTER
NEW YORK, N.Y. 10048

555 CALIFORNIA STREET
SAN FRANCISCO, CA. 94104
TELEPHONE: 415-398-3909
FACSIMILE: 415-397-4621

TELEPHONE: 212-839-5300
FACSIMILE 212-839-5599

815 CONNECTICUT AVENUE, N.W.
WASHINGTON, D.C. 20006
TELEPHONE: 202-223-0220
FACSIMILE: 202-223-0485

10900 WILSHIRE BOULEVARD
LOS ANGELES, CA. 90024
TELEPHONE 213-208-4343
FACSIMILE 213-208-5740

BLACKWELL HOUSE
GUILDHALL YARD
LONDON EC2V 5AB
TELEPHONE: 071-606-1888
FACSIMILE: 071-796-1807

January 7, 1992

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 \$985,000,000 General Obligation Bonds, Fiscal 1992 Series C (the "Bonds"). The City purposes for which some of the Bonds are being issued are to be accomplished through voluntary organizations that are described in Section 501(c)(3) of the Internal Revenue Code of 1986, as amended (the "Organizations"), selected by the City and engaged in providing housing facilities (the "Projects").

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

3. 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 (a) in the event of a failure by the City or any of the Organizations 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 or

(b) with respect to each Organization, in the event that the \$150,000,000 limitation imposed by the Code on outstanding tax-exempt nonhospital bonds is exceeded within three years of the later of the date a Project is placed in service or the date of issue of the Bonds; 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. The Organizations have covenanted, among other things, not to take any action that would cause interest on the Bonds to be includable in the gross income of the owners thereof. In rendering this opinion, we have relied upon the representations made by the Organizations with respect to material facts within the knowledge of the Organizations and upon the accompanying opinions of their counsel and we have made no independent investigation thereof.

4. 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.

5. The difference between the principal amount of the fixed-rate Bonds maturing in 1997, 2001 and 2003 and thereafter and the initial offering price of such Bonds to the public represents original issue discount which is excluded from gross income for Federal income tax purposes to the same extent as interest on the Bonds. The Code further provides that such original issue discount excluded as interest accrues in accordance with a constant interest method based on the compounding of interest, and that a holder's adjusted basis for purposes of determining a holder's gain or loss on disposition of such Bonds will be increased by the amount of such accrued interest.

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,

BARNES & DARBY
ATTORNEYS AT LAW
11 PARK PLACE
NEW YORK, NEW YORK 10007
(212) 267-1622
FAX: (212) 227-6147

JOSEPH N. BARNES
REGINA L. DARBY
VINCENT P. McGHEE
RAYFIELD M. McGHEE
MICHAEL B. McKENZIE
SHEREA A. McKENZIE
CARL C. POSTON

NEW JERSEY OFFICE
1 RIVERFRONT PLAZA - 5th FLOOR
NEWARK, NEW JERSEY 07102
(201) 622-7001
FAX: (201) 622-1510

FLORIDA OFFICE
155 SOUTH MIAMI AVENUE
PENTHOUSE 1
MIAMI, FLORIDA 33130
(305) 358-2349
FAX: (305) 358-8733

HOUSTON OFFICE
1300 MAIN STREET, SUITE 600
HOUSTON, TEXAS 77002
(713) 739-9522
(212) 267-5500
FAX: (713) 655-9545

January 7, 1992

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 \$985,000,000 General Obligation Bonds, Fiscal 1992 Series C (the "Bonds"). The City purposes for which some of the Bonds are being issued are to be accomplished through voluntary organizations that are described in Section 501(c)(3) of the Internal Revenue Code of 1986, as amended (the "Organizations"), selected by the City and engaged in providing housing facilities (the "Projects").

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

3. 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 (a) in the event of a failure by the City or any of the Organizations 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 or (b) with respect to each Organization, in the event that the \$150,000,000 limitation imposed by the

Code on outstanding tax-exempt nonhospital bonds is exceeded within three years of the later of the date a Project is placed in service or the date of issue of the Bonds; 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 Barnes & Darby. The Organizations have covenanted, among other things, not to take any action that would cause interest on the Bonds to be includable in the gross income of the owners thereof. In rendering this opinion, we have relied upon the representations made by the Organizations with respect to material facts within the knowledge of the Organizations and upon the accompanying opinions of their counsel and we have made no independent investigation thereof.

4. 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.

5. The difference between the principal amount of the fixed-rate Bonds maturing in 1997, 2001 and 2003 and thereafter and the initial offering price of such Bonds to the public represents original issue discount which is excluded from gross income for Federal income tax purposes to the same extent as interest on the Bonds. The Code further provides that such original issue discount excluded as interest accrues in accordance with a constant interest method based on the compounding of interest, and that a holder's adjusted basis for purposes of determining a holder's gain or loss on disposition of such Bonds will be increased by the amount of such accrued interest.

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,



Municipal Bond Insurance Policy

APPENDIX F
AMBAC Indemnity Corporation
c/o CT Corporation Systems
222 W. Washington Ave., Madison, WI 53703
Administrative Office:
One State Street Plaza, New York, NY 10004

Issuer:

Policy Number:

Bonds:

Premium:

AMBAC Indemnity Corporation (AMBAC) A Wisconsin Stock Insurance Company

in consideration of the payment of the premium and subject to the terms of this Policy, hereby agrees to pay to the United States Trust Company of New York, as trustee, or its successor (the "Insurance Trustee"), for the benefit of Bondholders, that portion of the principal of and interest on the above-described debt obligations (the "Bonds") which shall become Due for Payment but shall be unpaid by reason of Nonpayment by the Issuer.

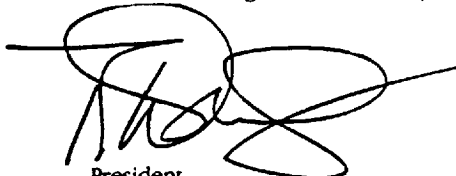
AMBAC will make such payments to the Insurance Trustee within 5 days following notification to AMBAC of Nonpayment. Upon a Bondholder's presentation and surrender to the Insurance Trustee of such unpaid Bonds or appurtenant coupons, uncanceled and in bearer form and free of any adverse claim, the Insurance Trustee will disburse to the Bondholder the face amount of principal and interest which is then Due for Payment but is unpaid. Upon such disbursement, AMBAC shall become the owner of the surrendered Bonds and coupons and shall be fully subrogated to all of the Bondholder's rights to payment.

In cases where the Bonds are issuable only in a form whereby principal is payable to registered Bondholders or their assigns, the Insurance Trustee shall disburse principal to a Bondholder as aforesaid only upon presentation and surrender to the Insurance Trustee of the unpaid Bond, uncanceled and free of any adverse claim, together with an instrument of assignment, in form satisfactory to the Insurance Trustee, duly executed by the Bondholder or such Bondholder's duly authorized representative, so as to permit ownership of such Bond to be registered in the name of AMBAC or its nominee. In cases where the Bonds are issuable only in a form whereby interest is payable to registered Bondholders or their assigns, the Insurance Trustee shall disburse interest to a Bondholder as aforesaid only upon presentation to the Insurance Trustee of proof that the claimant is the person entitled to the payment of interest on the Bond and delivery to the Insurance Trustee of an instrument of assignment, in form satisfactory to the Insurance Trustee, duly executed by the claimant Bondholder or such Bondholder's duly authorized representative, transferring to AMBAC all rights under such Bond to receive the interest in respect of which the insurance disbursement was made. AMBAC shall be subrogated to all of the Bondholders' rights to payment on registered bonds to the extent of the insurance disbursements so made.


As used herein, the term "Bondholder" means any person other than the Issuer who, at the time of Nonpayment, is the owner of a Bond or of a coupon appertaining to a Bond. "Due for Payment", when referring to the principal of Bonds, is when the stated maturity date or a mandatory redemption date for the application of a required sinking fund installment has been reached and does not refer to any earlier date on which payment is due by reason of call for redemption (other than by application of required sinking fund installments), acceleration or other advancement of maturity; and, when referring to interest on the Bonds, is when the stated date for payment of interest has been reached. "Nonpayment" means the failure of the Issuer to have provided sufficient funds to the paying agent for payment in full of all principal of and interest on the Bonds which are Due for Payment.

This Policy is noncancelable. The premium on this Policy is not refundable for any reason, including payment of the Bonds prior to maturity. This Policy does not insure against loss of any redemption, prepayment or acceleration premium which at any time may become due in respect of any Bond, nor against risk other than Nonpayment.

In witness whereof, AMBAC has caused this Policy to be affixed with a facsimile of its corporate seal and to be signed by its duly authorized officers in facsimile to become effective as its original seal and signatures and binding upon AMBAC by virtue of the counter-signature of its duly authorized representative.


President




Secretary

Effective Date:

Authorized Representative

UNITED STATES TRUST COMPANY OF NEW YORK acknowledges that it has agreed to perform the duties of Insurance Trustee under this Policy.


Authorized Officer



AMBAC Indemnity Corporation
c/o CT Corporation Systems
222 West Washington Avenue
Madison, Wisconsin 53703
Administrative Office:
One State Street Plaza
New York, New York 10004

Endorsement

Policy issued to:

Attached to and forming part of

Effective Date of Endorsement


The Policy to which this endorsement is attached and of which it forms a part is hereby amended by the insertion of the following language:

"Notwithstanding anything contained herein to the contrary, when any Bonds are issued in book entry form, the Insurance Trustee shall disburse that portion of the principal and interest on such Bonds Due for Payment but unpaid by reason of Nonpayment to a Bondholder only upon evidence satisfactory to the Insurance Trustee of the Bondholder's right to receive payment of the principal or interest then Due for Payment and that such right has been effectively transferred to AMBAC on the books maintained for such purpose. Upon such disbursement AMBAC shall become the owner of such Bond, appurtenant coupon or right of payment, or principal or interest on such Bond and shall be fully subrogated to all the Bondholder's rights thereunder, including the Bondholder's right to payment thereof."


Nothing herein contained shall be held to vary, alter, waive or extend any of the terms, conditions, provisions, agreements or limitations of the above mentioned Policy other than as above stated.

In Witness Whereof, the Company has caused its Corporate Seal to be hereto affixed and these presents to be signed by its duly authorized officers in facsimile to become effective as its original seal and signatures and binding on the Company by virtue of countersignature by its duly authorized agent.

AMBAC Indemnity Corporation


President




Secretary

Authorized Representative



AMBAC Indemnity Corporation
c/o CT Corporation Systems
222 West Washington Avenue
Madison, Wisconsin 53703
Administrative Office:
One State Street Plaza
New York, New York 10004

Endorsement

Policy issued to:

Attached to and forming part of

Effective Date of Endorsement:

The Policy to which this Endorsement is attached and of which it forms a part is hereby amended to provide that AMBAC will make payments of that portion of the principal of and interest on the Bonds which shall become Due for Payment but shall be unpaid by reason of Nonpayment by the Issuer within one (1) day following notification to AMBAC of Nonpayment.

Nothing herein contained shall be held to vary, alter, waive or extend any of the terms, conditions, provisions, agreements or limitations of the above mentioned Policy other than as above stated.

In Witness Whereof, the Company has caused its Corporate Seal to be hereto affixed and these presents to be signed by its duly authorized officers in facsimile to become effective as its original seal and signatures and binding on the Company by virtue of countersignature by its duly authorized agent.

SPECIMEN

AMBAC Indemnity Corporation

President



Secretary

Authorized Representative



**FINANCIAL
SECURITY
ASSURANCE**

MUNICIPAL BOND INSURANCE POLICY

ISSUER:

Policy No.:

BONDS:

Effective Date:

Premium:

FINANCIAL SECURITY ASSURANCE INC. ("Financial Security"), for consideration received, hereby UNCONDITIONALLY AND IRREVOCABLY agrees to pay to the trustee (the "Trustee") or paying agent (the "Paying Agent") (as set forth in the documentation providing for the issuance of and securing the Bonds) for the Bonds, for the benefit of the Owners or, at the election of Financial Security, directly to each Owner, subject only to the terms of this Policy (which includes each endorsement hereto), that portion of the principal of and interest on the Bonds that shall become Due for Payment but shall be unpaid by reason of Nonpayment by the Issuer.

On the later of the day on which such principal and interest becomes Due for Payment or the Business Day next following the Business Day on which Financial Security shall have received Notice of Nonpayment, Financial Security will disburse to or for the benefit of each Owner of a Bond the face amount of principal of and interest on the Bond that is then Due for Payment but is then unpaid by reason of Nonpayment by the Issuer, but only upon receipt by Financial Security, in a form reasonably satisfactory to it, of (a) evidence of the Owner's right to receive payment of the principal or interest then Due for Payment and (b) evidence, including any appropriate instruments of assignment, that all of the Owner's rights with respect to payment of such principal or interest that is Due for Payment shall thereupon vest in Financial Security. A Notice of Nonpayment will be deemed received on a given Business Day if it is received prior to 1:00 p.m. (New York time) on such Business Day; otherwise, it will be deemed received on the next Business Day. If any Notice of Nonpayment received by Financial Security is incomplete, it shall be deemed not to have been received by Financial Security for purposes of the preceding sentence and Financial Security shall promptly so advise the Trustee, Paying Agent or Owner, as appropriate, who may submit an amended Notice of Nonpayment. Upon disbursement in respect of a Bond, Financial Security shall become the owner of the Bond, any appurtenant coupon to the Bond or right to receipt of payment of principal of or interest on the Bond and shall be fully subrogated to the rights of the Owner, including the Owner's right to receive payments under the Bond, to the extent of any payment by Financial Security hereunder. Payment by Financial Security to the Trustee or Paying Agent for the benefit of the Owners shall, to the extent thereof, discharge the obligation of Financial Security under this Policy.

Except to the extent expressly modified by an endorsement hereto, the following terms shall have the meanings specified for all purposes of this Policy. "Business Day" means any day other than (a) a Saturday or Sunday or (b) a day on which banking institutions in the State of New York or the Insurer's Fiscal Agent are authorized or required by law or executive order to remain closed. "Due for Payment" means (a) when referring to the principal of a Bond, payable on the stated maturity date thereof or the date on which the same shall have been duly called for mandatory sinking fund redemption and does not refer to any earlier date on which payment is due by reason of call for redemption (other than by mandatory sinking fund redemption), acceleration or other advancement of maturity unless Financial Security shall elect, in its sole discretion, to pay such principal due upon such acceleration together with any accrued interest to the date of acceleration and (b) when referring to interest on a Bond, payable on the stated date for payment of interest.



Policy No.

"Nonpayment" means, in respect of a Bond, the failure of the Issuer to have provided sufficient funds to the Trustee or, if there is no Trustee, to the Paying Agent for payment in full of all principal and interest that is Due for Payment on such Bond. "Nonpayment" shall also include, in respect of a Bond, any payment of principal or interest that is Due for Payment made to an Owner by or on behalf of the Issuer which has been recovered from such Owner pursuant to the United States Bankruptcy Code by a trustee in bankruptcy in accordance with a final, nonappealable order of a court having competent jurisdiction. "Notice" means telephonic or teletyped notice, subsequently confirmed in a signed writing, or written notice by registered or certified mail, from an Owner, the Trustee or the Paying Agent to Financial Security which notice shall specify (a) the person or entity making the claim, (b) the Policy Number, (c) the claimed amount and (d) the date such claimed amount became Due for Payment. "Owner" means, in respect of a Bond, the person or entity who, at the time of Nonpayment, is entitled under the terms of such Bond to payment thereof, except that "Owner" shall not include the Issuer or any person or entity whose direct or indirect obligation constitutes the underlying security for the Bonds.

Financial Security may appoint a fiscal agent (the "Insurer's Fiscal Agent") for purposes of this Policy by giving written notice to the Trustee and the Paying Agent specifying the name and notice address of the Insurer's Fiscal Agent. From and after the date of receipt of such notice by the Trustee and the Paying Agent, (a) copies of all notices required to be delivered to Financial Security pursuant to this Policy shall be simultaneously delivered to the Insurer's Fiscal Agent and to Financial Security and shall not be deemed received until received by both and (b) all payments required to be made by Financial Security under this Policy may be made directly by Financial Security or by the Insurer's Fiscal Agent on behalf of Financial Security. The Insurer's Fiscal Agent is the agent of Financial Security only and the Insurer's Fiscal Agent shall in no event be liable to any Owner for any act of the Insurer's Fiscal Agent or any failure of Financial Security to deposit or cause to be deposited sufficient funds to make payments due under this Policy.

To the fullest extent permitted by applicable law, Financial Security agrees not to assert, and hereby waives, only for the benefit of each Owner, all rights (whether by counterclaim, setoff or otherwise) and defenses (including, without limitation, the defense of fraud), whether acquired by subrogation, assignment or otherwise, to the extent that such rights and defenses may be available to Financial Security to avoid payment of its obligations under this Policy in accordance with the express provisions of this Policy.

This Policy sets forth in full the undertaking of Financial Security, and shall not be modified, altered or affected by any other agreement or instrument, including any modification or amendment thereto. Except to the extent expressly modified by an endorsement hereto, (a) any premium paid in respect of this Policy is nonrefundable for any reason whatsoever, including payment, or provision being made for payment, of the Bonds prior to maturity, and (b) this Policy may not be cancelled or revoked. THIS POLICY IS NOT COVERED BY THE PROPERTY/CASUALTY INSURANCE-SECURITY FUND SPECIFIED IN ARTICLE 76 OF THE NEW YORK INSURANCE LAW.

In witness whereof, FINANCIAL SECURITY ASSURANCE INC. has caused this Policy to be executed on its behalf by its Authorized Officer.

FINANCIAL SECURITY ASSURANCE INC.

By _____
Authorized Officer

A subsidiary of Financial Security Assurance Holdings Ltd.
360 Park Avenue, New York, N.Y. 10022-6022

(212) 826-0100

Form 500NY (5/90)



FINANCIAL GUARANTY INSURANCE POLICY

Municipal Bond Investors Assurance Corporation
Armonk, New York 10504

Policy No. XXXXXX

Municipal Bond Investors Assurance Corporation (the "Insurer"), in consideration of the payment of the premium and subject to the terms of this policy, hereby unconditionally and irrevocably guarantees to any owner, or holder or assignee, of the following described obligations, the full and complete payment required to be made by or on behalf of the issuer to [INSERT NAME OF PAYING AGENT] or its successor (the "Paying Agent") of an amount equal to (i) the principal of (which is the stated maturity or by any advancement of maturity pursuant to a mandatory sinking fund payment) and interest on, the Obligations (as that term is defined below) as such payments shall become due but shall not be so paid (except that in the event of any acceleration of the due date of such principal by reason of mandatory or optional redemption or acceleration resulting from default or otherwise, other than any advancement of maturity pursuant to a mandatory sinking fund payment, the payments guaranteed hereby shall be made in such advance and at such time as such payments of principal would have been due had there not been any such acceleration); and (ii) the reimbursement of any such payments which is subsequently recovered from any owner pursuant to a final judgment by a court of competent jurisdiction that such payment constitutes an available preference to such owner within the meaning of any applicable bankruptcy law. The amounts referred to in clauses (i) and (ii) of the preceding sentence shall be referred to herein collectively as the "Insured Amounts." "Obligations" shall mean:

[PAR AMOUNT]
[LEGAL TITLE OF OBLIGATIONS]

Upon receipt of telephonic or telegraphic notice, such notice subsequently confirmed in writing by registered or certified mail, or upon receipt of written notice by registered or certified mail, by the Insurer from the Paying Agent or any owner of an Obligation, the payment of an Insured Amount for which is then due, that such required payment has not been made, the Insurer on the due date of such payment or within one business day after receipt of notice of such nonpayment, whichever is later, will make a deposit of funds, in an account with Citibank, N.A., in New York, New York, or its successor, sufficient for the payment of any such Insured Amounts which are then due. Upon presentation and surrender of such Obligations or presentation of such other proof of ownership of the Obligations, together with any appropriate instruments of assignment to evidence the assignment of the Insured Amounts due on the Obligations as are paid by the Insurer, and appropriate instruments to effect the appointment of the Insurer as agent for such owners of the Obligations in any legal proceeding related to payment of Insured Amounts on the Obligations, such instruments being in a form satisfactory to Citibank, N.A., Citibank, N.A. shall disburse to such owners, or the Paying Agent payment of the Insured Amounts due on such Obligations, less any amount held by the Paying Agent for the payment of such Insured Amounts and legally available therefor. This policy does not insure against loss of any prepayment premium which may at any time be payable with respect to any Obligation.

As used herein, the term "owner" shall mean the registered owner of any Obligation as indicated in the books maintained by the Paying Agent, the Insurer, or any designee of the Insurer for such purpose. The term owner shall not include the issuer or any party whose agreement with the issuer constitutes the underlying security for the Obligations.

Any service of process on the Insurer may be made to the Insurer at its offices located at 113 King Street, Armonk, New York 10504 and such service of process shall be valid and binding.

This policy is non-cancellable for any reason. The premium on this policy is not refundable for any reason including the payment prior to maturity of the Obligations.

This policy is not covered by the Property/Casualty Insurance Security Fund specified in Article 76 of the New York Insurance Law.

IN WITNESS WHEREOF, the Insurer has caused this policy to be executed in facsimile on its behalf by its duly authorized officers, this [DAY] day of [MONTH, YEAR].

MUNICIPAL BOND INVESTORS
ASSURANCE CORPORATION

President

Attest:

Assistant Secretary

~~24,05~~
A0105

FULL NAME OF ISSUER AND DESCRIPTION OF ISSUE :

THE CITY OF NEW YORK
GENERAL OBLIGATION BONDS,
FISCAL 1992 SERIES C-2
(4 Sub Series) See attached

STATE :

NY

CITY/COUNTY :

NUMBER OF SERIES IN US :
(Fill out one form for each series)

AMENDED OR STRIPPED US? NU
(Enter Y or N)

PAR VALUE OF ISSUE :

781,900,000

DATE OF FINAL MATURITY :

08/01/2021

WAIVED DATE :

01/07/1992

SALE DATE :

12/20/1991

CUSIP NUMBERS (and corresponding maturity dates)

08/01/1993	649647GR1
08/01/1993	649648HR8
08/01/1996	649648J37
08/01/1997	6496492X1
08/01/1998	649649A26
08/01/1999	6496501W8
08/01/2000	6496501Y4
08/01/2001	649651MS2
08/01/2002	649652MT0
08/01/2003	649652KN3
08/01/2004	649652KN3
08/01/2005	649653JX1
08/01/2006	649653JY9
08/01/2007	649654JX9
08/01/2008	649654JY7
08/01/2009	649655HR6
08/01/2010	649655HC4
08/01/2011	649656GS8
08/01/2012	649656G16
08/01/2013	649657FX6
08/01/2014	649658EY4
08/01/2015	649658E52
08/01/2016	649659DS5
08/01/2017	649659DU3
08/01/2018	649660H23
08/01/2019	649660JA6
08/01/2020	649660JA6
08/01/2021	649660JB4

MANAGING UNDERWRITER :

Bank, Stephens & Co. Inc.

1 Securities

A0105

27037-27050/1992

C-2

<u>QTY</u>	<u>Rate</u>	<u>Maturity</u>	<u>Cusip #</u>
9,800M x	2.15	8/1/93	649647G65
23,200M x		8/1/94	G99

VM-1/A1+

C-3

AA1/AA

<u>QTY</u>	<u>Rate</u>	<u>Maturity</u>	<u>Cusip #</u>
11,400M x	2.25	8/1/93	649647G73
5,100M x		8/1/94	H23
15,400M x		8/1/95	649648H54

VM-1/A1+

C-4

Aa2/AA

<u>QTY</u>	<u>Rate</u>	<u>Maturity</u>	<u>Cusip #</u>
17,100M x	2.25	8/1/95	649648H62
14,300M x		8/1/96	H96
7,600M x		8/1/97	649649ZV5
7,600M x		8/1/98	ZY9

VM-1/A1+

C-5

Aa3/AA-

<u>QTY</u>	<u>Rate</u>	<u>Maturity</u>	<u>Cusip #</u>
3,600M x	2.25	8/1/94	649647H31
3,000M x		8/1/95	649648H70
29,700M x		8/1/96	J29
12,900M x		8/1/97	649649ZW3
5,400M x		8/1/98	Z76
18,900M x		8/1/99	649650TVQ
12,200M x	8/1/2000	TX6	

VM-1/A1+

Aa3/AA

G-36