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, and 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.

$568,455,000

The City of New York

General Obligation Bonds, Fiscal 1993 Series C

$460,130,000 FIXED RATE BONDS

$42,775,000 SHORT RITES℠ BONDS

$32,775,000 SHORT TERM AUCTION RATE SECURITIES

$32,775,000 COMPLEMENTARY AUCTION RATE SECURITIES

Dated: Date of Delivery — Due: As shown inside this 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 and the Short RITES Bonds will be payable semi-annually, beginning February 1, 1993 and on each August 1 and February 1 thereafter. The Fixed Rate Bonds can be purchased in principal amounts of $5,000 or any integral multiple thereof. The Short RITES Bonds can be purchased in principal amounts of $100,000 or any integral multiple thereof (except as provided herein) prior to their Conversion Dates (as more fully described herein) and thereafter in denominations of $5,000 or any integral multiple thereof.

The Short Term Auction Rate Securities and the Complementary Auction Rate Securities can be purchased in denominations of $50,000 and integral multiples thereof (except as provided herein) and will bear interest from the date of initial delivery to and including January 27, 1993, payable on January 28, 1993, at the initial rates set forth inside this cover page. Thereafter, for each Subsequent Interest Period, the Short Term Auction Rate Securities and the Complementary Auction Rate Securities will bear interest at the applicable rates determined pursuant to the Auction Procedures described herein and generally will pay interest every fifth Thursday. The Auction Agent for the Short Term Auction Rate Securities is Chemical Bank. Interest on the Short Term Auction Rate Securities may not exceed a rate of 12.10% per annum, including any applicable Service Charge. Except as provided herein, a Service Charge will be deducted from each interest payment on the Short Term Auction Rate Securities.

The Bonds are subject to redemption prior to maturity, and the Short Term Auction Rate Securities are subject to mandatory tender, all as described herein. Certain of the Bonds will be insured by AMBAC Indemnity Corporation. *A detailed schedule of the Bonds is set forth inside this 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, McGhee, Neal, Poston & Segue, 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 December 22, 1992.

Prudential Securities Incorporated — **Merrill Lynch & Co.**

Goldman, Sachs & Co. — **Lehman Brothers**

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

Dillon, Read & Co. Inc. — **Artemis Capital Group, Inc.** — **BT Securities Corporation**

Chemical Securities Inc. — **Donaldson, Lufkin & Jenrette Securities Corporation**

First Albany Corporation — **First Chicago Capital Markets, Inc.**

Grigsby Brandford & Co Inc. — **Kidder, Peabody & Co. Incorporated**

WR Lazard, Laidlaw & Mead Incorporated — **Lebenthal & Co., Inc.**

J.P. Morgan Securities Inc. — **Morgan Stanley & Co. Incorporated**

The Nikko Securities Co. International, Inc. — **PaineWebber Incorporated**

Pryor, McClendon, Counts & Co., Inc. — **Samuel A. Ramirez & Co., Inc.**

Roosevelt & Cross, Inc. — **Muriel Siebert & Co., Inc.**

Smith Barney, Harris Upham & Co. Inc. — **Tucker Anthony Incorporated**

Dean Witter Reynolds Inc.

December 4, 1992

$568,455,000 General Obligation Bonds, Fiscal 1993 Series C

August 1	Principal	Interest Rate	Yield or Price
1993	$22,000,000	3¼ %	2.90%
1994	22,000,000	4	100
1995	22,000,000	4.60	4.65
1996	21,900,000	5	5.05
1997	21,850,000	5.40	5.45
1998	21,850,000	5.60	5.65
1999	21,950,000	5.80	5.85
2000	24,910,000	6	6.05
2001	32,775,000	6⅛	6.20
2002	32,775,000	6.30	6.35
2003	32,775,000	(2)	100(2)
2004	32,775,000	6½	6.60
2005	32,775,000	6½	6.65
2006	32,775,000	6½	6.70
2007	32,775,000	6½	6.70
2008	32,775,000	6½	6.70
2009	13,795,000	6½	6.70
2009	8,980,000(1)	6	6.15
2009	10,000,000	(2)	100(2)
2010(3)	32,775,000(1)	(3)	100(3)
2011(3)	32,775,000(1)	(3)	100(3)
2012	29,470,000(1)	6	6.15

(1) Insured by AMBAC Indemnity Corporation. See "SECTION II: THE BONDS—Bond Insurance".

(2) Short RITES[sm] Bonds. See "SECTION II: THE BONDS—Short RITES Bonds". See table below.

(3) Short Term Auction Rate Securities and Complementary Auction Rate Securities. See "SECTION II: THE BONDS—Short Term Auction Rate Securities and the Complementary Auction Rate Securities". See table on next page.

[sm] Service mark of Merrill Lynch & Co., Inc.

$42,775,000 Short RITES Bonds

August 1	Principal	Scheduled Conversion Date	Base Rate	Constant Rate	Price
2003	$32,775,000	August 1, 1997	10.90%	6.40%	100%
2009	10,000,000	August 1, 1999	11.36	6.60	100

$16,387,500	**$16,387,500**
Short Term Auction Rate Securities	**Complementary Auction Rate Securities**
Interest Rate for Initial Interest Period of 37 days: 3.28% (1)	Interest Rate for Initial Interest Period of 37 days: 8.82% (2)
Due: August 12, 2010	**Due: August 12, 2010**
Price: 100%	**Price: 100%**

Linked Short Term Auction Rate Securities/Complementary Auction Rate Securities
Linked Coupon Rate: 6.05%
Semiannual Bond Equivalent Yield: 6.124%

$16,387,500	**$16,387,500**
Short Term Auction Rate Securities	**Complementary Auction Rate Securities**
Interest Rate for Initial Interest Period of 37 days: 3.28% (1)	Interest Rate for Initial Interest Period of 37 days: 8.82% (2)
Due: September 1, 2011	**Due: September 1, 2011**
Price: 100%	**Price: 100%**

Linked Short Term Auction Rate Securities/Complementary Auction Rate Securities
Linked Coupon Rate: 6.05%
Semiannual Bond Equivalent Yield: 6.124%

An owner of a beneficial interest in Short Term Auction Rate Securities of a particular maturity may link such Bonds with an equal principal amount of Complementary Auction Rate Securities of the same maturity and an owner of Complementary Auction Rate Securities of a particular maturity may link such Bonds with an equal principal amount of Short Term Auction Rate Securities of the same maturity, in each case through the facilities of DTC (as Securities Depository) as set forth herein except during Closed Periods (as defined herein).

Prospective purchasers of the Short Term Auction Rate Securities should carefully review the Auction Procedures described herein, including the Appendices hereto, and should note that (i) a Bid or Sell Order constitutes a commitment to purchase or sell Short Term Auction Rate Securities based upon the results of an Auction, (ii) Auctions will be conducted through telephone communications and (iii) settlement for purchases and sales will be made on the next Business Day following an Auction. Unless linked with Complementary Auction Rate Securities, Short Term Auction Rate Securities may be transferred only pursuant to a Bid or Sell Order placed in an Auction or through a Broker-Dealer.

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(1) Consists of 3.0% which is paid to the owners of the Short Term Auction Rate Securities and the Service Charge Rate of .28 of 1% which will be paid to the Auction Agent and the Broker-Dealers. The Initial Interest Period for Short Term Auction Rate Securities and Complementary Auction Rate Securities commences on the Date of Delivery and runs through and including January 27, 1993. Interest for Short Term Auction Rate Securities for each Subsequent Interest Period (which shall generally be 35 days) will equal the sum of (i) a rate per annum determined, except as described herein, on the basis of orders placed in an Auction conducted on the Business Day preceding the commencement of such Subsequent Interest Period and (ii) the Service Charge Rate (initially .28 of 1% per annum) but such sum may not exceed the Maximum Rate or be less than the Minimum Rate. Separate Auctions will be held for each maturity of Short Term Auction Rate Securities. Interest attributable to the Service Charge Rate will not be paid to the owners of the Short Term Auction Rate Securities but will be deducted from each interest payment on the Short Term Auction Rate Securities as a service charge in connection with Auctions unless such Short Term Auction Rate Securities of a particular maturity are linked with Complementary Auction Rate Securities of the same maturity, as described herein, in which case such Short Term Auction Rate Securities will not participate in the Auctions and the interest attributable to the Service Charge Rate generally will not be deducted. The Interest Rate on the Short Term Auction Rate Securities may not exceed 12.10% per annum. Interest evidenced by the Short Term Auction Rate Securities will be determined on the basis of a 365-day year and the actual days elapsed.

(2) For the Initial Interest Period, the interest rate on the Complementary Auction Rate Securities will be 8.82% per annum or a semiannual bond equivalent yield of 8.979% assuming reinvestment, at the initial Complementary Auction Rate Securities Rate, every 35 days. For each Subsequent Interest Period, the interest rate on the Complementary Auction Rate Securities of a particular maturity will be equal to the excess, if any, of 12.10% per annum over the Short Term Auction Rate Securities Rate on Short Term Auction Rate Securities of the same maturity for such Subsequent Interest Period. Interest on the Complementary Auction Rate Securities will be based on a 365-day year and the actual days elapsed.

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 set forth in Appendix I has been supplied by the Insurer, and the Underwriters and the City make no representation as to the accuracy or adequacy of such information. 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 $568,455,000 aggregate principal amount of the City's General Obligation Bonds, Fiscal 1993 Series C (the "Bonds") consisting of $460,130,000 of fixed-rate bonds (the "Fixed Rate Bonds"), $42,775,000 of Short RITES Bonds (the "Short RITES Bonds"), $32,775,000 of Short Term Auction Rate Securities (the "Short Term Auction Rate Securities") and $32,775,000 of Complementary Auction Rate Securities (the "Complementary Auction Rate Securities" and, with the Short Term Auction Rate Securities, the "Securities").

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 a significant portion of the City's total employment earnings. Additionally, the City is the nation's leading tourist destination. Manufacturing activity in the City 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 four-year financial plan assumes, a continuation of the recession in the New York City region in the 1992 calendar year with a recovery 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 1993 through 1996 fiscal years (the "1993-1996 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: 1993-1996 FINANCIAL PLAN—Certain Reports".

For each of the 1981 through 1992 fiscal years, the City achieved balanced operating results as reported in accordance with generally accepted accounting principles ("GAAP"), and the City's 1993 fiscal year results are projected to be balanced in accordance with GAAP. The City was required to close substantial budget gaps in its 1990, 1991 and 1992 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—1988-1992 Statement of Operations".

Pursuant to the laws of the State, the City prepares a four-year annual financial plan, which is reviewed and revised on a quarterly basis and which includes the City's capital, revenue and expense projections. For information regarding the current financial plan, see "SECTION I: RECENT FINANCIAL DEVELOPMENTS" and "SECTION VII: 1993-1996 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 certain powers, including 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 circumstances, control of the City's financial and management practices, see "SECTION III: GOVERNMENT AND FINANCIAL CONTROLS—City Financial Management, Budgeting and Controls—*Financial Emergency Act*".

The City depends on the State for State aid both to enable the City to balance its budget and to meet its cash requirements. As a result of the national and regional economic recession, the State's projections of tax revenues for its 1991 and 1992 fiscal years were substantially reduced. For its 1993 fiscal year, the State, before taking any remedial action reflected in the State budget enacted by the State Legislature on April 2, 1992, reported a potential budget deficit of $4.8 billion (after providing for repayment of $531 million of short-term deficit notes as described below); see "SECTION I: RECENT FINANCIAL DEVELOPMENTS—The State". If the State experiences revenue shortfalls or spending increases beyond its projections during its 1993 fiscal year or subsequent years, such developments could 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.

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 are described throughout this Official Statement and include the timing of any regional and local economic recovery, the impact on real estate tax revenues of the current downturn in the real estate market, 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, adoption of City budgets by the New York City Council, and approval by the Governor or the State Legislature of various other actions proposed in the Financial Plan.

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 financing program for fiscal years 1993 through 1996 contemplates the issuance of $13.8 billion of general obligation bonds primarily to reconstruct and rehabilitate the City's infrastructure and physical assets and to make capital investments. For information concerning a report which sets forth the recommended capital investment to bring certain identified assets of the City to a state of good repair, see "SECTION VII: 1993-1996 FINANCIAL PLAN—Long-Term Capital and Financing Program". A significant portion of the City's financing program 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 capital requirements. The success of projected public sales of City bonds and notes will be subject to prevailing market conditions, and no assurance can be given that such sales will be completed. 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 staff 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: 1993-1996 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

Fiscal Year 1992

The City achieved balanced operating results as reported in accordance with GAAP for the 1992 fiscal year. For further information, see "SECTION VI: FINANCIAL OPERATIONS". In order to achieve a balanced budget for the 1992 fiscal year, during the 1991 fiscal year, the City implemented various actions for the 1992 fiscal year to close a projected gap of $3.3 billion in the 1992 fiscal year. This $3.3 billion gap resulted from, among other things, 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; proposed State aid for the City which was $564 million less than the amount projected by 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 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.

1993-1996 Financial Plan

On November 19, 1992, the City submitted to the Control Board the Financial Plan for the 1993 through 1996 fiscal years, which is a modification to a financial plan submitted to the Control Board on June 11, 1992 (the "June Financial Plan"), which relates to the City, the Board of Education ("BOE") and the City University of New York ("CUNY"). The 1993-1996 Financial Plan projects revenues and expenditures for the 1993 fiscal year balanced in accordance with GAAP.

During the 1992 fiscal year, the City proposed various actions to close a previously projected gap of approximately $1.2 billion for the 1993 fiscal year. The gap closing actions for the 1993 fiscal year proposed during the 1992 fiscal year, and outlined in the City's June Financial Plan, included $489 million of discretionary transfers from the 1992 fiscal year and $100 million to be made available by the Municipal Assistance Corporation For The City of New York ("MAC"). Additional gap-closing actions included $188 million of reduced costs or increased revenues resulting from productivity initiatives; other revenue actions totaling $19 million; administrative overhead reductions totaling $45 million; service reductions totaling $229 million; reduced debt service costs of $10 million resulting from a reduction in the City's capital program; and an additional $129 million in savings from restructuring the delivery of City services.

The 1993-1996 Financial Plan, submitted to the Control Board on November 19, 1992, reflects changes in actual receipts and forecast revenues and expenditures as a result of changes in circumstances since June 1992. For the 1993 fiscal year, the Financial Plan includes additional gap-closing actions to offset an additional potential $81 million budget gap, resulting principally from approximately $300 million in increased expenditures, including increased expenditures for BOE and other costs, which were partially offset by $136 million in reduced debt service costs and a reduction in the reserve for expenses relating to prior years. The additional gap-closing measures include an early retirement program, reduced hiring and savings by City agencies.

The City Comptroller issued a report on October 8, 1992, prior to the publication of the Financial Plan, that warned of risks to the fiscal year 1993 budget of approximately $270 million. The report concluded, however, that potential savings and other resources exist to offset such possible risks to the budget. The City Comptroller said it was essential to maximize such savings to offset the serious risks to the budget in fiscal year 1994. See "SECTION VII: 1993-1996 FINANCIAL PLAN—Certain Reports".

The Financial Plan also sets forth projections and outlines a proposed gap-closing program for the 1994 through 1996 fiscal years to close projected budget gaps of $1.7 billion, $2.0 billion and $2.6 billion, respectively, in the 1994 through 1996 fiscal years. These actions include $250 million and $125 million in increased Federal assistance in the 1994 and 1995 fiscal years, respectively; a continuation of the personal income tax surcharge, resulting in revenues of $120 million, $385 million, and $408 million in the 1994 through 1996 fiscal years, respectively; a proposed increase in the non-residential earnings tax and certain excise taxes, the imposition of new City taxes on wine and tobacco products (other than cigarettes) and on certain carbon fuels and the recapture of unredeemed bottle deposits, totaling $177 million, $177 million and $187 million, in the 1994 through 1996 fiscal years, respectively; a savings from the Governor's proposed State cost containment and assumption of Medicaid costs program, the proposed "New York, New York" program involving various mandate relief measures and the reallocation of State education aid among various localities, aggregating $364 million, $508 million and $571 million in the 1994 through 1996 fiscal years, respectively; increased revenues and reduced expenditures resulting from agency actions; savings from an early retirement program and a partial hiring freeze; and savings from restructuring the delivery of City services.

Various actions proposed in the Financial Plan, including the proposed continuation of the personal income tax surcharge, the proposed City tax program, the Medicaid and "New York, New York" programs and the proposed reallocation of State education aid, are subject to approval by the Governor and approval by the State Legislature, and the proposed increase in Federal aid is subject to approval by Congress and the President. The State Legislature failed to approve the proposed Medicaid and certain "New York, New York" programs and the proposed reallocation of State education aid in the last session and has in the past failed to approve tax proposals similar to the proposed City tax program. The Financial Plan assumes that these proposals will be approved by the State Legislature during the 1993 fiscal year. If these actions cannot be implemented, the City will be required to take other actions to decrease expenditures or increase revenues to maintain a balanced financial plan. See "SECTION VII: 1993-1996 FINANCIAL PLAN—Certain Reports" and "SECTION IX: OTHER INFORMATION—Ratings".

The City Comptroller issued a report on July 21, 1992 on the June Financial Plan that projected potential budget gaps in fiscal years 1994 through 1996 of approximately $1.3 billion, $1.2 billion and $1.3 billion, respectively, after taking into account the City's gap-closing program set forth in the June Financial Plan. See "SECTION VII: 1993-1996 FINANCIAL PLAN—Certain Reports".

Collective Bargaining Agreements

Nearly all of the City's collective bargaining agreements with the large municipal unions representing civilian employees expired some time during the 1992 fiscal year. The collective bargaining agreements previously reached with the United Federation of Teachers (the "UFT"), Local 237 of the International Brotherhood of Teamsters ("Local 237"), District Council 37 of the American Federation of State, County and Municipal Employees ("District Council 37"), and the Communications Workers of America ("CWA") and other smaller unions covered 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 1993-1996 Financial Plan incorporates certain assumptions regarding the costs of collective bargaining agreements to be negotiated in the future. For those employees whose unions have not reached collective bargaining agreements with the City for the 1991 fiscal year, the City has allocated funds for an incremental 1.5% increase in the 1992 fiscal year and a 1.5% increase carried forward from the 1991 fiscal year. For such employees, the Financial Plan provides for no increase in the 1993 and 1994 fiscal years, a 1.5% increase in the 1995 fiscal year and a 2.0% increase in the 1996 fiscal year. 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 and a 2.0% increase, respectively, are assumed, and that any additional wage increases in fiscal years 1992, 1993 and 1994 would be funded through "gain-sharing" agreements at no additional cost to the City. 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 $84 million for fiscal year 1992 and $142 million in each of the 1993 through 1996 fiscal years above the amounts provided for in the 1993-1996 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 increases 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 certain other municipal unions, see "SECTION VII: 1993-1996 FINANCIAL PLAN—Assumptions—*Expenditure Assumptions*—1. Personal Service Costs".

The State

As a result of the national and regional economic recession, the State's projections of tax revenues for its 1991 and 1992 fiscal years were substantially reduced. In addition, the Governor's Executive Budget for the State's 1993 fiscal year commencing April 1, 1992, identified a potential budgetary imbalance for the State's 1993 fiscal year of $4.8 billion (after providing for repayment of $531 million of short-term deficit notes). Consequently, the State took various actions for its 1992 and 1993 fiscal years, which included reductions in State aid to localities from amounts previously projected. If additional revenue shortfalls or spending increases occur during the State's 1993 fiscal year or subsequent years beyond current projections, such developments could result in reductions in State aid to localities, including the City. The second quarterly update of the 1992-93 State Financial Plan was released on October 26, 1992. The update included modest increases in both the anticipated receipts and disbursements set forth in the 1992-93 State Financial Plan formulated on April 13, 1992, as modified by the first quarterly update issued on July 30, 1992. The second quarterly update also forecasts that the State economy, as measured by employment, will decline for the third consecutive year in the State's 1993 fiscal year. The State Division of the Budget projected a $21 million positive balance for the State's General Fund (the major operating fund of the State) at fiscal year end. The Division of the Budget has cautioned, however, that its projections are subject to certain risks, including adverse decisions in pending litigations, particularly those involving Federal Medicaid reimbursements and payments by hospitals and health maintenance organizations, and further deterioration in the national economy. For further information concerning the State, including the State's credit ratings, see "SECTION VII: 1993-1996 FINANCIAL PLAN—Assumptions".

In February 1992, the State estimated the potential budget imbalance for the State's 1994 fiscal year at approximately $1.6 billion, assuming that scheduled rate reductions in the personal income tax and business tax, totaling more than $1 billion, would be postponed for the 1994 fiscal year. The Division of the Budget has not revised its estimate of the potential budget imbalance for the State's 1994 fiscal year and, at this stage of its fiscal year, does not make a practice of formally revising its estimate of the potential budget imbalance until submission of the State's Executive Budget in January. Its internal projections, however, may vary materially from time to time from its most recent public estimate. Accordingly, it is possible that the potential imbalance for the State's 1994 fiscal year may be significantly in excess of the previously estimated $1.6 billion potential imbalance. Nevertheless, notwithstanding any projections of potential budget imbalances, the Governor is required by the State Constitution to submit an Executive Budget that balances receipts and disbursements.

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 of the Deputy Comptroller for Finance. The Bonds will mature and bear interest as described on the cover and inside cover pages 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). While the statutory formula has recently resulted in retention of sufficient real estate taxes to comply with the City Covenants (as defined in "SECTION II: THE BONDS—Certain Covenants and Agreements"), the statutory formula may not necessarily result in retention of sufficient real estate taxes to comply with the City Covenants, in part 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 and the State Covenant (in each case, as defined in "SECTION II: THE BONDS—Certain Covenants and Agreements") may be within the discretion of a court. For further information concerning certain rights of owners of Bonds against the City, see "SECTION VIII: INDEBTEDNESS—City Indebtedness".

Enforceability of City Obligations

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

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 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 and the Short RITES 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:

Redemption Dates	Redemption Price as Percentage of Par
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 Bonds for redemption in its sole discretion.

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

For optional redemption provisions of the Short Term Auction Rate Securities and the Complementary Auction Rate Securities see "SECTION II—THE BONDS—Short Term Auction Rate Securities and Complementary Auctions Rate Securities—*Redemption of Short Term Auction Rate Securities and Complementary Auction Rate Securities*—1. OPTIONAL REDEMPTION".

Use of Proceeds

The proceeds from the sale of the Bonds will be used for refunding purposes, including certain expenses of the City incurred in connection with the issuance and sale of the Bonds. The proceeds from the sale of the Bonds are expected to be used to refund the bonds identified in Appendix G hereto by providing for the payment of the principal of, redemption premium, if any, and interest on such bonds to the extent and to the payment dates shown. The amount and identity of specific bonds to be refunded may be changed by the City, in its sole discretion, due to market conditions or any other factors considered relevant by the City. The proposed refunding is subject to the delivery of the Bonds.

Short Term Auction Rate Securities and Complementary Auction Rate Securities

General

The Short Term Auction Rate Securities and Complementary Auction Rate Securities will be dated the date of delivery thereof and will be in the minimum denomination of $50,000 principal amount or any integral multiple thereof, provided however, one of each of the Short Term Auction Rate Securities and the Complementary Auction Rate Securities of each maturity is in the minimum denomination of

$37,500 and for the purposes of this section all requirements that refer to the minimum denomination or minimum principal amounts of $50,000 shall include these Securities. See "*Master Purchaser's Letter*" below for information concerning transfer restrictions on the Short Term Auction Rate Securities.

Interest

Interest evidenced by the Short Term Auction Rate Securities and Complementary Auction Rate Securities will accrue for each Interest Period (as defined under "Short Term Auction Rate Securities Interest Rates") and will be payable in arrears, commencing on January 28, 1993 (the "Initial Interest Payment Date") and on each succeeding fifth Thursday thereafter, provided that *if:*

(i)(A) the Securities Depository (as defined below) shall make available to its Agent Members (as defined below) in next-day funds in New York City on Interest Payment Dates (as defined below), the amount then due as interest or shall make available to its Agent Members, in funds immediately available in New York City on Interest Payment Dates, such amount but shall not have so advised the Auction Agent (as defined under "*Auctions*—3. AUCTION AGENCY AGREEMENT" below) and the Fiscal Agent of such availability, and (B) (1) such Thursday is not a Business Day or (2) the Friday following such Thursday is not a Business Day, *then* the Interest Payment Date shall be the first Business Day that is preceded by a Business Day that falls after such Thursday and is immediately followed by a Business Day; or

(ii) the Securities Depository shall make available to its Agent Members, in funds immediately available in New York City on Interest Payment Dates, the amount then due as interest and shall have so advised the Auction Agent and the Fiscal Agent of such availability and such Thursday is not a Business Day, *then* the Interest Payment Date shall be the first Business Day that is preceded by a Business Day that falls after such Thursday;

and, for any particular Short Term Auction Rate Securities and Complementary Auction Rate Securities, on the date of maturity or redemption (each date of payment of interest being herein referred to as an "Interest Payment Date").

The Regular Record Date for each Interest Payment Date (other than the date of maturity or redemption) will be the second Business Day immediately preceding such Interest Payment Date (the "Regular Record Date").

As used herein, "Business Day" means any day other than April 14, April 15, December 30, December 31, a Saturday, Sunday or other day on which the New York Stock Exchange or banks are authorized or obligated by law or executive order to close in the City.

As used herein, "Securities Depository" means DTC and its successors and assigns or, if the then-Securities Depository resigns from its functions as depository of the Bonds or the City discontinues use of the then-Securities Depository, any other securities depository selected by the City with the consent of the Auction Agent and the Market Agent.

As used herein, "Agent Members" means the Participants (as defined under "Book-Entry-Only System" below) or the participants in any system of holding securities and clearing and settling transactions in beneficial interests in such securities maintained by any other Securities Depository.

Short Term Auction Rate Securities Interest Rates

The interest rate evidenced by the Short Term Auction Rate Securities for the period from and including the date of original delivery thereof to but excluding the Initial Interest Payment Date (the "Initial Interest Period") shall be 3.28% per annum. The interest rate per annum evidenced by the Short Term Auction Rate Securities (the "Short Term Auction Rate Securities Rate") for any period thereafter from and including one Interest Payment Date to but excluding the next succeeding Interest Payment Date therefor (each a "Subsequent Interest Period" and together with the Initial Interest Period being herein referred to as an "Interest Period"), shall, subject to certain exceptions described below, be equal to the sum of:

(i) the rate of interest per annum that has resulted on the Auction Date (as defined under "*Auctions-2.* AUCTION DATE" below) from the implementation with respect to the Short Term

Auction Rate Securities of auction procedures attached hereto as Appendix D (the "Auction Procedures"), in which persons determine to own or offer to sell or, based on interest rates bid by them, offer to purchase or sell Short Term Auction Rate Securities (the "Auction Rate"); and

(ii) the Service Charge Rate (as defined under "Auctions-Service Charge" below).

Each periodic implementation of the Auction Procedures is hereinafter referred to as an "Auction".

The Short Term Auction Rate Securities Rate for any Subsequent Interest Period may not exceed 12.10% per annum.

If an Auction for any Subsequent Interest Period is not held for any reason (other than the occurrence and continuation of a Payment Default (as defined below) or because all of the Short Term Auction Rate Securities are Linked (as defined below) with Complementary Auction Rate Securities or the ownership of the Short Term Auction Rate Securities is no longer maintained in book-entry form of the Securities Depository or its nominee), including, without limitation, because there is no Auction Agent, the Short Term Auction Rate Securities Rate for the next succeeding Subsequent Interest Period will be equal to the sum of:

(i) the Maximum Rate on the Auction Date for such Interest Period; and

(ii) the Service Charge Rate.

There will be no Auction Agent if the Auction Agent has resigned and the Market Agent has failed to appoint a successor. See "Auctions—Concerning the Auction Agent".

If a notice of an adjustment in the percentage used to determine the Minimum Rate and the Applicable Percentage used to determine the Maximum Rate (each as defined under "Auctions—Auction Procedures" below) applicable to the Short Term Auction Rate Securities is given by the Market Agent (as defined under "Interest—Auctions—Market Agent Agreement" below) and because of a failure to satisfy certain of the conditions to the effectiveness of such change on the proposed effective date thereof such change does not take effect, the Short Term Auction Rate Securities Rate for the next succeeding Subsequent Interest Period will be equal to the sum of:

(i) the Maximum Rate on the Auction Date for such Interest Period; and

(ii) the Service Charge Rate.

See "Auctions—Changes in Percentages Used in Determining Minimum Rate and Maximum Rate" below.

For any Subsequent Interest Period where the Short Term Auction Rate Securities Rate is determined by adding the Service Charge Rate to the Auction Rate or the Maximum Rate, Beneficial Owners of Short Term Auction Rate Securities will be entitled to receive interest at a rate per annum equal to the Auction Rate or the Maximum Rate, as the case may be, for such Interest Period. The Service Charge will be deducted from the interest payable to Beneficial Owners of Short Term Auction Rate Securities for such Subsequent Interest Period and paid to the Auction Agent and the Broker-Dealers as a service charge for their participation in, or preparation for, the immediately preceding Auction.

Beneficial Owners of Short Term Auction Rate Securities that are Linked with Complementary Auction Rate Securities at the close of business on the Regular Record Date immediately preceding an Auction Date will not be obligated to pay the Service Charge relating to that Auction to the Auction Agent and the Broker-Dealers and, therefore, will be entitled to receive interest with respect to such Short Term Auction Rate Securities for the next succeeding Subsequent Interest Period at a rate per annum equal to the sum of:

(i) the Auction Rate or Maximum Rate, as the case may be; and

(ii) the Service Charge Rate.

As used herein, "Linked" means, when used with respect to Short Term Auction Rate Securities and Complementary Auction Rate Securities, the combination of Complementary Auction Rate Securities with an equal aggregate principal amount of Regular or Special Short Term Auction Rate

Securities recorded under the applicable CUSIP number specified under "CUSIP Numbers" below at the Securities Depository.

The Beneficial Owner of Short Term Auction Rate Securities which are Linked with Complementary Auction Rate Securities will, however, still pay the Service Charge for the Auction immediately preceding the date on which such Short Term Auction Rate Securities will be Linked with such Complementary Auction Rate Securities. See "Complementary Auction Rate Securities—Linkage of Complementary Auction Rate Securities With Short Term Auction Rate Securities" below.

The Service Charge Rate for each Auction Date will equal the sum of the rates per annum at which the Auction Agent Fee (as defined under "Auctions—Concerning the Auction Agent" below) (initially .03 of 1%) and the Broker-Dealer Fee (as defined under "Auctions—Broker-Dealers" below) (initially .25 of 1%) accrue on such Auction Date. See "Auctions—Concerning the Auction Agent" and "Broker-Dealers" below for a description of the circumstances under which the rate at which the Auction Agent Fee or the Broker-Dealer Fee accrues may be increased.

If all of the Short Term Auction Rate Securities of a particular maturity are Linked with Complementary Auction Rate Securities of the same maturity at the close of business on the Regular Record Date immediately preceding a Subsequent Interest Period, the Short Term Auction Rate Securities Rate for such maturity for such Subsequent Interest Period will equal the Minimum Rate on the Business Day immediately preceding the first day of such Subsequent Interest Period.

If a Payment Default (as defined below) occurs, Auctions will be suspended and the Short Term Auction Rate Securities Rate for the Subsequent Interest Period commencing on or immediately prior to the date on which such Payment Default occurs will equal the lesser of:

(i) 265% of the Municipal Index (as defined under "Auctions—Auction Procedures" below) as of the first day of such Subsequent Interest Period plus the Service Charge Rate; and

(ii) 12.10% per annum;

and, while such Payment Default is continuing, the Short Term Auction Rate Securities Rate for each Subsequent Interest Period thereafter to and including the Subsequent Interest Period, if any, during which, or commencing less than two Business Days after all Payment Defaults are cured, will equal the lesser of:

(i) 265% of the Municipal Index as of the first day of each such Subsequent Interest Period; and

(ii) 12.10% per annum.

For the Interest Period commencing on or immediately prior to a Payment Default, the Beneficial Owners of the Short Term Auction Rate Securities will be entitled to receive interest at such rate less the Service Charge Rate then in effect.

"Payment Default" means the default by the City in the due and punctual payment of (a) any installment of interest evidenced by the Short Term Auction Rate Securities or Complementary Auction Rate Securities or (b) any principal of, premium, if any, or interest evidenced by, the Short Term Auction Rate Securities or Complementary Auction Rate Securities at their date of maturity or date of prior redemption, which default shall continue for a period of two Business Days and which, in either case, is followed by the failure of the Insurer (as hereafter defined) to make, in accordance with the AMBAC Policy, due and punctual payments to or on behalf of the owners of the Short Term Auction Rate Securities or Complementary Auction Rate Securities of such installments or payments described in clause (a) or (b), if so required under such AMBAC Policy.

If beneficial ownership of the Short Term Auction Rate Securities is no longer maintained in book-entry form in the name of the Securities Depository or its nominee, no further Auctions will be held and the Short Term Auction Rate Securities Rate for each Subsequent Interest Period commencing after certificates representing the Short Term Auction Rate Securities are made available will equal the Maximum Rate on the Business Day immediately preceding the first day of such Subsequent Interest

Period. See "Book-Entry-Only System" below for a description of the circumstances under which the Short Term Auction Rate Securities may no longer be represented by a global certificate.

Interest on the Short Term Auction Rate Securities shall be computed on the basis of a 365-day year for the number of days actually elapsed.

Auctions

1. SEPARATE MATURITIES

All of the descriptions that follow under the captions "*Auctions*" and "*Auction Procedures*" should be read as applying separately to each maturity of Short Term Auction Rate Securities. Separate Auctions will be held for each maturity. References to Complementary Auction Rate Securities should be understood to refer only to the maturity of Complementary Auction Rate Securities corresponding to the relevent maturity of Short Term Auction Rate Securities. However, the Market Agent Agreement, Auction Agency Agreement, Broker-Dealer Agreements and Master Purchaser's Letters are applicable to both maturities of Short Term Auction Rate Securities.

2. AUCTION DATES

Except as otherwise described herein, an Auction to determine the Short Term Auction Rate Securities Rate for each Subsequent Interest Period will be held on the Business Day immediately preceding the first day of such Subsequent Interest Period (each an "Auction Date"). The first Auction will be held on January 27, 1993. Thereafter, Auctions will normally be held every fifth Wednesday, and each Subsequent Interest Period will normally begin on the following Thursday. The Auction Date and the first day of the related Interest Period (both of which must be Business Days) need not be consecutive days. See *"Interest"* above for information concerning the circumstances under which the Auction Date or the first day of an Interest Period, or both, may be moved to a date other than such Wednesday and Thursday, respectively.

3. AUCTION AGENCY AGREEMENT

An agreement (the "Auction Agency Agreement") with Chemical Bank (together with any successor bank or trust company or other entity entering into a similar agreement, the "Auction Agent") will provide, among other things, that the Auction Agent will follow the Auction Procedures for the purposes of determining the Short Term Auction Rate Securities Rate so long as the Short Term Auction Rate Securities Rate is to be based on the results of an Auction. See "*Concerning the Auction Agent*" below.

4. MARKET AGENT AGREEMENT

The City will enter into a market agent agreement (the "Market Agent Agreement") with Prudential Securities Incorporated (together with any successor as market agent, the "Market Agent") which sets forth the Market Agent's duties and responsibilities with respect to a change in the percentage used to determine the Minimum Rate and the Applicable Percentage used to determine the Maximum Rate in the event of a Change of Preference Law (as defined under "*Changes in Percentages Used In Determining Minimum Rate and Maximum Rate*" below) and the determination of the Municipal Index used to determine the Minimum Rate and the Maximum Rate. See "*Changes in Percentages used in Determining Minimum Rate and Maximum Rate*" below. Prudential Securities Incorporated will receive no compensation for acting as Market Agent. The Auction Agent has agreed to pay, out of the Auction Agent Fee, the fees, if any, of any successor Market Agent in the event that Prudential Securities Incorporated resigns or is removed as Market Agent by the City. The payment of any such fees by the Auction Agent could result in an increase in the Auction Agent Fee. See "Concerning the Auction Agent" below.

5. BROKER-DEALER AGREEMENTS

Each Auction and the Linking of Short Term Auction Rate Securities with Complementary Auction Rate Securities require the participation of one or more broker-dealers. The Auction Agent will enter into an agreement with Prudential Securities Incorporated and may enter into similar agreements (collectively, the "Broker-Dealer Agreements") with one or more additional broker-dealers selected by the City (collectively, the "Broker-Dealers"). See "Broker-Dealers" below.

Service Charge

The following amount (the "Service Charge") will be deducted from the interest payment with respect to each Short Term Auction Rate Security for (i) the Initial Interest Period and paid to the Auction Agent in respect of certain administrative fees owing to the Auction Agent and the Broker-Dealers, and (ii) each Interest Period following an Auction Date and paid to the Auction Agent in respect of the Auction Agent Fee and the Broker-Dealer Fee unless such Short Term Auction Rate Security was Linked with a Complementary Auction Rate Security at the close of business on the Regular Record Date immediately preceding such Auction Date:

> the product of (A) a fraction, the numerator of which is the number of days in such Interest Period and the denominator of which is 365, times (B) the sum of the rate per annum at which the Auction Agent Fee (initially .03 of 1%) accrues and the rate per annum at which the Broker-Dealer Fee (initially .25 of 1%) accrues (the "Service Charge Rate") times (C) the principal amount of such Short Term Auction Rate Security.

See "Concerning the Auction Agent" and "Broker-Dealers" below for a description of the circumstances under which the rate at which the Auction Agent Fee or the Broker-Dealer Fee accrues may be increased.

Master Purchaser's Letter

As a condition to purchasing Short Term Auction Rate Securities which are not Linked with Complementary Auction Rate Securities in any Auction or otherwise, each prospective purchaser of Short Term Auction Rate Securities or its Broker-Dealer will be required to sign and deliver to the Auction Agent a Master Purchaser's Letter in which such prospective purchaser will agree, among other things:

(a) to participate in Auctions on the terms set forth in Appendix D hereto;

(b) so long as beneficial ownership of the Short Term Auction Rate Securities is maintained in book-entry form by the Securities Depository, to sell, transfer or otherwise dispose of Short Term Auction Rate Securities which are not Linked with Complementary Auction Rate Securities only pursuant to a Bid or a Sell Order (as defined under "Auction Procedures—Orders by Existing Owners and Potential Owners" below) in an Auction, or to or through a Broker-Dealer or to a person who has delivered a signed Master Purchaser's Letter to the Auction Agent, provided that in the case of all transfers other than those pursuant to an Auction, the Existing Owner (as defined below) of Short Term Auction Rate Securities so transferred, its Agent Member or its Broker-Dealer advises the Auction Agent of such transfer; and

(c) to have its beneficial ownership of Short Term Auction Rate Securities maintained at all times in book-entry form by the Securities Depository for the account of its Agent Member of the Securities Depository, which in turn will maintain records of such beneficial ownership, and to authorize such Agent Member to disclose to the Auction Agent such information with respect to such beneficial ownership as the Auction Agent may request.

As a modification of the Master Purchaser's Letter, Short Term Auction Rate Securities which are Linked with Complementary Auction Rate Securities will not be subject to the transfer restrictions contained in the Master Purchaser's Letters and may be transferred, together with the Complementary Auction Rate Securities with which they are Linked, to a person who has not signed a Master Purchaser's Letter. See "Linkage of Complementary Auction Rate Securities with Short Term Auction Rate Securities".

Each prospective purchaser should ask its Broker-Dealer whether such prospective purchaser should sign a Master Purchaser's Letter. If the Broker-Dealer submits Orders (as defined under "Auction Procedures—Orders by Existing Owners and Potential Owners" below) for such prospective purchasers listing the Broker—Dealer as the Existing Owner or the Potential Owners (both as defined under "Auction Procedures—Orders by Existing Owners and Potential Owners" below), a Master Purchaser's Letter signed by such prospective purchaser may not be required.

The form of the Master Purchaser's Letter, two copies of which are to be sent to the Auction Agent and one copy of which is to be sent to a Broker-Dealer, is included in this Official Statement as Appendix F. Execution by a prospective purchaser or its Broker-Dealer of a Master Purchaser's Letter is not a commitment to purchase Short Term Auction Rate Securities in the offering being made by this Official Statement or in any Auction, but is a condition precedent to purchasing Short Term Auction Rate Securities which are not Linked with Complementary Auction Rate Securities. Master Purchaser's Letters used in connection with other issuers' auction rate securities may not be used.

As used herein, "Existing Owner" means a person who has signed a Master Purchaser's Letter and is listed as the Beneficial Owner of Short Term Auction Rate Securities which are not Linked with Complementary Auction Rate Securities in the records of the Auction Agent. The Auction Agent may rely upon, as evidence of the identities of the Existing Owners, a list of the initial owners of the Short Term Auction Rate Securities provided by Prudential Securities Incorporated, the results of Auctions, notices from any Existing Owner, the Agent Member of such Existing Owner or the Broker-Dealer of such Existing Owner with respect to transfers described in the next sentence and requests from any Broker-Dealer with respect to the linkage of Short Term Auction Rate Securities with Complementary Auction Rate Securities or the breaking of such linkage. The Auction Agent shall be required to register a transfer of Short Term Auction Rate Securities from an Existing Owner to another person for purposes of Auctions only if such transfer is made to a person that has delivered a signed Master Purchaser's Letter to the Auction Agent and if (i) such transfer is pursuant to an Auction or (ii) the Auction Agent has been notified in writing of (A) such transfer by such Existing Owner, the Agent Member of such Existing Owner or the Broker-Dealer of such Existing Owner or (B) the failure of such Short Term Auction Rate Securities to be transferred as a result of such Auction by the Broker-Dealer of any person that purchased or sold such Short Term Auction Rate Securities in an Auction. The Auction Agent is not required to accept any such notice for an Auction unless it is received by the Auction Agent by 3:00 p.m., New York City time, on the Business Day preceding such Auction. Except during a Closed Period, the Auction Agent will promptly revise its list of Existing Owners for purposes of Auctions upon receipt of a Linkage Request or a Request To Break Linkage (both as defined under "Linkage of Complementary Auction Rate Securities with Short Term Auction Rate Securities" below) from a Broker-Dealer and the free of charge delivery of the related Short Term Auction Rate Securities and Complementary Auction Rate Securities from the Agent Member through the Securities Depository. See "Linkage of Complementary Auction Rate Securities with Short Term Auction Rate Securities" below.

The Auction Agent is not required to accept the Master Purchaser's Letter of any Potential Owner who wishes to submit a Bid for the first time in an Auction or of any Potential Owner or Existing Owner who wishes to amend its Master Purchaser's Letter unless it is received by the Auction Agent by 3:00 p.m., New York City time, on the Business Day preceding such Auction.

Auction Procedures

The following summary of the Auction Procedures to be used with respect to Auctions is qualified by reference to the Auction Procedures attached hereto as Appendix D.

1. Orders by Existing Owners and Potential Owners

Prior to the Submission Deadline (as defined under "Submission of Orders by Broker-Dealers to Auction Agent" below) on each Auction Date:

(a) each Existing Owner may submit to a Broker-Dealer by telephone or otherwise:

(i) a Hold Order—indicating the principal amount of Short Term Auction Rate Securities, if any, that such Existing Owner desires to continue to own without regard to the Auction Rate for the next Interest Period;

(ii) a Bid—indicating the principal amount of Short Term Auction Rate Securities, if any, that such Existing Owner offers to sell if the Auction Rate for the next Interest Period shall be less than the rate per annum specified in such Bid by such Existing Owner; and/or

(iii) a Sell Order—indicating the principal amount of Short Term Auction Rate Securities, if any, that such Existing Owner offers to sell without regard to the Auction Rate for the next Interest Period; and

(b) Broker-Dealers may contact prospective purchasers of Short Term Auction Rate Securities (each such prospective purchaser is herein referred to as a "Potential Owner", and the term Potential Owner includes an Existing Owner with respect to an offer by such Existing Owner to purchase an additional principal amount of Short Term Auction Rate Securities) by telephone or otherwise to determine whether such Potential Owners desire to submit Bids, in which such Potential Owners will indicate the principal amount of Short Term Auction Rate Securities that they offer to purchase if the Auction Rate for the next Interest Period is not less than the rates per annum specified in such Bids.

The communication to a Broker-Dealer of the foregoing information is herein referred to as an "Order" and, collectively, as "Orders". An Existing Owner or a Potential Owner placing an Order is herein referred to as a "Bidder" and, collectively, as "Bidders".

An Order may be submitted in a principal amount of $50,000 or any integral multiple thereof.

Owners of Short Term Auction Rate Securities which were Linked with Complementary Auction Rate Securities at the close of business on the Regular Record Date immediately preceding any Auction Date are not Existing Owners for purposes of the Auction Procedures and may not participate in the Auction held on such Auction Date. An Existing Owner who is also the holder of Short Term Auction Rate Securities which were Linked with Complementary Auction Rate Securities at the close of business on the immediately preceding Regular Record Date may not submit Orders in an Auction with respect to such Linked Short Term Auction Rate Securities and such Linked Short Term Auction Rate Securities will not be included in the aggregate principal amount of Short Term Auction Rate Securities held by such Existing Owner for the purposes for the Auction Procedures.

If any holder of Short Term Auction Rate Securities which were Linked with Complementary Auction Rate Securities at the close of business on the immediately preceding Regular Record Date submits a Bid with respect to such Short Term Auction Rate Securities, such Bid will be treated as a Bid by a Potential Owner as set forth herein.

An Existing Owner may submit different types of Orders in an Auction with respect to Short Term Auction Rate Securities then held by such Existing Owner. An Existing Owner that offers to purchase additional Short Term Auction Rate Securities is, for purposes of such offer, treated as a Potential Owner. For information concerning the priority given to different types of Orders placed by Existing Owners, see "Submission of Orders by Broker-Dealers to Auction Agent" below.

The Maximum Rate is the maximum rate per annum that can result from an Auction. Any Bid specifying a rate higher than the Maximum Rate will (i) be treated as a Sell Order if submitted by an Existing Owner and (ii) not be accepted if submitted by a Potential Owner. See "Determination of Sufficient Clearing Bids, Winning Bid Rate and Auction Rate" and "Acceptance and Rejection of Submitted Bids and Submitted Sell Orders and Allocations of Short Term Auction Rate Securities" below.

As used herein, "Maximum Rate", on any date of determination, means the interest rate per annum equal to the lower on such date of:

(i) the Applicable Percentage (as defined below) multiplied by the higher of (A) the After-Tax Equivalent Rate (as defined below) and (B) the Municipal Index; and

(ii) 12.10% per annum minus the Service Charge Rate,

provided, that if the ownership of the Short Term Auction Rate Securities is no longer maintained in book-entry form, the Maximum Rate, on any date of determination, means the lower of (x) such Applicable Percentage multiplied by the higher of (1) the After-Tax Equivalent Rate and (2) the Municipal Index; and (y) 12.10% per annum.

"Applicable Percentage", on any date of determination, means the percentage determined as set forth below based on the prevailing rating of the Short Term Auction Rate Securities in effect at the close of business on the Business Day immediately preceding such date:

Prevailing Rating	Applicable Percentage
AAA/"Aaa"	140%
AA/"Aa"	150
A/"A"	165
BBB/"Baa"	180
Below BBB/"Baa"	265

The above percentages may be adjusted by the Market Agent to reflect a Change of Preference Law (as defined under "Changes in Percentages Used in Determining Minimum Rate and Maximum Rate" below). Any such adjustment could affect the interest rate on Complementary Auction Rate Securities for future Interest Periods. See "Changes in Percentages used in Determining Minimum Rate and Maximum Rate" below. For purposes of this definition, the "prevailing rating" of the Short Term Auction Rate Securities will be:

(a) AAA/"Aaa", if the Short Term Auction Rate Securities have a rating of AAA by Standard & Poor's Corporation ("S&P") and a rating of "Aaa" by Moody's Investors Service, Inc. ("Moody's"), or the equivalent of such ratings by a substitute rating agency or agencies selected as provided below;

(b) if not AAA/"Aaa", then AA/"Aa" if the Short Term Auction Rate Securities have a rating of AA- or better by S&P and a rating of "Aa" or better by Moody's, or the equivalent of such ratings by a substitute rating agency or agencies selected as provided below;

(c) if not AAA/"Aaa" or AA/"Aa", then A/"A" if the Short Term Auction Rate Securities have a rating of A- or better by S&P and a rating of "A" or better by Moody's, or the equivalent of such rating by a substitute rating agency or agencies selected as provided below;

(d) if not AAA/"Aaa", AA/"Aa" or A/"A", then BBB/"Baa" if the Short Term Auction Rate Securities have a rating of BBB- or better by S&P and a rating of "Baa" or better by Moody's, or the equivalent of such ratings by a substitute rating agency or agencies selected as provided below; and

(e) if not AAA/"Aaa", AA/"Aa", A/"A" or BBB/"Baa", then below BBB/"Baa", whether or not the Short Term Auction Rate Securities are rated by any securities rating agency.

The City will take all reasonable action necessary to enable at least two nationally recognized statistical rating agencies to provide ratings for the Short Term Auction Rate Securities. If (x) the Short Term Auction Rate Securities are rated by a nationally recognized statistical rating agency or agencies other than Moody's or S&P and (y) the Market Agent has delivered to the Auction Agent an instrument designating one or two of such rating agencies to replace Moody's or S&P, or both, then for purposes of the definition of "prevailing rating" Moody's or S&P, or both, will be deemed to have been replaced in accordance with such instrument. For purposes of this paragraph, S&P's rating categories of AAA, AA-, A- and BBB-, and Moody's rating categories of "Aaa", "Aa", "A" and "Baa", refer to and include the respective rating categories correlative thereto in the event that either or both of such rating agencies have changed or modified their generic rating categories.

As used herein, "After-Tax Equivalent Rate", on any date of determination, means the interest rate per annum equal to the product of:

(X) "AA" Composite Commercial Paper Rate on such date times (Y) 1.00 minus the Statutory Corporate Tax Rate on such date.

For the purposes of the definition of After-Tax Equivalent Rate,

(i) "'AA' Composite Commercial Paper Rate", on any date of determination, means (A) the interest equivalent of the 30-day rate on commercial paper placed on behalf of issuers whose corporate bonds are rated "AA" by S&P, or the equivalent of such rating by S&P, as made available on a discount basis or otherwise by the Federal Reserve Bank of New York for the Business Day immediately preceding such date of determination, or (B) if the Federal Reserve Bank of New York does not make available any such rate, then the arithmetic average of such rates, as quoted on a discount basis or otherwise, by Lehman Commercial Paper Inc., Goldman, Sachs & Co. and Merrill Lynch, Pierce, Fenner & Smith Incorporated or, in lieu of any thereof, their respective affiliates or successors which are commercial paper dealers (the "Commercial Paper Dealers"), to the Auction Agent for the close of business on the Business Day immediately preceding such date of determination; provided that if any Commercial Paper Dealer does not quote a commercial paper rate required to determine the "AA" Composite Commercial Paper Rate, the "AA" Composite Commercial Paper Rate shall be determined on the basis of such quotation or quotations furnished by the remaining Commercial Paper Dealer or Commercial Paper Dealers and any substitute commercial paper dealer not included within the definition of Commercial Paper Dealer above, which may be The First Boston Corporation or Morgan Stanley & Co. Incorporated, or their respective affiliates or successors which are commercial paper dealers (a "Substitute Commercial Paper Dealer") selected by the Market Agent to provide such commercial paper rate or rates not being supplied by any Commercial Paper Dealer or Commercial Paper Dealers, as the case may be, or if the Market Agent does not select any such Substitute Commercial Paper Dealer or Substitute Commercial Paper Dealers, by the remaining Commercial Paper Dealer or Commercial Paper Dealers. For purposes of this definition, the "interest equivalent" means the equivalent yield of a rate stated on a discount basis (a "discount rate") for commercial paper of a given day's maturity equal to the product of (A) 100 times (B) the quotient (rounded upwards to the next higher one-thousandth (.001) of 1%) of (x) the discount rate (expressed in decimals) divided by (y) the difference between (1) 1.00 and (2) a fraction, the numerator of which shall be the product of the discount rate (expressed in decimals) times the number of days in which such commercial paper matures and the denominator of which shall be 365.

(ii) "Statutory Corporate Tax Rate", on any date of determination, means the highest tax rate bracket (expressed in decimals) now or hereafter applicable in each taxable year on the taxable income of every corporation as set forth in Section 11 of the Code, or any successor section without regard to any minimum additional tax provision or provisions regarding changes in rates during a taxable year. The Statutory Corporate Tax Rate is currently 34%.

As used herein "Municipal Index", on any date of determination, means the interest index published or selected by the Market Agent representing the weighted average of the yield on tax-exempt bonds having a range of maturities or mandatory purchase dates between 7 and 36 days traded during the immediately preceding five Business Days. Initially, the index used will be Municipal Market Data, Inc. weekly non-AMT rates.

The Minimum Rate is the minimum rate per annum that can result from an Auction. Any Bid specifying a rate lower than the Minimum Rate will be treated as a Bid specifying the Minimum Rate. See "Determination of Sufficient Clearing Bids, Winning Bid Rate and Auction Rate" and "Acceptance and Rejection of Submitted Bids and Submitted Sell Orders and Allocations of Short Term Auction Rate Securities" below. As used herein, "Minimum Rate", on any date of determination, means, subject to certain limitations, the interest rate per annum equal to 90% of the lower on such date of (i) the Municipal Index and (ii) the After-Tax Equivalent Rate; provided, however, that (x) if the Minimum Rate is applicable to Short Term Auction Rate Securities as determined pursuant to the Auction Procedures, then in no event shall such Minimum Rate exceed (A) 12.10% per annum minus (B) the Service Charge Rate on such date or (y) if the Minimum Rate is applicable to Short Term Auction Rate Securities due to the linkage of all of the beneficial ownership of the Short Term Auction Rate

Securities with all of the beneficial ownership of the Complementary Auction Rate Securities, in no event shall such Minimum Rate exceed 12.10% per annum. The percentage used to determine the Minimum Rate may be adjusted by the Market Agent to reflect a Change in Preference Law. See "Changes in Percentages used in Determining Minimum Rate and Maximum Rate" below.

The Master Purchaser's Letter to be signed by each Existing Owner and each Potential Owner provides that (i) a Sell Order placed by an Existing Owner shall constitute an irrevocable offer to sell the principal amount of Short Term Auction Rate Securities subject thereto, (ii) a Bid placed by an Existing Owner shall constitute an irrevocable offer to sell the principal amount of Short Term Auction Rate Securities subject thereto if the rate specified in such Bid is greater than the Auction Rate determined in the Auction and (iii) a Bid placed by a Potential Owner shall constitute an irrevocable offer to purchase the principal amount of Short Term Auction Rate Securities subject thereto if the rate specified in such Bid is less than or equal to the Auction Rate determined in the Auction. The principal amount of Short Term Auction Rate Securities purchased or sold may be subject to proration procedures. See "Acceptance and Rejection of Submitted Bids and Submitted Sell Orders and Allocations of Short Term Auction Rate Securities" below. Each purchase or sale of Short Term Auction Rate Securities shall be made for settlement on the first Business Day following the Auction Date at a price equal to 100% of the principal amount thereof. See "Notification of Results; Settlement" below. The Auction Agent is entitled to rely upon the terms of any Order submitted to it by a Broker-Dealer.

Neither the City nor the Auction Agent shall be responsible for any failure of a Broker-Dealer to submit an Order to the Auction Agent. If an Order or Orders covering the entire outstanding principal amount of Short Term Auction Rate Securities held by an Existing Owner is not submitted to the Auction Agent prior to the Submission Deadline, either because a Broker-Dealer failed to contact such Existing Owner or otherwise, the Auction Agent shall deem a Hold Order to have been submitted on behalf of such Existing Owner covering the Outstanding principal amount of Short Term Auction Rate Securities held by such Existing Owner and not subject to Orders submitted to the Auction Agent.

The City may not submit an Order in any Auction.

2. Submission of Orders by Broker-Dealers to Auction Agent

Prior to 1:00 p.m., New York City time, on each Auction Date, or such other time on the Auction Date specified by the Auction Agent (the "Submission Deadline"), each Broker-Dealer will submit to the Auction Agent in writing all Orders obtained by it for the Auction to be conducted on such Auction Date.

If any rate specified in any Bid contains more than three figures to the right of the decimal point, the Auction Agent shall round such rate up to the next highest one-thousandth (.001) of 1%.

If any Existing Owner submits through a Broker-Dealer to the Auction Agent one or more Orders covering in the aggregate more than the principal amount of Short Term Auction Rate Securities held by such Existing Owner, such Orders shall be considered valid in the following order of priority:

(i) all Hold Orders shall be considered valid, but only up to and including the aggregate principal amount of Short Term Auction Rate Securities held by such Exisitng Owner;

(ii) (A) any Bid shall be considered valid up to and including the excess of the aggregate principal amount of Short Term Auction Rate Securities held by such Existing Owner over the aggregate principal amount of Short Term Auction Rate Securities subject to any Hold Order referred to in clause (i) above;

(B) subject to subclause (A), if more than one Bid with the same rate is submitted on behalf of such Existing Owner and the aggregate principal amount of Short Term Auction Rate Securities subject to such Bids is greater than such excess, such Bids shall be considered valid up to and including the amount of such excess;

(C) subject to subclauses (A) and (B), if more than one Bid with different rates is submitted on behalf of such Existing Owner such Bids shall be considered valid in the ascending order of their respective rates until the highest rate is reached at which such excess exists and then at such rate up to and including the amount of such excess; and

(D) in any such event, the aggregate principal amounts of Short Term Auction Rate Securities, if any, subject to Bids not valid under this clause (ii) shall be treated as the subject of a Bid by a Potential Owner at the rate specified therein; and

(iii) all Sell Orders shall be considered valid but only up to and including the excess of the aggregate principal amount of Short Term Auction Rate Securities held by such Existing Owner over the aggregate principal amount of Short Term Auction Rate Securities subject to valid Hold Orders referred to in clause (i) and valid Bids referred to in clause (ii) above.

If more than one Bid is submitted on behalf of any Potential Owner, each Bid submitted shall be a separate Bid with the rate and principal amount of Short Term Auction Rate Securities therein specified.

Any Bid or Sell Order submitted by an Existing Owner covering an aggregate principal amount of Short Term Auction Rate Securities not equal to $50,000 or an integral multiple thereof shall be rejected and shall be deemed a Hold Order. Any Bid submitted by a Potential Owner covering an aggregate principal amount of Short Term Auction Rate Securities not equal to $50,000 or any integral multiple thereof shall be immediately rejected.

3. Determination of Sufficient Clearing Bids, Winning Bid Rate and Auction Rate

Not earlier than the Submission Deadline, the Auction Agent will assemble all valid Orders submitted or deemed submitted to it by the Broker-Dealers (each such Hold Order, Bid or Sell Order as submitted or deemed submitted by a Broker-Dealer being herein referred to as a "Submitted Hold Order", a "Submitted Bid" or a "Submitted Sell Order", as the case may be, or as a "Submitted Order") and will determine the excess of the outstanding principal amount of Short Term Auction Rate Securities (excluding therefrom the principal amount of Short Term Auction Rate Securities which were Linked with Complementary Auction Rate Securities at the close of business on the immediately preceding Regular Record Date) over the principal amount of Short Term Auction Rate Securities subject to Submitted Hold Orders (such excess being herein referred to as the "Available Short Term Auction Rate Securities") and whether Sufficient Clearing Bids have been made in the Auction. Sufficient Clearing Bids will have been made if the principal amount of Short Term Auction Rate Securities that is the subject of Submitted Bids by Potential Owners specifying rates equal to or lower than the Maximum Rate equals or exceeds the principal amount of Short Term Auction Rate Securities that is the subject of Submitted Sell Orders (including the principal amount of Short Term Auction Rate Securities subject to Submitted Bids by Existing Owners specifying rates higher than the Maximum Rate).

If Sufficient Clearing Bids have been made, the Auction Agent will determine the lowest rate specified in the Submitted Bids (the "Winning Bid Rate") which, taking into account the rates in all Submitted Bids of Existing Owners, would result in Existing Owners continuing to own an aggregate principal amount of Short Term Auction Rate Securities which, when added to the principal amount of Short Term Auction Rate Securities to be purchased by Potential Owners, based on the rates in their Submitted Bids, would equal not less than the Available Short Term Auction Rate Securities. In such event, the Winning Bid Rate will be the Auction Rate for the next Interest Period.

If Sufficient Clearing Bids have not been made (other than because all Short Term Auction Rate Securities are either subject to Submitted Hold Orders or at the close of business on the immediately preceding Regular Record Date were Linked to Complementary Auction Rate Securities and the remaining portion of Short Term Auction Rate Securities are subject to submitted Hold Orders), the Auction Rate for the next Interest Period will be the Maximum Rate. If Sufficient Clearing Bids have not been made, Existing Owners that have submitted Sell Orders may not be able to sell in the Auction all Short Term Auction Rate Securities subject to such Submitted Sell Orders. See "Acceptance and Rejection of Submitted Bids and Submitted Sell Orders and Allocations of Short Term Auction Rate Securities".

If all of the Short Term Auction Rate Securities are either subject to Submitted Hold Orders or were Linked to Complementary Auction Rate Securities at the close of business on the immediately preceding Regular Record Date, the Auction Rate for the next Interest Period will be equal to the Minimum Rate.

4. Acceptance and Rejection of Submitted Bids and Submitted Sell Orders and Allocations of Short Term Auction Rate Securities

Based on the determinations made under "Determination of Sufficient Clearing Bids, Winning Bid Rate and Auction Rate" above and, subject to the discretion of the Auction Agent to round off fractional amounts as described below, Submitted Bids and Submitted Sell Orders shall be accepted or rejected in the order of priority set forth in the Auction Procedures with the result that Existing Owners and Potential Owners of Short Term Auction Rate Securities shall sell, continue to own and/or purchase Short Term Auction Rate Securities as set forth below. Existing Owners that submitted or were deemed to have submitted Hold Orders shall continue to own Short Term Auction Rate Securities subject to such Hold Orders.

If Sufficient Clearing Bids have been made:

(a) each Existing Owner that placed a Submitted Sell Order or Submitted Bid specifying a rate higher than the Winning Bid Rate shall sell the principal amount of Short Term Auction Rate Securities subject to such Submitted Sell Order or Submitted Bid;

(b) each Existing Owner that placed a Submitted Bid specifying a rate lower than the Winning Bid Rate shall continue to own the principal amount of Short Term Auction Rate Securities subject to such Submitted Bid;

(c) each Potential Owner that placed a Submitted Bid specifying a rate lower than the Winning Bid Rate shall purchase the principal amount of Short Term Auction Rate Securities subject to such Submitted Bid;

(d) each Existing Owner that placed a Submitted Bid specifying a rate equal to the Winning Bid Rate shall continue to own the principal amount of Short Term Auction Rate Securities subject to such Submitted Bid unless the aggregate principal amount of Short Term Auction Rate Securities subject to all such Submitted Bids is greater than the aggregate principal amount of Available Short Term Auction Rate Securities less the Short Term Auction Rate Securities accounted for in clauses (b) and (c) above, in which event each Existing Owner with such a Submitted Bid shall continue to own a principal amount of outstanding Short Term Auction Rate Securities subject to such Submitted Bid determined on a pro rata basis based on the aggregate principal amount of outstanding Short Term Auction Rate Securities subject to all such Submitted Bids by Existing Owners; and

(e) each Potential Owner that placed a Submitted Bid specifying a rate equal to the Winning Bid Rate shall purchase any Available Short Term Auction Rate Securities not accounted for in clause (b), (c) or (d) above on a pro rata basis based on the aggregate principal amount of outstanding Short Term Auction Rate Securities subject to all such Submitted Bids.

If Sufficient Clearing Bids have not been made (unless all of the outstanding Short Term Auction Rate Securities are subject to Submitted Hold Orders or at the close of business on the immediately preceding Regular Record Date were Linked to Complementary Auction Rate Securities and the remaining portion of the outstanding Short Term Auction Rate Securities are subject to Submitted Hold Orders):

(a) each Existing Owner that placed a Submitted Bid specifying a rate equal to or lower than the Maximum Rate shall continue to own the principal amount of Short Term Auction Rate Securities subject to such Submitted Bid;

(b) each Potential Owner that placed a Submitted Bid specifying a rate equal to or lower than the Maximum Rate shall purchase the principal amount of Short Term Auction Rate Securities subject to such Submitted Bid; and

(c) each Existing Owner that placed a Submitted Bid specifying a rate higher than the Maximum Rate or a Submitted Sell Order shall sell a principal amount of Short Term Auction Rate Securities determined on a pro rata basis based on the aggregate principal amount of Short Term Auction Rate Securities subject to all such Submitted Bids and Submitted Sell Orders.

If, as a result of the Auction Procedures, (i) any Existing Owner would be entitled or required to sell, or any Potential Owner would be entitled or required to purchase, a principal amount of Short Term Auction Rate Securities that is not equal to $50,000 or any integral multiple thereof, the Auction Agent shall, in such manner as, in its sole discretion, it shall determine, round up or down the principal amount of Short Term Auction Rate Securities being sold or purchased on such Auction Date so that the principal amount of Short Term Auction Rate Securities sold or purchased by each Existing Owner or Potential Owner shall be equal to $50,000 or an integral multiple thereof or (ii) any Potential Owner would be entitled or required to purchase less than $50,000 principal amount of Short Term Auction Rate Securities, the Auction Agent shall, in such manner as, in its sole discretion, it shall determine, allocate principal amounts of Short Term Auction Rate Securities for purchase among Potential Owners so that only principal amounts of Short Term Auction Rate Securities equal to $50,000 or an integral multiple thereof are purchased by any such Potential Owner, even if such allocation results in one or more of such Potential Owners not purchasing Short Term Auction Rate Securities.

5. Notification of Results; Settlement

The following summary of the Settlement Procedures to be used with respect to Auctions is qualified by reference to the Settlement Procedures attached hereto as Appendix E.

The Auction Agent is required to advise each Broker-Dealer that submitted an Order of the Auction Rate for the next Interest Period and, if such Order was a Bid or Sell Order, whether such Bid or Sell Order was accepted or rejected, in whole or in part, by telephone by approximately 3:00 p.m., New York City time, on each Auction Date. Each Broker-Dealer that submitted an Order on behalf of a Bidder is required to then advise such Bidder of the Auction Rate for the next Interest Period and, if such Order was a Bid or a Sell Order, whether such Bid or Sell Order was accepted or rejected, in whole or in part, confirm purchases and sales with each Bidder purchasing or selling Short Term Auction Rate Securities as a result of the Auction and advise each Bidder purchasing or selling Short Term Auction Rate Securities as a result of the Auction to give instructions to its Agent Member of the Securities Depository to pay the purchase price against delivery of such Short Term Auction Rate Securities or to deliver such Short Term Auction Rate Securities against payment therefor, as appropriate. The Auction Agent will record each transfer of Short Term Auction Rate Securities on the registry of Existing Owners to be maintained by the Auction Agent. See "Master Purchaser's Letter" above.

In accordance with the Securities Depository's normal procedures, on the Business Day after the Auction Date, the transactions described above will be executed through the Securities Depository and the accounts of the respective Agent Members at the Securities Depository will be debited and credited and Short Term Auction Rate Securities delivered as necessary to effect the purchases and sales of Short Term Auction Rate Securities as determined in the Auction. Purchasers are required to make payment through their Agent Members in same-day funds to the Securities Depository against delivery through their Agent Members. The Securities Depository will make payment in accordance with its normal procedures, which now provide for payment against delivery by its Agent Members in same-day funds.

If any Existing Owner selling Short Term Auction Rate Securities in an Auction fails to deliver such Short Term Auction Rate Securities, the Broker-Dealer or any person that was to have purchased Short Term Auction Rate Securities in such Auction may deliver to such persons a principal amount of Short Term Auction Rate Securities that is less than the principal amount of Short Term Auction Rate Securities that otherwise was to be purchased by such person but in any event equal to $50,000 or an integral multiple thereof. In such event, the principal amount of Short Term Auction Rate Securities to be delivered shall be determined by such Broker-Dealer. Delivery of such lesser principal amount of Short Term Auction Rate Securities shall constitute good delivery.

Concerning the Auction Agent

Chemical Bank is the initial Auction Agent.

In the absence of bad faith or negligence on its part, the Auction Agent shall not be liable for any action taken, suffered or omitted or for any error of judgment made by it in the performance of its duties under the Auction Agency Agreement and shall not be liable for any error of judgment made in good faith unless the Auction Agent shall have been negligent in ascertaining the pertinent facts.

The Auction Agent may terminate the Auction Agency Agreement upon notice to the Market Agent on a date no earlier than 90 days (30 days if it has not received payment of its fees in connection with holding Auctions) after such notice. If the Auction Agent should resign or be removed, the Market Agent is obligated to use its best efforts to appoint a successor Auction Agent and enter into an agreement with a successor Auction Agent containing substantially the same terms and conditions as the Auction Agency Agreement. The Market Agent may remove the Auction Agent.

On the Interest Payment Date for each Interest Period immediately following an Auction Date, the Auction Agent will be entitled to receive a fee for all services rendered by it under the Auction Agency Agreement and the Broker-Dealer Agreements with respect to the Auction held on such Auction Date in an amount initially equal to an annualized rate of .03 of 1% of the aggregate principal amount of the Short Term Auction Rate Securities upon which interest is paid and which was not Linked with Complementary Auction Rate Securities at the close of business on the Regular Record Date immediately preceding such Auction Date (the "Auction Agent Fee"). In addition, the Auction Agent will be entitled to receive on the Initial Interest Payment Date the Auction Agent Fee calculated for the Initial Interest Period on the initial aggregate principal amount of the Short Term Auction Rate Securities for all services rendered by it in connection with the original issuance of the Short Term Auction Rate Securities.

The Auction Agency Agreement provides that the rate at which the Auction Agent Fee accrues will be such that the Auction Agent receives as compensation for all services rendered by it under the Auction Agency Agreement and the Broker-Dealer Agreements an amount comparable to that received by the Auction Agent for rendering comparable services to others and which at least reflects the actual costs to the Auction Agent of rendering such services, including the amount of any fees payable by the Auction Agent to the Market Agent. See "Market Agent Agreement" above. If the Auction Agent and the Market Agent agree to a change in the rate at which the Auction Agent Fee is to accrue, the Auction Agent is required to mail a notice thereof to all Beneficial Owners, including Existing Owners, of Short Term Auction Rate Securities and Complementary Auction Rate Securities within two Business Days of such change. See "Service Charge" for a description of the manner in which the Auction Agent Fee will be paid.

Broker-Dealers

On the Interest Payment Date for each Interest Period immediately following an Auction Date, each Broker-Dealer will be entitled to receive a service charge with respect to the Auction held on such Auction Date in an amount initially equal to an annualized rate of .25 of 1% of the aggregate principal amount of the Short Term Auction Rate Securities upon which interest is paid and which were placed by such Broker-Dealer at such Auction (all such fees are collectively referred to herein as the "Broker-Dealer Fee"). For purposes of the preceding sentence, Short Term Auction Rate Securities will be deemed to have been placed by a Broker-Dealer in an Auction if such Short Term Auction Rate Securities were (i) the subject to Hold Orders deemed to have been made by Existing Owners and were acquired by such Existing Owners through such Broker-Dealer or (ii) the subject of an Order submitted by such Broker-Dealer that is (A) a Submitted Bid of an Existing Owner that resulted in such Existing Owner continuing to own such Short Term Auction Rate Securities as a result of the Auction, (B) a Submitted Bid of a Potential Owner that resulted in such Potential purchasing such Short Term Auction Rate Securities as a result of the Auction or (C) a valid Hold Order. In addition, if an Auction if for any reason not held on an Auction Date, Short Term Auction Rate Securities will be deemed to have been placed by a Broker-Dealer in such Auction if such Short Term Auction Rate Securities were acquired by an Existing Owner through such Broker-Dealer. Each Broker-Dealer will also be entitled to receive a service charge on the Initial Interest Payment Date calculated for the Initial Interest Period in the aggregate principal amount of the Short Term Auction Rate Securities initially sold by such Broker-Dealer or an affiliate thereof as an underwriter in the initial offering of the Short Term Auction Rate Securities.

The Auction Agency Agreement provides that the rate at which the Broker-Dealer Fee accrues will be the prevailing rate received by broker-dealers for rendering comparable services to others. The Auction Agent has agreed to advise, after a review of the records, the Market Agent at least annually, at the Market Agent's request, of the prevailing rate received by other broker-dealers for rendering comparable services to others. The Market Agent will adjust the rate at which the Broker-Dealer Fee accrues, if necessary, to equal such prevailing rate. If the Market Agent determines to change the rate at which the Broker-Dealer Fee accrues, the Auction Agent is required to mail a notice thereof to the Beneficial Owners, including Existing Owners, of the Short Term Auction Rate Securities and Complementary Auction Rate Securities within two Business Days of such change. See "Service Charge" above for a description of the manner in which the Broker-Dealer Fee will be paid.

If a Broker-Dealer submits an Order for its own account in any Auction, it might have an advantage over other Bidders because it would have knowledge of Orders placed through it in that Auction; such Broker-Dealer, however, would not have knowledge of Orders submitted by other Broker-Dealers in the Auction.

Changes in Percentages used in Determining Minimum Rate and Maximum Rate

The Market Agent may adjust the percentage used to determine the Minimum Rate and the Applicable Percentage used to determine the Maximum Rate if adjustment of such percentage is necessary, in the judgment of the Market Agent, to reflect any Change of Preference Law such that the Minimum Rate and Maximum Rate shall have substantially equal market values before and after such Change of Preference Law. Any such adjustment could affect the interest rate on Complementary Auction Rate Securities for future Interest Periods. A "Change of Preference Law" means any amendment to the Code or other statute enacted by the Congress of the United States or any temporary, proposed or final regulation promulgated by the United States Treasury, after the date hereof, which (a) changes or would change any deduction, credit or other allowance allowable in computing liability for any federal tax with respect to, or (b) imposes or would impose or reduces or would reduce or increases or would increase any federal tax (including, but not limited to, preference or excise taxes) upon, any interest earned by any holder of bonds the interest on which is excluded from federal gross income under Section 103 of the Code.

An adjustment in the percentage used to determine the Minimum Rate and the Applicable Percentage used to determine the Maximum Rate shall take effect on an Auction Date only if (i) the Auction Agent receives by 11:00 a.m., New York City time, on the Business Day immediately preceding such Auction Date a certificate from the Market Agent (A) authorizing the adjustment of the percentages which shall be specified in such authorization, and (B) confirming that there is expected to be delivered an opinion of counsel on such Auction Date and (ii) the Auction Agent receives by 9:30 a.m., New York City time, on such Auction Date, an opinion of counsel to the effect that such adjustment is authorized by law, and will not have an adverse effect on the exclusion of interest evidenced by the Securities from gross income for federal income tax purposes. For information concerning the Short Term Auction Rate Securities Rate if any such adjustment is not effective due to a failure of the condition contained in (ii) above, see "Interest on the Short-Term Auction Rate Securities" above.

The Market Agent is required to communicate its determination to adjust the percentage used to determine the Minimum Rate and the Applicable Percentage used to determine the Maximum Rate by means of a written notice delivered at least 10 days prior to the Auction Date on which the Market Agent desires to effect such adjustment to the Auction Agent and certain other specified parties. Such notice is required to state the determination of the Market Agent to change such percentages and the date such adjustment is to take effect which shall be an Auction Date. Such notice shall be effective only if it is accompanied by the form of opinion of counsel expected to be received on such Auction Date. The Auction Agent is required to mail notice thereof to the Existing Owners within two Business

Days of receipt thereof. Existing Owners to whom any of the foregoing notices have been delivered should contact their respective Broker-Dealers to be given information regarding any of the foregoing changes.

Complementary Auction Rate Securities—Interest Rates

The interest rate evidenced by the Complementary Auction Rate Securities for the Initial Interest Period is 8.82% per annum.

The interest rate on the Complementary Auction Rate Securities for each Subsequent Interest Period shall be equal to the excess, if any, taken (without rounding) to the one thousandth (.001) of 1%, of:

(i) 12.10% per annum, over

(ii) the Short Term Auction Rate Securities Rate for such Subsequent Interest Period.

No interest on the Complementary Auction Rate Securities will be payable for any Subsequent Interest Period in which the Short Term Auction Rate Securities Rate is 12.10% per annum. See "Linkage of Complementary Auction Rate Securities with Short Term Auction Rate Securities" and "Special Considerations for Purchasers of the Complementary Auction Rate Securities" below.

Owners of Complementary Auction Rate Securities may obtain information with respect to the interest rate and the semiannual bond equivalent yield (based on a price of par) evidenced by the Complementary Auction Rate Securities for each Subsequent Interest Period by contacting the Auction Agent during its normal business hours at (212) 623-4947.

Interest evidenced by the Complementary Auction Rate Securities shall be computed on the basis of a 365-day year for the number of days actually elapsed.

Linkage of Complementary Auction Rate Securities with Short Term Auction Rate Securities

1. General

The discussion under this section "Linkage of Complementary Auction Rate Securities with Short Term Auction Rate Securities" must be read as applying separately to the two corresponding maturities of Short Term Auction Rate Securities and Complementary Auction Rate Securities. Short Term Auction Rate Securities with a maturity date of August 12, 2010 may be linked only with Complementary Auction Rate Securities with a maturity date of August 12, 2010, and Short Term Auction Rate Securities with a maturity date of September 1, 2011 may be linked only with Complementary Auction Rate Securities with a maturity date of September 1, 2011.

2. Linking—Rate Lock Option

A Beneficial Owner may link Complementary Auction Rate Securities with an equal principal amount of Regular or Special Short Term Auction Rate Securities (as defined under "CUSIP Numbers" below) by purchasing such Complementary Auction Rate Securities and Short Term Auction Rate Securities and requesting its Broker-Dealer to deliver a request for linkage to the Auction Agent (a form of which notice is attached as an exhibit to the Broker-Dealer Agreements (a "Linkage Request")) and taking such other action as its Broker-Dealer instructs. However, the Complementary Auction Rate Securities and the Short Term Auction Rate Securities may not be Linked during the period commencing at 11:00 a.m., New York City time, on the third Business Day immediately preceding any Interest Payment Date (including the initial Interest Payment Date) and ending immediately prior to the opening of business on such Interest Payment Date (the "Closed Period").

A Linkage Request which is submitted to the Auction Agent by 12:00 noon, New York City time, will, under procedures to be used by the Auction Agent and the Securities Depository, normally result in the linkage of the Complementary Auction Rate Securities and the Short Term Auction Rate Securities subject to such Linkage Request under a single CUSIP number immediately prior to the close of business on the next Business Day. See "CUSIP Numbers."

Owners of Short Term Auction Rate Securities which were Linked with Complementary Auction Rate Securities at the close of business on the Regular Record Date immediately preceding any Auction Date may not participate (as to such securities) in the Auction held on such Auction Date. As a result, however, such Beneficial Owners will not be obligated to pay the Service Charge related to such Auction with respect to such Short Term Auction Rate Securities owned by them. Accordingly, a Beneficial Owner of Complementary Auction Rate Securities and Short Term Auction Rate Securities which were Linked at the close of business on the Regular Record Date immediately preceding an Interest Period ("Regular Linked Short Term Auction Rate Securities and Complementary Auction Rate Securities") will, in effect, receive interest on its Linked Complementary Auction Rate Securities and Short Term Auction Rate Securities at a blended rate of interest equal to 6.05% per annum.

However, a Beneficial Owner of Complementary Auction Rate Securities and Short Term Auction Rate Securities (other than Special Short Term Auction Rate Securities) which were Linked by such Beneficial Owner during an Interest Period is still obligated to pay the Service Charge for the Auction immediately preceding the linkage of its Complementary Auction Rate Securities and Short Term Auction Rate Securities. Such Beneficial Owner will therefore, in effect, receive interest on its Special Linked Short Term Auction Rate Securities and Complementary Auction Rate Securities at a blended rate of 5.77% (based upon a Service Charge Rate of .28 of 1%) for such Interest Period. For succeeding Interest Periods such Beneficial Owner will receive a blended rate of 6.05% as described in the preceding paragraph.

Complementary Auction Rate Securities and Short Term Auction Rate Securities which are Linked may only be transferred together as Linked securities in minimum denominations of $100,000 ($50,000 principal amount of Complementary Auction Rate Securities and $50,000 principal amount of Short Term Auction Rate Securities) and integral multiples thereof.

A purchaser of Linked Complementary Auction Rate Securities and Short Term Auction Rate Securities in the secondary market will make payment of the purchase price thereof in accordance with the Securities Depository's normal procedures, which now provide for payment in next-day funds against delivery to its Agent Member of such Linked Complementary Auction Rate Securities and Short Term Auction Rate Securities.

If the Complementary Auction Rate Securities or the Short Term Auction Rate Securities are no longer represented by a global certificate registered in the name of the Securities Depository or its nominee, the Complementary Auction Rate Securities and the Short Term Auction Rate Securities may not be Linked. See "Book-Entry-Only System" below for a description of the circumstances under which the Complementary Auction Rate Securities or the Short Term Auction Rate Securities may no longer be represented by a global certificate.

3. Breaking Linkage of Complementary Auction Rate Securities with Short Term Auction Rate Securities

A Beneficial Owner of Linked Complementary Auction Rate Securities and Short Term Auction Rate Securities may break such linkage at any time, other than during a Closed Period, by requesting its Broker-Dealer to deliver a request to break linkage to the Auction Agent (a form of which request is attached as an exhibit to the Broker-Dealer Agreements) (a "Request to Break Linkage") and taking such other action as its Broker-Dealer instructs. In addition, prior to the breaking of such linkage, unless already delivered, such Beneficial Owner or its Broker-Dealer will be required to sign and deliver to the Auction Agent a Master Purchaser's Letter. See "Interest—Auctions—Master Purchaser's Letter" above.

The Auction Agent will redeliver free of charge by book-entry transfer such Complementary Auction Rate Securities and Short Term Auction Rate Securities from its special account at the Securities Depository to the account at the Securities Depository of the Agent Member specified in the Request to Break Linkage.

The Beneficial Owner of the Short Term Auction Rate Securities which are not Linked but which were Linked at the close of business on the Regular Record Date immediately preceding an Interest Period ("Special Short Term Auction Rate Securities") will receive interest evidenced by such Short

Term Auction Rate Securities at a rate per annum equal to the sum of (i) the Auction Rate or Maximum Rate, as the case may be, applicable to such Interest Period and (ii) the Service Charge Rate.

A Request to Break Linkage which is submitted to the Auction Agent by 12:00 noon, New York City time, will, under procedures to be used by the Auction Agent and the Securities Depository, normally result in the breaking of such linkage immediately prior to the close of business on the next Business Day and the recording of such Complementary Auction Rate Securities and Short Term Auction Rate Securities at the Securities Depository under separate CUSIP numbers. See "CUSIP Numbers" below.

4. REJECTION OF SHORT TERM AUCTION RATE SECURITIES AND COMPLEMENTARY AUCTION RATE SECURITIES

If the Auction Agent receives a Linkage Request or a Request to Break Linkage and either (i) the Beneficial Owner does not take such action as its Broker-Dealer instructs with respect to the related Short Term Auction Rate Securities and Complementary Auction Rate Securities identified in such request prior to the beginning of the Closed Period next following the receipt thereof by the Auction Agent or (ii) the Auction Agent receives such Short Term Auction Rate Securities and Complementary Auction Rate Securities from such Agent Member during any Closed Period, the Auction Agent will reject such Short Term Auction Rate Securities and Complementary Auction Rate Securities, thereby effecting the book-entry transfer of such Short Term Auction Rate Securities and Complementary Auction Rate Securities from the special account of the Auction Agent at the Securities Depository into the account of such Agent Member at the Securities Depository. As a result, the requested linkage or the requested breaking of linkage, as the case may be, will not be made.

CUSIP Numbers

The City has been advised that the CUSIP numbers for Complementary Auction Rate Securities, Regular Short Term Auction Rate Securities, Special Short Term Auction Rate Securities, Regular Linked Short Term Auction Rate Securities and Complementary Auction Rate Securities and Special Linked Short Term Auction Rate Securities and Complementary Auction Rate Securities, respectively, are as follows:

	Maturity 2010 CUSIP Number	Maturity 2011 CUSIP Number
Complementary Auction Rate Securities	649655KJ5	649656KM6
Regular Short Term Auction Rate Securities*	649655KG1	649656KK[illegible]
Special Short Term Auction Rate Securities**	649655JK4	649656GJ4
Regular Linked Short Term Auction Rate Securities and Complementary Auction Rate Securities	649655KH9	649656KL8
Special Linked Short Term Auction Rate Securities and Complementary Auction Rate Securities**	649658GH8	649659FQ7

* Regular Short Term Auction Rate Securities are Short Term Auction Rate Securities which are not Linked with Complementary Auction Rate Securities and which are not Special Short Term Auction Rate Securities.

** All Special Short Term Auction Rate Securities, Special Linked Short Term Auction Rate Securities and Complementary Auction Rate Securities will automatically become Regular Short Term Auction Rate Securities and Regular Linked Short Term Auction Rate Securities and Complementary Auction Rate Securities, respectively, on the Business Day immediately following each Auction Date.

The City makes no representation as to the accuracy of the CUSIP numbers set forth above.

Mandatory Tender of Regular Short Term Auction Rate Securities

So long as the Short Term Auction Rate Securities and the Complementary Auction Rate Securities are in book-entry form, at any time prior to the Submission Deadline on any Auction Date, a Beneficial Owner of Complementary Auction Rate Securities may (i) notify a Broker-Dealer that such

Beneficial Owner intends to submit a Bid at the Minimum Rate for a specified principal amount of Short Term Auction Rate Securities on such Auction Date in order to link the same with all or a portion of its Complementary Auction Rate Securities and (ii) if such Bid is unsuccessful, in whole or in part, may elect no later than the second Business Day succeeding such Auction Date to require that Regular Short Term Auction Rate Securities in an aggregate principal amount equal to the unsuccessful portion of such Bid be tendered to such Beneficial Owner for purchase (a "Tender Demand") on the seventh Business Day preceding the next succeeding Auction Date (a "Tender Date"). The purchase price (the "Tender Price") shall equal the principal amount of Regular Short Term Auction Rate Securities being purchased plus accrued and unpaid interest thereon to the Tender Date at the Short Term Auction Rate Securities Rate, less the Service Charge Rate. Any Beneficial Owner of Short Term Auction Securities who receives notice from its Broker-Dealer that all or any portion of its Short Term Auction Rate Securities have been selected for purchase by a Beneficial Owner of Complementary Auction Rate Securities who has made a Tender Demand shall tender such Short Term Auction Rate Securities for purchase by such Beneficial Owner at the Tender Price on the Tender Date therefor as instructed by such Broker-Dealer.

Redemption of Short Term Auction Rate Securities and Complementary Auction Rate Securities

1. Optional Redemption

The Short Term Auction Rate Securities are subject to optional redemption by the City prior to their date of maturity, as a whole or in part, on any Interest Payment Date for Short Term Auction Rate Securities (except as provided below with respect to Linked Short Term Auction Rate Securities), in integral multiples of $50,000 principal amount, from any source of available funds, at a redemption price without premium equal to the sum of the principal amount or such part thereof evidenced and represented by the Short Term Auction Rate Securities to be redeemed plus accrued interest evidenced and represented thereby to the day fixed for redemption.

The Complementary Auction Rate Securities are not subject to optional redemption prior to the first Interest Payment Date on or after August 1, 2002. The Complementary Auction Rate Securities are subject to optional redemption by the City, in whole or in part, on any Interest Payment Date on or after August 1, 2002, in integral multiples of $50,000 principal amount, at the redemption prices set forth below (expressed as a percentage of the principal amount of Complementary Auction Rate Securities to be redeemed) plus accrued interest evidenced and represented thereby to the day fixed for redemption:

Period During which Redeemed (both dates inclusive)	Redemption Price for Complementary Auction Rate Securities	Redemption Price for Linked Short Term Auction Rate Securities and Complementary Rate Auction Securities
The first Interest Payment Date on or after August 1, 2002 through the Interest Payment Date preceding August 1, 2003	103%	101½%
The first Interest Payment Date on or after August 1, 2003 through the Interest Payment Date preceding August 1, 2004	101½	100¾
The first Interest Payment Date on or after August 1, 2004 and thereafter	100	100

The City's right to redeem the Short Term Auction Rate Securities or Complementary Auction Rate Securities is conditioned upon its simultaneously redeeming (or simultaneously delivering to the Fiscal Agent for cancellation) an equal aggregate principal amount of Complementary Auction Rate Securities or Short Term Auction Rate Securities, respectively, so that there will at all times be outstanding an equal aggregate principal amount of Short Term Auction Rate Securities and Complementary Auction Rate Securities.

The City's right to redeem Regular Linked Short Term Auction Rate Securities and Complementary Auction Rate Securities is further conditioned upon its simultaneously redeeming (or simultaneously delivering to the Fiscal Agent for cancellation) both the Short Term Auction Rate Securities and the Complementary Auction Rate Securities with which such Short Term Auction Rate Securities are Linked.

2. Notice of Redemption

Notice of redemption of the Short Term Auction Rate Securities and Complementary Auction Rate Securities will be given by mailing a copy of such notice not earlier than the day after the Interest Payment Date next preceding the date fixed for redemption, but not less than 30 days prior to the date fixed for redemption, to the registered owners of the Bonds or the portions thereof to be redeemed. If notice of redemption shall have been given, and if on the date fixed for redemption monies for redemption of all of the Short Term Auction Rate Securities and Complementary Auction Rate Securities or portions thereof to be redeemed, together with interest accrued and unpaid with respect thereto to the date fixed for redemption, shall be available for such payment, then from and after the date fixed for redemption interest evidenced by such Short Term Auction Rate Securities and Complementary Auction Rate Securities or portions thereof shall cease to accrue. Notwithstanding the other provisions of this paragraph and except as provided in the second following paragraph, Linked Short Term Auction Rate Securities or Complementary Auction Rate Securities will not be selected for redemption unless the Complementary Auction Rate Securities or Short Term Auction Rate Securities with which they are Linked are also selected for redemption.

3. Selection of Short Term Auction Rate Securities and Complementary Auction Rate Securities to be Redeemed

The Short Term Auction Rate Securities and Complementary Auction Rate Securities may be redeemed only in $50,000 principal amounts or integral multiples thereof. In the case of any redemption in part, the aggregate amount of the Short Term Auction Rate Securities and Complementary Auction Rate Securities to be redeemed will be selected from Short Term Auction Rate Securities and Complementary Auction Rate Securities which are Linked and from Short Term Auction Rate Securities and Complementary Auction Rate Securities which are not Linked proportionally in accordance with the relative amounts of the Short Term Auction Rate Securities and Complementary Auction Rate Securities which are and are not Linked. Such selection will be made by lot and will be based on the aggregate principal amounts of the Short Term Auction Rate Securities and Complementary Auction Rate Securities which are and are not Linked as of a record date to be selected by the Fiscal Agent.

If a Beneficial Owner of Short Term Auction Rate Securities links such Short Term Auction Rate Securities with Complementary Auction Rate Securities during the period commencing at the close of business on the record date selected by the Fiscal Agent and ending on the date fixed for redemption, its Short Term Auction Rate Securities or Complementary Auction Rate Securities alone may be redeemed, requiring the linkage of such Short Term Auction Rate Securities and Complementary Auction Rate Securities to be broken. In addition, if a Beneficial Owner of Short Term Auction Rate Securities which are Linked with Complementary Auction Rate Securities breaks such linkage during such period and sells either its Short Term Auction Rate Securities or its Complementary Auction Rate Securities, it may be required to purchase Short Term Auction Rate Securities or Complementary Auction Rate Securities in the event that its Linked Short Term Auction Rate Securities and Complementary Auction Rate Securities are selected for redemption.

In addition to the redemption provisions described above, Regular Short Term Auction Rate Securities are subject to mandatory tender for purchase by Beneficial Owners of Complementary Auction Rate Securities after an Auction under certain circumstances. See "Mandatory Tender of Regular Short Term Auction Rate Securities" above.

Supplements to Short Term Auction Rate Securities and Complementary Auction Rate Securities Provisions

For any one or more of the following purposes and at any time or from time to time, the City may supplement the provisions described above:

(1) To cure any ambiguity, supply any omission, or cure or correct any defect or inconsistent provision relating to the Securities; or

(2) To insert such provisions clarifying matters or questions with respect to the Securities as are necessary or desirable and are not contrary to or inconsistent with the Securities as theretofore in effect.

Each supplement is conditioned upon delivery to the City of an opinion of bond counsel to the effect that such supplement is authorized by law and will not have an adverse effect on the exclusion of interest on the Securities from gross income for Federal income tax purposes.

Special Considerations for Purchasers of the Complementary Auction Rate Securities

Prospective purchasers of the Complementary Auction Rate Securities should note the following with respect to the Complementary Auction Rate Securities:

The increases and decreases in market value of the Complementary Auction Rate Securities can be expected to vary to a much greater extent than the changes in market value of an equal principal amount of fixed rate bonds having similar interest rates, credit quality, redemption provisions and maturity (excluding in such comparisons any potential premium paid or received for the Complementary Auction Rate Securities beyond that which would be paid for fixed rate bonds having similar interest rate, credit quality, redemption provisions and maturity).

Because the interest rate evidenced by the Complementary Auction Rate Securities will be determined by subtracting the Short Term Auction Rate Securities Rate from a fixed amount, the interest rate on the Complementary Auction Rate Securities will:

decrease **as the Short Term Auction Rate Securities Rate** ***increases,*** **and**

increase **as the Short Term Auction Rate Securities Rate** ***decreases.***

In addition, as a result, the interest rate evidenced by the Complementary Auction Rate Securities will equal zero if the Short Term Auction Rate Securities for that maturity is equal to 12.10% per annum.

An increase in the amount of Short Term Auction Rate Securities which are not Linked with Complementary Auction Rate Securities could result in a higher Short Term Auction Rate Securities Rate and, therefore, a lower interest rate on the Complementary Auction Rate Securities.

The Market Agent may, in the event of a Change of Preference Law, adjust the percentage used to determine the Minimum Rate or the Applicable Percentages used to determine the Maximum Rate. See "The Bonds—Interest—Auctions—Changes in Percentages Used in Determining Minimum Rate and Maximum Rate" above. Any such adjustment could result in a higher Short Term Auction Rate Securities Rate for future Interest Periods and, therefore, a lower interest rate on Complementary Auction Rate Securities for such periods.

In order to link Complementary Auction Rate Securities with Short Term Auction Rate Securities, a Beneficial Owner of Complementary Auction Rate Securities must have purchased a like principal amount of Short Term Auction Rate Securities. See "The Bonds—Short Term Auction Rate Securities and Complementary Auction Rate Securities—Linkage of Complementary Auction Rate Securities with Short Term Auction Rate Securities" above. The City is not obligated to provide Short Term Auction Rate Securities to a Beneficial Owner of Complementary Auction Rate Securities who desires to link such Short Term Auction Rate Securities with the Complementary Auction Rate Securities held by such beneficial owner. A Beneficial Owner of Complementary Auction Rate Securities may be able to acquire Short Term Auction Rate Securities bidding in the next succeeding Auction for Short Term Auction Rate Securities (normally every 35 days), provided that the Beneficial Owners of Short Term Auction Rate Securities do not submit Hold Orders covering all of the Short Term Auction Rate Securities in the Auction. In such event no Short Term Auction Rate Securities would be available for purchase at any rate bid by such Beneficial Owner of Complementary Auction Rate Securities in that Auction. A Beneficial Owner of Complementary Auction Rate Securities who bid at the Minimum Rate in such Auction may elect to require Regular Short Term Auction Rate Securities to be tendered to it for purchase. See "The Bonds—Short Term Auction Rate Securities and Complementary Auction Rate Securities—Mandatory Tender of Regular Short Term Auction Rate Securities" above. Otherwise, a Beneficial Owner of Complementary Auction Rate Securities might be able to purchase Short Term Auction Rate Securities in the secondary market, outside of Auctions, through a Broker-Dealer prior to the next scheduled Auction for Short Term Auction Rate Securities; however, an active secondary market for the Short Term Auction Rate Securities is not expected to develop, other than in Auctions.

Prudential Securities Incorporated has advised the City that it intends initially to make a market for the Complementary Auction Rate Securities and for the Short Term Auction Rate Securities between Auctions; however, Prudential Securities Incorporated is not obligated to make a market and may discontinue making a market at any time without notice. Neither the City nor Prudential Securities Incorporated can give any assurance that secondary markets therefor will develop.

Short RITES Bonds

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

The Short RITES Bonds will be executed and delivered as fully registered Bonds in Authorized Denominations of: (1) until the Scheduled Conversion Dates indicated inside the cover page of this Official Statement (each a "Scheduled Conversion Date") or the optional conversion thereof on the Optional Conversion Date described below in "SECTION II: THE BONDS—Short RITES Bonds—*Optional Conversion of the Short RITES Bonds*" (collectively, the "Conversion Dates"), $100,000 or any integral multiple thereof (except that one Short RITES Bond maturing in 2003 shall be issued in the Authorized Denomination of $175,000), and (2) thereafter, $5,000 or any integral multiple thereof. Ownership interests may be acquired in book-entry form only. See "SECTION II: THE BONDS—Bond Certificates—*Book Entry Only System*".

Interest on the Short RITES Bonds will be payable in arrears on February 1 and August 1 of each year commencing February 1, 1993 to the Owners thereof as of the fifteenth day of the month preceding each February 1 and August 1. From the Effective Date through the day prior to the applicable Conversion Date interest will accrue for each Calculation Period at a per annum rate equal to the applicable Base Rate indicated inside the cover page of this Official Statement (each a "Base Rate"), calculated on the basis of a 360-day year of twelve 30-day months, minus a variable rate (the "Variable Rate"), computed using a year of 365 or 366 days and actual days elapsed. From the Interest Payment Date preceding the Optional Conversion Date through the Scheduled Conversion Date therefor, the interest rate on the Short RITES Bonds will be the applicable Converted Rate, with interest calculated on the basis of a 360-day year consisting of twelve 30-day months. From and after the applicable Scheduled Conversion Date, the interest rate on the Short RITES Bonds will be the applicable Constant Rate indicated inside the cover page of this Official Statement (each a "Constant Rate") and will be computed using a year of 360 days comprising twelve 30-day months.

Interest shall be payable on the Short RITES Bonds 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 of the Short RITES Bonds, all payments of principal of and interest on such Short RITES Bonds shall be paid to the securities depository or its nominee by wire transfer and (ii) interest on the Short RITES Bonds shall be payable to any registered owner of at least $1,000,000 principal amount of Short RITES 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.

Owners of the Short RITES Bonds may elect, subject to certain conditions, prior to the applicable Scheduled Conversion Date to convert the interest on the Short RITES Bonds to the applicable

Converted Rate, as described below in "SECTION II: THE BONDS—Short RITES Bonds—*Optional Conversion of the Short RITES Bonds*".

The Variable Rate for each Calculation Period shall be equal to the weighted daily average of the Kenny Index (the "Kenny Index") computed using a year of 365 or 366 days and actual days elapsed. The Variable Rate for any Calculation Period may not exceed the applicable Base Rate.

The Kenny Index Rate shall be the index generally made available each Tuesday by Kenny Information Systems or any successor indexing agent (the "Indexing Agent"). The Kenny Index Rate shall be based upon 30-day yield evaluations at par of bonds, the interest on which is exempt from federal income taxation, of not less than five "high grade" component issuers selected by the Indexing Agent which shall include, without limitation, issuers of general obligation bonds. The specific issuers included among the component issuers may be changed from time to time by the Indexing Agent in its discretion. The bonds on which the Kenny Index Rate is based shall not include any securities the interest on which is subject to a "minimum tax" or similar tax under the Internal Revenue Code, unless all tax-exempt securities are subject to such tax.

In the event that the Indexing Agent no longer publishes an index satisfying the definition of the Kenny Index Rate or if the Short RITES Market Agent, initially Merrill Lynch & Co., Inc., reasonably concludes that the Kenny Index Rate will not be announced in a timely manner, then the Short RITES Market Agent shall announce a rate equal to the prevailing rate determined by the Short RITES Market Agent for bonds rated in the highest short-term rating category by Moody's and Standard & Poor's in respect of issuers resembling the component issuers selected by Kenny Information Systems that are subject to tender by holders thereof for purchase on not more than seven days notice and the interest on which is (a) variable on a weekly basis, (b) excludable from gross income for federal income tax purposes, and (c) not subject to a "minimum tax" or similar tax unless all tax-exempt bonds are subject to such tax.

Prospective purchasers of Short RITES Bonds should note that because the interest rate on the Short RITES Bonds prior to the applicable Conversion Date will be determined by subtracting the Variable Rate from a fixed amount, the interest rate on the Short RITES Bonds prior to the applicable Conversion Date will:

decrease as the Variable Rate increases, and

increase as the Variable Rate decreases.

In addition, as a result, the interest rate with respect to the Short RITES Bonds prior to the applicable Conversion Date will equal zero if the Variable Rate is equal to or greater than the applicable Base Rate for such maturity.

The Short RITES Rate on the Short RITES Bonds shall not exceed the applicable Base Rate.

Facilitation Agreement

The City has entered into an Agreement to Facilitate the Issuance, Sale and Payment of Bonds (the "Facilitation Agreement") and pursuant thereto will enter into series transaction supplements (each a "Series Transaction Supplement") with Merrill Lynch Capital Services, Inc. ("MLCS") an affiliate of Merrill Lynch & Co., Inc., the Short RITES Market Agent and an affiliate of an Underwriter, pursuant to the terms of which the City is required to pay to MLCS a variable rate equal to the Variable Rate and is entitled to receive from MLCS a fixed rate equal to the applicable Base Rate minus the applicable Constant Rate, in each case on a notional amount equal to the principal amount of Short RITES Bonds of each maturity, and in each case for the period to the Scheduled Conversion Date of each maturity. Merrill Lynch & Co., Inc. is the guarantor of the obligations of its subsidiary, MLCS, with respect to the Facilitation Agreement. The Facilitation Agreement is not a contract for the benefit of bondholders. Owners of the Short RITES Bonds, or of other Bonds, should not assume that any such agreement will be in effect at any time.

Optional Conversion of the Short RITES Bonds

On any Business Day prior to the applicable Scheduled Conversion Date, the Owner of Short RITES Bonds may elect to convert the interest rate payable on not less than $500,000 principal amount of such Short RITES Bonds of a maturity to the applicable Converted Rate.

Such election shall be made by delivery by the Owner of such Short RITES Bond of notice, which notice may be in writing or telephonically communicated, to the Short RITES Market Agent by 11:00 A.M., New York City time, on the Business Day prior to the proposed Optional Conversion Date (the "Notice Date") specifying (i) the principal amount of Short RITES Bonds and maturity to be converted, (ii) the proposed Optional Conversion Date, (iii) the method by which the Short RITES Market Agent will be able to contact such Owner between 11:00 A.M. and 2:00 P.M., New York City time, on the Notice Date and (iv) evidence satisfactory to the Short RITES Market Agent that such Owner is the Owner of the Short RITES Bonds being converted.

Prior to 2:00 P.M., New York City time on the Notice Date, the Short RITES Market Agent shall determine (i) whether the conditions for the conversion of Short RITES Bonds have been met, (ii) the Optional Conversion Date and (iii) the applicable Converted Rate, and shall make reasonable efforts to advise the Owner using the method specified in the notice, as to such determinations. Any determination made by the Short RITES Market Agent pursuant to this paragraph shall be binding, until 3:00 P.M., New York City time, on the Notice Date, provided there shall have been no material adverse change in the market for interest rate exchange agreements based on tax-exempt market interest rates prior to such time. If, in the exclusive judgment of the Short RITES Market Agent, which judgment may not be exercised arbitrarily, such material adverse change shall have occurred, the Short RITES Market Agent shall rescind such determination by not providing the telephonic confirmation referred to in the following paragraph.

The Owner shall provide telephonic notice to the Short RITES Market Agent of its offer to convert its Short RITES Bonds to the Converted Rate so determined not later than 3:00 P.M., New York City time, on the Notice Date. Such notice shall be irrevocable; provided that, the conversion shall be effective only if the Short RITES Market Agent shall, by telephone, confirm its acceptance of the Converted Rate. Immediately following such confirmation, the Owner shall, in the event that the Short RITES Bonds are registered in the name of Cede & Co., as nominee for DTC, provide the Participant through which such Owner holds such Short RITES Bonds, irrevocable written notice to convert the interest on such Short RITES Bonds.

Not later than 5:00 P.M., New York City time, on the Notice Date, the Owner shall provide to the City, the Fiscal Agent and the Short RITES Market Agent irrevocable written notice (i) specifying the converted Short RITES Bonds, (ii) acknowledging that such Short RITES Bonds bear interest at the Converted Rate, and (iii) providing evidence satisfactory to the Short RITES Market Agent (x) that such Owner is the Owner of the converted Short RITES Bonds and (y) in the event that the Short RITES Bonds are registered in the name of Cede & Co., as nominee for DTC, that there shall have been provided to the Participant through which such Owner holds such Short RITES Bond, irrevocable written notice to convert the interest rate on such Short RITES Bond or authorizing the Short RITES Market Agent, to provide such notice, or in any other event, that the Owner shall surrender for conversion its Short RITES Bond. Failure by the Owner to deliver the notice described in the preceding sentence shall not affect the conversion made in the telephonic notice provided by the Owner as described above.

Notwithstanding anything to the contrary contained in this "SECTION II: THE BONDS—Short RITES Bonds—*Optional Conversion of the Short RITES Bonds*", the Optional Conversion Date for any Short RITES Bond for which the Owner has provided notice of conversion during the period beginning on the Record Date and ending on the next succeeding Interest Payment Date shall be a date not earlier than such next succeeding Interest Payment Date.

In addition, no Short RITES Bond shall be converted to the applicable Converted Rate at the election of the Owner thereof if (i) the Interest Rate Adjustment cannot be determined because (A) in the event that the related Series Transaction Supplement, or a Substitute Series Transaction Supplement, is in effect, the City and MLCS, or the City and the relevant financial institution with respect to a Substitute Series Transaction Supplement, fail to agree to the termination of a ratable portion of the related Series Transaction Supplement or (B) in the event that the related Series Transaction Supplement, or a Substitute Series Transaction Supplement, is not in effect, the City is unable to determine the Market Quotation or (ii) prior to such conversion there shall have occurred the enactment, promulgation, execution or ratification of, or any change in or amendment to, any law, regulation or ruling (or in the application or official interpretation of any law, regulation or ruling) as a result of which the City shall no longer be in receipt of an opinion of nationally recognized bond counsel to the effect that a conversion of any Short RITES Bond would not cause the interest payable on any of the Bonds to cease to be excludable from gross income for Federal income tax purposes. The City shall immediately notify the Short RITES Market Agent if no Short RITES Bonds shall be converted because of the satisfaction of the condition described in clause (ii) of the preceding sentence. Bond Counsel have no obligation to update their opinions given at the delivery of the Bonds.

The Internal Revenue Service has issued proposed regulations, which were published in the Federal Register on December 2, 1992, that may, if adopted in their current form, restrict the right of holders to convert Short RITES Bonds in certain circumstances. The regulations, if adopted, would apply only to conversions occurring 30 days or more after publication of the regulations as final. Under the proposed regulations, significant alterations to any debt instrument may cause it to be treated as a reissued debt instrument for Federal income tax purposes. Although it is not clear, it is possible that the exercise of the option to convert a Short RITES Bond may cause it to be treated as reissued under the proposed regulations. If the converted Short RITES Bond were considered to be reissued, the holder would recognize gain or loss measured by the market value of the converted Short RITES Bond. In addition, if the treatment of the converted Short RITES Bonds as a reissued obligation would cause interest on the Bonds to be includable in gross income for Federal income tax purposes, *e.g.*, if the converted Short RITES Bonds had a lower yield than the yield on the Bonds or if there were a change in law adversely affecting the reissuance of the Bonds, the conversion would not be permitted.

The City and MLCS have agreed, pursuant to the Facilitation Agreement, to terminate each Series Transaction Supplement in a notional principal amount corresponding to the face amount of the Short RITES Bonds of each maturity being converted. Any such termination of such portion of each such Series Transaction Supplement is expressly conditioned on the following:

(a) MLCS is actively involved in the business of executing interest rate swap transactions on the basis of tax-exempt market interest rates;

(b) MLCS arranges, in light of then current market conditions, terms for such termination financially and otherwise acceptable to the City and MLCS, and the City consents to such terms, which consent shall not be unreasonably withheld; and

(c) such other factors as affect MLCS's willingness to enter into Series Transaction Supplements.

There can be no assurance that any substitute master agreement will contain the same conditions as the Facilitation Agreement or that the City will be able to obtain any quotations from Reference Market-makers to determine the Market Quotation.

Prospective Owners of the Short RITES Bonds should note that it is not possible to determine at this time the amount of the Converted Rate or the Interest Rate Adjustment. Both are subject to conditions in the market for interest rate exchange transactions based on tax-exempt market interest rates at the time of conversion. The Interest Rate Adjustment is expected, however, to approximate the replacement cost for MLCS and the City of the notional amount of the Series Transaction Supplement being adjusted in conjunction with such conversion. Such replacement cost is expected to be approximately equal to the cost of preserving for MLCS and the City the economic equivalent of the payment obligations of MLCS and the City following the Optional Conversion Date. If an Interest Rate Adjustment is positive, the Converted Rate will be in excess of the Constant Rate; however, if the Interest Rate Adjustment is negative, the Converted Rate will be less than the Constant Rate. Generally, upon the conversion of a Short RITES Bond, (i) the Converted Rate will be less than the applicable Constant Rate if fixed payor rates in the market for interest rate exchange transactions based on tax-exempt market interest rates exceed the applicable Base Rate minus the applicable Constant

Rate for such Short RITES Bond and (ii) the Converted Rate will exceed the applicable Constant Rate if fixed payor rates in the market for interest rate exchange transactions based on tax-exempt market interest rates are less than the applicable Base Rate minus the applicable Constant Rate for such Short RITES Bond.

In no event shall the rate of interest on the Short RITES Bonds exceed 25% per annum.

In addition, Prospective Owners of the Short RITES Bonds should note that:

(i) pursuant to the Facilitation Agreement, MLCS and the City have agreed that if the conditions specified above with respect to the termination of any Series Transaction Supplement are satisfied, they will arrange for such termination on a best efforts basis; and

(ii) although the Interest Rate Adjustment applicable upon an Optional Conversion of any Short RITES Bond to the applicable Converted Rate cannot be determined at this time, such adjustment could, under certain market conditions described above, be substantial.

Prospective Owners of the Short RITES Bonds should consult their financial advisors regarding the consequences of conversion.

Defeasance

For the purpose of determining whether Short RITES Bonds shall be deemed to have been defeased, the interest to come due on such Short RITES Bonds shall be calculated at the maximum applicable rate; and if, as a result of such Short RITES 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 Short RITES Bonds exceeds the total amount required, the balance shall be paid to the City. In addition, Short RITES 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 Short RITES Bonds that could become payable to the Owners thereof upon the exercise of any election to convert the interest rate payable on such Short RITES Bonds to the Converted Rate.

Termination or Substitution of Series Transaction Supplement

The City agrees that it will not terminate a Series Transaction Supplement or allow MLCS to terminate a Series Transaction Supplement other than (i) in the case of Merrill Lynch, upon the exercise of its rights pursuant to the terms of the Facilitation Agreement or (ii) upon an optional conversion of the Short RITES Bonds, unless the City shall have received an opinion of nationally recognized bond counsel to the effect that such termination will not cause interest on the Bonds to be includable in gross income for Federal income tax purposes.

In the event of an early termination of a Series Transaction Supplement, the City agrees to make Reasonable Efforts to obtain a substitute series transaction supplement (a "Substitute Series Transaction Supplement") which shall be on substantially the same terms and conditions as the terminated Series Transaction Supplement. No assurance can be given that a Substitute Series Transaction Supplement will be obtained. The Short RITES Bonds will continue to bear interest as set forth above following such termination without regard for whether the City obtains a Substitute Series Transaction Supplement.

"Reasonable Efforts" by the City to find a Substitute Series Transaction Supplement shall mean that no later than two Business Days following the termination, the City shall distribute or cause to be distributed by mail or facsimile transmission a request for a Substitute Series Transaction Supplement to at least four financial institutions whose credit standing is acceptable to the City and which are known to be active in the swap market, such notice requiring that such institutions respond to the City within five days from the date on which such notice was sent by the City with quotations to provide a Substitute Series Transaction Supplement.

If the City receives at least one quotation for a Substitute Series Transaction Supplement at a cost that will not exceed the termination payment to be received by the City as a result of the early termination of the prior Series Transaction Supplement, the City will be obligated to take the necessary action to implement such Substitute Series Transaction Supplement as soon as practicable. If the City does not receive at least one quotation for a Substitute Series Transaction Supplement at a cost that will not exceed the termination payment to be received by the City as a result of the early termination of the prior Series Transaction Supplement, the City will either (i) replace the Series Transaction Supplement with a Substitute Series Transaction Supplement that will cost more than any termination payment to be received by the City or (ii) elect not to replace the Series Transaction Supplement.

If the City replaces a terminated Series Transaction Supplement, but the cost of any Substitute Series Transaction Supplement is less than the amount received on the termination of the prior Series Transaction Supplement, the City shall be entitled to keep the difference, provided that, within 30 days of the receipt of such payment the City shall have received an opinion of counsel nationally recognized on the subject of municipal bonds to the effect that such retainage will not cause interest on the Bonds to be includable in gross income for Federal income tax purposes. If the City cannot obtain such opinion then it may elect to seek a private letter ruling from the Internal Revenue Service to the effect that such retainage will not cause interest on the Bonds to be includable in gross income for Federal income tax purposes. If the City cannot obtain such private letter ruling within one year of the receipt of such payment, or if the City elects not to seek or pursue such private letter ruling, then the City shall pay to the Owners of the Short RITES Bonds, as interest, on the interest payment date next succeeding the earlier of (i) the date on which the City elected not to seek or pursue such private letter ruling or (ii) the date that is one year after the receipt of the termination payment, the amount of any such savings, together with any investment earnings thereon.

In the event the City elects not to replace the terminated Series Transaction Supplement, any termination payment received by it from MLCS, together with any investment earnings thereon, shall be held by the City and shall be used to pay interest on any Short RITES Bonds to the extent the interest rate on the Short RITES Bonds exceeds the Constant Rate at any time after the termination of the Series Transaction Supplement. On the Scheduled Conversion Date, the City shall be entitled to keep any remaining portion of the termination payment or the investment earnings thereon provided that the City shall have received an opinion of counsel nationally recognized on the subject of municipal bonds or a private letter ruling from the Internal Revenue Service to the effect that such retainage will not cause interest on the Bonds to be includable in gross income for Federal income tax purposes. If the City has not obtained such opinion or private letter ruling on or before the Scheduled Conversion Date, any such remaining moneys including any investment earnings thereon, shall be paid to the Owners of the Short RITES Bonds, as interest, on the Scheduled Conversion Date.

Bond Insurance

The following information pertaining to AMBAC Indemnity Corporation ("AMBAC Indemnity" or the "Insurer") has been supplied by AMBAC Indemnity. 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 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 I—SPECIMEN INSURANCE POLICY".

AMBAC Indemnity has made a commitment to issue a municipal bond insurance policy (the "AMBAC Policy") relating to the 6% Fixed Rate Bonds maturing in 2009, the Fixed Rate Bonds maturing in 2012, the Short Term Auction Rate Securities and the Complementary Auction Rate Securities (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 or within one business day 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 of 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 theretofore recovered from its registered owner pursuant to the United States Bankruptcy Code in accordance with a final, nonappealable order of a court of competetent 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 AMBAC Policy. Specifically, the AMBAC 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 I for a specimen of the AMBAC Policy.

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 Office of the Commissioner of Insurance of the State of Wisconsin and licensed to do business in 50 states, the District of Columbia and the Commonwealth of Puerto Rico, with admitted assets of approximately $1,503,000,000 (unaudited) and statutory capital of approximately $826,000,000 (unaudited) as of September 30, 1992. Statutory capital consists of AMBAC Indemnity's policyholders' surplus and statutory contingency reserve. AMBAC Indemnity is a wholly owned subsidiary of AMBAC Inc., a 100% publicly-held company. Moody's and Standard & Poor's have both assigned a triple-A claims-paying ability rating to AMBAC Indemnity.

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, this Official Statement other than the information supplied by AMBAC Indemnity and presented under the heading "Bond Insurance".

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 Fixed Rate Bonds, the Short Term Auction Rate Securities, the Complementary Auction Rate Securities and the Short RITES Bonds set forth inside the cover page of this Official Statement, 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 direct participants ("Direct 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 a maturity are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such maturity 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.

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 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., if by hand, One Chase Manhattan Plaza—Level 1B, New York, New York 10081, Attn: Municipal Bond Redemption Window; if by mail, 4 Chase Metrotech Center, Brooklyn, New York 11245, Attn: Box 2020, 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 on the applicable record date.

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 51 members elected for two-year terms commencing January 1, 1992, and four-year terms thereafter who represent various geographic districts of the City. Under the Charter, the City Council must annually adopt a resolution fixing the amount of the real estate tax and approve the City's capital and expense budgets. The City Council does not, however, have the power to enact local laws imposing other taxes, unless such taxes have been authorized by State legislation. 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 the borough 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.

On April 28, 1992, the New York State Senate approved a bill, which, if enacted into law, would give voters of the borough of Queens the opportunity to vote in a referendum to establish a charter commission for the purpose of proposing a charter under which Queens would secede from The City of New York to become a separate City of Queens. Enactment of the bill would require the approval of the New York State Assembly and signature by the Governor. If, after such enactment, Queens voters should vote to establish a charter commission, the same procedures and approvals and possible legal challenge described above for secession by Staten Island would apply to a secession by Queens.

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 1992 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: 1993-1996 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 1991 fiscal year, which includes, among other things, the City's financial statements for the 1991 fiscal year, has received the GFOA award of the Certificate of Achievement for Excellence in Financial Reporting, the twelfth 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 twelve consecutive fiscal years with a General Fund surplus when reported in accordance with GAAP. The Governmental Accounting Standards Board issued Statement No. 11, *Measurement Focus and Basis of Accounting—Governmental Fund Operating Statements*, in May 1990. Statement No. 11 is scheduled to take effect in the City's 1995 fiscal year. The City has not yet completed the analysis required to estimate the financial statement impact of Statement No. 11. See "APPENDIX B—FINANCIAL STATEMENTS—Notes to Financial Statements—Note A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES—*Pronouncements Issued But Not Yet Effective*".

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.

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 1992, while unrestricted Federal aid has been sharply reduced. The City projects that local revenues will provide approximately 67.5% of total revenues in the 1993 fiscal year while Federal aid, including categorical grants, will provide 11.7%, and State aid, including unrestricted aid and categorical grants, will provide 20.8%. 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: 1993-1996 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 45.6% of its total tax revenues and 26.3% of its total revenues for the 1993 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—1988-1992 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. The table below sets forth the percentage of the debt service levy to the total levy. 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

Fiscal Year	Total Levy(1)	Levy Within Operating Limit	Debt Service Levy(2)	Percent of Debt Service Levy to Total Levy	Operating Limit	Percent of Levy Within Operating Limit to Operating Limit	Rate Per $100 of Full Valuation(3)	Weighted Average Tax Rate Per $100 Assessed Valuation
				(Dollars in Millions)				
1988	$5,586.0	$4,432.3	$1,153.7	20.7%	$ 4,969.5	89.1%	$2.81	$ 9.44
1989	6,233.0	4,996.3	1,236.7	19.8	6,808.5	73.4	2.29	9.74
1990	6,872.4	5,401.3	1,471.1	21.4	7,789.1	69.3	2.21	9.91
1991(4)	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
1993	8,392.5	6,469.9	1,922.6	22.9	11,945.0	54.2	1.76	10.63

(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 $100 of full valuation shown is based on the special equalization ratios 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.

(4) Does not include supplemental levy of $61 million raised in mid-year for the Criminal Justice Fund.

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 $100 of full valuation for the 1988 through 1993 fiscal years is based on the average of the full value for the current fiscal year and the last four fiscal years.

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 1993 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 1989 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)

Fiscal Year	Billable Assessed Valuation of Taxable Real Estate(2)	÷	Special Equalization Ratio(3)	=	Full Valuation(2)(3)
1989	$64,342,267,379		.1841		$349,496,292,118
1990	70,252,467,843		.1750		401,442,673,389
1991	76,528,438,709		.1647		464,653,544,074
1992	78,660,903,551		.1450		542,488,998,007
1993	79,370,561,446		.1258		630,926,561,574

(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 1993 fiscal year, the billable assessed value of real estate categorized by the City as exempt is $59.3 billion, or 42.8% of the $138.7 billion billable assessed value of all real estate (taxable and exempt).

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

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

State law provides for the classification of all real property in the City into one of four statutory classes, of which class one primarily includes one-, two-, and three-family homes. Class two includes certain other residential property not included in class one, class three includes most utility real property and all other real property is in class four. These laws have no effect upon the constitutional limitations on the City's taxing power. Once the tax levy is determined, 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' 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. State law provides that class shares for fiscal year 1993 cannot be adjusted upward by more than two percent. 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. LONG-TERM OBLIGATIONS—*Judgments and Claims*".

The State Board has certified final class equalization rates and final class ratios (discussed below) for the 1991 assessment roll. In addition, the City has received notice of the final special equalization ratios for the 1993 fiscal year. The City believes that the State Board has overestimated market values for classes two and four properties in calculating these rates and ratios. The City has commenced a proceeding challenging the final class equalization rates and final class ratios. If the City prevails, and the market values determined by the State Board for classes two and four are reduced, the City's real property tax levy would be affected in three ways. For further information regarding the City's proceeding, see "SECTION IX: OTHER INFORMATION—Litigation—*Taxes*".

First, the operating limit would be lower for fiscal year 1993 and thereafter. This would not affect the level of property tax levy forecast during the Financial Plan. Second, "class ratios", which are determined by the State Board and measure the ratio of assessed value to market value, would change for classes two and four. These ratios are used in real property tax *certiorari* proceedings involving allegations of inequality of assessments. Finally, "class equalization rates", also determined by the State Board, would also change. These rates are used to determine the proportion of the total real property tax levy in a given year which is to be paid by each of the four classes of real property in the City. A lowering of the market value determination by the State Board for classes two and four could result in a substantial increase in tax refunds required to be paid by the City to taxpayers in these classes. However, the City expects that it would seek to collect additional taxes from classes one and three in an amount sufficient to pay for the refunds.

Trend in Taxable Assessed Value

The total billable assessed valuation of taxable real estate increased in the 1993 fiscal year for the fourteenth 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 0.9% in fiscal year 1993 over the $78.7 billion final valuation for fiscal year 1992. Actual assessed valuation decreased approximately 2.3% in fiscal year 1993 from the fiscal year 1992 valuation of $83.6 billion. As a result of the current downturn in the real estate market, total assessed valuation of taxable real estate will decrease in the future, which may result in real estate tax revenues substantially lower than currently anticipated in the Financial Plan. The City expects tentative assessment rolls to be published in January 1993.

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 9% 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 18% 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. The City believes that delinquent real estate taxes have increased recently compared to prior fiscal years as a result of the recession and the deterioration of the real estate market. The City anticipates that delinquent real estate taxes will decrease as the City's economy and real estate market recover.

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)			
1987	$5,141.7	$ 69.0	$4,975.5	96.8%	$ 97.2	1.89%
1988	5,586.0	72.7	5,382.4	96.4	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(4)	7,681.3	223.4	7,195.2	93.7	262.6	3.42
1992	8,318.8	161.8	7,817.8	94.0	339.2	4.08
1993(5)	8,392.5	149.2	7,900.0	94.1	343.3	4.09

(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) Does not include supplemental levy of $61 million raised in mid-year for the Criminal Justice Fund.

(5) Forecast.

Other Taxes

The City expects to derive approximately 54.4% of its total tax revenues for the 1993 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 REVENUES—Real Estate Tax". 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 1992 fiscal year increased by $622 million or approximately 7.2% over the 1991 fiscal year, primarily due to increases in the personal income tax, reflecting a rate increase and the region's relatively strong wage rates, and the banking corporation tax, as a result of wide interest rate spreads. The following table sets forth revenues from other taxes by category for each of the City's 1988 through 1992 fiscal years.

	1988	1989	1990	1991	1992
			(In Millions)		
Personal Income	$2,089	$2,445	$2,538	$2,798	$3,233
General Corporation	1,256	1,263	1,123	1,125	1,174
Banking Corporation	333	285	196	256	401
Unincorporated Business Income	315	356	357	370	366
Sales	2,223	2,330	2,431	2,354	2,278
Commercial Rent	584	651	685	718	707
Real Property Transfer	216	207	215	147	131
Mortgage Recording	201	213	154	137	120
Utility	145	168	184	184	187
All Other(1)	582	536	630	553	667
Total	$7,944	$8,454	$8,513	$8,642	$9,264

(1) All Other includes, among others, the stock transfer tax, the OTB net revenue, cigarette, beer and liquor taxes, the hotel tax, the automobile use tax and, for the 1992 fiscal year, $1.5 million of Criminal Justice Fund revenues.

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, reimbursement to the City from the proceeds of water and sewer rates charged by the New York City Water Board for delivery 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 1988 through 1992 fiscal years.

	1988	1989	1990	1991	1992
			(In Millions)		
Licenses, Permits and Franchises	$ 231	$ 193	$ 189	$ 201	$ 210
Interest Income	129	194	194	167	133
Charges for Services	253	286	299	337	369
Water and Sewer Payments(1)	435	546	571	596	644
Rental Income	202	187	207	169	158
Fines and Forfeitures	265	297	310	366	404
Other	186	367	464	426	411
Total	$1,701	$2,070	$2,234	$2,262	$2,329

(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 New York City Municipal Water Finance Authority (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 the 1989 fiscal year 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. The increase in miscellaneous revenues for the 1992 fiscal year is mainly due to the one time collections from audits of $50 million and the sale of mortgages of $35 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: 1993-1996 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 1988 through 1992 fiscal years.

	1988	1989	1990	1991	1992
			(In Millions)		
State Per Capita Aid	$ 535	$ 535	$ 535	$ 535	$ 534
State Shared Taxes(1)	47	47	47	20	27
Other(2)	71	131	105	145	265
Total	$ 653	$ 713	$ 687	$ 700	$ 826

(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 1988, 1989, 1990, 1991 and 1992 fiscal years are $44 million, $50 million, $58 million, $69 million and $75 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: 1993-1996 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 1988 through 1992 fiscal years.

	1988	1989	1990	1991	1992
			(In Millions)		
Federal					
JTPA	$ 85	$ 76	$ 74	$ 73	$ 86
Community Development(1)	214	223	234	227	187
Welfare	1,433	1,531	1,634	1,842	2,108
Education	453	512	611	667	744
Other	279	269	320	338	297
Total	$2,464	$2,611	$2,873	$3,147	$3,422
State					
Welfare	$1,283	$1,350	$1,482	$1,620	$1,773
Education	2,472	2,791	3,072	3,285	3,072
Higher Education	100	110	111	119	119
Health and Mental Health	195	218	244	237	201
Other	242	247	263	250	270
Total	$4,292	$4,716	$5,172	$5,511	$5,435

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

SECTION V: CITY SERVICES AND EXPENDITURES

Expenditures for City Services

Three types of governmental agencies provide public services within the City's borders and receive financial support from the City. One category is the mayoral agencies established by the City Charter which include, among others, the Police, Fire and Sanitation Departments. Another is the independent agencies which are funded in whole or in part through the City Budgets but which have greater independence in the use of appropriated funds than the mayoral agencies. Included in this category are certain Covered Organizations such as HHC, the Transit Authority and BOE. A third category consists of certain PBCs which were created to finance the construction of housing, hospitals, dormitories and other facilities and to provide other governmental services in the City. The legislation establishing this type of agency contemplates that annual payments from the City, appropriated through its Expense Budget, may or will constitute a substantial part of the revenues of the agency. Included in this category are, among others, the HFA and the City University Construction Fund (the "CUCF"). For information regarding expenditures for City services, see "SECTION VI: FINANCIAL OPERATIONS—1988-1992 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 71.87% 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, 1993. 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 1992-1993 school year is estimated to be 992,838. Between fiscal years 1988 and 1992, the percentage of the City's total budget allocated to BOE has remained relatively stable at approximately 25.5%; in fiscal year 1993 the percentage of the City's total budget allocated to BOE is projected to be 25.5%. See " SECTION VII: 1993-1996 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 32.5% 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, 1992, due to, among other factors, the costs of labor settlements, the growth in the number of 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 1988 through 1992 fiscal years.

	1988	1989	1990	1991	1992
Education	82,441	84,754	86,224	86,071	83,863
Police	34,077	33,414	32,976	34,401	34,217
Social Services	27,080	29,227	31,491	31,404	28,890
Higher Education	3,872	3,828	3,843	3,864	3,516
Environmental Protection and Sanitation	17,454	17,812	18,300	17,366	16,560
Fire	13,306	13,321	12,769	12,679	12,571
All Other	53,752	56,027	57,487	57,423	54,491
Total	231,982	238,383	243,090	243,208	234,108

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 1988 through 1992 fiscal years.

	1988	1989	1990	1991	1992
Transit Authority	52,498	52,315	51,471	49,035	48,388
Housing Authority	15,241	14,747	15,253	15,106	15,271
HHC	44,473	45,115	46,194	45,717	45,498
Total(1)	112,212	112,177	112,918	109,858	109,157

(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 expired between September and December 1991. Negotiations have commenced with many of such unions for successor agreements. In September 1991, an impasse panel held hearings concerning the collective bargaining impasse for the period of July 1, 1990 through September 30, 1991 between the City and the Patrolmen's Benevolent Association (the "PBA"), which represents approximately 18,000 police officers. The panel issued its binding award on November 15, 1991. Subsequent to such award, the City reached agreements for the period of July 1, 1990 through September 30, 1991 with the Transit Authority Police Benevolent Association (the "TAPBA"), the Housing Authority Patrolmen's Benevolent Association (the "HAPBA") and the United Sanitationmen's Association (the "USA").

More recently, the City has reached an agreement with the Sanitation Officers Association (the "SOA") and a coalition of unions representing superior officers of the New York City Police Department. The Assistant Deputy Wardens Association ("ADWA") recently reached a tentative agreement that is in the process of being ratified. The Uniformed Firefighters Association (the "UFA") delegates failed to approve a tentative agreement reached with the City. As a result, an impasse panel is currently holding hearings and is expected to issue its decision early in 1993.

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 most recently negotiated 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 1993-1996 Financial Plan, see "SECTION VII: 1993-1996 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: 1993-1996 FINANCIAL PLAN—Long-Term Capital and Financing Program" and "APPENDIX A—ECONOMIC AND SOCIAL FACTORS".

On April 23, 1992, the City announced an update to the Ten-Year Capital Strategy for fiscal years 1992 through 2001 (the "Updated Ten-Year Capital Strategy"). The Updated Ten-Year Capital Strategy totals $47.1 billion, of which approximately 92% will be financed with City funds. The Ten-Year Capital Strategy was updated and reduced to reflect decreases in the capital program required by lower forecast tax revenue for the ten-year period. The Updated Ten-Year Capital Strategy includes an assumption that the debt service cost relating to $700 million of the educational capital program in fiscal years 1993 and 1994 will be paid from incremental building aid payments from the State, to which the City will be entitled as a result of the scope of its capital program authorized for educational facilities. The City expects that the new draft Ten-Year Capital Strategy to be published in December 1992 will include an assumption that the debt service cost relating to $930 million of the educational capital program in fiscal years 1993 and 1994 will be paid from incremental building aid payments from the State. This aid requires an annual allocation and an appropriation by the State. In addition, the Updated Ten-Year Capital Strategy assumes that the debt service cost relating to approximately $700 million of the future capital program for HHC through the 1996 fiscal year and $1.3 billion over the ten-year period will be paid from incremental third party reimbursement to HHC as a result of capital improvements coming into service during the period. $1 billion of the Capital Program was authorized relying on the benefit of lower estimated debt service costs during the Financial Plan period resulting from more refined forecasting of such costs. In December 1992 the City expects to publish a new draft Ten-Year Capital Strategy for fiscal years 1994 through 2003. This will be followed by a Ten-Year Capital Strategy for such fiscal years to be published in the spring of 1993.

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 through 2001 totalling $67.0 billion, of which approximately 70% was to be financed with City funds. The Updated Ten-Year Capital Strategy includes: (i) $7.4 billion to construct new schools and improve existing educational facilities; (ii) $4.8 billion for expanding and upgrading the City's housing stock; (iii) $1.7 billion for reconstruction or resurfacing more than 11,500 lane miles of City streets; (iv) $2.0 billion for continued City-funded investment in mass transit; (v) $3.1 billion for the continued reconstruction of all four East River bridges and over 293 other bridge structures; (vi) $1.7 billion for the major reconstruction of Elmhurst, Kings County, Queens and Coney Island Hospitals; (vii) $984 million to expand current jail capacity; and (viii) $781 million for construction and improvement of court facilities. The Ten-Year Capital Strategy included $17.1 billion in non-City funding for the TA's capital program. This funding is not included in the Updated Ten-Year Capital Strategy, pending State approval of the Metropolitan Transportation Authority's (the "MTA") 1992-1996 Capital Program.

Those programs in the Updated Ten-Year Capital Strategy financed with City funds are currently expected to be funded primarily from the issuance of general obligation bonds. In the context of a 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: 1993-1996 FINANCIAL PLAN—Long-Term Capital and Financing Program".

The City's capital expenditures, including expenditures funded by State and Federal grants, totaled $17.3 billion during the 1988 through 1992 fiscal years. City-funded expenditures, which have been financed through the issuance of City and Water Authority bonds, totaled $15.5 billion during the 1988 through 1992 fiscal years. The following table summarizes the major categories of capital expenditures in the past five fiscal years.

	1988	1989	1990	1991	1992	Total
			(In Millions)			
Education	$ 147	$ 208	$ 380	$ 694	$ 681	$ 2,110
Environmental Protection	567	622	637	826	894	3,546
Transportation	249	422	392	399	364	1,826
Transit Authority(1)	229	472	360	381	329	1,771
Housing	201	367	572	689	639	2,468
Hospitals	110	118	148	195	155	726
Sanitation	141	210	223	172	153	899
All Other(2)	587	724	1,039	877	678	3,905
Total Expenditures(3)	$2,231	$3,143	$3,751	$4,233	$3,893	$17,251
City-funded Expenditures(4)	$2,039	$2,690	$3,213	$3,946	$3,582	$15,470

(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 1988 through 1992 fiscal years include City, State and Federal funding and represent amounts which include an accrual for work-in-progress. The figures for the 1988 through 1992 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.

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. For information concerning a report which sets forth the recommended capital investment to bring certain identified assets of the City to a state of good repair, see "SECTION VII: 1993-1996 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, 1992, 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—1988-1992 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 1993 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.

1988-1992 Statement of Operations

The following table sets forth the City's results of operations for its 1988 through 1992 fiscal years reported in accordance with GAAP. The information regarding the 1988 through 1992 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 1991 and 1992 financial statements included in "APPENDIX B—FINANCIAL STATEMENTS". The 1988 through 1990 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)				
	1988	1989	1990	1991	1992
	(In Millions)				
Revenues and Transfers					
Real Estate Tax(2)	$ 5,382	$ 5,943	$ 6,543	$ 7,251	$ 7,818
Other Taxes(3)	7,944	8,454	8,513	8,642	9,264
Miscellaneous Revenues	1,701	2,070	2,234	2,262	2,329
Unrestricted Federal and State Aid	653	713	687	700	826
Federal Categorical Grants	2,464	2,611	2,873	3,147	3,422
State Categorical Grants	4,292	4,716	5,172	5,511	5,435
Less: Disallowances Against Categorical Grants	(10)	(18)	(85)	(32)	(72)
Total Revenues and Transfers	$22,426	$24,489	$25,937	$27,481	$29,022
Expenditures and Transfers					
Social Services	$ 5,015	$ 5,355	$ 5,932	$ 6,686	$ 7,108
Board of Education	5,285	5,786	6,377	6,694	6,626
City University	259	266	299	313	458
Public Safety and Judicial	2,920	3,174	3,523	3,494	3,586
Health Services	971	1,337	1,395	1,463	1,276
Pensions	1,753	1,742	1,693	1,479	1,370
Debt Service(3)	1,224	1,324	1,205	1,503	2,502
MAC Debt Service Funding(3)	428	515	522	449	540
All Other	4,561	4,984	4,986	5,395	5,552
Total Expenditures and Transfers	$22,416	$24,483	$25,932	$27,476	$29,018
Surplus(4)	$ 10	$ 6	$ 5	$ 5	$ 4

(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 and 1992 fiscal years includes $56 million and $131 million, respectively, 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 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, payments by the City of debt service on City obligations held by MAC. Other Taxes include transfers of net OTB revenues. Other Taxes for the 1992 fiscal year includes $1.5 million of Criminal Justice Fund lottery 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 $570 million, $27 million, $253 million, $409 million and $225 million before discretionary transfers and expenditures for the 1992, 1991, 1990, 1989 and 1988 fiscal years, respectively.

Forecast of 1993 Results

The following table compares the forecast for the 1993 fiscal year contained in the financial plan submitted to the Control Board on June 11, 1992 (the "June 1992 Forecast") with the modification submitted to the Control Board on November 19, 1992 (the "November 1992 Forecast"). These forecasts were prepared on a basis consistent with GAAP.

	June 1992 Forecast	November 1992 Forecast	Increase (Decrease) from June 1992 Forecast
		(In Millions)	
REVENUES			
Taxes			
General Property Tax	$ 7,799	$ 7,770	$ (29)
Other Taxes	8,621	8,811	190 (1)
Tax Audit Revenue	500	500	—
Criminal Justice Fund	290	242	(48)(2)
Anticipated Tax Program	7	—	(7)
Miscellaneous Revenues	3,127	3,259	132 (3)
Unrestricted Intergovernmental Aid	677	674	(3)
Inter-Fund Revenues	231	232	1
Less: Intra-City Revenues	(496)	(576)	(80)
Disallowances Against Categorical Grants	(15)	(15)	—
Total City Funds	$20,741	$20,897	$ 156
Federal Categorical Grants	3,226	3,479	253 (4)
State Categorical Grants	5,541	5,613	72 (4)
Total Revenues	$29,508	$29,989	$ 481
EXPENDITURES			
Personal Service	$14,699	$14,916	$ 217 (5)
Other Than Personal Service	12,829	13,207	378 (6)
Debt Service	1,956	1,922	(34)(7)
MAC Debt Service Funding	370	370	—
General Reserve	150	150	—
	$30,004	$30,565	$ 561
Less: Intra-City Expenses	(496)	(576)	(80)
Total Expenditures	$29,508	$29,989	$ 481
GAP TO BE CLOSED	$ —	$ —	$ —

(1) The forecasted increase of $190 million in Other Taxes is primarily due to projected increases in collections for the banking corporation tax of $95 million and the general corporation tax of $59 million.

(2) The forecasted decrease of $48 million in the Criminal Justice Fund is due to a reduction in the proceeds from the lottery.

(3) Excluding the increase in Intra-City Revenues, Miscellaneous Revenues are projected to increase by $52 million. The projected increases are primarily due to increased revenues from charges for services of $30 million, increased rental income of $23 million and increased private grants of $23 million, offset, in part, by a reduction in interest income of $12 million.

(4) The increase in Federal and State Categorical Grants is due in part to modifications that were processed from July to October, as well as adjustments to the expenditure forecasts.

(5) The increase in Personal Services is partially due to additional spending of $86 million as a result of the implementation of an agreement between the City and BOE, additional spending for uniform force overtime of $25 million, other uniform force adjustments of $47 million and various other revisions to the expenditure forecast.

(6) The increase in Other Than Personal Service is primarily due to budget modifications that were processed from July to October, offset by adjustments to the expenditure forecast.

(7) The net decrease in Debt Service reflects an increase of $136 million as a result of discretionary adjustments in debt service funding between 1993 and 1994, a decrease of $77 million as a result of discretionary adjustments between 1992 and 1993 and other savings, including $34 million from a fiscal year 1993 refunding, various reductions in long term debt service of $32 million and savings in short term interest costs of $26 million.

SECTION VII: 1993-1996 FINANCIAL PLAN

The following table sets forth the City's projected operations on a basis consistent with GAAP for the 1993 through 1996 fiscal years as contained in the 1993-1996 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".

	1993-1996 Fiscal Years(1)(2)			
	1993	1994	1995	1996
	(In Millions)			
REVENUES				
Taxes				
General Property Tax(3)	$ 7,770	$ 7,832	$ 8,005	$ 8,263
Other Taxes(3)(4)	8,811	8,880	9,023	9,561
Tax Audit Revenue	500	500	500	500
Criminal Justice Fund(3)	242	400	437	455
Anticipated Tax Program	—	7	8	9
Miscellaneous Revenues	3,259	3,071	3,003	2,962
Unrestricted Intergovernmental Aid	674	681	684	694
Reserve for State Budget Reductions	—	(150)	(100)	(50)
Inter-Fund Revenues(5)	232	233	233	233
Less: Intra-City Revenues	(576)	(586)	(625)	(628)
Disallowances Against Categorical Grants	(15)	(15)	(15)	(15)
Total City Funds	$20,897	$20,853	$21,153	$21,984
Federal Categorical Grants	3,479	3,265	3,295	3,302
State Categorical Grants(6)	5,613	5,757	5,852	5,977
Total Revenues(7)	$29,989	$29,875	$30,300	$31,263
EXPENDITURES				
Personal Service(8)	$14,916	$15,337	$15,739	$16,384
Other Than Personal Service	13,207	13,475	13,958	14,415
Debt Service(4)	1,922	2,600	3,003	3,256
MAC Debt Service Funding(4)	370	554	59	277
General Reserve	150	150	150	150
	$30,565	$32,116	$32,909	$34,482
Less: Intra-City Expenses	(576)	(586)	(625)	(628)
Total Expenditures(7)	$29,989	$31,530	$32,284	$33,854
GAP TO BE CLOSED	$ —	($ 1,655)	($ 1,984)	($ 2,591)
GAP-CLOSING PROGRAM				
City Actions	$ —	$ 1,041	$ 1,443	$ 1,928
State Actions Including Mandate Relief	—	364	508	571
Federal Actions	—	250	125	—
Reserve for Service Enhancements, Tax Reductions and Other Contingencies	—	—	(92)	92
TOTAL GAP-CLOSING PROGRAM	$ —	$ 1,655	$ 1,984	$ 2,591

(1) The four-year financial plan for the 1992 through 1995 fiscal years, as submitted to the Control Board on July 12, 1991, contained the following projections for the 1992-1995 fiscal years: (i) for 1992, total revenues of $28.517 billion and total expenditures of $28.517 billion; (ii) for 1993, total revenues of $29.025 billion and total expenditures of $30.076 billion with a gap to be closed of $1.051 billion; (iii) for 1994, total revenues of $29.756 billion and total expenditures of $31.391 billion with a gap to be closed of $1.635 billion; and (iv) for 1995, total revenues of $30.226 billion and total expenditures of $31.970 billion with a gap to be closed of $1.744 billion.

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.

(footnotes continued on next page)

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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.

(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. For information concerning the Transit Authority, see "SECTION VII: 1993-1996 FINANCIAL PLAN—Assumptions—*Expenditure Assumptions*—2. Other Than Personal Service Costs—*Transit Authority*".

(3) Criminal Justice Fund revenues comprise $130 million, $150 million, $150 million and $150 million from general property tax receipts projected for the 1993 through 1996 fiscal years, respectively; $2 million, $50 million, $120 million and $120 million projected to be received from the City lottery for the 1993 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. Other Taxes include transfers of net OTB revenues.

(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 1993 fiscal year are forecast at a level consistent with the State budget for the State's 1993 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 1993. See "SECTION VII: 1993-1996 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".

Actions to Close the Gaps

The 1993-1996 Financial Plan reflects a program of proposed actions by the City, State and Federal governments to close the gaps between projected revenues and expenditures of $1.7 billion, $2.0 billion and $2.6 billion for the 1994, 1995 and 1996 fiscal years, respectively.

City gap-closing actions total $1.0 billion in the 1994 fiscal year, $1.4 billion in the 1995 fiscal year and $1.9 billion in the 1996 fiscal year. These actions for the 1994 fiscal year include a specific program of savings and increased revenues by City agencies totaling $217 million; $100 million from a hiring freeze and early retirement program that commences in 1993; $155 million in unspecified BOE reductions; $50 million in OTPS savings; $75 million from reorganizing the delivery of certain City services; $297 million in a City tax program; and $147 million in other unspecified City actions. The proposed City gap-closing program for the 1995 and 1996 fiscal years includes increased revenues and expenditure reductions from the continuation of the gap-closing initiatives for the 1994 fiscal year and new service reduction initiatives for the 1995 and 1996 fiscal years.

State actions proposed in the gap-closing program total $364 million, $508 million and $571 million in each of the 1994, 1995 and 1996 fiscal years, respectively. These actions include savings from the Governor's proposed State cost containment and assumption of Medicaid costs program, 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.

The Federal action proposed in the gap-closing program is $250 million and $125 million in increased Federal assistance in fiscal years 1994 and 1995, respectively.

Various actions proposed in the Financial Plan, including the proposed continuation of the personal income tax surcharge, the proposed City tax program, the Medicaid and "New York, New York" programs and the proposed reallocation of State education aid, are subject to approval by the Governor and approval by the State Legislature and the proposed increase in Federal aid is subject to approval by Congress and the President. The State Legislature failed to approve the proposed Medicaid and certain "New York, New York" programs and the proposed reallocation of State education aid in the last session and in the past has failed to approve tax proposals similar to those contained in the proposed City tax program. The Financial Plan assumes that these proposals will be approved by the State Legislature during the 1993 fiscal year. If these measures cannot be implemented, the City will be required to take other actions to decrease expenditures or increase revenues to maintain a balanced financial plan. See "SECTION VII: 1993-1996 FINANCIAL PLAN—Certain Reports" and "SECTION IX: OTHER INFORMATION—Ratings".

The City's projected budget gaps for the 1995 and 1996 fiscal years do not reflect the savings expected to result from prior years' programs to close the gaps set forth in the Financial Plan. Thus, for example, recurring savings anticipated from the actions which the City proposes to take to balance the 1994 budget are not taken into account in projecting the budget gaps for the 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: 1993-1996 FINANCIAL PLAN—Assumptions".

Although the City has maintained balanced budgets in each of its last twelve fiscal years, and is projected to achieve balanced operating results for the 1993 fiscal year, 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 1993-1996 Financial Plan is based on numerous assumptions, including the end of the national recession in the beginning of the 1992 calendar year; declines in City employment in the 1992 calendar year; and the recovery of the City's and the region's economy in calendar year 1993. The 1993-1996 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 1993 through 1996 fiscal years; continuation of the 9% interest earnings assumptions for pension fund assets affecting the City's required pension fund contributions; 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 the proposed tax increases and the proposed continuation of the personal income tax surcharge 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; the level of funding required to comply with the Americans with Disabilities Act of 1990; 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: 1993-1996 FINANCIAL PLAN—Certain Reports". For further information concerning certain legislation requiring minimum levels of funding for education, see "SECTION VII: 1993-1996 FINANCIAL PLAN—Assumptions—*Expenditure Assumptions*—2. Other than Personal Service Costs—*Board of Education*".

As a result of the national and regional economic recession, the State's projections of tax revenues for its 1991 and 1992 fiscal years were substantially reduced. Consequently, the State took various actions for its 1992 fiscal year, which included increases in certain State taxes and fees, substantial decreases in certain expenditures from previously projected levels, including cuts in State operations and reductions in State aid to localities, and the sale of $531 million of short-term deficit notes prior to the end of the State's 1992 fiscal year. The State's 1992-93 budget was passed on time, closing an estimated $4.8 billion imbalance resulting primarily from the national and regional economic recession. Major budgetary actions included a freeze in the scheduled reduction in the personal income tax and business tax surcharge, adoption of significant Medicaid cost containment or revenue initiatives, and cost reductions in both agency operations and grants to local governments from previously anticipated levels.

The second quarterly update of the 1992-93 State Financial Plan was released on October 26, 1992. The update included modest increases in both the anticipated receipts and disbursements set forth in the 1992-93 State Financial Plan formulated on April 13, 1992, as modified by the first quarterly update issued on July 30, 1992. The second quarterly update also forecasts that the State economy, as measured by employment, will decline for the third consecutive year in the State's 1993 fiscal year. The State Division of the Budget projected a $21 million positive balance for the State's General Fund (the major operating fund of the State) at fiscal year end. The Division of the Budget has cautioned, however, that its projections are subject to certain risks, including adverse decisions in pending litigations, particularly those involving Federal Medicaid reimbursements and payments by hospitals and health maintenance organizations, and further deterioration in the national economy.

In February 1992, the State estimated the potential budget imbalance for the State's 1994 fiscal year at approximately $1.6 billion, assuming that scheduled rate reductions in the personal income tax and business tax, totaling more than $1 billion, would be postponed for the 1994 fiscal year. The State Division of the Budget has not revised its estimate of the potential budget imbalance for the State's 1994 fiscal year and, at this stage of its fiscal year, does not make a practice of formally revising its estimate of the potential budget imbalance until submission of the State's Executive Budget in January. Its internal projections, however, may vary materially from time to time from its most recent public estimate. Accordingly, it is possible that the potential imbalance for the State's 1994 fiscal year may be significantly in excess of the previously estimated $1.6 billion potential imbalance. Nevertheless, notwithstanding any projections of potential budget imbalances, the Governor is required by the State Constitution to submit an Executive Budget that balances receipts and disbursements.

The State has noted that its forecasts of tax receipts have been subject to variance in recent fiscal years. As a result of these uncertainties and other factors, actual results could differ materially and adversely from the State's current projections and the State's projections could be materially and adversely changed from time to time.

On January 13, 1992, Standard & Poor's reduced its ratings on the State's general obligation bonds from A to A- and, in addition, reduced its ratings on the State's moral obligation, lease purchase, guaranteed and contractual obligation debt. Standard & Poor's also continued its negative rating outlook assessment on State general obligation debt. On November 12, 1992, Standard & Poor's confirmed its January rating and assessment with respect to the State's general obligation bonds. On January 6, 1992, Moody's reduced its ratings on outstanding limited-liability State lease purchase and contractual obligations from A to Baa1. On November 16, 1992, Moody's reconfirmed its A rating on the State's general long-term indebtedness.

If additional revenue shortfalls or spending increases occur during the State's 1993 fiscal year or subsequent years beyond current projections, such developments could result in reductions in State aid to localities, including the City. Moreover, a delay in the adoption of the State's budget beyond the statutory April 1 deadline and the resultant delay in the State's Spring borrowing has in certain prior years delayed the projected receipt by the City of State aid, and there can be no assurance that State budgets in future fiscal years will be adopted by the April 1 statutory deadline.

The projections and assumptions contained in the 1993-1996 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 November 1992. 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 1992 calendar year with a recovery 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: 1993-1996 FINANCIAL PLAN—Certain Reports".

The following table presents a forecast of the key economic indicators for the calendar years 1992 through 1996. This forecast is based upon information available in October 1992.

FORECAST OF KEY ECONOMIC INDICATORS

	Calendar Years				
U.S. ECONOMY	**1992**	**1993**	**1994**	**1995**	**1996**
Economic Activity and Income					
Real GDP ($ billions of 1987 dollars)	4,906.8	5,045.0	5,193.4	5,349.2	5,485.1
Percent Change	1.8	2.8	2.9	3.0	2.5
Pre-tax Corporate Profits ($ billions)	367.2	425.4	465.3	481.5	503.2
Percent Change	9.7	15.8	9.4	3.5	4.5
Personal Income ($ billions)	5,049.2	5,314.9	5,637.2	5,991.7	6,285.5
Percent Change	4.6	5.3	6.1	6.3	4.9
Nonagricultural Employment (millions)	108.5	109.8	112.0	115.0	117.3
Change From Prior Year	0.2	1.3	2.2	3.0	2.3
Unemployment Rate	7.5	7.2	6.5	6.1	5.9
CPI-All Urban (1982-84=100)	140.5	145.1	149.8	154.7	159.7
Percent Change	3.1	3.3	3.2	3.3	3.3
3 Month T-Bill Rate	3.4	3.5	4.4	4.5	4.3
CITY ECONOMY					
Personal Income ($ billions)	170.7	178.4	186.4	195.1	203.2
Percent Change	3.2	4.5	4.5	4.7	4.2
Nonagricultural Employment (thousands)	3,253.6	3,206.7	3,205.3	3,212.8	3,219.1
Change From Prior Year	(119.0)	(46.9)	(1.4)	7.5	6.3
Real Gross City Product ($ billions of 1987 dollars)	214.7	216.6	218.9	221.5	223.3
Percentage Change	0.9	0.9	1.1	1.2	0.8
CPI-All Urban NY-NJ Area (1982-84=100)	149.8	155.5	161.3	167.6	174.3
Percent Change	3.5	3.7	3.7	3.9	4.0

SOURCE: OMB model for the City economy.

2. Real Estate Tax

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

The delinquency rate for the 1992 fiscal year was 4.08%. The 1993-1996 Financial Plan projects delinquency rates of 4.09%, 3.76%, 3.28% and 2.65%, respectively, for the 1993 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 1993-1996 Financial Plan. The amounts set forth below include projected tax program revenues and excludes the Criminal Justice Fund revenues.

	1993	1994	1995	1996
		(In Millions)		
Personal Income(1)	$3,064	$2,986	$2,936	$3,126
General Corporation	995	1,061	1,122	1,189
Banking Corporation	380	358	335	336
Unincorporated Business Income	387	413	430	452
Sales	2,327	2,400	2,532	2,687
Commercial Rent	639	639	649	679
Real Property Transfer	131	136	147	161
Mortgage Recording	121	126	136	151
Utility	186	191	196	204
All Other(2)	581	570	540	576
Total	$8,811	$8,880	$9,023	$9,561

(1) Personal Income excludes amounts paid to the Criminal Justice Fund of $110 million, $200 million, $167 million and $185 million in the 1993 through 1996 fiscal years, respectively. Personal Income also excludes revenues which would be generated by extension of an existing personal income tax surcharge amounting to $120 million, $385 million and $408 million in the 1994 through 1996 fiscal years, respectively. The City is currently seeking renewal of the surcharge which requires enactment of State legislation.

(2) All Other includes, among others, stock transfer tax, the OTB net revenues, cigarette, beer and liquor taxes, the hotel tax and the automobile use tax. Stock transfer tax is $114 million in the 1993 fiscal year and is $82.7 million in the 1994 through 1996 fiscal years. All Other excludes Criminal Justice Fund lottery revenues of $2 million, $50 million, $120 million and $120 million in the 1993 through 1996 fiscal years.

The 1993-1996 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, stabilization in the outlook for the manufacturing, trade and business service sectors and continued strength in the securities industry in the 1993 fiscal year, with moderate growth thereafter; (iii) with respect to the banking corporation tax, continued strong earnings in fiscal year 1993 as a result of wide interest rate spreads, declining in the 1994 through 1996 fiscal years as an improving economy causes spreads to narrow; (iv) with respect to the unincorporated business tax, continued strength in the securities industry partially offset by further weakness in the service sector, and continued improvement in fiscal year 1994; (v) with respect to the sales tax, growth below the rate of inflation until the 1994 fiscal year based on the projections for local employment and wage income; (vi) with respect to the mortgage recording and real property transfer taxes, marginal growth in fiscal year 1993 due to greater housing affordability and a slow recovery in the 1994 fiscal year; (vii) with respect to the commercial rent tax, declines in asking rental rates and negotiated contract rents for office space due to the glut of available space resulting from business relocations, failures, mergers and general downsizing; and (viii) with respect to the All Other category, the current general economic forecast and a decrease in the State's appropriation to the City in lieu of the stock transfer tax payment to the City in the 1994 through 1996 fiscal years. The 1993-1996 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 1993-1996 Financial Plan.

	1993	1994	1995	1996
		(In Millions)		
Licenses, Permits and Franchises	$ 208	$ 210	$ 208	$ 210
Interest Income	78	74	96	119
Charges for Services	397	390	385	384
Water and Sewer Payments(1)	830	800	792	801
Rental Income	158	128	118	110
Fines and Forfeitures	448	486	436	401
Other	564	397	343	309
Intra-City Revenues	576	586	625	628
Total	$3,259	$3,071	$3,003	$2,962

(1) Received from the Water Board. For further information regarding the Water Board, see "Section VII: 1993-1996 Financial Plan—Long-Term Capital and Financing Program".

The 1993-1996 Financial Plan projects that aggregate miscellaneous revenues will remain relatively stable with offsetting increases and declines in Interest Income, Water and Sewer Payments, Rental Income and Other. Rental Income is estimated to decrease in 1994 and 1995 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 1993 through 1996 fiscal years, the Financial Plan provides that water and sewer payments levied and collected by 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 the 1993 fiscal year include $55 million for the proposed restructuring of the Off-Track Betting Corporation and $23 million for the sale of the prison barge "Resolution".

5. Unrestricted Intergovernmental Aid

The following table sets forth amounts of unrestricted intergovernmental aid projected to be received by the City in the 1993-1996 Financial Plan.

	1993	1994	1995	1996
		(In Millions)		
State Revenue Sharing	$535	$535	$535	$535
Other Aid	139	146	149	159
Total	$674	$681	$684	$694

The projection for State revenue sharing in the 1993 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 $8 million annually of Highway Assistance Program Aid and approximately $81 to $107 million primarily providing medical assistance to the mentally disabled and all but 20% of the non-Federal share of long-term care Medicaid costs.

For information concerning recent shortfalls in projected State tax revenues and the proposed reductions in State aid to the City, see "Section VII: 1993-1996 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 1993-1996 Financial Plan.

	1993	1994	1995	1996
		(In Millions)		
Federal				
JTPA	$ 135	$ 74	$ 74	$ 74
Community Development(1)	294	237	237	237
Welfare	2,047	2,086	2,112	2,115
Education	712	712	712	712
Other	291	156	160	164
Total	$3,479	$3,265	$3,295	$3,302
State				
Welfare	$1,839	$1,985	$2,016	$2,032
Education	3,168	3,188	3,249	3,315
Higher Education	118	119	119	121
Health and Mental Health	212	213	213	213
Other	276	252	255	296
Total	$5,613	$5,757	$5,852	$5,977

(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 1993-1996 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: 1993-1996 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 September 30, 1992, approximately 10.16% 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 1993-1996 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 $62 million in the 1992 fiscal year. This decrease reflects improved claims control procedures and favorable experience with the level of disallowances in recent years. As of June 30, 1992, the City had an accumulated reserve of $171 million for future disallowances of categorical aid. The 1993-1996 Financial Plan contains a provision for aid disallowances of $15 million for each of the City's 1993 through 1996 fiscal years.

The Federal fiscal year 1993 budget was completed in October 1992, when final appropriations bills were agreed upon by Congress and the President. Although there were cuts in some programs, on balance, the City will receive approximately $50 million more in Federal aid than it did for fiscal year 1992. The increase is primarily attributed to approximately $19.5 million in additional Community Development Block Grant Funds, an additional $19.7 million in funding for the Head Start program, and approximately $7 million in new money for the Ryan White program.

Expenditure Assumptions

1. PERSONAL SERVICE COSTS

The following table sets forth projected expenditures for personal service costs contained in the 1993-1996 Financial Plan.

	1993	1994	1995	1996
		(In Millions)		
Wages and Salaries	$10,847	$11,050	$11,159	$11,264
Pensions	1,480	1,460	1,383	1,417
Other Fringe Benefits	2,450	2,693	2,903	3,136
Reserve for Collective Bargaining(1)	139	134	294	567
Total	$14,916	$15,337	$15,739	$16,384

(1) The Reserve for Collective Bargaining is contained in the Miscellaneous Budget and provides funding for the prospective labor settlements for all agencies.

The 1993-1996 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 decrease from an estimated level of 212,633 on June 30, 1993 to an estimated level of 205,012 by June 30, 1996, assuming the gap-closing program contained in the Financial Plan is successfully implemented.

Nearly all of the City's collective bargaining agreements with its municipal unions expired at various times during the 1992 fiscal year. Negotiations have commenced with many of such unions for successor agreements. On August 4, 1992, the UFT filed a declaration of impasse with the New York State Public Employment Relations Board ("PERB"). BOE employees are covered by the New York Public Employees' Fair Employment Act (the "Taylor Law") which allows either party to the negotiation to file a declaration of impasse with PERB and request the assistance of a PERB-appointed mediator. If the mediator's efforts are unsuccessful, a fact-finder may then gather evidence and make non-binding recommendations. Mediation efforts have been unsuccessful and hearings before a panel of fact-finders are scheduled for early 1993. The collective bargaining agreements previously reached with the UFT, Local 237, District Council 37, the CWA and other smaller unions covered approximately 70% of the City's workforce for the 1991 fiscal year and a portion of the 1992 fiscal year and included total increases of between 5.0% and 5.8%. A portion of the increases were funded from funds previously allocated for collective bargaining increases with the remainder a combination of State funds and reduced contributions to certain pension funds based on revised earnings on such funds' assets.

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 hired on or after July 1, 1991, with a cost to the City equivalent to an increase of 4.1%, on a net present value basis. The 4.1% cost to the City of the award is funded as follows: 1.5% from funds previously allocated in the 1993-1996 Financial Plan for collective bargaining increases in the 1992 fiscal year, 1.5% from funds previously allocated in the 1993-1996 Financial Plan for collective bargaining 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.

On January 16, 1992, the TAPBA, which represents approximately 3,000 transit police officers, and the City reached an agreement for a 15-month contract retroactive to July 1, 1990. On March 16, 1992, the HAPBA, which represents approximately 1,500 housing police officers, and the City reached an agreement for a 15-month contract retroactive to July 1, 1990. The agreements in various respects parallel the PBA impasse panel award. The contracts provide for varying increases to police officers depending upon their years of service. The cost to the City of the agreements is equivalent to a 5% increase, on a net present value basis, and will be funded as follows: 1.5% from funds previously allocated in the 1993-1996 Financial Plan for collective bargaining increases in the 1992 fiscal year, 1.5% from funds previously allocated in the 1993-1996 Financial Plan for collective bargaining increases carried forward from the 1991 fiscal year and 2% from reduced contributions to the New York City Employees' Retirement System.

On February 13, 1992, the USA, which represents approximately 6,500 sanitation workers, and the City reached an agreement for a 15-month contract retroactive to July 1, 1990. On September 9, 1992 the SOA, which represents approximately 1,200 sanitation supervisors, and the City reached an agreement for a 15-month contract retroactive to November 1, 1990. The agreement in various respects parallels the PBA impasse panel award and the TAPBA and HAPBA agreements. The contract provides for varying increases for sanitation workers and sanitation supervisors depending upon their years of service. The cost to the City of the agreement is equivalent to a 5% increase, on a net present value basis, and has the same 1993-1996 Financial Plan funding sources as the TAPBA and HAPBA agreements. Furthermore, the USA and the City agreed to negotiate a return to fiscal year 1980 productivity levels to compensate for reduced garbage collection that has been a byproduct of the City's recycling program. In addition, the agreement provides for a process to establish and implement productivity standards by district.

On May 6, 1992, the City filed a request for the appointment of an impasse panel following unsuccessful negotiations and mediation efforts with the UFA, which represents approximately 9,000 firefighters. An impasse panel has been appointed and hearings are currently being held. On September 10, 1992, the UFA and the City reached a tentative agreement which the UFA delegates failed to approve. The impasse panel is expected to issue its decision in early 1993.

On September 26, 1992, a coalition of unions, representing approximately 9,000 superior officers of the New York City Police Department, and the City reached a tentative 15-month agreement retroactive to November 1, 1990 for the sergeants and the lieutenants and retroactive to July 1, 1991 for detectives and captains. The agreement provides for wage and longevity payment increases that parallel the PBA award. As an offset, the coalition agreed to a restructuring of the Police Superior Variable Supplements Fund ("PSOVSF"). As with the PBA contract, the cost to the City is equivalent to an increase of 4.1%, on a net present value basis. The agreement will be funded with the same sources as were used for the PBA agreement plus savings attributable to the PSOVSF restructuring. The 1993-1996 Financial Plan contains sufficient amounts to fund agreements or impasse awards modeled on the PBA impasse panel award and the TAPBA, HAPBA, USA, SOA and the superior officers of the New York City Police Department agreements. Thus, for all uniformed employees, the 1993-1996 Financial Plan assumes greater costs in the early years and diminished costs in later years as various savings provisions in the PBA impasse panel award and the other settlements take full effect.

On November 16, 1992, the ADWA which represents approximately 150 Assistant Deputy Wardens, reached a tentative 15-month agreement retroactive to November 1, 1990. The agreement provides for varying increases for ADWA members, depending upon their years of service. The cost to the City of the agreement is equivalent to a 5% increase on a net present value basis and has the same Financial Plan funding sources as the TAPBA and HAPBA agreements.

The 1993–1996 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 and 2.0% increase, respectively, are assumed. Any additional increases in the 1992, 1993 and 1994 fiscal years for these unions are assumed to be funded through gain-sharing agreements at no additional cost to the City. For the few employees whose unions have not reached collective bargaining agreements with the City, the City has allocated funds for an incremental 1.5% increase in the 1992 fiscal year and a 1.5% increase carried forward from the 1991 fiscal year. For such employees, the Financial Plan provides for no increase in the 1993 and 1994 fiscal years and a 1.5% increase in the 1995 fiscal year and a 2.0% increase in the 1996 fiscal year and assumes that any additional increases in fiscal years 1992, 1993 and 1994 would be funded through "gain-sharing" agreements at no additional cost to the City. 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 $82 million for fiscal year 1992 and $142 million in each of the 1993 through 1996 fiscal years above the amounts provided for in the 1993–1996 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 increases assumed in the 1993–1996 Financial Plan and with contract lengths similar to District Council 37, Local 237 and CWA.

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 1993-1996 Financial Plan.

	1993	1994	1995	1996
		(In Millions)		
Administrative OTPS	$ 6,266	$ 6,065	$ 6,200	$ 6,440
Public Assistance	2,824	3,075	3,162	3,183
Medical Assistance (Excluding City Medicaid Payments to HHC)	1,666	1,838	2,073	2,306
HHC Support	857	889	878	799
Other	1,594	1,608	1,645	1,687
Total	$13,207	$13,475	$13,958	$14,415

Administrative OTPS

The 1993-1996 Financial Plan contains estimates of the City's administrative OTPS expenditures for general supplies and materials, equipment and selected contractual services in the 1993 fiscal year. Thereafter, to account for inflation, selected OTPS expenditures are projected to rise by approximately 3.4% in fiscal year 1994, 3.9% in fiscal year 1995 and 4.6% in fiscal year 1996. However, it is assumed that the savings from a procurement initiative will offset the need for funding such projected increases in OTPS expenditures that result from the accounting for inflation.

Energy

The 1993-1996 Financial Plan assumes different rates of inflation for energy costs for each of the 1993 through 1996 fiscal years. Inflation rates for each of the 1993 through 1996 fiscal years are set forth in the following table.

	1993	1994	1995	1996
Gasoline and Fuel Oil	4.0%	4.0%	5.0%	6.0%
Electricity	3.0	3.0	3.0	4.0
Natural Gas	3.0	5.0	4.0	5.0

Total energy expenditures are projected at $431 million in the 1993 fiscal year, rising to $470 million in the 1996 fiscal year. These estimates assume a constant level of energy usage, with the exception of varying annual workload and consumption changes from additional buildings taken by the City through *in rem* tax proceedings, the privatization initiative in the In-Rem Program and the annualization of fiscal year 1993 adjustments, where applicable.

Public Assistance

The average number of persons receiving income benefits under public assistance is projected to be 1,038,903 per month in the 1993 fiscal year. The 1993-1996 Financial Plan projects that the average number of recipients will increase by 6.4% in the 1993 fiscal year from the average number of recipients in the 1992 fiscal year. The Financial Plan assumes that past trends of increases in the public assistance grant level will continue during the 1993 fiscal year, with a projected annual increase in the average grant of 2.1%. Of total public assistance expenditures in the City for the 1993 fiscal year, the City-funded portion is projected to be $818.6 million. The City-funded portion of public assistance expenditures is projected to be $815.5 million in the 1994 fiscal year, a decrease of 0.26% from the 1993 fiscal year, rising to $839.5 million in the 1996 fiscal year.

Medical Assistance

Medical assistance payments projected in the 1993-1996 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 1993 fiscal year and is expected to increase to $2.2 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 1993-1996 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 1993-1996 Financial Plan projects savings of $519 million in the 1993 fiscal year due to the State having assumed such costs, and projects such savings will increase to $641 million in the 1996 fiscal year.

Health and Hospitals Corporation

The 1993-1996 Financial Plan anticipates a decrease in the 1993 fiscal year of $50.0 million in the City subsidy portion of the total City funds provided to HHC from the 1992 fiscal year.

Support for HHC in the 1993-1996 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 $649.7 million in the 1993 fiscal year and are projected to be approximately $659.9 million in the 1996 fiscal year.

HHC operates under its own section of the 1993-1996 Financial Plan as a Covered Organization. HHC's financial plan projects City-funded expenditures of $856.7 million for the 1993 fiscal year (including debt service and lease payments), decreasing to $798.7 million in the 1996 fiscal year. The City-funded expenditures in the 1993 fiscal year include $178.9 million of general City support, $649.7 million of Medicaid payments to HHC and $22.0 million for certain mental health payments. The HHC plan projects total expenditures of $3.113 billion in the 1993 fiscal year, increasing to $3.222 billion in the 1996 fiscal year. The plan projects no gaps between revenues and expenditures in the 1993 through 1996 fiscal years. These projections assume: (i) no wage increases in the 1993 through 1996 fiscal years; (ii) a 1.61% increase in each of the 1993 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 4.19% in fiscal year 1993, 4.53% in fiscal year 1994, 4.77% in fiscal year 1995 and 4.77% 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 3.21%, 3.63%, 2.90% and 2.90% in fiscal years 1993 through 1996, respectively.

Other

The projections set forth in the 1993-1996 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 May 7, 1992, the City submitted to the Control Board a financial plan for the Transit Authority covering its 1992 through 1996 fiscal years (the "Transit Authority Financial Plan"). The TA's fiscal year is the calendar year. The Transit Authority Financial Plan projects for its 1992 fiscal year, among other things, a cash-basis gap of $62.0 million and operating expenses of $3.6 billion. City assistance to the TA is $597.3 million for the TA's 1992 fiscal year. On November 12, 1991, the TA forwarded to the MTA its 1992 fiscal year operating budget proposal which projected a budget gap of $263 million. This projection assumed no net increase in labor costs for operating employees (which is consistent with the terms of the recent Transit Workers Union settlement). The 1992 fiscal year budget for the TA, adopted in December 1991 and subsequently revised in April 1992 (to reflect State legislative actions) and August 1992 (to reflect first-half actual experience), now incorporates several measures to close such projected $263 million gap. These include two measures adopted in December 1991, a 10-cent fare increase effective January 1992 that is expected to produce $105 million and a combination of administrative measures expected to produce $33 million. Primarily as a result of State legislative action, the remaining $125 million of gap-closing actions differs from those originally adopted in December 1991. They now include: (a) additional one-time State aid of $40 million; (b) additional one-time City aid of $26 million; (c) $14 million of cash resources brought forward from the TA's fiscal year 1991 that were not originally anticipated; (d) $71 million of cash to be raised by receiving in the TA's 1992 fiscal year Federal operating grants accruable for the period October 1992 through September 1993 or by issuing notes in anticipation of the grants; (e) $17 million by reducing the amount set aside in the budget to cover unanticipated contingencies (leaving $10 million for this purpose); (f) $8 million in reduced debt service costs secured through refundings and other measures; and (g) an estimate of $8 million of additional farebox revenues, reflecting first-half experience. This $184 million of additional resources was used to (a) close the remaining $125 million gap, (b) replace $42 million of State aid assumed in the December 1991 budget, and (c) offset reduced Urban Tax receipts and other budgetary shortfalls.

The TA is currently projecting a budget gap of approximately $266 million for fiscal 1993. A plan which would close this gap without a fare increase is currently under consideration. The plan, which would provide recurring benefits to the Transit Authority, relies in significant part on State and City actions which have not been taken and on future legislation.

The Transit Authority Financial Plan forecasts cash basis gaps of $409.5 million, $414.5 million, $434.6 million and $450.2 million in its 1993 through 1996 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 MTA has proposed a program of fare discounts and monthly passes that would increase these gaps by $25 million, $100 million and $125 million in fiscal years 1994 through 1996, respectively. The gaps projected for its 1993 to 1996 fiscal years in the Transit Authority Financial Plan occur, in part, because expenditures are expected to increase by 5.2% between fiscal years 1992 and 1996 while revenues are expected to decrease by 5.0% between fiscal years 1992 and 1996. 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 November 1993 by the State Legislature) which will be available to the MTA as part of a multiyear financing program which the New York State Legislature participated in that addressed the TA's operational and capital needs in the amount of $254 million in its 1993 through 1996 fiscal years. 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.

In October 1991, the MTA submitted for the MTA Capital Program Review Board (the "CPRB") approval a 1992-1996 Capital Program proposal with projected total spending of $10.0 billion, of which the TA portion is $7.7 billion. Due to questions about how the funding gaps in the MTA's proposed 1992-1996 Capital Program will be closed, the CPRB disapproved the proposal "without prejudice" on December 27, 1991. Pending the approval of a 1992-1996 Capital Program, the MTA proceeded with first-half fiscal year 1992 capital projects for which funding was available under existing authority. On March 9, 1992 the MTA resubmitted revised 1992-1996 Capital Program proposals, which identify $6.7 billion in potential funding, most of which would require action by various levels of government. The resubmission included a funding gap of $3.3 billion, for which sources were not identified. On April 10, 1992, the CPRB disapproved the resubmission "without prejudice." Subsequently, the MTA submitted to the CPRB a proposed one-year capital program for its 1992 fiscal year, consisting of $1.635 billion of projects for the TA and the commuter systems combined, for which $1.6 billion of related funding has been identified. The MTA's submission was deemed approved by the CPRB on May 28, 1992 and is consistent with the State's enacted 1993 budget. Nevertheless, there can be no assurance that significant shortfalls in such funding will not occur, or that funding will be available or committed in time to permit undertaking all of the projects to be included in the 1992 fiscal year plan. The unavailability or delayed receipt of such funding may result in the abandonment or deferral of certain projects. The State's enacted 1993 budget requires the MTA to submit to the CPRB by October 1, 1992 an amendment to such one-year plan to cover projects and related sources of funding for the five-year period commencing January 1, 1992, and on October 1, 1992 the MTA submitted to the CPRB an amendment to such one-year plan. There can be no assurance that the necessary governmental actions for a 1992-1996 Capital Program will be taken, that the additional funding sources will be identified, that sources currently identified will not be decreased or eliminated, or that the 1992-1996 Capital Program, or parts thereof, will not be delayed or reduced. If the 1992-1996 Capital Program is delayed or reduced, ridership and fare revenues may decline, which 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 either an amount of funds from the total budget equal to the average proportion of the total budget appropriated for BOE in the three preceding fiscal years or an amount agreed upon by the City and BOE.

The Financial Plan incorporates $187 million in additional City, State and Federal funds for the BOE in the 1993 fiscal year. BOE has reached an agreement in principle with the City that, after taking into account the availability of such additional funds, the City has complied with the Stavisky-Goodman Act for the 1993 fiscal year. For information concerning uncertainties relating to compliance with the Stavisky-Goodman Act for subsequent years, see "SECTION VII: 1993-1996 FINANCIAL PLAN—Certain Reports".

Judgments and Claims

In the fiscal year ended on June 30, 1992, the City expended $231 million for judgments and claims. The 1993-1996 Financial Plan includes provisions for judgments and claims of $219 million, $222 million, $228 million and $238 million for the 1993 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, 1992 amounted to approximately $2.3 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 1992 Financial Statements estimate that the potential exposure to the City in the *certiorari* proceedings, as of June 30, 1992, could amount to approximately $242 million. Provision has been made in the 1993-1996 Financial Plan for estimated refunds for overpayments of real estate taxes in the amount of an average of $98 million in each of the 1993 through 1996 fiscal years. For further information concerning these claims, certain remedial legislation related thereto and the City's estimates of potential liability, see "SECTION IX: OTHER INFORMATION—Litigation—*Taxes*" and "APPENDIX B—FINANCIAL STATEMENTS—Notes to Financial Statements—Note G".

The United States Environmental Protection Agency and the City have entered into a consent decree which includes the agreement by the City to have a permanent sewage sludge disposal plan by December 31, 1998. The 1993-1996 Financial Plan includes $125 million in each of fiscal years 1993 through 1996 to cover the estimated cost of sludge disposal. The Updated Ten-Year Capital Strategy includes $1.1 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 1993 at a cost of approximately $846 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 1993-1996 Financial Plan.

3. Debt Service

Debt service estimates for the 1993 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. These estimates do not reflect the debt service savings which will result from the refunding to be effected with the proceeds of the Bonds.

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 1993 through 1996, the amounts that the City will receive for operating purposes under the agreements as amended are $175 million, $185 million, $515 million and $75 million respectively.

MAC issued $380.65 million of refunding bonds on February 25, 1992. MAC has agreed to make available to the City $100 million of the savings generated by such refunding in fiscal year 1993 for operating purposes. The Financial Plan includes the receipt of these funds. City debt service costs for MAC debt may also be reduced as a result of interest cost savings achieved through the refunding.

The City estimates that the February 1992 refunding will make available an additional $200 million in the aggregate in fiscal years 1994 and 1995, which may be made available to the City if MAC, the City and the Governor agree on the use of such funds. The Governor has stated that the City should use these funds for education programs. The Mayor has stated that these funds should be utilized for programs that reduce the size of government, such as early retirement incentives and productivity initiatives. The Financial Plan does not include the receipt of these funds.

5. General Reserve

The 1993-1996 Financial Plan includes a reserve of $150 million in each of 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. It is expected that the staff of the Control Board, the City Comptroller and OSDC will issue reports in the near future reviewing the 1993-1996 Financial Plan.

The City Comptroller issued a report on the state of the City's economy on January 23, 1992. The report stated that the City's economy is in a recession that began earlier, has been more devastating and may last considerably longer than the recession affecting the national economy and than what is assumed in the Financial Plan. The report stated that the local recession began in the wake of the October 1987 stock market crash and that the subsequent upheaval in the financial services sector had adverse effects on the rest of the City's economy. The national recession that followed emphasized the weaknesses in the local economy, especially the high cost of doing business in the City. Such weaknesses include inflation higher than the national average, reflected in both wages and rents, a higher state and local tax burden than the national average and concerns above the quality of life and quality of services in the City. The problems in the local economy have forced and will continue to force businesses seeking to lower costs to consider relocating out of the City, decisions that are made easier by improvements in telecommunications technology and declines in the real cost of air travel. The result has been an acceleration of the loss of businesses and jobs from the City.

The report forecast that overall employment in the City's export industries that provide goods and services to the rest of the country and the world, such as financial services, communications media, corporate headquarters and producers and distributors of goods, would decline in 1992. These job losses are expected to have a devastating effect on the City's local service industries. The combined effect has been and will be reduced personal income tax collections by the City and also reduced consumer spending, thereby affecting sales and business tax collections. At the same time, the local recession has caused increased demand for social services provided by the City. The report concluded that the special problems in the City economy mean that the City's economy will not recover from its recession when the national economy does, but will lag behind it. The report forecasts job losses in the City of 100,000 in 1992 and 60,000 in 1993. Approximately 195,000 jobs were lost in the City in 1991.

In her previous economic report, the Comptroller noted that the City economy's reliance on the financial services sector would keep the City from participating fully in the increase in manufacturing and trading activity projected to lead the nation out of its recession. The report also noted that 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 the structural weaknesses in the City's economy would persist and affect tax collections adversely throughout the 1990s.

The City Comptroller has noted that, from the peak employment level in April 1989 through August 1992, the City lost 358,000 private sector jobs, a 12% decline, and that the City's private sector now has fewer jobs than at any time since World War II. On November 23, 1992, the Comptroller noted that private sector employment in the City increased by a seasonally adjusted 4,800 jobs in October, the only significant increase since May 1990.

The City Comptroller's Office issued a report on September 30, 1992 detailing the causes of, and the effects on the City's economy from, the loss of corporate headquarters from the City. The report explained that each corporate headquarters has a multiplier effect on the City economy because such headquarters use services provided by the local economy, such as advertising, banking, communications and real estate. Therefore, a move by a corporate headquarters out of the City means the local economy suffers from the loss of not only the jobs of the persons employed by the corporation, but also the jobs of the persons who provided such services to the corporation. The report predicted that state and local tax increases in fiscal years 1991 and 1992 will continue to drive headquarters from the City.

The City Comptroller issued a report on October 8, 1992, prior to the publication of the Financial Plan, that warned of risks to the fiscal year 1993 budget of approximately $270 million. The report concluded, however, that potential savings and other resources exist to offset such possible risks to the budget. The City Comptroller said it was essential to maximize such savings to offset the serious risks to the budget in fiscal year 1994. The City Comptroller also warned that the 1993 fiscal year budget underfunds certain capital asset maintenance by almost $160 million. The City Comptroller is expected to update her analysis of the fiscal year 1993 budget in the near future. See "SECTION VII: 1993-1996 FINANCIAL PLAN—Long-Term Capital and Financing Program".

The City Comptroller issued a report on July 21, 1992 on the June Financial Plan that projected potential budget gaps in fiscal years 1994 through 1996 of approximately $1.3 billion, $1.2 billion and $1.3 billion, respectively, after taking into account the City's gap-closing program. The report also warned that the City might have to appropriate an additional amount to BOE of up to approximately $300 million, $90 million and $120 million in each of such years, respectively, pursuant to the Stavisky-Goodman Act. The report warned further that the resolution of a Stavisky-Goodman risk in any one fiscal year could increase such risks for future fiscal years. The report also identified additional risks to BOE's budget of approximately $225 million in each of fiscal years 1994 through 1996. The City Comptroller suggested that budgetary savings could be generated in fiscal year 1993 to reduce the budget problems she projects for fiscal year 1994 and suggested that such savings be earmarked for such purpose. The City Comptroller is expected to issue a report on the Financial Plan in the near future.

The City Comptroller's estimates of budget gaps are based on projections of lower tax collections and higher expenditures for social services, BOE and overtime than are forecast in the Financial Plan, risks that certain actions in the Financial Plan may not receive necessary approvals from the State Legislature and doubts about the receipt of transitional financing (which was subsequently eliminated from the Financial Plan) and Federal countercyclical aid in fiscal year 1994. 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 City Comptroller issued an audit report on May 12, 1992 that found deficiencies in the timing and detail of BOE's monthly financial reports and in its process of preparing financial statements. The report warned that such deficiencies prevent the City from being able to assess accurately the financial condition of BOE. BOE has agreed to adopt certain of the recommendations in the report.

In other reports, the City Comptroller has warned that State and local tax increases in a recession can have adverse effects on the local economy and can prolong the recession. She has also 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 reductions in the capital program.

In her reports, the City Comptroller has 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 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 July 29, 1992, the staff of the Control Board issued a report on the June Financial Plan. The staff concluded that the actions outlined in the June Financial Plan will not achieve structural balance, and that the City will be required to take additional steps annually to assure balance. The staff's analysis indicated that potential gaps of over $1.1 billion, $788 million and $876 million remained for the 1994, 1995 and 1996 fiscal years, respectively, after taking into account the City's gap-closing program, and without including the possibility of labor costs in excess of those assumed in the June Financial Plan.

The gaps for the 1994, 1995 and 1996 fiscal years resulted primarily from a potential $57 million increase in each year in overtime costs; risks relating to revenues and expenditures at BOE, totaling $80 million in the 1993 fiscal year and rising to $310 million by the 1996 fiscal year; uncertainties relating to savings of $55 million anticipated in the June Financial Plan for the 1993 fiscal year resulting from a proposed reorganization of OTB; uncertainties relating to $300 million of transitional funding, which was subsequently eliminated by the Financial Plan, and $200 million of proposed federal aid in the 1994 fiscal year and approval by the State Legislature of previously rejected proposed tax increases, totaling $177 million in the 1994 fiscal year and rising to $187 million in the 1996 fiscal year; and uncertainties relating to unspecified City actions totaling $147 million in the 1994 fiscal year and rising to $192 million in the 1996 fiscal year.

On June 25, 1992, OSDC issued a report on the June Financial Plan. The report projected a potential budget gap of $342 million for the 1993 fiscal year resulting primarily from potentially lower lottery and OTB revenues and higher education and overtime costs than projected in the June Financial Plan. In addition, the report projected potential gaps of $861 million, $725 million and $706 million in the 1994, 1995 and 1996 fiscal years, respectively, even assuming that most of the City's gap-closing actions are attainable. These gaps result primarily from lower revenues from the lottery and State and Federal aid than assumed in the June Financial Plan, uncertainties relating to State Legislative approval of proposed tax increases and higher expenditures for education and overtime costs. The report also identified initiatives valued at approximately $268 million, $1.0 billion, $1.0 billion and $1.5 billion in the 1993, 1994, 1995 and 1996 fiscal years, respectively, that may fall short of their targets. These initiatives include proposed transitional funding in the 1994 fiscal year from the refunding of certain City bonds held by MAC, which was subsequently eliminated by the Financial Plan, projected savings anticipated from the Governor's Medicaid cost containment program, other proposed initiatives which are either unidentified or require the approval of the State, City Council or unions representing City employees and planned cost reductions at BOE, as well as the possibility that the City could be required to allocate additional resources to BOE to meet the minimum funding requirements of the Stavisky-Goodman Act.

The OSDC report concluded that the June Financial Plan gives troubling evidence of a weakening City resolve to achieve structural budget balance such that the City's recurring expenditures will be matched by recurring revenues over the long term. The report expressed particular concern that the City has both curtailed and delayed its program to shrink its workforce.

On October 5, 1992, OSDC issued a status report on the financial plan which was published on August 26, 1992 for the 1993 fiscal year. The report cited a number of encouraging developments, including the City's intention to accelerate much of the agency restructuring that had been planned for fiscal years 1995 and 1996 and higher-than-planned revenues and lower debt service costs, which enabled the City to revise its gap-closing program to eliminate the $300 million transitional financing initiative for fiscal year 1994. While the report also noted the potential for even higher revenues from non-property taxes and for lower spending in a number of areas, these resources could be partially offset by lower real property tax collections. OSDC reported some modest slippage in certain initiatives in the City's cost-reduction program for fiscal year 1993 and expressed concern that the City may not realize $55 million expected from the sale of OTB, given the uncertain prospects for achieving the sale in fiscal year 1993. On November 19, 1992, OSDC stated that its assessment of the City's financial outlook and gap-closing program remains essentially unchanged.

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 $3.4 billion in 1993. City-funded expenditures, which more than tripled between fiscal years 1980 and 1985, are forecast at $4.1 billion in the 1993 fiscal year; total expenditures are forecast at $4.4 billion in 1993. For additional information concerning the City's capital expenditures and the Updated 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 1993 through 1996 fiscal years. See "SECTION V: CITY SERVICES AND EXPENDITURES—Capital Expenditures".

1993-1996 CAPITAL COMMITMENT PLAN

	1993		1994		1995		1996	
	City Funds	All Funds	City Funds	All Funds	City Funds	All Funds	City Funds	All Funds
				(In Millions)				
Mass Transit(1)	$ 223	$ 223	$ 226	$ 226	$ 547	$ 547	$ 107	$ 107
Roadway, Bridges	292	460	344	503	531	699	481	629
Environmental Protection(2)	871	895	719	741	1,373	1,373	1,739	1,739
Education	909	909	938	938	313	313	543	543
Housing	248	417	372	473	174	376	363	479
Hospitals	340	360	413	454	413	466	326	364
Sanitation	262	268	245	269	214	214	197	647
City Operations/Facilities	967	1,091	947	989	1,244	1,346	633	673
Economic and Port Development	112	129	162	163	77	157	48	49
Reserve For Unattained Commitments	(856)	(856)	(541)	(541)	(880)	(880)	(129)	(129)
Total Commitments(3)(5)	$3,368	$3,897	$3,824	$4,214	$4,006	$4,610	$4,308	$5,099
Total Expenditures(4)(5)	$4,100	$4,447	$3,582	$4,091	$3,355	$3,819	$3,808	$4,362

(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.

(5) Total Commitments include $832.8 million of commitments for court facilities during the 1993 through 1996 fiscal years. Total Expenditures do not include cash payments pursuant to such commitments for court facilities. These expenditures are currently expected to be funded by the proceeds of financings by the Dormitory Authority of the State of New York, with the debt service on such financings to be funded by lease payments from the City net of a State subsidy of a portion of the interest costs.

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 1993 through 1996 fiscal years.

1993-1996 Financing Program

	1993	1994	1995	1996	Total
			(In Millions)		
SOURCES OF FUNDS:					
City General Obligation Bonds	$4,972	$3,150	$2,771	$2,929	$13,822
Water Authority Revenue Bonds	1,538	738	842	1,115	4,233
HHC Financing(1)	13	115	153	165	446
Other Sources(2)	717	(34)	(53)	(14)	616
Total	$7,240	$3,969	$3,713	$4,195	$19,117
USES OF FUNDS:					
City Capital Improvements	$4,100	$3,582	$3,355	$3,808	$14,845
City Refunding	1,770	34	21	—	1,825
Water Authority Refunding	1,041	—	—	—	1,041
Reserve Funds and Other(3)	329	353	337	387	1,406
Total	$7,240	$3,969	$3,713	$4,195	$19,117

(1) The financing program assumes that HHC will finance 50% of its capital commitments entered into after June 30, 1992. This assumption reduced the amount of General Obligation Bonds projected to be issued by the City, as set forth above. HHC has stated that it expects to incur indebtedness by the end of the 1993 fiscal year in addition to the amounts set forth above. Such a financing by HHC could reduce further the amount of General Obligation Bonds projected to be issued by the City.

(2) Other Sources includes changes in restricted balances (between the beginning and the end of the fiscal year) from City and Water Authority issuances and includes MAC funds for certain economic development projects.

(3) Reserve Funds and Other comprises amounts necessary to fund certain reserves in connection with the issuance of Water Authority revenue bonds and allocations for original issue discounts in connection with the issuance of City bonds. Includes amounts for original issue discount of $264 million, $257 million, $227 million and $242 million in the 1993 through 1996 fiscal years, respectively.

A Federal law, the Americans with Disabilities Act of 1990, generally requires that various facilities be made accessible to disabled persons. The City is currently analyzing what actions are required to comply with the law. The City may incur substantial additional capital expenditures, as well as additional operating expenses to comply with the law. Compliance measures which require additional capital measures are expected to be achieved through the reallocation of existing funds within the City's capital program.

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

The City's current four-year financing program and capital 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. Such fees are 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 Updated Ten-Year Capital Strategy covering fiscal years 1992 through 2001 projects City-funded water and sewer investment at approximately $10.6 billion of the $43.5 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 Updated Ten-Year Capital Strategy for fiscal years 1992 through 2001 totals $47.1 billion, of which approximately 92% will be financed with City funds. The Updated Ten-Year Capital Strategy reduced commitments by $2.0 billion for capital programs through the 1996 fiscal year from levels forecast in the Ten-Year Capital Strategy announced on May 10, 1991. 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 asset 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 released a report which lists for each inventoried asset the capital investment needed from an engineering perspective to bring the asset to a state of good repair, and compares the recommended capital investment with the capital spending allocated by the City in the Four-Year Capital Program to the specifically identified inventoried assets. The report does not reflect any policy considerations which could affect the appropriate amount of investment, such as whether there is a continuing need for a particular facility or whether additional changes are necessary to meet current usage requirements. In addition, the recommended capital investment for each inventoried asset is not readily comparable to the capital spending allocated by the City in the Four-Year Capital Program and the Updated Ten-Year Capital Strategy. Only a portion of the funding set forth in the Four-Year Capital Program is allocated to specifically identified assets, and funding in the subsequent years of the Updated Ten-Year Capital Strategy is even less identifiable with individual assets. In large part because of the difficulties in comparability at a detailed asset-by-asset level, the report indicates a substantial difference between the amount of investment recommended in the report for all inventoried City assets and amounts allocated to the specifically identified inventoried assets in the Four-Year Capital Program. OMB estimates that amounts allocated in the Updated Ten-Year Capital Strategy fund approximately 80% of the total $4.95 billion investment recommended in the report and that the amounts allocated in the Four-Year Capital Program fund approximately 60% of the recommended investment, although the report concludes that the capital investment in the Four-Year Capital Program for the specifically identified inventoried assets funds 40% of the recommended investment. In addition, the report sets forth operating maintenance recommendations for the inventoried assets totalling $172 million, $106 million, $124 million and $116 million for the 1993 through 1996 fiscal years, respectively. The City Comptroller has warned, however, that only $15 million is included in the 1993 fiscal year budget for such maintenance and that, if the remaining maintenance is deferred, it will raise future repair costs.

The capital strategy does not include the receipt of $17.1 billion of non-City funds for mass transit, pending State approval of the MTA's 1992-1996 Capital Program. See "SECTION V: CITY SERVICES AND EXPENDITURES—Capital Expenditures". If approval is obtained, potential sources would 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. The City has issued $1.4 billion of short-term obligations in fiscal year 1993, which amount is expected to satisfy the City's seasonal financing requirements for the 1993 fiscal year. Seasonal financing requirements for the 1992 fiscal year decreased to $2.25 billion from $3.65 billion in the 1991 fiscal year. The delay in the adoption of the State's budget for its 1992 fiscal year required the City to issue $1.25 billion in short-term notes on May 7, 1991, and 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. See "SECTION VII: 1993-1996 FINANCIAL PLAN—Assumptions".

Seasonal financing requirements were $2.45 billion, $1.2 billion and $925 million in the 1990, 1989 and 1988 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, 1992.

(In Thousands)

Gross City Long-Term Indebtedness(1)	$19,185,112	
Less: Assets Held for Debt Service(2)	1,327,161	
Net City Long-Term Indebtedness		$17,857,951
Gross MAC Long-Term Indebtedness(3)	5,548,835	
Less: Assets Held for Debt Service(3)	814,618	
Net MAC Long-Term Indebtedness		4,734,217
PBC Indebtedness(4)		
Bonds Payable	579,097	
Capital Lease Obligations	392,006	
Gross PBC Indebtedness(5)	971,103	
Less: Assets Held for Debt Service	206,468	
Net PBC Indebtedness		764,635
Combined Net City, MAC and PBC Indebtedness		$23,356,803

(1) Amount does not reflect the issuance of $1,175,350,000 principal amount of Fiscal 1993 Series B Bonds on October 29, 1992.

(2) With respect to City long-term indebtedness, "Assets Held for Debt Service" consists of sinking fund assets, General Debt Service Fund assets, and $1,278.9 million principal amount of City serial bonds held by MAC.

(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 $264.9 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 1988 through 1992, and as of September 30, 1992, except for short-term debt information, which is as of December 2, 1992.

	City(1)		MAC(4)		Component Unit and City Guaranteed Debt(2)	Total
	Long-Term Debt(2)	Short-Term Debt(3)	Long-Term Debt(5)	Short-Term Debt		
	(In Millions)					
1988	$ 7,820	—	$6,470	—	$714	$15,004
1989	9,332	—	6,082	—	780	16,194
1990	11,779	—	5,713	—	782	18,274
1991	15,293	—	5,265	—	803	21,361
1992	17,916	—	4,657	—	782	23,355
September 30, 1992	17,858	1,400	4,734	—	765	24,757

(1) Amounts do not include debt of the City held by MAC. See "Outstanding Indebtedness—note 1". Amount does not reflect the issuance of $1,175,350,000 principal amount of Fiscal 1993 Series B Bonds on October 29, 1992.

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

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(3) Amount includes $700 million of tax anticipation notes issued on July 2, 1992, which mature on April 14, 1993, and $700 million of revenue anticipation notes issued on July 2, 1992, which mature on June 30, 1993.

(4) MAC reported outstanding long-term indebtedness without reduction for reserves, as follows: $7,636 million, $7,307 million, $6,901 million, $6,471 million and 5,559 million as of June 30 of each of the years 1988 through 1992 and $5,549 million as of September 30, 1992.

(5) Calculations of net MAC indebtedness include the total bonds outstanding under MAC's 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, 1992, the cumulative percentage of total City general obligation debt outstanding that is scheduled to be retired in accordance with its terms in each prospective five-year period.

Period	Cumulative Percentage of Debt Scheduled for Retirement
5 years	26.78%
10 years	49.63
15 years	67.72
20 years	81.72
25 years	93.33
30 years	99.82

City, MAC and City-guaranteed PBC Debt Service Requirements

The following table summarizes future debt service requirements as of September 30, 1992, on City and MAC term and serial bonds outstanding and City-guaranteed debt of and capital lease obligations to certain PBCs.

	City Long-Term Debt					
	Principal					
Fiscal Years	Serial Bonds(1)	Sinking Fund Bonds(2)	Interest(1)	Component Unit and City Guaranteed Debt(3)	MAC Funding Requirements	Total
			(In Thousands)			
1993	$ 401,491	$ —	$ 778,120	62,102	$ 746,440	$ 1,988,153
1994	998,836	—	1,218,087	94,050	601,148	2,912,121
1995	984,496	—	1,157,466	94,021	527,575	2,763,558
1996	1,000,135	—	1,089,494	97,025	516,335	2,702,989
1997	1,005,616	—	1,030,364	99,402	579,156	2,714,538
1998	911,343	—	953,846	99,369	590,850	2,555,408
1999	874,657	—	899,453	99,708	609,366	2,483,184
2000	781,766	—	857,205	99,692	544,784	2,283,447
2001 through 2147	10,897,857	50,000	7,637,142	1,081,033	4,361,799(4)	24,027,831
Total	$17,856,197	$50,000	$15,621,177	$1,826,402	$9,077,453	$44,431,229

(1) Excludes debt service payments on $1,278.9 million principal amount of serial bonds held by MAC. Amount does not reflect the issuance of $1,175,350,000 principal amount of Fiscal 1993 Series B Bonds on October 29, 1992.

(2) Amounts are stated maturities. Sinking fund bonds will be paid from assets held or to be held in the City's General Sinking Fund 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 1987 through 1992, with respect to the approximate ratio of the City's debt to certain economic factors. As used in this table, debt includes net City, MAC and PBC debt.

		Debt as % of Total Taxable Real Property By	
Fiscal Year	**Debt Per Capita**	**Assessed Valuation**	**Estimated Full Valuation**
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	2,917	28.0	4.5
1992	3,189	28.6	4.1

Source: Comprehensive Annual Financial Report of the Comptroller for the Fiscal Year Ended June 30, 1992.

Ratio of Debt to Personal Income

The following table sets forth, for each of fiscal years 1983 through 1990, debt per capita as a percentage of personal income per capita in current dollars. As used in this table, debt includes net City, MAC and PBC debt.

Fiscal Year	**Debt per Capita**	**Personal Income per Capita(1)**	**Debt per Capita as % of Personal Income per Capita**
1983	$1,698	$13,895	12.22%
1984	1,695	15,188	11.16
1985	1,723	16,050	10.74
1986	1,833	16,902	10.84
1987	1,893	18,009	10.51
1988	2,041	19,669	10.38
1989	2,202	21,119	10.43
1990	2,485	22,454	11.07

Source: Comprehensive Annual Financial Report of the Comptroller for the Fiscal Year Ended June 30, 1992.

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

The MAC Act contains two limitations on the amount of short-term debt which the City may issue. As of December 2, 1992, the maximum amount of additional short-term debt which the City could issue was approximately $4.398 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, 1992.

GENERAL DEBT LIMIT		
Total Debt-Incurring Power		$47,780,161,223
Gross Debt—Funded	$19,269,668,702	
Less: Excluded Debt	1,318,625,558	
	17,951,043,144	
Less: Assets of Sinking Funds and General Debt Service Fund and Balance of Appropriations for Redemption of Debt	397,550,524	
Net Debt	17,553,492,620	
Add: Net Contracts and Other Liabilities	3,917,022,683	21,470,515,303
Remaining Debt-Incurring Power Within Limit		$26,309,645,920
TWO PERCENT DEBT LIMIT		
Total Debt-Incurring Power		$ 1,476,618,556
Charges:		
Housing Authority Indebtedness	$ 994,000	
Limited Profit Housing Program	16,482,104	
Housing and Industrial Urban Renewal Programs	133,427,484	150,903,588
Remaining Debt-Incurring Power Within Limit		$ 1,325,714,968

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, 1992, when the debt-incurring capacity under the general debt limit was $26.310 billion, the unencumbered margin was $14.9 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, 1992, MAC had outstanding an aggregate of approximately $5.549 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, 1992, 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 $1.180 billion was held by MAC as of September 30, 1992. MAC has also exchanged $1.839 billion principal amount of MAC bonds for City debt, of which approximately $99.0 million was held by MAC on September 30, 1992.

Public Benefit Corporation Indebtedness

City Financial Commitments to PBCs

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

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

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

2. *Capital Lease Obligations*—These are leases of facilities by the City or a Covered Organization, entered into with PBCs, under which the City has no liability beyond monies legally

available for lease payments. State law generally provides, however, that in the event the City fails to make any required lease payment, the amount of such payment will be deducted from State aid otherwise payable to the City and will be paid to the PBC.

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

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

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

New York City Educational Construction Fund

As of September 30, 1992, approximately $130.2 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, 1992, the City had guaranteed $40.5 million principal amount of HA bonds. The Federal government has agreed to pay debt service on $50.4 million principal amount of additional HA indebtedness guaranteed by the City. The City has also guaranteed the repayment of $251.9 million principal amount of HA indebtedness to the State, of which the Federal government has agreed to pay debt service on $127.7 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 $121.1 million in the 1992 fiscal year and are projected to amount to approximately $124.2 million in the 1993 fiscal year.

New York State Housing Finance Agency

As of September 30, 1992, $325.6 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, 1992, $691.4 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 Dormitory Authority's bonds issued to finance the leased projects plus related overhead and administrative expenses of the Dormitory Authority. As of September 30, 1992, approximately $90.8 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.

available for lease payments. State law generally provides, however, that in the event the City fails to make any required lease payment, the amount of such payment will be deducted from State aid otherwise payable to the City and will be paid to the PBC.

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

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

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

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New York City Housing Authority

As of September 30, 1992, the City had guaranteed $40.5 million principal amount of HA bonds. The Federal government has agreed to pay debt service on $50.4 million principal amount of additional HA indebtedness guaranteed by the City. The City has also guaranteed the repayment of $251.9 million principal amount of HA indebtedness to the State, of which the Federal government has agreed to pay debt service on $127.7 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 $121.1 million in the 1992 fiscal year and are projected to amount to approximately $124.2 million in the 1993 fiscal year.

New York State Housing Finance Agency

As of September 30, 1992, $325.6 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, 1992, $691.4 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 Dormitory Authority's bonds issued to finance the leased projects plus related overhead and administrative expenses of the Dormitory Authority. As of September 30, 1992, approximately $90.8 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, 1992, $67.2 million principal amount of UDC bonds subject to executed or proposed lease arrangements was outstanding. This amount differs from the amount calculated by UDC ($78.2 million) because UDC has included certain interest costs relating to Public School 50 and Intermediate School 229 in Manhattan in its calculation. The City leases schools and certain other facilities from UDC.

New York City Housing Development Corporation

As of September 30, 1992, $264.9 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, $30.6 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 $234.3 million relating to the General Housing Program is required to be secured by a separate $18.1 million capital reserve fund. The combined reserve requirement for both programs amounts to $22.88 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 1993 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, 1992, HDC's combined capital reserve funds amounted to approximately $30.9 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, 1992 consisted of approximately 342,000 current employees, of whom approximately 90,000 were employees of certain independent agencies whose pension costs in some cases are provided by City appropriations. In addition, there are approximately 220,000 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 10,000 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 1993 fiscal year are expected to approximate $1.5 billion. In fiscal years 1994 through 1996, these expenditures are expected to approximate $1.5 billion, $1.4 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 1992 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, are 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 five major actuarial systems are not fully funded. The excess of the present value of future pension benefits accrued on account of services already rendered (with salary projections to retirement to determine final salary) over the value of the present assets of the pension systems for the five major actuarial pension systems (including that which is attributable to independent agencies) as calculated by the City's Chief Actuary, on the basis of the actuarial assumptions then in effect, are set forth in the following table.

June 30,	Amount(1) (In Billions)
1988	$7.79
1989	6.51
1990	6.10
1991	4.16
1992	2.67

(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, 1992, there was approximately $336 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 1993-1996 Financial Plan. The City has estimated that its potential future liability on account of outstanding claims against it as of June 30, 1992 amounted to approximately $2.3 billion. See "SECTION VII: 1993-1996 FINANCIAL PLAN—Assumptions—*Expenditure Assumptions*—2. Other Than Personal Service Costs—*Judgments 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 $242 million at June 30, 1992. 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. The State Board has certified final class ratios for the 1991 assessment roll. The City believes that the class ratios determined for class two and class four are invalid and has commenced an Article 78 proceeding challenging the class ratios. Class ratios are used in real property tax *certiorari* proceedings involving allegations of inequality of assessments of real property and low class ratios could lead to an increase in refunds for overpayment of real property taxes paid in the 1992 fiscal year. Cases

involving payments of fiscal year 1992 taxes are not expected to be settled during fiscal year 1993. For additional information, see "SECTION IV: SOURCES OF CITY REVENUES—Real Estate Tax—*Assessment*".

3. An action was commenced on June 2, 1992 in New York State Supreme Court by Con Edison seeking declaratory and injunctive relief alleging that the City improperly imposed a 50% assessment ratio to locally assessed class three utility property. Con Edison claims the City's assessment ratio should be the same 22% ratio applied by the State Board to special franchise property which is also class three. Con Edison is seeking, *inter alia*, an order directing the City to reduce its assessment ratio on the locally assessed property to the same level as the State Board's. Based on the tax rates in effect during fiscal years 1992 and 1993, the application of the lower ratio could result in a refund of approximately $140 million for each of those fiscal years.

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 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, and plaintiff has appealed the decision to the Appellate Division, First Department.

3. Forty 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.

4. On April 3, 1990, the New York State Court of Appeals ruled, in a case brought by a group of New York City recipients of AFDC, that the New York Social Services Law requires that AFDC recipients receive for housing an adequate allowance that bears a reasonable relationship to the cost of housing. The Court remanded the case to the trial court for a trial on whether the Commissioner of the New York State Department of Social Services had complied with the law in determining the amount of

shelter allowance. In a decision issued in 1988 granting plaintiffs a preliminary injunction pending a full trial, the trial court ruled that plaintiffs were likely to succeed on the merits of their claim that the shelter allowance was inadequate and awarded preliminary injunctive relief in the form of payments for rent in excess of the shelter allowance. The trial on the merits has been completed and the parties have submitted post trial briefs. 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.

In September 1990, the Supreme Court, New York County, ruled that shelter allowances for individuals who receive welfare benefits through the Home Relief program (primarily childless households and family units with both parents) must also meet the adequacy standard that applies to AFDC recipents. While Home Relief is a much smaller program than AFDC, the City pays 50% of Home Relief benefits rather than 25%, so any mandated increase in the shelter allowance would be proportionately more expensive to the City. 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 in January 1992, the Appellate Division, First Department, ruled that the establishment of the amount of shelter allowances under the Home Relief program is within the discretion of DSS and not subject to judicial review. On April 14, 1992, the Appellate Division denied a motion for leave to appeal the decision to the Court of Appeals and in September 1992 the Court of Appeals denied plaintiff's petition for a direct appeal to that court.

5. 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 were filed by February 14, 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.

6. 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. In a decision dated February 7, 1992, the State Supreme

Court, New York County, dismissed the complaint in the action and the petition in the proceeding. Plaintiffs have appealed the decision to the Appellate Division, First Department. For further information regarding the Stavisky-Goodman Act, see "SECTION VII: 1993-1996 FINANCIAL PLAN—Assumptions—*Expenditure Assumptions*—2. Other Than Personal Service Costs—*Board of Education*".

7. 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 May 12, 1992, the Appellate Division, First Department affirmed the lower court's decision. If plaintiffs were to prevail ultimately in this action, the City could become subject to substantially increased costs for health insurance benefits.

8. 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. On May 30, 1991, the Appellate Division, First Department, denied the City's motion for leave to appeal to the Court of Appeals. On May 19, 1992, plaintiffs served a motion to hold the City in contempt alleging the City has failed to comply with the Supreme Court's order. The City could incur substantial costs if it is required to issue regulations implementing the law as currently interpreted by the courts. 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 was passed in the United States Congress that could impose substantial costs on municipalities, including the City, in connection with lead paint removal.

9. Numerous actions have been asserted against the City and the Covered Organizations alleging that the City and the Covered Organizations have failed to provide proper housing and services to homeless individuals and families. These actions have been brought on behalf of, among others, homeless persons with AIDS, homeless families, and homeless mentally ill and allege that the City has failed to provide such persons with adequate housing in violation of the State Constitution, the State Social Services Law, the State Mental Hygiene Law, and various related regulations. In one action brought by homeless mentally-ill patients released from City hospitals, the City has estimated that an adverse ruling could ultimately cost the City in excess of $335 million. In that action, adverse decisions have been rendered against the City by both the State Supreme Court, New York County, and the Appellate Division, First Department, and the City is currently appealing to the Court of Appeals. Adverse determinations in the other actions could also result in substantial costs to the City.

10. The City is subject to statutory and regulatory standards relating to the quality of its drinking water. The State Department of Health regulations require that unless the City meets certain regulatory avoidance criteria, filtration of all surface water supplies will be required by calendar year 2005. The City has taken the position that increased regulatory, enforcement and other efforts to protect its water supply, relating to such matters as land use and sewage treatment, will preserve the high quality of water in the upstate water supply system and prevent the need for filtration. The City has estimated that if filtration of the upstate water supply system is ultimately required, the capital expenditures required could be between $4 and $5 billion. Litigation has been commenced against the City and others claiming, among other things, that the City was not properly granted the authority by the State Department of Health to avoid filtration of the upstate water supply system. The City currently has an

application pending before the U.S. Environmental Protection Agency seeking approval of its filtration avoidance plan.

11. A suit has been commenced in State Supreme Court, New York County, by tenants residing in housing acquired by the City through *in rem* tax proceedings challenging the City's right to vacate unsafe *in rem* buildings and asserting instead that they be maintained in accordance with the State's Multiple Dwelling Law and the City's Housing Maintenance Code. On June 9, 1992, the Court granted plaintiffs' motion for partial summary judgment and held that, under certain circumstances, the buildings must be maintained in accordance with the Multiple Dwelling Law and the Housing Maintenance Code. The City filed a notice of appeal on November 10, 1992. In addition various plaintiffs have also filed notices of appeal. An adverse decision could result in substantial costs to the City.

12. On November 25, 1992, several labor unions commenced an action in the United States District Court for the Eastern District of New York against various State officials challenging provisions of the State Public Health Law which impose surcharges on hospital bills and certain health insurance plans. Plaintiffs allege that imposition of the surcharges, which are used to fund State bad debt and charity care pools, violate provisions of Federal law which regulate the use of contributions to employee benefit plans. In the event that such surcharges are held invalid and alternative funding sources are not identified, the City could incur substantial costs to replace a significant portion of the cost of uncompensated health care formerly covered by the bad debt and charity care pools.

Tax Exemption

In the opinion of Brown & Wood, New York, New York, and Barnes, McGhee, Neal, Poston & Segue, New York, New York, as Bond Counsel, except as provided in the following sentence, interest on the Bonds will not be includable in the gross income of the owners of the Bonds for purposes of Federal income taxation under existing law. Interest on the Bonds will be includable in the gross income of the owners thereof retroactive to the date of issue of the Bonds in the event of a failure by the City to comply with applicable requirements of the Code, and covenants regarding use, expenditure and investment of bond proceeds and the timely payment of certain investment earnings to the United States Treasury and no opinion is rendered 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 of the Deputy Comptroller for Finance (under which the Bonds are being issued) upon the approval of counsel other than such firm.

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, McGhee, Neal, Poston & Segue 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 the Bonds owned by a corporation will be included in the calculation of the corporation's Federal alternative minimum tax liability and Federal environmental tax liability.

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

The initial public offering price of the Fixed Rate Bonds due in 1995 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 each maturity 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.

The Internal Revenue Service ("IRS") issued proposed regulations in 1986 (the "Proposed Regulations") concerning contingent payment debt instruments. There is no clear guidance on whether or how these rules relate to optional conversion events of tax-exempt debt instruments such as the Short RITES Bonds that provide for optional interest rate conversions. Interest income ordinarily accrues periodically over time. Under that approach, which is consistent with the economic effect of the transaction, tax-exempt income resulting from the optional interest rate conversions would be recognized as it accrues. Although it is uncertain whether the Proposed Regulations apply to tax-exempt debt instruments, it is possible under a literal application of the Proposed Regulations that a holder of Short RITES Bonds would be required to recognize tax-exempt income upon an optional conversion in an amount equal to the present value of the future interest payments fixed as a result of the optional conversion in advance of the receipt of the interest payments resulting in the front loading of tax-exempt income. Persons, particularly regulated investment companies (which are required under the Code to distribute at least 90 percent of their tax-exempt income each year) and corporations subject to alternative minimum tax and the environmental tax (or that could be subject to alternative minimum tax or environmental tax as a result of their ownership of the Short RITES Bonds), considering the purchase of Short RITES Bonds should consult their own tax advisors concerning the timing of recognition of tax-exempt income upon optional conversion of the Short RITES Bonds and the application of related federal income tax provisions to their particular situations.

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 and the Short RITES Bonds Baa1. Standard & Poor's has rated the Fixed Rate Bonds and the Short RITES Bonds A-. These ratings do not reflect any bond insurance relating to any portion of the Fixed Rate Bonds, and do not address the likelihood that a

Short RITES Bond holder will be able successfully to convert the interest rate on its Short RITES Bonds to the applicable Converted Rate as provided herein. The City expects that ratings on the Short Term Auction Rate Securities, the Complementary Auction Rate Securities and the Fixed Rate Bonds insured by AMBAC Indemnity will be received prior to December 22, 1992. A rating on the Securities does not address the likelihood that any auction will be successful or that an investor will be able to resell any such Security in any auction. The ratings on the Short Term Auction Rate Securities, the Complementary Auction Rate Securities and the Fixed Rate Bonds insured by AMBAC Indemnity will be based upon an insurance policy to be issued by AMBAC Indemnity. AMBAC Indemnity's claims-paying ability is rated Aaa by Moody's and AAA by Standard & Poor's. 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 the 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 Bonds are being purchased for reoffering by the Underwriters, for whom Prudential Securities Incorporated; Merrill Lynch, Pierce, Fenner & Smith Incorporated; Goldman, Sachs & Co.; Lehman Brothers; Bear Stearns & Co. Inc.; and The First Boston Corporation are acting as lead Managers. The Bonds are being purchased at an aggregate purchase price of $560,105,698.06, less the amount to be paid to AMBAC Indemnity for insurance which the Underwriters will purchase. The aggregate initial public offering price is $564,490,560.60. 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, McGhee, Neal, Poston & Segue, New York, New York, Bond Counsel to the City. Reference should be made to the forms of such opinions set forth in Appendix H 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.

Verification

The accuracy of (i) the mathematical computations of the adequancy of the maturing principal of and interest earned on the government obligations held in escrow to provide for the payment of the refunded bonds and (ii) certain mathematical computations supporting the conclusion that the Bonds are not "arbitrage bonds" under the Code, will be verified by Ernst & Young, a firm of independent certified public accountants.

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.

A copy of the Comprehensive Annual Report of the Comptroller for the 1992 fiscal year, which is expected to be released by December 7, 1992, may be obtained upon written request to: Office of the Comptroller, Deputy Comptroller for Finance, Municipal Building, One Centre Street, New York, NY 10007.

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/ ELIZABETH HOLTZMAN
ELIZABETH HOLTZMAN, *Comptroller*

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)

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

(1) Final census count, which may reflect an 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)

Age	1960	% of Total	1970	% of Total	1980	% of Total	1990	% of Total
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
NYC							
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	$143.4	$164.6	6.0	7.8	7.1
Real Per Capita Personal Income(4)	$12,757.4	$12,871.1	$15,766.9	$16,222.6	0.1	1.7	1.4
United States							
Population(1) (millions)	202.7	218.1	245.1	250.0	1.0	1.0	1.0
Employment(2) (millions)	70.4	79.4	105.5	109.8	1.7	2.4	2.0
Personal Income(3)(billions)	$773.7	$1,446.3	$4,075.9	$4,664.2	9.3	9.0	7.0
Real Per Capita Personal Income(4)	$10,385.9	$11,648.3	$14,051.7	$14,270.9	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 GDP rose on average 2.6 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 GDP rose 2.5 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 GDP growth of 3.9 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 wages 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 GDP of 2.5 percent and an increase in employment of 2.6 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 1.2 percent or 42,000 jobs. Employment increased only in the service, transportation and public utilities and government sectors, at rates of 0.2 percent, 5.1 percent (due to a strike in 1989) and 1.0 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 2.1 percent, 3.5 percent, 6.1 percent and 4.9 percent, respectively.

During 1991, both the national and local economies continued to decline, with the City declining at a faster rate than the nation. Local employment decreased by 194,000 jobs, or 5.4 percent, and the nation experienced job losses totalling 1.5 million, or 1.3 percent. As of October 1992, employment in the U.S. had increased by 0.2 million jobs and employment in the City decreased by 100,000 jobs from October 1991.

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)

Sector	Peak Employment(1) Year	Peak Employment(1) Level	Average Annual Employment 1985	1986	1987	1988	1989	1990	1991
Private Sector									
Non-Manufacturing	1989	2647.2	2523.7	2575.6	2630.1	2638.8	2647.2	2621.1	2473.1
Services(2)	1990	1149.0	1038.5	1076.2	1108.4	1123.1	1147.2	1149.0	1097.8
Wholesale and Retail trade	1969	749.1	638.1	638.5	637.6	634.3	630.2	608.3	561.1
Finance, Insurance and Real Estate	1987	549.7	507.6	529.3	549.7	542.4	530.5	519.6	497.2
Transportation and Public Utilities	1969	323.9	232.0	217.3	214.9	218.4	218.1	229.1	218.9
Contract Construction	1962	139.1	106.3	113.7	118.8	120.1	120.8	114.9	98.0
Mining	1967	2.5	1.2	0.8	0.7	0.5	0.3	0.3	0.2
Manufacturing	1960	946.8	407.7	391.5	379.6	370.1	359.5	337.5	307.6
Durable	1960	303.6	112.2	106.5	100.0	97.7	94.3	88.0	77.3
Non-Durable	1960	643.2	295.5	285.0	279.6	272.4	265.2	249.5	230.3
Government(3)	1990	607.6	556.6	573.5	580.4	596.1	601.5	607.6	591.8
Total Non-agricultural	1969	3797.7	3488.1	3540.6	3590.0	3605.0	3608.2	3566.2	3372.5

RECENT MONTHLY TRENDS
(Total Payroll Employment in Thousands)

Year	Jan	Feb	Mar	Apr	May	June	July	Aug	Sept	Oct	Nov	Dec
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	3617.5	3622.2	3641.5	3592.5	3584.6	3594.7	3601.6	3623.9	3657.6
1990	3555.9	3563.1	3588.9	3578.2	3601.7	3606.0	3549.4	3553.9	3556.2	3540.1	3548.4	3553.1
1991	3390.0	3388.8	3408.8	3396.9	3398.9	3409.1	3356.5	3342.4	3337.8	3347.2	3351.4	3342.7
1992	3237.2	3238.9	3256.2	3256.4	3263.2	3277.3	3268.4	3262.5	3234.0	3246.9		

(1) For the period 1960 through 1991.

(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	65.2	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	65.9	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
1991	3,307	3,023	284(4)	56.4	66.0	8.6	6.8

RECENT MONTHLY TRENDS

Unemployment

Year	Jan	Feb	Mar	Apr	May	June	July	Aug	Sept	Oct	Nov	Dec
1985	8.2%	9.6%	9.0%	9.1%	8.4%	7.4%	6.9%	7.7%	8.1%	8.4%	7.3%	7.1%
1986	7.3	8.4	7.9	8.7	7.9	7.3	7.9	6.9	6.6	6.9	6.1	6.2
1987	7.4	6.0	5.8	5.2	5.4	6.0	6.0	5.1	4.5	5.8	6.6	5.0
1988(3)	5.3	4.2	4.6	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
1989(3)	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	6.5	7.0
1990	7.0	6.5	6.8	5.9	6.9	6.0	7.2	6.2	7.9	7.7	7.4	6.3
1991	7.4	7.3	8.1	8.9	8.9	8.7	8.8	9.3	7.7	8.5	10.2	9.3
1992	10.4	10.9	10.3	9.5	10.5	11.5	12.1	11.1	11.4	11.0		

(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.

(4) Preliminary.

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 1991, the local inflation rate was 4.5 percent, which was 0.3 of a percentage point higher than the national rate of

4.2 percent. In September 1992 the premium of the New York area inflation rate over the national rate was 1.2 percentage points with local inflation running at a rate of 4.4 percent.

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 7.6 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 2.5 percentage points above the U.S. rate. In 1988, the premium over the national wage rate increased to nearly 4 percentage points, as local wages, boosted by record bonus payments on Wall Street for 1987, rose 8.5 percent compared to 4.6 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, versus the national increase of 3.1 percent. As the stock market stabilized, local wage rates increased 6.6 percent versus 4.6 percent for the nation in 1990. In 1991, local wage rates increased 4.0% versus 3.9% for the nation.

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

CHANGES IN CONSUMER PRICE INDEX: SELECTED AREAS

All Items—Urban Areas
Percent Increase Over Prior Year

Area(1)	1970	1975	1980	1981	1982	1983	1984	1985	1986	1987	1988	1989	1990	1991
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	4.5
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	4.7
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	4.1
San Francisco-Oakland(3)	5.1	9.9	15.1	13.0	6.9	1.0	5.8	4.0	3.0	3.5	4.4	4.9	4.5	4.4
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	4.1
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	4.2

(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.

(3) The Consumer Price Index for San Francisco-Oakland was reported bi-monthly prior to 1987.

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	Average Annual % Increase 1981-91		% Increase 1991		% Increase October 1992 over October 1991	
	U.S.	New York-NE. N.J.	U.S.	New York-NE. N.J.	U.S.	New York-NE. N.J.
All Items	4.1	4.9	4.2	4.5	3.2	4.4
Food and Beverages	3.9	4.5	3.6	3.3	2.0	2.2
Housing	4.0	5.0	3.9	4.6	2.8	4.7
Apparel and Upkeep	3.1	2.6	3.7	2.2	1.7	4.7
Transportation	2.9	3.3	2.8	3.9	3.2	4.7
Medical Care	7.9	8.3	8.7	8.2	7.0	7.0
Entertainment	4.4	4.8	4.5	3.9	2.1	2.3
Other Goods and Services	7.6	8.2	8.0	8.1	6.6	6.5

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 1971 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 1990 (the most recent year for which local personal income data are available), New York City personal income averaged 7.6 percent growth, compared to 7.1 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)

	Personal Income			Per Capita Personal Income					
	NYC Total	Average Annual % Change			Average Annual % Change		New York City as a Percent of		
Year	(In Billions)	NYC	U.S.(2)	NYC	NYC	U.S.(2)	U.S.(2)	Suburban Counties(3)	Metropolitan Area(4)
1983	$ 99.4	8.3%	6.4%	$13,860	7.3%	5.5%	114.6%	82.9%	93.0%
1984	109.3	10.0	9.4	15,134	9.2	8.5	115.3	82.1	92.9
1985	116.1	6.1	7.0	15,983	5.6	6.0	114.9	80.7	92.4
1986	123.0	6.0	6.1	16,798	5.1	5.1	114.9	79.1	92.1
1987	131.3	6.8	6.7	17,880	6.4	5.7	115.6	77.4	91.5
1988	143.4	9.2	8.1	19,501	9.1	7.1	117.7	77.0	91.2
1989(5)	154.5	7.7	7.9	21,051	7.9	6.8	119.0	76.6	91.3
1990	164.6	6.5	6.5	22,475	6.8	5.5	120.5	77.4	91.7

(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) Includes adjustment for residence.

(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.

(5) The 1989 population estimate used to obtain the per capita figures is the average of the 1988 and 1990 data of population for such years from the Bureau of the Census.

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 disproportionally adverse effect on the City's employment and income relative to the nation. Payroll employment data indicates that through December 1990 the City's FIRE sector lost 46,000 jobs since the 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)

Sector	Employment				Earnings(2)			
	1977		1990		1977		1990	
	NYC	U.S.	NYC	U.S.	NYC	U.S.	NYC	U.S.
Private Sector								
Non-Manufacturing	67.2%	57.8%	73.5%	65.9%	70.7%	56.7%	78.6%	64.5%
Services(3)	24.6	18.5	32.2	25.7	26.0	19.6	33.7	26.9
Wholesale and Retail trade	19.5	22.5	17.1	23.5	16.7	16.6	12.3	16.0
Finance, Insurance and Real Estate	13.0	5.4	14.6	6.1	14.4	5.6	21.9	7.2
Transportation and Public Utilities	8.1	5.7	6.4	5.3	11.2	7.5	6.9	6.8
Contract Construction	2.0	4.7	3.2	4.7	2.3	5.9	3.5	6.0
Mining	0.0	1.0	0.0	0.6	0.1	1.5	0.1	1.1
Manufacturing	16.9	23.9	9.5	17.4	15.6	26.1	8.0	19.4
Durable	5.1	14.1	2.5	10.1	4.5	16.6	2.0	12.1
Non-Durable	11.8	9.8	7.0	7.3	11.1	9.5	6.0	7.4
Government(4)	15.9	18.3	17.0	16.7	13.7	17.2	13.4	16.1
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 1990 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, 1991 and thus far in 1992.

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)

Year (1)	Total	Average Annual Change (%)	Home Relief	AFDC	AFDC Unemployed Parent	AFDC Predetermination Grant
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	(2.6)	149.3	642.0	12.0	14.6(2)
1990	858.3	4.9	139.7	641.4	12.8	64.5
1991	939.4	9.5	166.5	677.5	15.0	80.4

(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 comprises persons receiving public assistance as predetermination grant recipients pending AFDC eligiblity for only October through December of 1989.

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

Recent Monthly Trends
(Total Recipients In Thousands)

Year	Jan.	Feb.	Mar.	Apr.	May	June	July	Aug.	Sept.	Oct.	Nov.	Dec.
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	972.8	977.2
1992	988.8	985.4	987.1	989.1	994.4	999.7	1,005.2	1,011.6	1,018.3	1,031.9		

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

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

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.

Between 1984 and 1986, retail sales, particularly of durable goods, grew at an increased rate, outpacing the nation in 1985 and 1986. Retail sales decreased slightly by 0.1 percent in 1987 mainly because consumers shifted their purchases into 1986 (sales increased 17.3%) 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 9.5 percent. By 1989 and 1990, however, the local recession became apparent as retail sales in the City declined by 0.2% and 0.7%, respectively, over the previous years' figures. Retail sales decreased in 1991 by 3.6%. The September 1992 figures indicate a decrease of 0.4 percent over September 1991. However, the retail sales figures for 1992 are based on a different sample of data than for 1991; therefore, year over year comparisons for 1992 may be distorted. Retail sales figures prior to 1992 were based, and, for 1993 and thereafter will be based, on the same sample of data as the prior year figures. Trends in the City's retail sales are shown in the table below.

RETAIL SALES IN NEW YORK CITY

	Total Retail Sales (In Billions)		Annual Percent Change					
			Total Retail Sales		Non-Durable(1)		Durable(2)	
Year	NYC	U.S.	NYC	U.S.	NYC	U.S.	NYC	U.S.
1982	$26.4	$1,068.2	NA	2.9%	NA	2.6%	NA	3.4%
1983	29.0	1,168.2	9.8	9.4	5.5	6.1	20.0%	16.4
1984	30.9	1,284.6	6.3	10.0	4.5	6.9	10.0	16.2
1985	33.8	1,374.5	9.4	7.0	6.4	5.5	15.3	9.7
1986	39.6	1,450.1	17.3	5.5	9.1	3.7	32.1	8.7
1987	39.6	1,539.4	(0.1)	6.2	0.8	6.1	(1.5)	6.2
1988	43.3	1,644.0	9.5	6.8	9.0	5.6	10.2	8.8
1989	43.2	1,747.0	(0.2)	6.3	3.1	7.4	(5.3)	4.3
1990	42.9	1,826.2	(0.7)	4.5	5.4	6.5	(10.8)	1.3
1991	41.4	1,843.9	(3.6)	1.0	0.7	2.2	(12.1)	(1.2)

(1) Includes food stores, eating and drinking places, gasoline stations, liquor stores, drug stores, fuel dealers, florists, hay-grain-feed stores, farm and garden supply stores, 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 1970s and continued to grow rapidly through the 1980s. 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)

	1984	1985	1986	1987	1988	1989	1990	1991	1992(1)
New York City	109	112	116	121	124	125	126	122	120
New York State	114	119	124	129	135	137	137	135	135

(1) April 1992.
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 1970s 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 18.4%.

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

Year	Visitors(1) (In Millions)	Hotel Occupancy Rate(2) Annual Average of Monthly Rates
1980	17.1	78.4%
1981	17.0	72.8
1982	16.9	69.7
1983	17.1	71.9
1984	17.2	75.1
1985	17.1	72.2
1986	17.4	76.0
1987	19.8*	76.2
1988	25.5*	76.7
1989	25.4*	74.5
1990	25.3*	72.6
1991	N/A	67.1

(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 1990 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 Updated Ten-Year Capital Strategy 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 Updated Ten-Year Capital Strategy, for fiscal years 1992-2001 which projects available capital funds over this period of $47.1 billion, of which approximately 92% will be financed with 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 1970s of only 1.7% in the total number of resident households. The following table presents the housing inventory in the City.

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

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

(1) Includes condominiums.

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

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

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

After a significant decline during the early 1970s, 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 1970s 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. As of August 1992, the overall office vacancy rate in Manhattan was 18.4%.

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.

Since 1988, office building and housing construction activity has slowed substantially.

Real Estate Valuation

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

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

	Fiscal Year					
County (Borough)	1988	1989	1990	1991	1992	1993
Bronx (The Bronx)	$ 3,444	$ 3,670	$ 3,973	$ 4,330	$ 4,516	$ 4,719
Kings (Brooklyn)	7,892	8,363	9,023	9,723	9,896	9,950
New York (Manhattan)	35,183	38,928	42,889	47,227	48,755	49,143
Queens (Queens)	10,310	10,807	11,543	12,386	12,666	12,776
Richmond (Staten Island)	2,283	2,374	2,627	2,669	2,635	2,590
Total	$59,112	$64,142	$70,054	$76,334	$78,468	$79,179

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		Fiscal Year 1993	
	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	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%	$ 4,092.4	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	3,100.2	3.9
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	6,576.8	8.3
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	15,517.8	19.6
Warehouses	582.8	1.0	668.2	1.0	767.1	1.1	895.5	1.2	926.8	1.2	989.8	1.3
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	1,702.9	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	1,191.3	1.5
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	1,821.7	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	425.2	0.5
Theatres	145.3	0.2	151.5	0.2	165.5	0.2	186.4	0.2	177.4	0.2	186.9	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	4,416.4	5.6
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	2,317.8	2.9
Churches, Synagogues, etc.	29.9	0.0	30.9	0	30.5	0	54.3	0.1	41.1	0.1	53.8	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	94.5	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	23,907.6	30.2
Places of Public Assembly	96.6	0.2	99.6	0.2	107.9	0.2	123.1	0.2	135.3	0.2	138.3	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	84.5	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	4,322.8	5.5
Residence Multi-Use	206.3	0.3	228.7	0.4	267.5	0.4	318.1	0.4	1,004.5	1.3	1,034.6	1.3
Transportation Facilities	27.1	0	24.4	0	26.5	0	32.5	0	32.2	0	35.4	0
Utility Bureau Properties	0.1	0	0.1	0	0.1	0	0.0	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	906.8	1.1
Educational Structures	86.3	0.1	106.4	0.2	119.4	0.2	138.6	0.2	142.9	0.2	170.1	0.2
Selected Government Installations	6.9	0	2.5	0	2.4	0	3.8	0	4.4	0	8.1	0
Miscellaneous	218.4	0.4	219.6	0.3	227.9	0.3	285.7	0.4	303.0	0.4	275.7	0.3
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	5,807.8	7.3
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%	$79,179.1	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 1993 fiscal year, the assessed valuation of real estate of utility corporations is $3.7 billion. The following table presents the 40 non-utility, non-residential properties having the greatest assessed valuation in the 1993 fiscal year as indicated in the tax rolls.

Largest Real Estate Taxpayers (1)

Property	1993 Fiscal Year Assessed Valuation	Property	1993 Fiscal Year Assessed Valuation
Met Life (Pan Am) Building	$247,800,000	Paramount Plaza	$133,650,000
55 Water Street Building	243,000,000	J.C. Penney Building	130,500,000
Empire State Building	213,750,000	Citicorp Center Condos (Lexington Avenue)	130,500,000
Exxon Building	213,750,000	666 Fifth Avenue	128,600,000
Stuyvesant Town	185,028,500	American Express Plaza	127,920,000
One Liberty Plaza	178,270,000	Celanese Building	127,000,000
American Brands	176,080,000	Kalikow Building	123,750,000
International Building	175,500,000	Simon & Schuster Building	122,400,000
Sperry Rand Building	174,240,000	Carpet Center	122,370,000
General Motors Building	172,530,000	Manufacturers Hanover Plaza	121,500,000
McGraw-Hill Building	171,000,000	Shearson Lehman Operation Center	119,700,000
Equitable Tower	164,619,993	Burlington House	119,000,000
One Penn Plaza	162,240,000	Continental Illinois Center	111,250,000
Time Life Building	157,500,000	Produce Exchange	110,700,000
Morgan Guaranty Trust	157,000,000	Bank of America Plaza	109,320,000
The Chase Manhattan Building	156,150,000	Citicorp Center Condos (Park Avenue)	108,000,000
Equitable Life Center	149,000,000	595 Lexington Avenue	103,954,000
Bristol-Myers	144,314,000	Park Avenue Plaza	103,640,000
Solow Building	141,750,000	Chemical Bank Building	102,600,000
One New York Plaza	136,350,000	Park Avenue Atrium	98,287,000

(1) Excludes real estate of public utilities.
Source: The City of New York, Department of Finance, Bureau of Real Property Assessment.

FINANCIAL STATEMENTS OF THE CITY OF NEW YORK

June 30, 1992 and 1991

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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, 1992 and 1991, 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, 1992 and 1991, 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.

As discussed in Note Q to the financial statements, in 1992 The City changed the asset valuation method utilized for determining pension contributions.

Ernst + Young
Mitchell, Titus + Co.

October 30, 1992

THE CITY OF NEW YORK

COMBINED BALANCE SHEET—ALL FUND TYPES AND ACCOUNT GROUPS

JUNE 30, 1992

(in thousands)

	Governmental Fund Types			Proprietary Fund Type	Fiduciary Fund Types	Account Groups		
	General	Capital Projects	Debt Service	Enterprise	Trust and Agency	General Fixed Assets	General Long-term Obligations	Total (Memorandum Only)
ASSETS:								
Cash and cash equivalents	$ 237,594	$ 4,268	$ 85,375	$ 197,675	$ 8,579	$ —	$ —	$ 533,491
Investments, including accrued interest	1,432,611	1,440,253	2,141,833	786,656	50,472,412	—	—	56,273,765
Accounts receivable:								
Real estate taxes (less allowance for uncollectible amounts of $242,451 in 1992)	379,439	—	—	—	—	—	—	379,439
Federal, State and other aid	2,740,913	196,540	—	—	—	—	—	2,937,453
Patient service, net	—	—	—	638,092	—	—	—	638,092
Other, net	309,302	—	—	383,481	731,353	—	—	1,424,136
Mortgage loans and interest receivable, net	—	—	168,637	1,949,680	—	—	—	2,118,317
Due from other funds	981,020	184,912	58,058	5,149	—	—	—	1,229,139
Property, plant and equipment	—	—	—	13,590,842	—	13,223,164	—	26,814,006
Accumulated depreciation and amortization	—	—	—	(3,941,239)	—	(4,071,996)		(8,013,235)
Restricted cash and investments	—	—	—	854,740	—	—	—	854,740
Other assets	—	44,003	176	337,751	106,936	—	—	488,866
Amounts available in Debt Service Funds	—	—	—	—	—	—	2,199,942	2,199,942
Amounts to be provided for general long-term obligations	—	—	—	—	—	—	29,329,307	29,329,307
Total assets	$6,080,879	$1,869,976	$2,454,079	$14,802,827	$51,319,280	$ 9,151,168	$31,529,249	$117,207,458

See accompanying notes to financial statements.

THE CITY OF NEW YORK

COMBINED BALANCE SHEET—ALL FUND TYPES AND ACCOUNT GROUPS

JUNE 30, 1992

(in thousands)

	Governmental Fund Types			Proprietary Fund Type	Fiduciary Fund Types	Account Groups		
	General	Capital Projects	Debt Service	Enterprise	Trust and Agency	General Fixed Assets	General Long-term Obligations	Total (Memorandum Only)
LIABILITIES:								
Accounts payable and accrued liabilities	$4,488,380	$1,327,410	$ 48,274	$ 684,301	$2,949,453	$ —	$ —	$ 9,497,818
Bonds and notes payable	—	—	—	5,917,106	—	—	24,536,048	30,453,154
Capital lease obligations	—	—	—	—	—	—	501,309	501,309
Accrued real estate tax refunds	85,117	—	—	—	—	—	242,486	327,603
Accrued tax refunds—other	130,534	—	—	—	—	—	—	130,534
Accrued judgments and claims	86,044	108,880	—	—	—	—	2,290,004	2,484,928
Accrued vacation and sick leave	—	—	—	164,215	—	—	1,285,270	1,449,485
Deferred wages	18,981	—	—	—	—	—	46,696	65,677
Accrued pension liability	—	—	—	114,915	—	—	2,627,436	2,742,351
Accrued interest payable	—	—	—	80,780	—	—	—	80,780
Deferred revenues	979,228	—	—	126,499	—	—	—	1,105,727
Due to other funds	38,273	797,279	43,077	350,510	—	—	—	1,229,139
Estimated disallowances of Federal, State and other aid	171,348	—	—	—	—	—	—	171,348
Other	—	—	—	59,272	90,140	—	—	149,412
Total liabilities	5,997,905	2,233,569	91,351	7,497,598	3,039,593	—	31,529,249	50,389,265
EQUITY AND OTHER CREDITS:								
Investment in general fixed assets	—	—	—	—	—	9,151,168	—	9,151,168
Contributed capital	—	—	—	6,395,388	—	—	—	6,395,388
Retained earnings:								
Reserved	—	—	—	356,769	—	—	—	356,769
Unreserved	—	—	—	553,072	—	—	—	553,072
Fund balances:								
Reserved for debt service	—	—	2,199,942	—	—	—	—	2,199,942
Reserved for non-current mortgage loans	—	—	162,786	—	—	—	—	162,786
Reserved for benefit payments	—	—	—	—	1,095,344	—	—	1,095,344
Reserved for pension benefits	—	—	—	—	47,184,343	—	—	47,184,343
Unreserved, undesignated	82,974	(363,593)	—	—	—	—	—	(280,619)
Total fund equity (deficit) and other credits	82,974	(363,593)	2,362,728	7,305,229	48,279,687	9,151,168	—	66,818,193
Commitments and contingencies								
Total liabilities, fund equity and other credits	$6,080,879	$1,869,976	$2,454,079	$14,802,827	$51,319,280	$ 9,151,168	$31,529,249	$117,207,458

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		
	General	Capital Projects	Debt Service	Enterprise	Trust and Agency	General Fixed Assets	General Long-Term Obligations	Total (Memorandum Only)
ASSETS:								
Cash and cash equivalents	$ 109,869	$ 2,790	$ 27,946	$ 162,625	$ 218,538	$ —	$ —	$ 521,768
Investments, including accrued interest	1,771,520	717,072	2,172,644	892,017	45,994,036	—	—	51,547,289
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	—	—	—	584,686	—	—	—	584,686
Other	324,251	—	—	305,504	328,443	—	—	958,198
Mortgage loans and interest receivable	—	—	262,216	1,877,449	—	—	—	2,139,665
Due from other funds	627,103	104,076	33,356	11,960	—	—	—	776,495
Property, plant and equipment	—	—	—	12,498,327	—	12,338,140	—	24,836,467
Accumulated depreciation and amortization	—	—	—	(3,649,562)	—	(4,018,267)	—	(7,667,829)
Restricted cash and investments	—	—	—	768,733	—	—	—	768,733
Other assets	—	64,926	210	184,833	30,477	—	—	280,446
Amounts available in Debt Service Funds	—	—	—	—	—	—	2,159,123	2,159,123
Amounts to be provided for general long-term obligations	—	—	—	—	—	—	27,535,038	27,535,038
Total assets	$5,854,762	$1,134,023	$2,496,372	$13,636,572	$46,571,494	$8,319,873	$29,694,161	$107,707,257

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		
	General	Capital Projects	Debt Service	Enterprise	Trust and Agency	General Fixed Assets	General Long-Term Obligations	Total (Memorandum Only)
LIABILITIES:								
Accounts payable and accrued liabilities	$4,651,061	$1,268,625	$ 55,891	$ 479,776	$ 2,267,949	$ —	$ —	$ 8,723,302
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	—	—	—	—	2,074,519	2,265,495
Accrued vacation and sick leave	—	—	—	151,312	—	—	1,563,318	1,714,630
Deferred wages	19,101	—	—	—	—	—	46,696	65,797
Accrued pension liability	—	—	—	117,363	—	—	2,687,431	2,804,794
Accrued interest payable	—	—	—	74,724	—	—	—	74,724
Deferred revenues	622,069	—	—	101,927	—	—	—	723,996
Due to other funds	—	479,525	25,930	271,040	—	—	—	776,495
Estimated disallowances of Federal, State and other aid	161,661	—	—	—	—	—	—	161,661
Other	—	—	—	63,694	20,494	—	—	84,188
Total liabilities	5,776,092	1,852,257	81,821	6,440,270	2,288,443	—	29,694,161	46,133,044
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	—	—	—	317,434	—	—	—	317,434
Unreserved	—	—	—	550,301	—	—	—	550,301
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	—	—	—	—	994,383	—	—	994,383
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	7,196,302	44,283,051	8,319,873	—	61,574,213
Commitments and contingencies								
Total liabilities, fund equity and other credits	$5,854,762	$1,134,023	$2,496,372	$13,636,572	$46,571,494	$8,319,873	$29,694,161	$107,707,257

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, 1992
(in thousands)

	Governmental Fund Types			Fiduciary Fund Type	
	General	Capital Projects	Debt Service	Expendable Trust	Total (Memorandum Only)
REVENUES:					
Real estate taxes	$ 7,817,785	$ —	$ —	$ —	$ 7,817,785
Sales and use taxes	2,621,186	—	—	—	2,621,186
Income taxes	5,388,953	—	—	—	5,388,953
Other taxes	1,221,019	—	—	—	1,221,019
Federal, State and other categorical aid	8,879,579	172,256	180,378	—	9,232,213
Unrestricted Federal and State aid	826,078	—	—	—	826,078
Charges for services	1,194,597	—	—	—	1,194,597
Other revenues	1,039,379	720,164	264,290	175,533	2,199,366
Total revenues	28,988,576	892,420	444,668	175,533	30,501,197
OTHER FINANCING SOURCES:					
Transfer from OTB Enterprise Fund	33,259	—	—	—	33,259
Transfers and other payments for debt service	—	—	2,968,101	—	— *
Net proceeds from sale of notes and bonds	—	3,355,035	—	—	3,355,035
Refunding bond proceeds	—	—	2,031,790	—	2,031,790
Total revenues and other financing sources	29,021,835	4,247,455	5,444,559	175,533	35,921,281
EXPENDITURES:					
Current operations:					
General government	852,888	—	—	—	852,888
Public safety and judicial	3,585,890	—	—	—	3,585,890
Board of Education	6,626,289	—	—	—	6,626,289
City University	458,490	—	—	—	458,490
Social services	7,107,722	—	—	—	7,107,722
Environmental protection	988,898	—	—	—	988,898
Transportation services	1,044,109	—	—	—	1,044,109
Parks, recreation and cultural activities	202,335	—	—	—	202,335
Housing	541,086	—	—	—	541,086
Health (including payments to HHC)	1,275,878	—	—	—	1,275,878
Libraries	129,169	—	—	—	129,169
Pensions	1,370,717	—	—	—	1,370,717
Judgments and claims	231,480	—	—	—	231,480
Fringe benefit and other benefit payments	1,377,663	—	—	74,572	1,452,235
Other	256,816	—	109,283	—	366,099
Capital projects	—	3,892,814	—	—	3,892,814
Debt service:					
Interest	—	—	1,690,287	—	1,690,287
Redemptions	—	—	1,090,026	—	1,090,026
Lease payments	—	—	139,716	—	139,716
Refunding escrow	—	—	435,280	—	435,280
Total expenditures	26,049,430	3,892,814	3,464,592	74,572	33,481,408
OTHER FINANCING USES:					
Transfers and other payments for debt service	2,968,101	—	—	—	— *
Payment to refunded bond escrow holder	—	—	2,031,790	—	2,031,790
Total expenditures and other financing uses	29,017,531	3,892,814	5,496,382	74,572	35,513,198
EXCESS (DEFICICIENCY) OF REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES AND OTHER FINANCING USES	4,304	354,641	(51,823)	100,961	408,083
FUND BALANCES (DEFICIT) AT BEGINNING OF YEAR	78,670	(718,234)	2,414,551	994,383	2,769,370
FUND BALANCES (DEFICIT) AT END OF YEAR	$ 82,974	$ (363,593)	$2,362,728	$1,095,344	$3,177,453

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, 1991
(in thousands)

	Governmental Fund Types			Fiduciary Fund Type	Total (Memorandum Only)
	General	Capital Projects	Debt Service	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	62,891	2,098,245
Total revenues	27,445,123	936,585	324,647	62,891	28,769,246
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	62,891	33,148,546
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)	(5,422)	276,989
FUND BALANCES (DEFICIT) AT BEGINNING OF YEAR	73,418	(1,289,712)	2,708,870	999,805	2,492,381
FUND BALANCES (DEFICIT) AT END OF YEAR	$ 78,670	($ 718,234)	$2,414,551	$994,383	$ 2,769,370

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, 1992 AND 1991
(in thousands)

	1992			1991		
	Budget			Budget		
	Adopted	Modified	Actual	Adopted	Modified	Actual
REVENUES:						
Real estate taxes	$ 7,824,000	$ 7,870,000	$ 7,817,785	$ 7,245,000	$ 7,230,000	$ 7,250,979
Sales and use taxes	2,664,700	2,620,700	2,621,186	2,935,590	2,804,600	2,660,250
Income taxes	4,902,700	5,312,000	5,388,953	5,133,905	4,851,100	4,756,602
Other taxes	1,132,300	1,232,800	1,221,019	1,145,200	1,170,200	1,188,810
Federal, State and other categorical aid	8,349,235	9,107,692	8,879,579	8,400,751	8,988,206	8,682,406
Unrestricted Federal and State aid	677,184	818,414	826,078	682,445	724,627	699,851
Charges for services	1,274,802	1,293,002	1,194,597	1,182,990	1,169,790	1,134,086
Other revenues	1,575,763	1,003,028	1,039,379	934,668	1,087,668	1,072,139
Total revenues	28,400,684	29,257,636	28,988,576	27,660,549	28,026,191	27,445,123
OTHER FINANCING SOURCES:						
Transfer from OTB Enterprise Fund	39,300	33,200	33,259	46,000	44,000	36,412
Total revenues and other financing sources	28,439,984	29,290,836	29,021,835	27,706,549	28,070,191	27,481,535
EXPENDITURES:						
General government	852,930	906,878	852,888	885,252	870,299	811,460
Public safety and judicial	3,478,649	3,624,288	3,585,890	3,462,948	3,557,570	3,494,011
Board of Education	6,484,920	6,818,341	6,626,289	6,475,477	6,738,999	6,694,188
City University	443,460	462,056	458,490	494,849	503,400	312,809
Social services	6,850,971	7,196,255	7,107,722	6,369,282	6,742,916	6,686,418
Environmental protection	1,056,402	1,112,022	988,898	1,132,410	1,081,054	997,386
Transportation services	901,536	1,048,241	1,044,109	899,533	963,490	934,297
Parks, recreation and cultural activities	182,382	203,202	202,335	265,282	260,655	260,151
Housing	526,568	606,958	541,086	582,825	586,315	574,764
Health (including payments to HHC)	1,182,980	1,332,182	1,275,878	1,483,398	1,474,004	1,463,074
Libraries	124,227	129,239	129,169	145,397	138,874	138,761
Pensions	1,458,927	1,401,568	1,370,717	1,774,948	1,474,921	1,478,906
Judgments and claims	190,350	231,500	231,480	184,000	196,600	196,316
Fringe benefits and other benefit payments	1,425,635	1,385,232	1,377,663	1,279,196	1,247,005	1,237,620
Other	728,769	358,290	256,816	447,839	472,103	376,863
Total expenditures	25,888,706	26,816,252	26,049,430	25,882,636	26,308,205	25,657,024
OTHER FINANCING USES:						
Transfers and other payments for debt service	2,551,278	2,474,584	2,968,101	1,823,913	1,761,986	1,819,259
Total expenditures and other financing uses	28,439,984	29,290,836	29,017,531	27,706,549	28,070,191	27,476,283
EXCESS OF REVENUES AND OTHER SOURCES OVER EXPENDITURES AND OTHER USES	$ —	$ —	4,304	$ —	$ —	5,252
FUND BALANCE AT BEGINNING OF YEAR			78,670			73,418
FUND BALANCE AT END OF YEAR			$ 82,974			$ 78,670

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, 1992

(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	$3,055,195	$ —	$ —	$ —	$3,055,195	$ —
Charges for services	—	—	—	1,082,066	1,082,066	—
Other revenues	343,685	210,785	255,827	—	810,297	—
Employer, employee contributions	—	—	—	—	—	1,737,635
Investment income, net	—	—	46,607	50,874	97,481	5,641,500
Total operating revenues	3,398,880	210,785	302,434	1,132,940	5,045,039	7,379,135
OPERATING EXPENSES:						
Personal services	1,970,931	—	26,046	—	1,996,977	—
Affiliation	430,816	—	—	—	430,816	—
Racing industry compensation	—	53,916	—	—	53,916	—
Operations and maintenance	—	—	—	711,927	711,927	—
Interest expense	—	—	153,011	256,735	409,746	—
Administrative and selling	—	13,819	—	4,444	18,263	—
Depreciation and amortization	140,935	2,767	1,160	153,674	298,536	—
Benefit payments and withdrawals	—	—	—	—	—	3,391,663
Provision for bad debts	335,404	—	—	—	335,404	—
Other	616,526	86,325	92,107	—	794,958	—
Distributions to the State and other local governments	—	24,192	—	—	24,192	—
Total operating expenses	3,494,612	181,019	272,324	1,126,780	5,074,735	3,391,663
Operating income (loss)	(95,732)	29,766	30,110	6,160	(29,696)	3,987,472
NON-OPERATING REVENUES (EXPENSES):						
Interest income	10,304	1,009	3,479	2,837	17,629	—
Interest expense	(81,641)	(44)	—	—	(81,685)	—
Amounts from other OTB communities	—	6,868	—	—	6,868	—
Other	—	—	(19,736)	—	(19,736)	(91,797)
Total non-operating revenues (expense)	(71,337)	7,833	(16,257)	2,837	(76,924)	(91,797)
Income (loss) before transfers and extraordinary item	(167,069)	37,599	13,853	8,997	(106,620)	3,895,675
EXTRAORDINARY ITEM:						
Loss on advance refunding	—	—	—	(26,034)	(26,034)	—
Income (loss) before transfers	(167,069)	37,599	13,853	(17,037)	(132,654)	3,895,675
OPERATING TRANSFERS:						
Transfer to the General Fund	—	(33,259)	—	—	(33,259)	—
Net income (loss)	(167,069)	4,340	13,853	(17,037)	(165,913)	3,895,675
FUND EQUITY AT BEGINNING OF YEAR	1,242,972	4,528	414,255	5,534,547	7,196,302	43,288,668
Contributed fixed assets	191,743	—	—	85,511	277,254	—
Net decrease in donor restricted funds	(2,414)	—	—	—	(2,414)	—
FUND EQUITY AT END OF YEAR						
Reserved	1,166,441	8,868	337,673	5,239,175	6,752,157	—
Reserved for Pension Benefits	—	—	—	—	—	47,184,343
Unreserved	98,791	—	90,435	363,846	553,072	—
FUND EQUITY AT END OF YEAR	$1,265,232	$ 8,868	$428,108	$5,603,021	$7,305,229	$47,184,343

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					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	$2,845,999	$ —	$ —	$ —	$2,845,999	$ —
Charges for services	—	—	—	908,282	908,282	—
Other revenues	503,615	218,126	254,752	—	976,493	—
Employer, employee contributions	—	—	—	—	—	1,960,934
Investment income	—	—	61,434	47,512	108,946	3,690,014
Total operating revenues	3,349,614	218,126	316,186	955,794	4,839,720	5,650,948
OPERATING EXPENSES:						
Personal services	1,942,256	—	20,444	—	1,962,700	—
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	—
Provision for bad debts	307,527	—	—	—	307,527	—
Benefit payments and withdrawals	—	—	—	—	—	3,054,554
Other	568,282	88,073	127,400	—	783,755	—
Distributions to the State and other local governments	—	24,773	—	—	24,773	—
Total operating expenses	3,391,165	184,879	306,128	951,826	4,833,998	3,054,554
Operating income (loss)	(41,551)	33,247	10,058	3,968	5,722	2,596,394
NON-OPERATING REVENUES (EXPENSES):						
Interest income	14,068	777	2,696	2,400	19,941	—
Interest expense	(94,234)	—	—	—	(94,234)	—
Amounts from other OTB communities	—	6,916	—	—	6,916	—
Other	—	—	(11,257)	—	(11,257)	(15,996)
Total non-operating revenues (expense)	(80,166)	7,693	(8,561)	2,400	(78,634)	(15,996)
Income (loss) before transfers	(121,717)	40,940	1,497	6,368	(72,912)	2,580,398
OPERATING TRANSFERS:						
Transfer to the general fund	—	(36,412)	—	—	(36,412)	—
Net income (loss)	(121,717)	4,528	1,497	6,368	(109,324)	2,580,398
FUND EQUITY AT BEGINNING OF YEAR	1,167,570	—	412,758	5,430,588	7,010,916	40,708,270
Contributed fixed assets	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	298,397	5,251,968	6,646,001	—
Reserved for pension benefits	—	—	—	—	—	43,288,668
Unreserved	151,864	—	115,858	282,579	550,301	—
FUND EQUITY AT END OF YEAR	$1,242,972	$ 4,528	$414,255	$5,534,547	$7,196,302	$43,288,668

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, 1992
(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)	$ (95,732)	$ 29,766	$ 30,110	$ 6,160	$ (29,696)
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:					
Depreciation and amortization	140,935	2,767	1,160	153,674	298,536
Provision for bad debts	335,404	—	—	—	335,404
Increase in patient service receivables	(236,310)	—	—	—	(236,310)
Increase in accounts and other receivables	(6,182)	—	(7,304)	(64,799)	(78,285)
Increase in prepaid expense	—	—	—	(134,306)	(134,306)
Increase (decrease) in accounts payable and accrued liabilities	(201)	(1,038)	13,383	(5,249)	6,895
Increase in accrued vacation and sick leave	12,903	—	—	—	12,903
Decrease in accrued pension liability	(2,381)	(67)	—	—	(2,448)
Increase in deferred revenues	—	—	3,307	16,200	19,507
Distribution to The City of New York	—	(33,835)	—	—	(33,835)
Program loans issued	—	—	(65,746)	—	(65,746)
Receipt from collections of program loans	—	—	22,568	—	22,568
Distribution to State and local governments	—	(24,318)	—	—	(24,318)
Increase in payable to The City of New York	—	—	—	84,479	84,479
Other operating activities	(9,847)	25,807	(47,182)	51,735	20,513
Total Adjustments	234,321	(30,684)	(79,814)	101,734	225,557
Net cash provided by (used in) operating activities	138,589	(918)	(49,704)	107,894	195,861
Noncapital Financing Activities:					
Proceeds from issuing bonds, notes and other borrowings	125,000	—	160,560	—	285,560
Repayments of bonds, notes and other borrowings	(125,000)	—	(230,097)	—	(355,097)
Amounts from other OTB communities	—	6,868	—	—	6,868
Other noncapital financing activities	—	—	(4,146)	—	(4,146)
Net cash provided by (used in) noncapital financing activities	—	6,868	(73,683)	—	(66,815)
Capital and Related Financing Activities:					
Additions to fixed assets	(210,717)	(2,187)	(1,230)	(790,899)	(1,005,033)
Proceeds from issuing bonds, notes and other borrowings	—	—	—	1,086,835	1,086,835
Repayments of bonds, notes and other borrowings	(7,965)	(243)	(94)	(293,190)	(301,492)
Extraordinary loss on advance refunding	—	—	—	(26,034)	(26,034)
Payments from the City other than for operations	191,743	—	—	—	191,743
Interest paid on bonds, notes and other borrowings	(81,641)	(44)	—	—	(81,685)
Net cash used in capital and related financing activities	(108,580)	(2,474)	(1,324)	(23,288)	(135,666)
Investing Activities:					
Excess (deficiency) of proceeds from sales of investments	—	—	110,928	(36,282)	74,646
Interest on investments	10,304	1,009	3,479	2,837	17,629
Net cash provided by (used in) investing activities	10,304	1,009	114,407	(33,445)	92,275
INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	40,313	4,485	(10,304)	51,161	85,655
CASH AND CASH EQUIVALENTS BEGINNING OF YEAR	78,795	16,556	56,592	402,813	554,756
CASH AND CASH EQUIVALENTS END OF YEAR	$ 119,108	$ 21,041	$ 46,288	$ 453,974	$ 640,411
Cash and cash equivalents	$ 107,013	$ 21,041	$ 46,288	$ 23,333	$ 197,675
Restricted cash and investments	25,677	—	—	829,063	854,740
Less restricted investments	13,582	—	—	398,422	412,004
Cash and cash equivalents, June 30, 1992	$ 119,108	$ 21,041	$ 46,288	$ 453,974	$ 640,411

The above is a reconciliation of cash and cash equivalents per the statement of cash flows to the balance sheets.

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

HHC received capital assets of $192 million for fiscal year 1992 which represents contributed capital from the City.

The Water Board received capital assets of $85.5 million for fiscal year 1992 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, 1991
(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)	$ (41,551)	$ 33,247	$ 10,058	$ 3,968	$ 5,722
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
Provision for bad debts	307,527	—	—	—	307,527
Increase in patient service receivables	(395,348)	—	—	—	(395,348)
Decrease (increase) in accounts and other receivables	10,048	—	(5,548)	(65,884)	(61,384)
Increase in accounts payable and accrued liabilities	58,444	1,857	12,677	9,550	82,528
Increase in prepaid expense	—	—	—	(59,797)	(59,797)
Increase in accrued vacation and sick leave	15,300	—	—	—	15,300
Decrease in accrued pension liability	(2,184)	(65)	—	—	(2,249)
Increase in deferred revenues	—	—	1,530	10,745	12,275
Distribution to The City of New York	—	(36,264)	—	—	(36,264)
Program loans issued	—	—	(90,200)	—	(90,200)
Receipt from collections of program loans	—	—	19,134	—	19,134
Distribution to State and local governments	—	(25,169)	—	—	(25,169)
Increase in payable to The City of New York	—	—	—	43,829	43,829
Other	(3,408)	21,728	(92,115)	21,990	(51,805)
Total Adjustments	131,426	(35,215)	(153,230)	54,469	(2,550)
Net cash provided by (used in) operating activities	89,875	(1,968)	(143,172)	58,437	3,172
Noncapital Financing Activities:					
Proceeds from issuing bonds, notes and other borrowings	180,000	—	122,756	—	302,756
Repayments of bonds, notes and other borrowings	(180,000)	—	(138,386)	—	(318,386)
Amounts from other OTB communities	—	6,916	—	—	6,916
Other	—	—	(12,228)	—	(12,228)
Net cash provided by (used in) noncapital financing activities	—	6,916	(27,858)	—	(20,942)
Capital and Related FInancing Activities:					
Additions to fixed assets	(202,917)	(2,590)	(697)	(643,325)	(849,529)
Proceeds from issuing bonds, notes and other borrowings	—	—	—	943,728	943,728
Repayments of bonds, notes and other borrowings	(7,445)	(454)	(3,894)	(65,080)	(76,873)
Payments from the City other than for operations	196,189	—	—	—	196,189
Interest paid on bonds, notes and other borrowings	(94,234)	—	—	—	(94,234)
Net cash provided by (used in) capital and related financing activities	(108,407)	(3,044)	(4,591)	235,323	119,281
Investing Activities:					
Excess (deficiency) of proceeds from sales of investments net of purchases	—	—	152,786	(116,559)	36,227
Interest on investments	14,068	777	5,494	2,400	22,739
Net cash provided by (used in) investing activities	14,068	777	158,280	(114,159)	58,966
INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	(4,464)	2,681	(17,341)	179,601	160,477
CASH AND CASH EQUIVALENTS BEGINNING OF YEAR	83,259	13,875	73,933	223,212	394,279
CASH AND CASH EQUIVALENTS END OF YEAR	$ 78,795	$ 16,556	$ 56,592	$ 402,813	$ 554,756
Cash and cash equivalents	$ 64,286	$ 16,556	$ 56,592	$ 25,191	$ 162,625
Restricted cash and investments	29,291	—	—	739,442	768,733
Less restricted investments	14,782	—	—	361,820	376,602
Cash and cash equivalents, June 30, 1991	$ 78,795	$ 16,556	$ 56,592	$ 402,813	$ 554,756

The above is a reconciliation of cash and cash equivalents per the statement of cash flows to the balance sheets.

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.

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:

- Financial interdependency,
- 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)
- New York City Economic Development Corporation (EDC—formerly New York City Public Development Corporation and Financial Services Corporation of New York City)
- 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
- Transit Police Officers' Variable Supplements Fund
- Transit Police Superior Officers' Variable Supplements Fund
- Housing Police Officers' Variable Supplements Fund
- Housing Police Superior 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 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 $364 million and $718 million at June 30, 1992 and 1991, respectively, 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 and other component units comprising the Housing and Economic Development Funds, and the Water and Sewer System. 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, Fire Officers' Variable Supplements Fund, Transit Police Officers' Variable Supplements Fund, Transit Police Superior Officers' Variable Supplements Fund, Housing Police Officers' Variable Supplements Fund, and the Housing Police Superior 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 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 and financial position. With this measurement focus, all assets and liabilities associated with the operation of 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 $851 million and $364 million subsequent to its original adoption in fiscal years 1992 and 1991, 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

The City considers all highly liquid investments (including restricted assets) with a maturity of three months or less, when purchased, to be cash equivalents.

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 1992 and 1991 were approximately \$368 million and \$221 million, respectively.

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

Investments of DCP are reported at market value.

Inventories

Materials and supplies are recorded as expenditures in governmental funds at the time of purchase. Inventories on hand at June 30, 1992 and 1991 (estimated at \$213 million and \$203 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 $997.5 million and $969.2 million for fiscal years 1992 and 1991, 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 fiscal year ended June 30, 1992 were due July 1, 1991 and January 1, 1992 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 1992 taxes was July 1, 1991. 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 fiscal year ended June 30, 1992, an excess amount of $47 million was transferred to the Debt Service Fund. For the fiscal year ended June 30, 1991, no such excess amount was available to be transferred to the Debt Service Fund.

Other Taxes and Other Revenues

Sales, income, and other taxes are recognized based on 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 be required to comply with Statement No. 11 no earlier than the fiscal 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 fiscal 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 fiscal years 1992 and 1991, respectively, 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, the 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.

The following describes the proportion of certain key financial information that is audited by other auditors in fiscal years 1992 and 1991:

	Fund Types										Account Groups			
	General		Capital Projects		Debt Service		Enterprise		Trust and Agency		General Fixed Assets		General Long-term Obligations	
	1992	1991	1992	1991	1992	1991	1992	1991	1992	1991	1992	1991	1992	1991
							(percent)							
Total assets/liabilities	0	0	9	12	73	85	99	99	0	1	16	10	18	24
Operating revenues and other financing sources .	0	0	15	13	25	48	96	95	0	0	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 SCA. 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, 1992 and 1991, the City has funded $440 million and $290 million of these programs, respectively.

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, 1992 and 1991, the carrying amount of the City's cash and deposits was $533 million and $518 million, respectively, and the bank balances were $667 million and $439 million, respectively. Of the bank balances, $265 million and $134 million, respectively, were covered by federal depository insurance or collateralized with securities held by the City's agent in the City's name, and $402 million and $305 million, respectively, were 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, Inc., 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, 1992 and 1991 are classified as follows:

	1992				
	Category			Total Carrying Amount	Market Value
	1	2	3		
	(in millions)				
Repurchase agreements	$ 3,541	$ —	$ —	$ 3,541	$ 3,541
U.S. Government securities	15,556	—	—	15,556	16,082
Commercial paper	560	—	—	560	560
Corporate bonds	4,775	—	—	4,775	4,939
Corporate stocks	26,005	—	—	26,005	26,107
Other	2,488	157	—	2,645	2,653
	$52,925	$157	$ —	53,082	53,882
Mutual Funds (1)				187	187
International Investment Fund—Fixed Income (1)				387	505
International Investment Fund—Equity (1)				1,714	1,714
Guaranteed investment contracts (1)				904	904
Total investments				$56,274	$57,192

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

	1991				
	Category			Total Carrying Amount	Market Value
	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
Other	2,241	—	—	2,241	2,253
	$48,572	$114	$ —	48,686	50,214
Mutual Funds (1)				122	122
International Investment Fund—Fixed Income (1)				369	383
International Investment Fund—Equity (1)				1,359	1,359
Guaranteed investment contracts (1)				996	996
Total investments				$51,532	$53,074

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

In fiscal year 1992, the restricted cash and investments include $56 million of cash, of which the repayment of $49.1 million was insured and collateralized and $6.9 million was uninsured and uncollateralized. Restricted investments, principally in U.S. Government securities with a cost and approximate market value of $798.7 million are fully collateralized with securities held by the trustee in the entity's name of which $386.7 million has maturities of three months or less.

In fiscal year 1991, 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.

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.

E. General Fixed Assets Account Group

The following is a summary of changes in general fixed assets for the fiscal years ended June 30, 1991 and 1992:

	June 30, 1990	Additions	Deletions	June 30, 1991	Additions	Deletions	June 30, 1992
				(in thousands)			
Land	$ 546,681	$ 738	$ —	$ 547,419	$ 2,018	$ —	$ 549,437
Buildings	5,457,782	231,718	—	5,689,500	178,683	26,034	5,842,149
Equipment	2,752,397	267,047	113,553	2,905,891	187,640	284,326	2,809,205
Construction work-in-progress	2,482,436	944,612	231,718	3,195,330	1,005,726	178,683	4,022,373
Total	11,239,296	1,444,115	345,271	12,338,140	1,374,067	489,043	13,223,164
Less accumulated depreciation and amortization	3,815,553	294,310	91,596	4,018,267	299,931	246,202	4,071,996
Net fixed assets	$ 7,423,743	$1,149,805	$253,675	$ 8,319,873	$1,074,136	$242,841	$ 9,151,168

The following are the sources of funding for the general fixed assets at June 30, 1992 and 1991. Sources of funding for fixed assets are not available prior to fiscal year 1987.

	1992	1991
	(in thousands)	
Capital Projects Fund:		
Prior to fiscal year 1987	$ 6,820,286	$ 6,810,757
City bonds	6,151,461	5,280,357
Federal grants	177,393	176,816
State grants	59,992	57,547
Private grants	14,032	12,663
Total	$13,223,164	$12,338,140

At June 30, 1992 and 1991, 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, 1992 and 1991 are leased properties capitalized at $135 million and $161 million with related accumulated amortization of $68 million and $88 million, respectively.

Certain categories of the City's infrastructure are not required to be capitalized in the General Fixed Assets Account Group under generally accepted accounting principles although the acquisition and construction of such items are expenditures of the Capital Projects Fund (see Note A). For this reason, expenditures of the Capital Projects Fund for the fiscal years ended June 30, 1992 and June 30, 1991 exceed the $1.374 billion and $1.444 billion increases recorded as general fixed assets by $2.519 billion and $2.789 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 fiscal years ended June 30, 1992 and June 30, 1991 were approximately $305 million and $282 million, respectively.

As of June 30, 1992, the City (excluding Enterprise Funds) had future minimum payments under capital and operating leases with a remaining term in excess of one year as follows:

	Capital Leases	Operating Leases (in thousands)	Total
Fiscal year ending June 30:			
1993	$ 58,394	$133,107	$ 191,501
1994	55,285	112,491	167,776
1995	53,635	96,561	150,196
1996	55,156	90,113	145,269
1997	57,173	78,111	135,284
Thereafter until 2086	681,902	442,904	1,124,806
Future minimum payments	961,545	$953,287	$1,914,832
Less interest	460,236		
Present value of future minimum payments	$501,309		

The City also leases City-owned property to others, primarily for markets, ports, and terminals. Total rental receipts on these operating leases for the fiscal years ended June 30, 1992 and June 30, 1991 were approximately $158 million and $170 million, respectively. As of June 30, 1992, the following future minimum rentals are provided for by the leases:

	Amount (in thousands)
Fiscal year ending June 30:	
1993	$ 49,566
1994	46,165
1995	43,093
1996	41,386
1997	38,666
Thereafter until 2086	1,173,694
Future minimum rentals	$1,392,570

G. Long-Term Obligations

Long-term Debt

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

	Balance June 30, 1990	Issued	Repaid or Defeased	Balance June 30, 1991	Issued	Repaid or Defeased	Balance June 30, 1992
				(in thousands)			
City debt:							
Term bonds	$ 119,000	$ —	$ 39,000	$ 80,000	$ —	$ —	$ 80,000
Serial bonds	13,379,986	3,892,925	540,432	16,732,479	5,100,451	2,420,509	19,412,421
	13,498,986	3,892,925	579,432	16,812,479	5,100,451	2,420,509	19,492,421
MAC debt:							
First General Resolution Bonds	1,204,738	—	210,000	994,738	—	994,738	—
Second General Resolution Bonds	5,916,870	—	345,300	5,571,570	—	233,455	5,338,115
1991 General Resolution Bonds	—	138,440	—	138,440	380,650	—	519,090
	7,121,608	138,440	555,300	6,704,748	380,650	1,228,193	5,857,205
Guaranteed debt:							
New York City Housing Authority	46,969	—	2,663	44,306	—	2,750	41,556
Component unit debt:(1)							
City University Construction Fund(2)	361,084	316,893	274,367(3)	403,610	4,725(3)	—	408,335
New York City Educational Construction Fund	134,725	—	1,300	133,425	—	3,210	130,215
	495,809	316,893	275,667	537,035	4,725	3,210	538,550
Total before treasury obligations	21,163,372	4,348,258	1,413,062	24,098,568	5,485,826	3,654,662	25,929,732
Less treasury obligations	1,670,910	—	161,681	1,509,229	—	115,545	1,393,684
Total	$19,492,462	$4,348,258	$1,251,381	$22,589,339	$5,485,826	$3,539,117	$24,536,048

(1) The debt of CUCF and ECF are reported as bonds outstanding as of June 30, 1991 and 1992 pursuant to their treatment as component units (See Note A).

(2) Excludes $304,313 in 1991 and $298,051 in 1992 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, 1992 and 1991 summarized by type of issue are as follows:

	1992			1991		
	General Obligations	Revenue	Total	General Obligations	Revenue	Total
			(in thousands)			
Bonds payable:						
City debt	$18,098,737	$ —	$18,098,737	$15,303,250	$ —	$15,303,250
MAC debt	5,857,205	—	5,857,205	6,704,748	—	6,704,748
Guaranteed debt	41,556	—	41,556	44,306	—	44,306
Component unit debt	—	538,550	538,550	—	537,035	537,035
Total bonds payable	$23,997,498	$538,550	$24,536,048	$22,052,304	$537,035	$22,589,339

The following table summarizes future debt service requirements as of June 30, 1992:

	City Debt				Component Unit and City	
	Term Bonds	Serial Bonds	Interest on Bonds	MAC Debt Service	Guaranteed Debt	Total
			(in thousands)			
Fiscal year ending June 30:						
1993	$ —	$ 753,576	$ 1,278,055	$ 785,894	$ 54,419	$ 2,871,944
1994	—	1,055,596	1,233,998	753,074	55,320	3,097,988
1995	—	974,236	1,168,841	531,243	55,290	2,729,610
1996	—	991,195	1,099,864	524,348	55,795	2,671,202
1997	—	998,871	1,039,414	513,066	55,664	2,607,015
Thereafter until 2147	80,000	13,245,263	10,469,081	6,607,236	818,908	31,220,488
Total	80,000	18,018,737	16,289,253	9,714,861	1,095,396	45,198,247
Less interest component	—	—	16,289,253	3,857,656	515,290	20,662,199
Total debt service requirements	$80,000	$18,018,737	$ —	$ 5,857,205	$ 580,106	$24,536,048

The average (weighted) interest rates for outstanding City term and serial bonds as of June 30, 1992 and 1991 were 7.6% (range 2.5% to 13.6%) and 7.8% (range 2.5% to 13.6%), respectively, and the interest rates on outstanding MAC bonds as of June 30, 1992 and 1991 ranged from 3.0% to 8.5% and 5.3% to 8.5%, respectively. The last maturity of the outstanding City debt is in the year 2147.

In fiscal year 1992, the City issued $1.695 billion of general obligation bonds to advance refund general obligation bonds of $1.650 billion aggregate principal amount issued during the City's fiscal years 1983 through 1991. The net proceeds from the sales of the refunding bonds were irrevocably placed in escrow accounts and invested in United States Government securities. As a result of providing for the payment of the principal and interest to maturity, and any redemption premium, the advance refunded bonds are considered to be defeased and, accordingly, the liability is not reported in the General Long-term Obligations Account Group. The refunding transactions will increase the City's aggregate debt service payments by $112 million but create an economic gain of $1.5 million. At June 30, 1992, $3.334 billion of the City's outstanding general obligation bonds were considered defeased.

In fiscal year 1992, bonds issued for refunding purposes by MAC reduced debt service payments by $99.8 million during the calendar years 1992 through 1995, producing present value savings of $52.9 million. At June 30, 1992, $1,688.5 million of MAC bonds which have been advance refunded were 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, 1992 and 1991, the City had deposited the required installments of $1.2 million and $1.1 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, 1992, the 10% general and 2% additional limitations were approximately $47.780 billion and $1.477 billion, respectively, of which the remaining debt-incurring amounts within such limits were $14.907 billion and $1.326 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, 1992, the City completed the following long-term financing:

On August 14, 1992, the City sold in the public credit market $1.168 billion of general obligation bonds for advance refunding purposes.

On October 22, 1992, the City sold in the public credit market $1.054 billion aggregate issuance amount of general obligation bonds consisting of $689 million of fixed rate current interest bonds, $39 million of indexed/fixed rate bonds, $50 million of short RITES bonds, $75 million of fixed rate capital appreciation bonds, and $201 million of adjustable rate bonds. The proceeds from the sale of the bonds are to be used for various municipal capital purposes and for loan programs.

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, 1992 and 1991, claims in excess of $341 billion and $322 billion, respectively, were outstanding against the City for which the City estimates its potential future liability to be $2.3 billion and $2.1 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 $242 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 1991 and 1992, the changes in long-term obligations other than for bonds were as follows:

	Balance June 30, 1990	Additions	Deletions	Balance June 30, 1991	Additions	Deletions	Balance June 30, 1992
				(in thousands)			
Capital lease obligations	$ 446,061	$ 69,223	$ —	$ 515,284	$ —	$ 13,975	$ 501,309
Real estate tax refunds	200,506	170,721	153,653	217,574	149,202	124,290	242,486
Judgments and claims	2,180,000	90,837	196,318	2,074,519	446,965	231,480	2,290,004
Vacation and sick leave (1)	1,532,146	31,172	—	1,563,318	—	278,048	1,285,270
Deferred wages	—	46,696	—	46,696	—	—	46,696
Pension liability	2,741,334	—	53,903	2,687,431	—	59,995	2,627,436
Totals	$7,100,047	$408,649	$403,874	$7,104,822	$596,167	$707,788	$6,993,201

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

H. Interfund Receivable and Payable Balances

At June 30, 1992 and 1991, individual fund interfund receivable and payable balances were as follows:

	1992		1991	
	Interfund receivable	Interfund payable	Interfund receivable	Interfund payable
		(in thousands)		
General Fund	$ 981,020	$ 38,273	$627,103	$ —
Capital Projects Fund	184,912	797,279	104,076	479,525
Debt Service Funds:				
General Debt Service Funds	58,058	43,077	33,356	25,930
Enterprise Funds:				
Off-Track Betting Corporation	—	400	—	976
Housing Development Corporation	—	149,460	—	153,893
New York City Water Board	5,149	15,738	11,960	12,095
Municipal Water Finance Authority	—	184,912	—	104,076
Totals	$1,229,139	$1,229,139	$776,495	$776,495

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, 1992 and 1991:

	1992				
	Health and Hospitals Corporation	Off-Track Betting Corporation	Housing and Economic Development Funds	Water and Sewer System	Total
			(in thousands)		
Assets:					
Current	$ 838,945	$21,041	$ 847,567	$ 559,999	$ 2,267,552
Mortgage and interest receivable	—	—	1,949,680	—	1,949,680
Land	38,004	—	—	—	38,004
Buildings and leasehold improvements	776,490	14,572	14,896	—	805,958
Equipment	1,800,635	10,410	—	10,935,835	12,746,880
Less accumulated depreciation	(1,433,198)	(10,108)	(4,514)	(2,493,419)	(3,941,239)
Other	17,127	3,097	23,958	891,810	935,992
Total assets	$2,038,003	$39,012	$2,831,587	$9,894,225	$14,802,827
Liabilities:					
Current	$ 646,540	$22,415	$ 421,168	$ 241,783	$ 1,331,906
Long-term	126,231	7,729	1,982,311	4,049,421	6,165,692
Total liabilities	772,771	30,144	2,403,479	4,291,204	7,497,598
Equity	1,265,232	8,868	428,108	5,603,021	7,305,229
Total liabilities and equity	$2,038,003	$39,012	$2,831,587	$9,894,225	$14,802,827

	1991				
	Health and Hospitals Corporation	Off-Track Betting Corporation	Housing and Economic Development Funds	Water and Sewer System	Total
			(in thousands)		
Assets:					
Current	$ 718,129	$16,556	$ 956,267	$ 369,644	$ 2,060,596
Mortgage and interest receivable	—	—	1,877,449	—	1,877,449
Land	37,954	—	—	—	37,954
Buildings and leasehold improvements	709,194	15,405	15,476	—	740,075
Equipment	1,649,962	10,613	—	10,059,723	11,720,298
Less accumulated depreciation	(1,284,961)	(10,564)	(4,943)	(2,349,094)	(3,649,562)
Other	31,184	4,565	23,755	790,258	849,762
Total assets	$1,861,462	$36,575	$2,868,004	$8,870,531	$13,636,572
Liabilities:					
Current	$ 481,338	$20,979	$ 401,945	$ 164,741	$ 1,069,003
Long-term	137,152	11,068	2,051,804	3,171,243	5,371,267
Total liabilities	618,490	32,047	2,453,749	3,335,984	6,440,270
Equity	1,242,972	4,528	414,255	5,534,547	7,196,302
Total liabilities and equity	$1,861,462	$36,575	$2,868,004	$8,870,531	$13,636,572

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 for other costs and expenses not covered by other payors. In addition, the City has paid the corporation's costs for settlements of claims for medical malpractice, negligence and other miscellaneous torts and contracts, as well as certain other corporation costs including interest on capital acquisitions, and on those assets 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 1992 and 1991, the City's cash subsidy was $112 million and $213 million, respectively; the payments made by the City on behalf of HHC was $170 million and $247 million for fiscal years 1992 and 1991, 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 $41 million and $28 million in fiscal years 1992 and 1991, 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 $52 million and $57 million for fiscal years 1992 and 1991, 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/non-medicaid revenues.

The following table summarizes future debt service requirements as of June 30, 1992:

	Principal	Interest	Total
		(in thousands)	
Fiscal year ending June 30:			
1993	$ 8,540	$2,099	$10,639
1994	9,175	1,467	10,642
1995	9,870	770	10,640
Total	$27,585	$4,336	$31,921

The interest rates on the bonds as of June 30, 1992 and 1991 ranged from 7.4% to 7.8% and from 7.2% to 7.8%, respectively.

Changes in Fund Equity

Presented below are the changes in Fund Equity for the fiscal years ended June 30, 1991 and 1992:

	Unreserved Retained Earnings	Contributed Capital Plant and Equipment	Reserve for Donor Restrictions	Total Fund Equity
		(in thousands)		
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	$ 151,864	$1,076,599	$ 14,509	$1,242,972
Excess of expenses over revenues	(167,069)	—	—	(167,069)
Reduction in bonds payable	(7,965)	7,965	—	—
Additions to plant and equipment funded by:				
The City of New York	—	191,743	—	191,743
HHC	(18,974)	18,974	—	—
Donor restricted fund activity:				
Grants and other increases	—	—	38,781	38,781
Transfers to statement of revenues and expenses to support related activities	—	—	(41,195)	(41,195)
Depreciation charged to plant and equipment leased	140,935	(140,935)	—	—
Balances, June 30, 1992	$ 98,791	$1,154,346	$ 12,095	$1,265,232

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 fiscal years ended June 30, 1992 and 1991 was approximately $11.4 million and $11.2 million, respectively. As of June 30, 1992, OTB had future minimum rental obligations on noncancelable operating leases as follows:

	Amount (in thousands)
Fiscal year ending June 30:	
1993	$10,409
1994	9,007
1995	8,076
1996	7,098
1997	6,982
Thereafter until 2004	17,055
Total	$58,627

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 $3.1 million and $3.6 million, for fiscal years 1992 and 1991, respectively. These amounts were fully funded.

L. Housing and Economic Development Enterprise Funds

General

The Housing and Economic Development Enterprise Funds are comprised of six separate public corporations: the New York City Housing Development Corporation (HDC), the New York City Rehabilitation Mortgage Insurance Corporation (REMIC), the New York City Economic Development Corporation (EDC) which resulted from merging the New York City Public Development Corporation and the Financial Services Corporation of New York City in fiscal year 1992, 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 $2.0 million and $4.1 million, respectively, for fiscal years 1992 and 1991.

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 acts as an intermediary for the sale and refinancing of certain City multiple dwelling mortgages. HDC has a fiscal year ending October 31.

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

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

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

The future debt service requirements on HDC bonds and notes payable at October 31, 1991, its most recent fiscal year-end, were as follows:

	Principal	Interest (in thousands)	Total
Fiscal year ending October 31:			
1992	$ 98,274	$ 134,709	$ 232,983
1993	27,842	131,743	159,585
1994	31,577	129,754	161,331
1995	34,371	127,474	161,845
1996	37,165	124,993	162,158
Thereafter until 2030	1,756,939	2,283,444	4,040,383
Total	$1,986,168	$2,932,117	$4,918,285

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, 1991 range from 1.00% to 11.125%.

HDC had $285.6 million and $288.1 million, respectively, of General Obligation bonds and notes outstanding at October 31, 1991 and 1990 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, 1990 and 1991:

	Balance October 31, 1989	Issued	Retired	Balance October 31, 1990	Issued	Retired	Balance October 31, 1991
				(in thousands)			
General Obligation	$ 292,670	$ —	$ 4,610	$ 288,060	$ —	$ 2,430	$ 285,630
Revenue	1,778,795	122,815	133,948	1,767,662	160,560	227,684	1,700,538
Total	$2,071,465	$122,815	$138,558	$2,055,722	$160,560	$230,114	$1,986,168

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, 1992 and 1991, the Water Authority has a cumulative deficit of $701 million and $469 million, respectively, 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 valued at historical cost, net of depreciation and all work-in-progress, at cost, 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

City financed additions for the fiscal years ended June 30, 1992 and 1991 amounted to $85.5 million and $97.6 million, respectively, and are recorded by the Water Board as contributed capital.

Utility Plant-in-Service

All additions to utility plant-in-service are recorded at cost. Depreciation is computed on all utility plant-in-service using the straight-line method based upon estimated useful lives as follows:

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

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

Debt Service

During fiscal years 1992 and 1991, the Water Authority issued Series A revenue bonds in the aggregate principal amount of $583.2 million and $300.2 million, respectively, which include capital appreciation bonds at the matured value, and Series B revenue bonds in the aggregate principal amount of $332.1 million and $336.4 million, respectively; Series C revenue bonds were issued in the aggregate principal amount of $200 million and $354.6 million, respectively. Outstanding revenue bonds at June 30, 1992 and 1991 totaling $4.3 billion and $3.4 billion, respectively, which include capital appreciation bonds at their matured value.

The following table summarizes future debt service requirements as of June 30, 1992:

	Principal	Interest	Total
		(in thousands)	
Fiscal year ending June 30:			
1993	$ 66,979	$ 267,577	$ 334,556
1994	72,038	263,637	335,675
1995	77,800	258,927	336,727
1996	83,235	253,730	336,965
1997	88,936	248,072	337,008
Thereafter until 2021	3,879,487	3,591,138	7,470,625
Total	$4,268,475	$4,883,081	$9,151,556

The interest rates on the outstanding bonds as of June 30, 1992 and 1991 ranged from 4.9% to 8.9% and from 5¼% to 9.0%, respectively.

The following is a summary of revenue bond transactions of the Water Authority for the fiscal years ended June 30, 1991 and 1992:

	Balance June 30, 1990	Issued	Retired	Balance June 30, 1991	Issued	Retired	Balance June 30, 1992
				(in thousands)			
Revenue bonds	$2,520,209	$968,240	$42,080	$3,446,369	$1,115,296	$293,190	$4,268,475

In fiscal year 1987, the Water Authority defeased in substance $162.2 million of revenue bonds. As of June 30, 1992 and 1991, respectively, none of the defeased bonds had been retired from the assets of the escrow account.

In fiscal year 1992, the Authority sold $276.9 million aggregate principal amount of revenue bonds to refund certain revenue bonds of $247.5 million aggregate principal amount issued during fiscal years 1987 and 1988, respectively. The proceeds from the sale, after payment of certain expenses incurred in connection with the issuance and sale of the bonds, have been placed in an irrevocable escrow account and invested in U.S. Treasury obligations. As a result of providing for the payment of the principal, redemption premiums, and interest due on the bonds at various dates from June 15, 2008 through June 15, 2017, the refunded bonds are considered to be defeased, and the liability has been removed from the Authority's Long-term Obligations. The refunding transaction will decrease the Authority's aggregate debt service payments by $29.7 million and provide an economic gain of $21.3 million over the life of this issue.

The loss based upon the defeasance of these bonds was $26 million and is shown as an extraordinary item.

On August 13, 1992, the Water Authority sold fiscal 1993 Series A Water and Sewer System revenue bonds in the aggregate principal amount of $1.041 billion to pay cost of issuance and to advance refund bonds of $893.4 million aggregate principal amount. The refunding bonds are as follows: fiscal 1986 Series B bonds maturing on June 15, 2002, fiscal 1988 Series B bonds maturing on June 15, 2009, fiscal 1989 Series A bonds maturing on June 15, 2009, fiscal 1989 Series B bonds maturing on June 15, 2007, fiscal 1991 Series A bonds maturing on June 15, 2016, and fiscal 1991 Series C bonds maturing on June 15, 2008.

On October 15, 1992, the Water Authority issued $125 million fixed rate fiscal 1993 Series B revenue term bonds and $100 million adjustable rate fiscal 1993 Series C revenue term bonds to finance a capital renovation and improvement program of the System, to fund certain reserves, and to pay costs of issuance.

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, 1992 and 1991 are as follows:

	1992	1991
	(in thousands)	
Balances, June 30	$5,251,968	$5,224,112
Plant and equipment contributed	85,511	97,591
Allocation of depreciation to contributed capital	(98,304)	(69,735)
Balances, June 30	$5,239,175	$5,251,968

Operating Revenues

Revenues from metered customers who represent 53% of water customers 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, 1992, claims in excess of $2.7 billion were outstanding against the City for which the City estimates its potential future liability to be $407 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, 1992, 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.

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 New York City Employees' Retirement System ("NYCERS") maintains the Transit Police Officers' Variable Supplements Fund, the Transit Police Superior Officers' Variable Supplements Fund, the Housing Police Officers' Variable Supplements Fund, and the Housing Police Superior Officers' Variable Supplements Fund. These funds operate pursuant to the provisions of Title 13, Chapter 1 of the Administrative Code of The City of New York.

The Transit Police Officers' Variable Supplements Fund provides supplemental benefits to retirees, who retired for service as transit police officers and who retired on or after July 1, 1987. The first supplemental benefit payment is due in December, 1992. Prior to the year 2007 when this plan converts to a defined benefits plan, supplemental benefits cannot exceed the assets of the fund.

The Transit Police Superior Officers' Variable Supplements Fund, the Housing Police Officers' Variable Supplements Fund, and the Housing Police Superior Officers' Variable Supplements Fund provide supplemental benefits to retirees as designated by their Boards of Trustees. No benefits have yet been authorized. The supplemental benefits cannot exceed the assets of the fund.

The supplemental benefits provided to the Police Officers', Firefighters', and Transit Police Officers' Variable Supplements Funds participants, (other than wipers in Firefighters') are based on a fixed annual payment.

The Board of Trustees of the Police Superior Officers' and Fire Officers' Variable Supplements Fund periodically determine the benefit payments that the participants shall receive. The supplemental benefits cannot exceed the assets of the Funds.

The Administrative Code provides that the New York Police Department Pension Fund—Subchapter 2 (Police), the New York Fire Department Pension Fund—Subchapter 2 (Fire), and NYCERS 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 1992, there were $87.6 million in excess earnings on equity investments.

The excess earnings payable from Police, Fire, and NYCERS as of June 30, 1992 to the Variable Supplements Fund were as follows:

Variable Supplements Funds	Excess Earnings Payable to June 30, 1992 (in millions)
Police Officers	$ —
Police Superior Officers	47.1
Firefighters	1.7
Fire Officers	14.2
Transit Police Officers	11.9
Transit Police Superior Officers	4.4
Housing Police Officers	5.1
Housing Police Superior Officers	3.2
Total	$87.6

Chapter 247 of the Laws of 1988 and Chapter 583 of the Laws of 1989 made substantial changes to the calculation of transfers to the Police Officers' Variable Supplements Fund and Firefighters' Variable Supplements Fund, respectively.

These laws mandated that, for purposes of calculating transfers to the Police Superior Officers' Variable Supplements Fund and the Fire Officers' Variable Supplements Fund, a "scientific method" would be devised by the Actuary which would calculate the transfers to the Police Superior Officers' Variable Supplements Fund and the Fire Officers' Variable Supplements Fund as if the method of calculating transfers to the Police Superior Officers' Variable Supplements Fund and the Fire Officers' Variable Supplements Fund had not been modified by Chapter 247 and Chapter 583. Transfers to the Police Superior Officers' Variable Supplements Fund and the Fire Officers' Variable Supplements Fund were thus assumed to be made as if Chapter 247 and Chapter 583 had never existed.

The "scientific method" used in the above calculations cannot be finalized, as per Section 13-232.2b.4.(g) of the Administrative Code of The City of New York for transfers from FIRE, until approved by such Board of Trustees.

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 from police and fire pension plans. The present value of accumulated benefits as of June 30, 1992 and 1991 is as follows:

	1992	1991
	(in millions)	
Police Officers' Variable Supplements Fund	$572	$608
Firefighters' Variable Supplements Fund	280	292
Total	$852	$900

As a result of labor negotiations, Chapter 577 of the Laws of 1992 effective July 24, 1992 pertaining to the Transit Police Officers' Variable Supplements Fund, provides, among other things, for potential supplemental benefit payments and the way excess earnings or deficiencies are computed. The revisions to this variable supplements fund will initiate a City-guaranteed liability. As a result of this change beginning in calendar year 1992, actuarial calculations are required by statute to determine commencement of the guarantee of benefits. The guarantee of the defined benefit schedule does not become effective during calendar year 1992.

Chapter 577 modified the potential supplemental benefits to be paid from this fund to any transit police officer of the New York City Transit Police Department who retires for service as a Transit Police Officer on or after July 1, 1987.

The guarantee of benefits comes into effect prior to calendar year 2007 if the market value of assets of the Transit Police Officers' Variable Supplements Fund exceeds the actuarial present value of the defined schedule of benefits payable through the year 2006 plus 15% of the Fund assets at that time.

Chapter 577 also provides that whenever the guarantee of the defined schedule of benefits comes into effect, the fund will then transfer 15% of the market value of its assets to the City's General Fund.

The present value of accumulated benefits as of June 30, 1992 is as follows:

	1992
	(in millions)
Transit Police Officers' Variable Supplements Fund	$21

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

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

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

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

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

The following is a summary of the increases and decreases of the fund for the fiscal years ended June 30, 1992 and 1991:

	1992	1991
	(in thousands)	
Fund assets at beginning of fiscal year	$466,614	$328,608
Deferrals of compensation	154,711	122,545
Earnings and adjustment to market value	46,944	33,396
Payments to eligible participants and beneficiaries	(19,010)	(16,581)
Administrative expenses	(1,933)	(1,354)
Fund assets at end of fiscal year	$647,326	$466,614

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 92.0% 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 1992 and 1991 are as follows:

	1992		1991	
	Active	Retired	Active	Retired
Number of employees	333,302	156,371	337,363	149,846
Cost of health care (in thousands)	$899,722	$296,169	$850,481	$254,029

In addition, the City sponsors a supplemental major medical benefit plan for City managerial employees to refund medical and hospital bills that are not reimbursed by the regular health insurance carriers.

The amounts expended for Superimposed major medical benefits for fiscal years 1992 and 1991 are as follows:

	1992		1991	
	Active	Retired	Active	Retired
Number of claims	17,516	4,163	19,474	3,803
Cost of Superimposed major medical (in thousands)	$3,364	$420	$2,889	$462

Q. Pension Systems

Plan Descriptions

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

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

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

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

3. New York City Board of Education Retirement System—Qualified Pension Plan (BERS), a cost-sharing multiple employer public employee retirement system, for non-pedagogical employees of the Board of Education and certain employees of SCA.

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, 1992 and 1991, the pension systems membership consisted of:

	1992					
	NYCERS	TRS	BERS	POLICE	FIRE	TOTAL
Retirees and beneficiaries currently receiving benefits	122,403	45,662	4,484	29,970	11,607	214,126
Terminated but not receiving benefits	4,185	1,663	86	52	48	6,034
Total	126,588	47,325	4,570	30,022	11,655	220,160
Current employees:						
Vested	76,317	46,477	3,248	5,192	4,192	135,426
Nonvested	117,362	38,637	20,358	22,472	7,266	206,095
Total	193,679	85,114	23,606	27,664	11,458	341,521

	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	121,254	42,343	4,466	29,608	11,471	209,142
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	197,097	87,980	22,804	27,876	11,653	347,410

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

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

The City's annualized covered and total annualized covered payroll for each system at June 30, 1992 and 1991 are as follows:

	1992		1991	
	City's Annualized Covered Payroll	Total Annualized Covered Payroll	City's Annualized Covered Payroll	Total Annualized Covered Payroll
	(in millions)			
NYCERS	$3,382	$ 6,179	$3,374	$ 6,119
TRS	2,884	2,989	3,002	3,122
BERS	424	434	430	439
POLICE	1,333	1,333	1,295	1,295
FIRE	598	598	596	596
Total	$8,621	$11,533	$8,697	$11,571

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, 1992 and 1991, who are valued for accrued benefits only.

Substantially all of the collective bargaining agreements with employees expired between June and September, 1990. The salary data upon which actuarial computations are based generally do not include contractual salary increases for employees whose unions are still in the process of negotiating collective bargaining agreements with their employers.

June 30, 1992 and 1991 salaries were adjusted by the Actuary to be consistent with labor settlements that had been reached and/or estimated to be achieved.

The City's total current year payroll at June 30, 1992 was approximately $10.6 billion.

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 PBO was made as of June 30, 1992.

The more significant assumptions used in the June 30, 1992 and June 30, 1991 calculations of the PBOs are as follows:

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.
Mortality basis	Tables based on current experience.
Turnover	Tables based on current experience.
Retirement	Tables based on current experience, varies from earliest age a member is eligible to retire until age at end of tables.
Salary	In general, merit and promotion component averages 1% per year plus assumed general wage increase of 5.5% per year.

The following outlines significant funding changes:

Chapter 221 of the Laws of 1992 amended the Administrative Code of The City of New York, in relation to treatment of surplus, deficits, and investment earnings of the Tax-Deferred Annuity Program administered by the retirement board of the TRS.

The following is a comparison of the PBO and net assets available for benefits for the five major actuarial pension systems as of June 30, 1992 and 1991:

	1992						
	PBO Retirees and beneficiaries currently receiving benefits and terminated vested participants not yet receiving benefits	PBO Current Employees					
		Accumulated employee contributions including allocated investment income	Employer-financed vested	Employer-financed nonvested	Total pension benefit obligation	Net assets available for benefits	Unfunded (Overfunded) pension benefit obligation
				(in millions)			
NYCERS	$10,737.9	$1,447.0	$ 4,329.7	$3,134.4	$19,649.0	$20,103.7	$ (454.7)
TRS	8,101.2	1,433.6	4,805.1	2,247.2	16,587.1	16,150.7	436.4
BERS	331.8	94.9	166.0	151.3	744.0	740.7	3.3
POLICE	5,334.1	385.0	1,291.0	1,804.7	8,814.8	7,251.0	1,563.8
FIRE	2,339.4	77.7	872.7	770.7	4,060.5	2,938.3	1,122.2
Total	$26,844.4	$3,438.2	$11,464.5	$8,108.3	$49,855.4	$47,184.4	$2,671.0
	1991						
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	$23,516.8	$3,445.2	$12,605.5	$7,884.9	$47,452.4	$43,288.6	$4,163.8

The PBO for the active participants is based on current salaries with projected increases to retirement.

For the above 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, and 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, 1992 and 1991 is as follows:

	1992	1991
	(in millions)	
NYCERS	$21,416.0	$18,563.4
TRS	17,083.9	14,947.7
BERS	806.5	664.0
POLICE	7,861.6	6,618.9
FIRE	3,130.8	2,660.7
Total	$50,298.8	$43,454.7

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 PBO for these three pension systems as of June 30, 1992 and 1991 is approximately $346 million and $388 million, respectively, and exceeded their respective net assets of $10 million by $336 million and $378 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 1992 and 1991 amounted to $71 million and $77 million, respectively.

The net assets for benefits shown in the City's financial statements as of June 30, 1992 and 1991 exclude the accrued pension contribution of $2.627 billion and $2.687 billion, respectively, for amortization of the two-year payment lag reported in the General Long-term Obligations Account Group, $115 million and $117 million, respectively, reported in the Enterprise Funds and $391 million and $400 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 fiscal year ended June 30, 1992, included the second 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 1992 and 1991 pension expense and the employer contributions to the five major actuarial systems is the Frozen Entry Age actuarial cost method.

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.

Contributions are accrued by the pension systems and are funded by the employers on a current basis and amounted to $1.6 billion and $1.9 billion at June 30, 1992 and 1991, respectively.

Unfunded actuarial accrued liabilities are amortized as follows for June 30, 1992 and June 30, 1991:

> 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.

Actuarial assumptions used to compute the PBO are the same as those used to compute the contribution requirements.

The actuarial asset valuation method utilized to determine the fiscal year 1992 employer contributions differed from that used to determine the fiscal year 1991 employer contributions. The fiscal year 1992 employer contributions decreased by approximately $186 million (approximately $145 million relates to the General Fund) compared to what it would have been utilizing the former actuarial asset valuation method. The change in actuarial asset valuation method was adopted to reflect on a more current basis market fluctuations of investments held by the City's pension systems. In addition, the fiscal year 1992 employer contributions decreased by approximately $38 million on account of Chapter 221 of the Laws of 1992 which amended the Administrative Code of The City of New York in relation to treatment of surplus, deficits and investment earnings of the Tax Deferred Annuity Program administered by the Retirement Board of the TRS. The decrease in the fiscal year 1992 employer contribution requirements by each pension system are as follows:

	Amount (in millions)
NYCERS	$ 98
TRS	70
BERS	1
POLICE	40
FIRE	15
Total	$224

The City's expenditures for pension costs, for the fiscal years ended June 30, 1992 and 1991 were approximately $1.5 billion and $1.6 billion, respectively, and were equal to the amounts recommended by the pension systems' actuary.

The City's pension expenditures recommended by the actuary for June 30, 1992 were as follows:

	Expenditures for			**Expenditures as a percentage of City's annualized payroll**	
	Normal cost	**Amortization of actuarial accrued liability**	**Total**	**Normal cost**	**Amortization of actuarial accrued liability**
		(in millions)			
*NYCERS	$217.0	$126.4	$ 343.4	6.4%	3.7%
*TRS	233.0	93.5	326.5	8.1	3.2
*BERS	24.6	9.7	34.3	5.8	2.3
POLICE	279.8	152.4	432.2	21.0	11.4
FIRE	114.8	126.2	241.0	19.2	21.1
OTHER	NA	NA	99.6		
Total			$1,477.0		

* NYCERS, TRS, and BERS are cost-sharing multiple-employer public employee retirement systems. The City's total actuarial determined contributions as a percent of contributions for all employers to NYCERS, TRS, and BERS were 61.17%, 95.30%, and 97.93%, respectively.

NA: Not Available.

Included in the above total is approximately $41.1 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, 1991 were as follows:

	Expenditures for			Expenditures as a percentage of City's annualized payroll	
	Normal cost	Amortization of actuarial accrued liability	Total	Normal cost	Amortization of actuarial accrued liability
		(in millions)			
*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			$1,583.5		

* NYCERS, TRS, and BERS are cost-sharing multiple-employer public employee retirement systems. The City's total actuarial 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.

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 1992 and 1991 amounted to:

	1992		1991	
	Employee contributions (Net of Loans to Members)	Employee contributions as a percentage of total annualized covered payroll	Employee contributions (Net of Loans to Members)	Employee contributions as a percentage of total annualized covered payroll
		(in thousands)		
NYCERS	$(12,892)	—%	$120,088	2.0%
TRS	69,687	2.3	32,930	1.1
BERS	5,933	1.4	11,777	2.7
POLICE	15,226	1.1	13,008	1.0
FIRE	16,302	2.7	4,001	0.7
Total	$ 94,256		$181,804	

Trend Information

Trend information for the three fiscal years ended June 30, 1992, 1991, and 1990 is as follows:

	1992	1991	1990
Net assets available for benefits as a percentage of PBO (a):			
NYCERS	102.3%	97.3%	92.0%
TRS	97.4	95.7	90.4
BERS	100.1	94.8	86.0
POLICE	82.3	79.7	79.0
FIRE	72.4	68.0	64.6
(Overfunded) Unfunded PBO as a percentage of total annualized covered payroll (a):			
NYCERS	(7.4)%	8.5%	26.5%
TRS	14.6	21.6	49.9
BERS	0.8	8.2	23.2
POLICE	117.4	130.1	133.5
FIRE	187.6	210.0	225.0
Employer contributions (all made in accordance with actuarially determined requirements) as a percentage of total annualized covered payroll:			
NYCERS	10.1%	11.4%	14.3%
TRS	11.5	11.9	15.1
BERS	8.1	8.2	8.4
POLICE	32.4	34.3	38.4
FIRE	40.3	43.0	42.7

(a) The PBO is the actuarial present value of credited projected benefits produced by the credited projected benefit attribution approach prorated on service as required by GASB Statement No. 5.

Ten-year historical trend information is presented in the pension systems' separately issued publicly available financial statements. The information is presented to enable the reader to assess the progress made by the pension systems in accumulating sufficient assets to pay pension benefits as they become due. Selected ten-year historical trend information on the pension systems is also presented in the statistical section of the City's Comprehensive Annual Financial Report.

The trend information included in Note Q and the statistical section of the City's Comprehensive Annual Financial 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 Financial Report excludes the long-term Employer Contribution Receivable.

Other

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, 1992, the outstanding contract commitments relating to projects of the Capital Projects Fund amounted to approximately $6.1 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 $42.1 billion over fiscal years 1993 through 2002. To help meet its capital spending program, the City borrowed $3.4 billion in the public credit market in fiscal year 1992. The City plans to borrow $3.2 billion in the public credit market in fiscal year 1993.

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APPENDIX C

CERTAIN DEFINITIONS

Short RITES Bonds

As used in SECTION II: "THE BONDS—Short RITES Bonds", the following terms have the meanings set forth below:

Authorized Denomination: The authorized denominations of the Short RITES Bonds which shall be $100,000 or any integral multiple thereof (except that one Short RITES Bond maturing in 2003 shall be issued in the Authorized Denomination of $175,000) during the period commencing on the Effective Date and ending on the Conversion Date and shall be $5,000 or any integral multiple thereof during the period after the Conversion Date.

Base Rate: For the Short RITES Bonds of each maturity, the interest rate per annum indicated inside the cover page of this Official Statement.

Business Day: Any day other than a Saturday, a Sunday, a day on which commercial banks in New York City are required to be closed or a day on which the New York City Stock Exchange is closed.

Calculation Period: Each period from, and including, one Interest Payment Date for the Short RITES Bonds to, but excluding, the next following Interest Payment Date therefor, except that the initial Calculation Period will commence on and include the Effective Date and end on, but exclude, the first Interest Payment Date for the Short RITES Bonds.

Constant Rate: For the Short RITES Bonds of each maturity, the interest rate on the Short RITES Bonds on and after the applicable Scheduled Conversion Date as indicated on the inside of the cover page of this Official Statement.

Converted Rate: The interest rate on any Short RITES Bonds converted on an Optional Conversion Date for the period beginning on the Interest Payment Date next preceding such Optional Conversion Date (or, (i) if the Optional Conversion Date occurs prior to the Record Date immediately preceding the First Interest Payment Date, the Effective Date or (ii) if the Optional Conversion Date is an Interest Payment Date, such Interest Payment Date) and ending on, but not including, the Scheduled Conversion Date, which interest rate shall equal the applicable Constant Rate plus the Interest Rate Adjustment for such Short RITES Bond.

Conversion Date: For each Short RITES Bond, the applicable Scheduled Conversion Date or the Optional Conversion Date on which the interest rate on such Short RITES Bond is converted to the applicable Constant Rate or the applicable Converted Rate, as the case may be.

DTC: The Depository Trust Company, New York, New York.

Effective Date: The first date from which the Short RITES Bonds bear interest, which shall be the date of their respective original issuance and delivery.

Facilitation Agreement: The Agreement to Facilitate the Issuance, Sale and Payment of Bonds, dated as of October 22, 1992, between the City and MLCS.

Interest Payment Date: Each February 1 and August 1, beginning February 1, 1993.

Interest Rate Adjustment: In respect of any Short RITES Bond converted on an Optional Conversion Date to the Converted Rate, the fixed per annum rate, as determined by the Short RITES Market Agent, (A) if the related Series Transaction Supplement, or Substitute Series Transaction Supplement, is in effect, applied to calculate the amount payable by MLCS to the City (a positive rate) or by the City to MLCS (a negative rate) on each payment date under the related Series Transaction Supplement, or Substitute Series Transaction Supplement, in consideration of the reduction in the notional amount of the related Series Transaction Supplement, or Substitute Series Transaction Supplement, as a result of such conversion or (B) if the related Series Transaction Supplement, or Substitute Series Transaction Supplement, is not in effect, equal to the Market Quotation.

Kenny Index Rate: For any day, a per annum rate equal to:

(a)(i) If such day is a Reset Date, the index generally made available by Kenny Information Systems or any successor indexing agent hereunder (the "Indexing Agent"). The Kenny Index shall be based upon 30-day yield evaluations at par of bonds, the interest on which is excludable from gross income for federal income tax purposes under the Internal Revenue Code, of not less than five "high grade" component issuers selected by the Indexing Agent which shall include, without limitation issuers of general obligation bonds. The specific issuers involved among the component issuers may be changed from time to time by the Indexing Agent in its discretion. The bonds on which the index is based shall not include any bonds the interest on which is subject to any "minimum tax" or similar tax, unless all tax-exempt bonds are subject to such tax.

(ii) If the Indexing Agent no longer publishes an Index satisfying the requirements of the preceding paragraph, the Short RITES Market Agent shall be appointed as the successor Indexing Agent hereunder and shall determine the Kenny Index Rate on each Reset Date. The Kenny Index Rate so determined shall equal the prevailing rate determined by the Indexing Agent for bonds that are rated in the highest short-term rating category by Moody's Investors Service and Standard & Poor's Corporation in respect of issuers resembling the component issuers to have been selected by Kenny Information Systems pursuant to clause (1) above and that are subject to tender by holders thereof for purchase on not more than seven (7) days notice and the interest on which is (a) variable on a weekly basis, (b) excludable from gross income for federal income tax purposes, and (c) not subject to a "minimum tax" or similar tax unless all tax-exempt bonds are subject to such tax.

(iii) If such day is not a Reset Date, the Kenny Index Rate determined pursuant to clauses (i) or (ii) above for the next preceding Reset Date.

(b) If the Indexing Agent fails or is unable to make available the Kenny Index Rate for any Reset Date or the Short RITES Market Agent reasonably concludes that the Kenny Index Rate will not be announced in a timely manner, the Short RITES Market Agent shall determine the Kenny Index Rate for each day in the manner specified in clause (a)(ii) above until the Indexing Agent makes available the Kenny Index Rate.

Market Quotation: With respect to that portion of a transaction supplement with the same terms as the related Series Transaction Supplement, or Substitute Series Transaction Supplement, in a notional amount equal to the principal amount of the Short RITES Bonds being converted (the "Terminated Portion"), an annual percentage determined on the basis of quotations from Reference Market-makers. Each quotation will be for a percentage equal to (i) the amount, if any, that would be paid semiannually on each Interest Payment Date on or prior to the Scheduled Conversion Date to the City (expressed as a negative number) or by the City (expressed as a positive number) in consideration of an agreement between the City and the quoting Reference Market-maker to enter into a transaction (the "Replacement Transaction") that would have the effect of preserving for the City the economic equivalent of any payment by the parties under the Terminated Portion that would, but for the occurrence of such Optional Conversion Date have been required after that date, divided by (ii) the notional amount of the Terminated Portion. For this purpose, unpaid amounts in respect of the Terminated Portion are to be excluded but, without limitation, any payment or delivery that would, but for the Optional Conversion Date, have been required thereafter is to be included. The Replacement Transaction would be subject to such documentation as the City and the Reference Market-maker may, in good faith, agree. The City (or its agent) will request each Reference Market-maker to provide its quotation to the extent reasonably practicable as of the same day and time (without regard to different time zones) on the Optional Conversion Date. The City shall obtain such quotations no later than 2:00 P.M., New York City time, on the Notice Date. If more than three quotations are provided, the Market Quotation will be the arithmetic mean of the quotations, without regard to the quotations having the highest and lowest values. If exactly three such quotations are provided, the Market Quotation will be the quotation remaining after disregarding the highest and lowest quotations. For this purpose, if more than one quotation has the same highest value or lowest value, then one of such quotations shall be disregarded. If fewer than three quotations are provided, the Market Quotation shall be the arithmetic mean of the quotations provided, if two quotations are provided, or the quotation, if one quotation is provided.

MLCS: Merrill Lynch Capital Services, Inc., a corporation duly organized and existing under the laws of the State of Delaware.

Optional Conversion Date: Any Business Day prior to the applicable Scheduled Conversion Date on which the interest rate payable on any Short RITES Bond is converted to the applicable Converted Rate.

Owner: The owner of a Short RITES Bond, and for so long as a securities depository is the registered owner of the Short RITES Bonds, the beneficial owner of a Short RITES Bond.

Participant: Direct participants in DTC and such securities brokers and dealers, banks, and trust companies that, either directly or indirectly, clear through or maintain a custodial relationship with such direct participants.

Record Date: The fifteenth day of the calendar month next preceding the Interest Payment Date.

Reference Market-makers: Four leading dealers in the dollar rate swap market selected by the City determining a Market Quotation in good faith from among dealers having a credit standing which satisfies all the criteria that the City applies generally at the time in deciding whether to offer or to make an extension of credit.

Reset Date: Each Tuesday (and, if the Effective Date is a day other than a Tuesday, the Tuesday next preceding the Effective Date) or, if any Tuesday is not a Business Day, the first succeeding Business Day, except that the Kenny Index Rate for each Reset Date occurring during the period commencing seven (7) days before (the "Rate Cut-off Date") and ending on the day prior to any Interest Payment Date will (solely for purposes of calculating the Kenny Index Rate on the next Interest Payment Date) be deemed to be the Kenny Index Rate in effect on that Rate Cut-off Date.

Scheduled Conversion Date: The date as of which the Short RITES Bonds of each maturity, other than a Short RITES Bond converted on an Optional Conversion Date, cease bearing interest at the applicable Short RITES Rate and commence bearing interest at the applicable Constant Rate, as indicated inside the cover page of this Official Statement.

Series Transaction Supplement: The transaction entered into between the City and MLCS, dated as of December 4, 1992, pursuant to the Facilitation Agreement, allocated to a maturity of Short RITES Bonds, with a notional amount equal to the principal amount of a maturity of Short RITES Bonds.

Short RITES Bond: Any bond that bears interest at the applicable Short RITES Rate to the applicable Conversion Date and at the applicable Constant Rate thereafter.

Short RITES Market Agent: Initially Merrill Lynch & Co., Inc. (Attention: Swap Group, World Financial Center, 250 Vesey Street, New York, New York 10281, Telex No. 6716341, Answerback: MLBSCTR, telephone: (212) 449-7358, or such other number as Merrill Lynch & Co., Inc. shall designate to the City), or any successor thereto, or any successor Short RITES Market Agent appointed by the City and, if there are no Series Transaction Supplements in effect, the City.

Short RITES Rate: For each maturity of the Short RITES Bonds, a per annum rate equal to the applicable Base Rate minus the Variable Rate.

Variable Rate: In respect of any Calculation Period, a per annum rate equal to the arithmetic mean of the Kenny Index Rate in effect for each day in that Calculation Period, calculated by multiplying each such Kenny Index Rate by the number of days such Kenny Index Rate is in effect, determining the sum of such products and dividing such sum by the number of days in the Calculation Period, provided that the Variable Rate for any Calculation Period shall not exceed the applicable Base Rate.

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AUCTION PROCEDURES FOR THE SHORT TERM AUCTION RATE SECURITIES

All of the descriptions that follow should be read as applying separately to each maturity of Short Term Auction Rate Securities. Separate Auctions will be held for each maturity. References to Complementary Auction Rate Securities should be understood to refer only to the maturity of Complementary Auction Rate Securities corresponding to the relevant maturity of Short Term Auction Rate Securities. However, the Market Agent Agreement, Auction Agency Agreement, Broker-Dealer Agreement and Master Purchaser's Letters are applicable to both maturities of Short Term Auction Rate Securities.

Orders by Existing Owners and Potential Owners

Prior to the Submission Deadline on each Auction Date:

(i) each Existing Owner of Short Term Auction Rate Securities may submit to a Broker-Dealer, by telephone or by such other method as shall be reasonably acceptable to such Broker-Dealer, information as to:

(A) the principal amount of Outstanding Short Term Auction Rate Securities, if any, held by such Existing Owner which such Existing Owner desires to continue to hold without regard to the Auction Rate for the next succeeding Interest Period;

(B) the principal amount of Outstanding Short Term Auction Rate Securities, if any, which such Existing Owner offers to sell if the Auction Rate for the next succeeding Interest Period shall be less than the rate per annum specified by such Existing Owner; and/or

(C) the principal amount of Outstanding Short Term Auction Rate Securities, if any, held by such Existing Owner which such Existing Owner offers to sell without regard to the Auction Rate for the next succeeding Interest Period; and

(ii) one or more Broker-Dealers may contact Potential Owners to determine the principal amount of Short Term Auction Rate Securities which such Potential Owner offers to purchase if the Auction Rate for the next succeeding Interest Period shall not be less than the rate per annum specified by such Potential Owner.

For the purposes hereof, the communication to a Broker-Dealer of information referred to in clause (i)(A), (i)(B), (i)(C) or (ii) is hereinafter referred to as an "Order" and collectively as "Orders" and each Existing Owner and each Potential Owner placing an Order is hereinafter referred to as a "Bidder" and collectively as "Bidders"; an Order containing the information referred to in (x) clause (i)(A) is hereinafter referred to as a "Hold Order" and collectively as "Hold Orders", (y) clause (i)(B) or (ii) is hereinafter referred to as a "Bid" and collectively as "Bids" and (z) clause (i)(C) is hereinafter referred to as a "Sell Order" and collectively as "Sell Orders".

A Bid by an Existing Owner shall constitute an irrevocable offer to sell:

(A) the principal amount of Outstanding Short Term Auction Rate Securities specified in such Bid if the Auction Rate determined by the Auction Procedures on such Auction Date shall be less than the rate specified therein; or

(B) such principal amount or a lesser principal amount of Outstanding Short Term Auction Rate Securities to be determined as set forth in clause (D) of subparagraph (i) of the first paragraph of the section below entitled "Acceptance and Rejection of Submitted Bid Submitted Sell Orders and Allocation of Short Term Auction Rate Securities" (the "Allocation Provisions") if the Auction Rate determined by the Auction Procedures on such Auction Date shall be equal to such specified rate; or

(C) such principal amount or a lesser principal amount of Outstanding Short Term Auction Rate Securities to be determined as set forth in clause (C) subparagraph (ii) of the first paragraph of the Allocation Provisions if such specified rate shall be higher than the Maximum Rate and Sufficient Clearing Bids do not exist.

A Sell Order by an Existing Owner shall constitute an irrevocable offer to sell:

(A) the principal amount of Outstanding Short Term Auction Rate Securities specified in such Sell Order; or

(B) such principal amount or a lesser principal amount of Outstanding Short Term Auction Rate Securities as set forth in clause (C) of subparagraph (ii) of the first paragraph of the Allocation Provisions if Sufficient Clearing Bids do not exist.

A Bid by a Potential Owner shall constitute an irrevocable offer to purchase:

(A) the principal amount of Outstanding Short Term Auction Rate Securities specified in such Bid if the Auction Rate determined by the Auction Procedures on such Auction Date shall be higher than the rate specified therein; or

(B) such principal amount or a lesser principal amount of Outstanding Short Term Auction Rate Securities as set forth in clause (E) of subparagraph (i) of the first paragraph of the Allocation Provisions if the Auction Rate determined by the Auction Procedures on such Auction Date shall be equal to such specified rate.

"Outstanding," when used to modify Bonds, excludes: (i) Bonds which have been exchanged or replaced, or delivered to the Fiscal Agent for credit against a principal payment; (ii) Bonds which have been paid; (iii) Bonds which have become due and for the payment of which moneys have been duly provided; and (iv) Bonds for which there have been irrevocably set aside sufficient funds, or defeasance obligations bearing interest at such rates, and with such maturities as will provide sufficient funds, to pay or redeem them, provided, however, that if any such Bonds are to be redeemed prior to maturity, the City shall have taken all action necessary to redeem such Bonds and notice of such redemption shall have been duly given or irrevocable instructions so to mail shall have been given, provided, however, that for the purposes of the Auction Procedures on any Auction Date, Short Term Auction Rate Securities as to which the City shall be the Existing Owner and Short Term Auction Rate Securities which were Linked with Complementary Auction Rate Securities at the close of business on the Regular Record Date immediately preceding such Auction Date shall be disregarded and deemed not to be Outstanding; and provided, further, that notwithstanding that any Short Term Auction Rate Securities shall be described in (iv) above, such Short Term Auction Rate Securities shall be deemed Outstanding for purposes of the Auction Procedures on any Auction Date.

Submission of Orders by Broker-Dealers to Auction Agent

Each Broker-Dealer will submit to the Auction Agent, in writing or by such other method as shall be reasonably acceptable to the Auction Agent, prior to the Submission Deadline on each Auction Date, all Orders obtained by such Broker-Dealer and specifying with respect to each Order:

(i) the name of the Bidder placing such Order;

(ii) the aggregate principal amount of Short Term Auction Rate Securities that are the subject of such Order;

(iii) to the extent that such Bidder is an Existing Owner:

(A) the principal amount of Short Term Auction Rate Securities, if any, subject to any Hold Order placed by such Existing Owner;

(B) the principal amount of Short Term Auction Rate Securities, if any, subject to any Bid placed by such Existing Owner and the rate specified in such Bid; and

(C) the principal amount of Short Term Auction Rate Securities, if any, subject to any Sell Order placed by such Existing Owner; and

(iv) to the extent such Bidder is a Potential Owner, the rate specified in such Bid.

If any rate specified in any Bid contains more than three figures to the right of the decimal point, the Auction Agent shall round such rate up to the next highest one-thousandth of one percent (0.001%).

If an Order or Orders covering all of the Outstanding Short Term Auction Rate Securities held by an Existing Owner is not submitted to the Auction Agent prior to the Submission Deadline, the Auction Agent shall deem a Hold Order to have been submitted on behalf of such Existing Owner covering the principal amount of Outstanding Short Term Auction Rate Securities held by such Existing Owner and not subject to Orders submitted to the Auction Agent.

Neither the Authority, the Institution, the Trustee nor the Auction Agent shall be responsible for any failure of a Broker-Dealer to submit an Order to the Auction Agent on behalf of any Existing Owner or Potential Owner.

If any Existing Owner submits through a Broker-Dealer to the Auction Agent one or more Orders covering in the aggregate more than the principal amount of Outstanding Short Term Auction Rate Securities held by such Existing Owner, such Orders shall be considered valid as follows and in the following order of priority:

(i) all Hold Orders shall be considered valid, but only up to and including in the aggregate the principal amount of Short Term Auction Rate Securities held by such Existing Owner, and if the aggregate principal amount of Short Term Auction Rate Securities subject to such Hold Orders exceeds the aggregate principal amount of Outstanding Short Term Auction Rate Securities held by such Existing Owner, the aggregate principal amount of Short Term Auction Rate Securities subject to each such Hold Order shall be reduced pro rata to cover the aggregate principal amount of Outstanding Short Term Auction Rate Securities held by such Existing Owner.

(ii) (A) any Bid of an Existing Owner shall be considered valid as a Bid of an Existing Owner up to and including the excess of the principal amount of Outstanding Short Term Auction Rate Securities held by such Existing Owner over the principal amount of Short Term Auction Rate Securities subject to Hold Orders referred to in paragraph (i) above;

(B) subject to clause (A) of this paragraph (ii), if more than one Bid with the same rate is submitted on behalf of such Existing Owner and the principal amount of Short Term Auction Rate Securities subject to such Bids is greater than such excess of the principal amount of Outstanding Short Term Auction Rate Securities held by such Existing Owner over the principal amount of Short Term Auction Rate Securities subject to Hold Orders referred to in paragraph (i) above, such Bids shall be considered valid up to the amount of such excess, and the principal amount of Short Term Auction Rate Securities subject to each Bid with the same rate shall be reduced pro rata to cover the principal amount of Short Term Auction Rate Securities equal to such excess;

(C) subject to clause (A) and (B) of this paragraph (ii), if more than one Bid with different rates is submitted on behalf of such Existing Owner, such Bids shall be considered valid first in the ascending order of their respective rates until the highest rate is reached at which such excess exists and then at such rate up to and including the amount of such excess; and

(D) in any such event, the aggregate principal amount of Outstanding Short Term Auction Rate Securities, if any, subject to Bids not valid under this paragraph (ii) shall be treated as the subject of a Bid by a Potential Holder at the rate therein specified; and

(iii) all Sell Orders shall be considered valid up to and including the excess of the principal amount of Outstanding Short Term Auction Rate Securities held by such Existing Owner over the aggregate principal amount of Short Term Auction Rate Securities subject to Hold Orders referred to in paragraph (ii) above, and valid Bids referred to in paragraph (ii) above.

If more than one Bid for Short Term Auction Rate Securities is submitted on behalf of any Potential Owner, each Bid submitted shall be a separate Bid with the rate and principal amount therein specified.

Any Bid or Sell Order submitted by an Existing Owner covering an aggregate principal amount of Short Term Auction Rate Securities not equal to $50,000 or an integral multiple thereof shall be rejected and shall be deemed a Hold Order. Any Bid submitted by a Potential Owner covering an aggregate principal amount of Short Term Auction Rate Securities not equal to $50,000 or an integral multiple thereof shall be rejected.

Any Bid submitted by an Existing Owner or a Potential Owner specifying a rate lower than the Minimum Rate shall be treated as a Bid specifying the Minimum Rate.

Determination of Sufficient Clearing Bids, Winning Bid Rate and Auction Rate

(a) Not earlier than the Submission Deadline on each Auction Date, the Auction Agent shall assemble all valid Orders submitted or deemed submitted to it by the Broker-Dealers (each such Order as submitted or deemed submitted by a Broker-Dealer being hereinafter referred to individually as a "Submitted Hold Order", a "Submitted Bid" or a "Submitted Sell Order", as the case may be, or as a "Submitted Order" and collectively as "Submitted Hold Orders", "Submitted Bids" or "Submitted Sell Orders", as the case may be, or as "Submitted Orders") and shall determine:

(A) the excess of the total principal amount of Outstanding Short Term Auction Rate Securities over the sum of the aggregate principal amount of Outstanding Short Term Auction Rate Securities subject to Submitted Hold Orders (such excess being hereinafter referred to as the "Available Short Term Auction Rate Securities"); and

(B) from the Submitted Orders whether:

(i) the aggregate principal amount of Outstanding Short Term Auction Rate Securities subject to Submitted Bids by Potential Owners specifying one or more rates equal to or lower than the Maximum Rate;

exceeds or is equal to the sum of:

(ii) the aggregate principal amount of Outstanding Short Term Auction Rate Securities subject to Submitted Bids by Existing Owners specifying one or more rates equal to or lower than the Maximum Rate;

(iii) the aggregate principal amount of Outstanding Short Term Auction Rate Securities subject to Submitted Sell Orders (in the event such excess or such equality exists (other than because the sum of the principal amounts of Short Term Auction Securities as described above is zero because all of the Outstanding Short Term Auction Rate Securities are subject to Submitted Hold Orders), such Submitted Bids being hereinafter referred to collectively as "Sufficient Clearing Bids"); and

(C) if Sufficient Clearing Bids exist, the lowest rate specified in such Submitted Bids (the "Winning Bid Rate") which if:

(i) (aa) each such Submitted Bid from Existing Owners specifying such lowest rate and (bb) all other Submitted Bids from Existing Owners specifying lower rates were rejected, thus entitling such Existing Owners to continue to hold the principal amount of Short Term Auction Rate Securities subject to such Submitted Bids; and

(ii) (aa) each such Submitted Bid from Potential Owners specifying such lowest rate and (bb) all other such Submitted Bids from Potential Owners specifying lower rates were accepted, would result in such Existing Owners as described above continuing to hold an aggregate principal amount of Outstanding Short Term Auction Rate Securities which, when added to the aggregated principal amount of Outstanding Short Term Auction Rate Securities to be purchased by such Potential Owners as described in clause (B)(ii) above, would equal not less than the Available Short Term Auction Rate Securities.

(b) Promptly after the Auction Agent has made the determinations pursuant to paragraph (a) above, the Auction Agent, by telecopy confirmed in writing, shall advise the Market Agent and the Fiscal Agent of the Maximum Rate and the Minimum Rate and the components thereof on the Auction

Date and, based on such determinations, the Auction Rate for the next succeeding Interest Period as follows:

(A) if Sufficient Clearing Bids exist, that the Auction Rate for the next succeeding Interest Period shall be equal to the Winning Bid Rate so determined;

(B) if Sufficient Clearing Bids do not exist (other than because all of the Outstanding Short Term Auction Rate Securities are subject to Submitted Hold Orders), that the Auction Rate for the next succeeding Interest Period shall be equal to the Maximum Rate or

(C) if all Outstanding Short Term Auction Rate Securities are subject to Submitted Hold Orders, that the Auction Rate for the next succeeding Interest Period shall be equal to the Minimum Rate.

Acceptance and Rejection of Submitted Bids and Submitted Sell Orders and Allocation of Short Term Auction Rate Securities

(a) Existing Owners shall continue to hold the principal amount of Short Term Auction Rate Securities that are subject to Submitted Hold Orders, and, based on the determinations made pursuant to paragraph (a) under the heading "Determination of Sufficient Clearing Bids, Winning Bid Rate and Auction Rate" above, Submitted Bids and Submitted Sell Orders shall be accepted or rejected and the Auction Agent shall take such other action as set forth below:

(i) If Sufficient Clearing Bids have been made, all Submitted Sell Orders shall be accepted and, subject to the provisions of subparagraphs (iv) and (v) of this paragraph (a), Submitted Bids shall be accepted or rejected as follows in the following order of priority and all other Submitted Bids shall be rejected;

(A) Existing Owners' Submitted Bids specifying any rate that is higher than the Winning Bid Rate shall be accepted, thus requiring each such Existing Owner to sell the aggregate principal amount of Short Term Auction Rate Securities subject to such Submitted Bids;

(B) Existing Owners' Submitted Bids specifying any rate that is lower than the Winning Bid Rate shall be rejected, thus entitling each such Existing Owner to continue to hold the aggregate principal amount of Short Term Auction Rate Securities subject to such Submitted Bids;

(C) Potential Owners' Submitted Bids specifying any rate that is lower than the Winning Bid Rate shall be accepted, thus requiring each such Potential Owner to purchase the aggregate principal amount of Short Term Auction Rate Securities subject to such Submitted Bids;

(D) each Existing Owner's Submitted Bid specifying a rate that is equal to the Winning Bid Rate shall be rejected, thus entitling such Existing Owner to continue to hold the aggregate principal amount of Short Term Auction Rate Securities subject to such Submitted Bid, unless the aggregate principal amount of Outstanding Short Term Auction Rate Securities subject to all such Submitted Bids shall be greater than the principal amount of Short Term Auction Rate Securities (the "remaining principal amount") equal to the excess of the Available Short Term Auction Rate Securities over the aggregate principal amount of Short Term Auction Rate Securities subject to Submitted Bids described in clauses (B) and (C) of this subparagraph (i), in which event such Submitted Bid of such Existing Owner shall be rejected in part, and such Existing Owner shall be entitled to continue to hold the principal amount of Short Term Auction Rate Securities subject to such Submitted Bid, but only in an amount equal to the aggregate principal amount of Short Term Auction Rate Securities obtained by multiplying the remaining principal amount by a fraction the numerator of which shall be the principal amount of Outstanding Short Term Auction Rate Securities held by such Existing Owner subject to such Submitted Bid and the denominator of which shall be the sum of the principal amount of Outstanding Short Term Auction Rate Securities subject to such Submitted Bids made by all such Existing Owners that specified a rate equal to the Winning Bid Rate; and

(E) each Potential Owner's Submitted Bid specifying a rate that is equal to the Winning Bid Rate shall be accepted but only in an amount equal to the principal amount of Short Term Auction Rate Securities obtained by multiplying the excess of the aggregate principal amount of Available Short Term Auction Rate Securities over the aggregate principal amount of Short Term Auction Rate Securities subject to Submitted Bids described in clauses (B), (C) and (D) of this subparagraph (i) by a fraction the numerator of which shall be the aggregate principal amount of Outstanding Short Term Auction Rate Securities subject to such Submitted Bid and the denominator of which shall be the sum of the principal amounts of Outstanding Short Term Auction Rate Securities subject to Submitted Bids made by all such Potential Owners that specified a rate equal to the Winning Bid Rate.

(ii) If Sufficient Clearing Bids have not been made (other than because all of the Outstanding Short Term Auction Rate Securities are subject to Submitted Hold Orders), subject to the provisions of subparagraph (iv) below, Submitted Orders shall be accepted or rejected as follows in the following order of priority and all other Submitted Bids shall be rejected:

(A) Existing Owners' Submitted Bids specifying any rate that is equal to or lower than the Maximum Rate shall be rejected, thus entitling such Existing Owners to continue to hold the aggregate principal amount of Short Term Auction Rate Securities subject to such Submitted Bids;

(B) Potential Owners' Submitted Bids specifying any rate that is equal to or lower than the Maximum Rate shall be accepted, thus requiring such Potential Owners to purchase the aggregate principal amount of Short Term Auction Rate Securities subject to such Submitted Bids; and

(C) each Existing Owner's Submitted bid specifying any rate that is higher than the Maximum Rate and the Submitted Sell Order of each Existing Owner shall be accepted, thus entitling each Existing Holder that submitted any such Submitted Bid or Submitted Sell Order to sell the Short Term Auction Rate Securities subject to such Submitted Bid or Submitted Sell Order, but in both cases only in an amount equal to the aggregate principal amount of Short Term Auction Rate Securities obtained by multiplying the aggregate principal amount of Short Term Auction Rate Securities subject to Submitted Bids described in clause (B) of this subparagraph (ii) by a fraction the numerator of which shall be the aggregate principal amount of Outstanding Short Term Auction Rate Securities held by such Existing Owner subject to such Submitted Bid or Submitted Sell Order and the denominator of which shall be the aggregate principal amount of Outstanding Short Term Auction Rate Securities subject to all such Submitted Bids and Submitted Sell Orders.

(iii) If all Outstanding Short Term Auction Rate Securities are subject to Submitted Hold Orders, all Submitted Bids shall be rejected.

(iv) If, as a result of the procedures described in subparagraphs (i) or (ii) above, any Existing Holder would be entitled or required to sell, or any Potential Owner would be entitled or required to purchase, a principal amount of Short Term Auction Rate Securities that is not equal to $50,000 or an integral multiple thereof, the Auction Agent shall, in such manner as, in its sole discretion, it shall determine, round up or down the principal amount of such Short Term Auction Rate Securities to be purchased or sold by any Existing Owner or Potential Owner so that the principal amount of Short Term Auction Rate Securities purchased or sold by each Existing Owner or Potential Owner shall be equal to $50,000 or an integral multiple thereof.

(v) If, as a result of the procedures described in subparagraph (ii) above, any Potential Owner would be entitled or required to purchase less than $50,000 principal amount of Short Term Auction Rate Securities, the Auction agent shall, in such manner as, in its sole discretion, it shall determine, allocate Short Term Auction Rate Securities for purchase among Potential Owners so that only Short Term Auction Rate Securities in principal amounts of $50,000 or an integral multiple thereof are purchased by any Potential Owner, even if such allocation results in one or more of such Potential Owner not purchasing any Short Term Auction Rate Securities.

(b) Based on the results of each Auction, the Auction Agent shall determine the aggregate principal amount of Short Term Auction Rate Securities to be purchased and the aggregate principal amount of Short Term Auction Rate Securities to be sold by Potential Owners and Existing Owners on whose behalf each Broker-Dealer submitted Bids or Sell Orders and, with respect to each Broker-Dealer, to the extent that such aggregate principal amount of Short Term Auction Rate Securities to be sold differs from such aggregate principal amount of Short Term Auction Rate Securities to be purchased, determine to which other Broker-Dealer or Broker-Dealers acting for one or more purchasers such Broker-Dealer shall deliver or from which other Broker-Dealer or Broker-Dealers acting for one or more sellers such Broker-Dealer shall receive, as the case may be, Short Term Auction Rate Securities.

Miscellaneous

The City may not submit an Order in any Auction.

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SETTLEMENT PROCEDURES

Capitalized terms used herein shall have the respective meanings specified in the forepart of this Official Statement.

(a) On each Auction Date, the Auction Agent is required to notify by telephone the Broker-Dealers that participated in the Auction held on such Auction Date and submitted an Order on behalf of any Existing Owner or Potential Owner of:

(i) the Auction Rate fixed for the next succeeding Interest Period;

(ii) whether Sufficient Clearing Bids existed for the determination of the interest rate;

(iii) if such Broker-Dealer submitted a Bid or a Sell Order on behalf of an Existing Owner, whether such Bid or Sell Order was accepted or rejected, in whole or in part, and the principal amount of Short Term Auction Rate Securities, if any, to be sold by such Existing Owner;

(iv) if such Broker-Dealer submitted a Bid on behalf of a Potential Owner, whether such Bid was accepted or rejected, in whole or in part, and the principal amount of Short Term Auction Rate Securities, if any, to be purchased by such Potential Owner;

(v) if the aggregate principal amount of Short Term Auction Rate Securities to be sold by all Existing Owners on whose behalf such Broker-Dealer submitted Bids or Sell Orders is different from the aggregate principal amount of Short Term Auction Rate Securities to be purchased by all Potential Owners on whose behalf such Broker-Dealer submitted a Bid, the name or names of one or more other Broker-Dealers (and the Agent Member, if any, of each such other Broker-Dealer) and the principal amount of Short Term Auction Rate Securities to be (x) purchased from one or more Existing Owners on whose behalf such other Brokers-Dealers submitted Bids or Sell Orders, or (y) sold to one or more Potential Owners on whose behalf such other Broker-Dealers submitted Bids; and

(vi) the scheduled Auction Date of the next succeeding Auction.

(b) On each Auction Date, each Broker-Dealer that submitted an Order on behalf of any Existing owner or Potential Owner is required to:

(i) advise each Existing Owner and Potential Owner on whose behalf such Broker-Dealer submitted a Bid or Sell Order whether such Bid or Sell Order was accepted or rejected, in whole or in part;

(ii) instruct each Potential Owner on whose behalf such Broker-Dealer submitted a Bid that was accepted, in whole or in part, to instruct such Bidder's Agent Member to pay to such Broker-Dealer (or its Agent Member) through the Securities Depository the amount necessary to purchase the principal amount of Short Term Auction Rate Securities to be purchased pursuant to such Bid against receipt of such principal amount of Short Term Auction Rate Securities:

(iii) instruct each Existing Owner on whose behalf such Broker-Dealer submitted a Bid that was accepted, in whole or in part, or a Sell Order that was accepted, in whole or in part, to instruct such Bidder's Agent Member to deliver to such Broker-Dealer (or its Agent Member) through the Securities Depository the principal amount of Short Term Auction Rate Securities to be sold pursuant to such Bid or Sell Order against payment therefor;

(iv) advise each Existing Owner on whose behalf such Broker-Dealer submitted an Order and each Potential Owner on whose behalf such Broker-Dealer submitted a Bid of the interest rate for the next succeeding Interest Period;

(v) advise each Existing Owner on whose behalf such Broker-Dealer submitted an Order of the scheduled Auction Date of the next succeeding Auction; and

(vi) advise each Potential Owner on whose behalf such Broker-Dealer submitted a Bid that was accepted, in whole or in part, of the scheduled Auction Date of the next succeeding Auction.

(c) On the basis of the information provided to it pursuant to paragraph (a) above, each Broker-Dealer that submitted a Bid or Sell Order is required to allocate any funds received by it pursuant to paragraph (b)(ii) above, and any Short Term Auction Rate Securities received by it pursuant to paragraph (b)(iii) above, among the Potential Owners, if any, on whose behalf such Broker-Dealer submitted Bids, the Existing Owners, if any, on whose behalf such Broker-Dealer submitted Bids or Sell Orders, and any Broker-Dealers identified to it by the Auction Agent pursuant to paragraph (a)(v) above.

(d) On the Business Day immediately succeeding the Auction Date, the Securities Depository will execute the transactions described above, debiting and crediting the accounts of the respective Agent Members as necessary to effect the purchases and sales of Short Term Auction Rate Securities as determined in the Auction.

APPENDIX F

FORM OF MASTER PURCHASER'S LETTER

Relating to Securities Involving Rate Settings Through Auctions Which can be Linked

To: The Company
The Trust Company
A Broker-Dealer
An Agent Member
Other Persons

1. This letter is designed to apply to publicly or privately offered debt securities ("Securities") of The City of New York ("Company") which are described in any final Official Statement or other offering materials relating to such Securities as the same may be amended or supplemented (collectively, with respect to the particular Securities concerned, the "Official Statement") and which involve periodic rate settings through auctions ("Auctions"). This letter shall be for the benefit of any Company and of any trust company or auction agent (collectively "Trust Company"), broker-dealer, agent member, securities depository or other interested person in connection with any Securities and related Auctions (it being understood that such persons may be required to execute specified agreements and nothing herein shall alter such requirements). The terminology used herein is intended to be general in its application and not to exclude any Securities in respect of which (in the Official Statement or otherwise) alternative terminology is used.

2. We may from time to time offer to purchase, purchase, offer to sell and/or sell Securities of any Company as described in the Official Statement relating thereto. We agree that this letter shall apply to all such purchases, sales and offers and to Securities owned by us. We understand that (a) the interest rate on Securities may be based from time to time on the results of Auctions as set forth in the Official Statement, (b) a component to each such dividend/interest rate on Securities may include fees and charges owed to the Trust Company or other interested person, including a broker-dealer, and (c) such fees and charges may be deducted prior to our receipt of such dividend/interest rate. We agree that in the event any such fee or charge is not so deducted and is paid to us in a circumstance in which it is owed to any Trust Company or other interested person, we are not relieved of our liability to such Trust Company or other interested person for payment of any such fee or charge, and we shall make such payment promptly upon notice delivered to us that such payment is due. We agree that the Trust Company or other interested person may collect such fees and charges on its or all interested parties' behalf.

3. We agree that any bid or sell order placed by us shall constitute an irrevocable offer by us to purchase or sell the Securities subject to such bid or sell order, or such lesser amount of Securities as we shall be required to sell or purchase as a result of any Auction, at the applicable price, all as set forth in the Official Statement, and that if we fail to place a bid or sell order with respect to Securities owned by us with a broker-dealer on any auction date, or a broker-dealer to which we communicate a bid or sell order fails to submit such bid or sell order to the Trust Company concerned, we shall be deemed to have placed a hold order with respect to such Securities as described in the Official Statement. We authorize any broker-dealer that submits a bid or sell order as our agent in Auctions to execute contracts for the sale of Securities covered by such bid or sell order. We recognize that the payment by such broker-dealer for Securities purchased on our behalf shall not relieve us of any liability to such broker-dealer for payment for such Securities.

4. We agree that, during the applicable period as described in the Official Statement, dispositions of Securities can be made only in the denominations set forth in the Official Statement and we will sell, transfer or otherwise dispose of any Securities held by us from time to time only pursuant to a bid or sell order placed in an Auction to or through a broker-dealer or, when permitted in the Official Statement, to a person that has signed and delivered, or caused to be delivered on its behalf, to the applicable Trust Company a letter substantially in the form of this letter (or other applicable purchaser's

letter), provided that, in the case of all transfers other than pursuant to Auctions, we or our broker-dealer or our agent member shall advise such Trust Company of such transfer. We understand that a restrictive legend will be placed on certificates representing the Securities and stop-transfer instructions will be issued to the transfer agent and/or registrar, all as set forth in the Official Statement. We agree to comply with any other transfer restrictions or other related procedures as described in the Official Statement.

5. We agree that, during the applicable period as described in the Official Statement, ownership of Securities shall be represented by one or more global certificates registered in the name of the applicable securities depository or its nominee, that we will not be entitled to receive any certificate representing the Securities and that our ownership of any Securities will be maintained in book-entry form by the securities depository for the account of our agent member, which in turn will maintain records of our beneficial ownership. We authorize and instruct our agent member to disclose to the applicable Trust Company such information concerning our beneficial ownership of Securities as such Trust Company shall request.

6. We acknowledge that partial deliveries of Securities purchased in Auctions may be made to us and such deliveries shall constitute good delivery as set forth in the Official Statement.

7. This letter is not a commitment by us to purchase any Securities.

8. This letter supersedes any prior-dated version of this master purchaser's letter, and supplements any prior or post-dated purchaser's letter specific to particular Securities; any recipient of this letter may rely upon it until such recipient has received a signed writing amending or revoking this letter.

9. The descriptions of Auction procedures set forth in each applicable Official Statement are incorporated by reference herein, and in case of any conflict between this letter and any such description, such description shall control.

10. Any photocopy or other reproduction of this letter shall be deemed of equal effect as a signed original.

11. Our agent member of the securities depository currently is .

12. Our personnel authorized to place orders with broker-dealers for the purposes set forth in the Official Statement in Auctions currently is/are , telephone number ( ) .

13. Our taxpayer identification number is .

14. We agree that, during the applicable periods described in the Official Statement, if we decide to link our beneficial ownership of any Securities with our beneficial ownership of other debt securities of the Company, or if we decide to break any linkage, we will instruct our agent member and our broker-dealer to link such beneficial ownership or break such linkage in accordance with the procedures set forth in the Official Statement, and we acknowledge that such instructions must be submitted through the applicable Trust Company and may not be given during certain periods described in the Official Statement.

15. We understand that Prudential Securities Incorporated has advised the Company that it intends to make a market for the Company's Short Term Auction Rate Securities, however, Prudential Securities Incorporated is not obligated to make such markets and may discontinue making such markets at any time without notice, and neither the Company nor Prudential Securities Incorporated can give any assurance that secondary markets therefor will develop.

Dated: ______________________________

Name of Purchaser: ______________________________

By: ______________________________

Printed Name: ______________________________

Title: ______________________________

Mailing Address of Purchaser: ______________________________

____

BONDS TO BE REFUNDED

At present, the City expects to refund City bonds through issuance by the City of its Fiscal 1993 Series C Bonds by providing for the payment of the principal of, redemption premium, if any, and interest on such bonds to the payment dates set forth below. The refunding is contingent upon delivery of the Bonds.

The bonds to be refunded are being refunded in whole or in part as indicated in the notes.

Series	Dated Date	Tax-Exempt Maturities Being Refunded	Payment Date	Note
1992C-1	January 7, 1992	August 1, 1993	August 1, 1993	(3)
	January 7, 1992	August 1, 2000	August 1, 2000	(3)
	January 7, 1992	August 1, 2001	August 1, 2001	(3)
	January 7, 1992	August 1, 2002	August 1, 2002	(3)
	January 7, 1992	August 1, 2003	August 1, 2002	(3)
	January 7, 1992	August 1, 2004	August 1, 2002	(3)
	January 7, 1992	August 1, 2005	August 1, 2002	(3)
1989E	June 14, 1989	December 1, 1994	December 1, 1994	(1)
	June 14, 1989	December 1, 1995	December 1, 1995	(3)
1989A	August 25, 1988	August 15, 2017	August 15, 1996	(1)
	August 25, 1988	August 15, 2018	August 15, 1996	(1)
1988B	February 18, 1988	August 1, 1993	August 1, 1993	(3)
	February 18, 1988	August 1, 1997	August 1, 1997	(3)
	February 18, 1988	August 1, 1998	August 1, 1998	(3)
	February 18, 1988	August 1, 1999	August 1, 1999	(3)
	February 18, 1988	August 1, 2006	February 1, 1998	(1)
	February 18, 1988	August 1, 2007	February 1, 1998	(1)
	February 18, 1988	August 1, 2008	February 1, 1998	(1)
	February 18, 1988	August 1, 2009	February 1, 1998	(1)
	February 18, 1988	August 1, 2010	February 1, 1998	(1)
	February 18, 1988	August 1, 2011	February 1, 1998	(1)
	February 18, 1988	August 1, 2012	February 1, 1998	(1)
	February 18, 1988	August 1, 2013	February 1, 1998	(1)
	February 18, 1988	August 1, 2014	February 1, 1998	(1)
	February 18, 1988	August 1, 2015	February 1, 1998	(1)
	February 18, 1988	August 1, 2016	February 1, 1998	(1)
	February 18, 1988	August 1, 2017	February 1, 1998	(1)
1987D	May 15, 1987	August 1, 1994	August 1, 1994	(3)
1987B	August 15, 1986	August 15, 1993	August 15, 1993	(2)
	August 15, 1986	August 15, 1994	August 15, 1994	(3)
1986D	June 15, 1986	August 1, 1995	August 1, 1995	(3)
	June 15, 1986	August 1, 1996	August 1, 1996	(3)
1986C	March 1, 1986	September 1, 2016	March 1, 1996	(1)
1986A	July 15, 1985	August 15, 1997	August 15, 1995	(1)
	July 15, 1985	August 15, 1998	August 15, 1995	(1)
	July 15, 1985	August 15, 1999	August 15, 1995	(1)
	July 15, 1985	August 15, 2000	August 15, 1995	(1)

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Series	Dated Date	Tax-Exempt Maturities Being Refunded	Payment Date	Note
1985C	March 15, 1985	September 15, 1995	March 15, 1995	(1)
	March 15, 1985	September 15, 1996	March 15, 1995	(1)
	March 15, 1985	September 15, 1997	March 15, 1995	(1)
	March 15, 1985	September 15, 1998	March 15, 1995	(1)
—	February 15, 1975	August 15, 1996	August 15, 1996	(3)
	February 15, 1975	August 15, 1997	August 15, 1997	(3)
	February 15, 1975	August 15, 1998	August 15, 1998	(3)
	February 15, 1975	August 15, 1999	August 15, 1999	(3)
—	November 1, 1973	May 1, 1997	May 1, 1997	(3)
	November 1, 1973	May 1, 1998	May 1, 1998	(3)
	November 1, 1973	May 1, 1999	May 1, 1999	(3)
	November 1, 1973	May 1, 2000	May 1, 2000	(3)
—	September 15, 1972	March 15, 1994	March 15, 1994	(3)
—	July 15, 1972	January 15, 1994	January 15, 1994	(3)
	July 15, 1972	January 15, 2000	January 15, 2000	(3)
—	January 1, 1972	July 1, 1999	July 1, 1999	(3)
	January 1, 1972	July 1, 2000	July 1, 2000	(3)
—	October 15, 1971	April 15, 2000	April 15, 2000	(3)
—	July 1, 1971	January 1, 1996	January 1, 1996	(3)
—	January 1, 1971	July 1, 1996	July 1, 1996	(3)
	January 1, 1971	July 1, 2000	July 1, 2000	(3)
—	September 15, 1970	March 15, 2000	March 15, 2000	(3)

(1) All of the bonds of this description are being refunded.

(2) All of the bonds of this description are being refunded, except for those that have previously been refunded.

(3) A portion of the bonds of this description is being refunded.

BROWN & WOOD

ONE WORLD TRADE CENTER
NEW YORK, N.Y. 10048-0557
TELEPHONE: 212-839-5300
FACSIMILE: 212-839-5599

555 CALIFORNIA STREET
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TELEPHONE: 415-398-3909
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LOS ANGELES, CA. 90024-3959
TELEPHONE: 310-443-0200
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BLACKWELL HOUSE
GUILDHALL YARD
LONDON EC2V 5AB
TELEPHONE: 071-606-1888
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172 WEST STATE STREET
TRENTON, N.J. 08608-1104
TELEPHONE: 609-393-0303
FACSIMILE: 609-393-0732

SHIROYAMA JT MORI BUILDING, 15TH FLOOR
3-1, TORANOMON 4-CHOME, MINATO-KU
TOKYO 105, JAPAN
TELEPHONE: 03-5472-5360
FACSIMILE: 03-5472-5058

December 22, 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 $568,455,000 General Obligation Bonds, Fiscal 1993 Series C (the "Bonds").

The Bonds are issued pursuant to the provisions of the Constitution of the State, the Local Finance Law of the State, and the Charter of the City, and in accordance with a certificate (the "Certificate") of the Deputy Comptroller for Finance of the City dated the date hereof.

Based on our examination of existing law, such legal proceedings and such other documents as we deem necessary to render this opinion, we are of the opinion that:

1. The Bonds have been duly authorized, executed and issued in accordance with the Constitution and statutes of the State and the Charter of the City and constitute valid and legally binding obligations of the City for the payment of which the City has validly pledged its faith and credit, and all real property within the City subject to taxation by the City is subject to the levy by the City of ad valorem taxes, without limit as to rate or amount, for payment of the principal of and interest on the Bonds.

2. 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 in the event of a failure by the City to comply with the applicable requirements of the Internal Revenue Code of 1986, as amended (the "Code"), and the covenants regarding use, expenditure and investment of bond proceeds and the timely payment of certain investment earnings to the United States Treasury; and we render no opinion as to the exclusion from gross income of interest on the Bonds for Federal income tax purposes on or after the date on which any action is taken under the Certificate upon the approval of counsel other than Brown & Wood.

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 payable at maturity of the Bonds that bear interest at fixed rates and mature in 1995 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 opinions expressed herein are based on an analysis of existing laws, regulations, rulings and court decisions. Such opinions may be adversely affected by actions taken or events occurring, including a change in law, regulation or ruling (or in the application or official interpretation of any law, regulation or ruling) after the date hereof. We have not undertaken to determine, or to inform any person, whether such actions are taken or such events occur and we have no obligation to update this opinion in light of such actions or events.

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, McGHEE, NEAL, POSTON & SEGUE
(FORMERLY BARNES & DARBY)
1114 AVENUE OF THE AMERICAS
16TH FLOOR
NEW YORK, NEW YORK 10036
(212) 944-1095 FAX: (212) 944-9212

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DEBORAH A. NEAL****
CARL C. POSTON**
EDWARD J. ROJAS
EARL L. SCOTT
TAYLOR C. SEGUE, III*
THOMAS F. WORRELL

MEMBERS OF THE NEW YORK BAR
*MEMBER OF THE MICHIGAN BAR
**MEMBER OF THE TEXAS BAR
***MEMBER OF THE FLORIDA BAR
****MEMBER OF THE MISSOURI BAR

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1300 MAIN STREET, SUITE 800
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FAX: (713) 655-9545

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100 RENAISSANCE CENTER
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1 RIVERFRONT PLAZA - 5TH FLOOR
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(201) 622-7001
FAX: (201) 622-1510

December 22, 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 $568,455,000 General Obligation Bonds, Fiscal 1993 Series C (the "Bonds").

The Bonds are issued pursuant to the provisions of the Constitution of the State, the Local Finance Law of the State, and the Charter of the City, and in accordance with a certificate (the "Certificate") of the Deputy Comptroller for Finance of the City dated the date hereof.

Based on our examination of existing law, such legal proceedings and such other documents as we deem necessary to render this opinion, we are of the opinion that:

1. The Bonds have been duly authorized, executed and issued in accordance with the Constitution and statutes of the State and the Charter of the City and constitute valid and legally binding obligations of the City for the payment of which the City has validly pledged its faith and credit, and all real property within the City subject to taxation by the City is subject to the levy by the City of ad valorem taxes, without limit as to rate or amount, for payment of the principal of and interest on the Bonds.

2. 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 in the event of a failure by the City to comply with the applicable requirements of the Internal Revenue Code of 1986, as amended (the "Code"), and the covenants regarding use, expenditure and investment of bond proceeds and the timely payment of certain investment earnings to the United States Treasury; and we render no opinion as to the exclusion from gross income of interest on the Bonds for Federal income tax purposes on or after the date on which any action is taken under the Certificate upon the approval of counsel other than Barnes, McGhee, Neal, Poston & Segue.

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 payable at maturity of the Bonds that bear interest at fixed rates and mature in 1995 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 opinions expressed herein are based on an analysis of existing laws, regulations, rulings and court decisions. Such opinions may be adversely affected by actions taken or events occurring, including a change in law, regulation or ruling (or in the application or official interpretation of any law, regulation or ruling) after the date hereof. We have not undertaken to determine, or to inform any person, whether such actions are taken or such events occur and we have no obligation to update this opinion in light of such actions or events.

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,

APPENDIX I

AMBAC

Municipal Bond Insurance Policy

AMBAC Indemnity Corporation
c/o CT Corporation Systems
44 East Mifflin St., Madison, Wisconsin 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

AMBAC INDEMNITY CORPORATION
CORPORATE
SEAL
WISCONSIN

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

Form # S66-0003 (3/90)

AMBAC Indemnity Corporation
c/o CT Corporation Systems
44 East Mifflin Street
Madison, Wisconsin 53703
Administrative Office:
One State Street Plaza
New York, NY 10004

AMBAC

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.

AMBAC Indemnity Corporation

President

AMBAC INDEMNITY CORPORATION CORPORATE SEAL WISCONSIN

Secretary

Authorized Representative

Form # 2B-0006 (6/91)

AMBAC®

AMBAC Indemnity Corporation
c/o CT Corporation Systems
44 East Mifflin Street
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 insurance provided by this Policy is not covered by the property/casualty insurance security fund specified by the insurance laws of the State of New York.

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

AMBAC INDEMNITY CORPORATION CORPORATE SEAL WISCONSIN

Secretary

Authorized Representative

Form # S2B-0005 (3/90)

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16316

MSRB

DO NOT STAPLE THIS FORM

FORM G-36(OS) — FOR OFFICIAL STATEMENTS

1. NAME OF ISSUER(S): (1) The City of New York

   (2)

2. DESCRIPTION OF ISSUE(S): (1) General Obligation Bonds, fiscal 1993 Series C

   (2)

3. STATE(S) New York

4. DATED DATE(S): (1) December 22, 1992 (2)

5. DATE OF FINAL MATURITY OF OFFERING August 1, 2012 6. DATE OF SALE December 4, 1992

7. PAR VALUE OF OFFERING $ 568,455,000

8. PAR AMOUNT UNDERWRITTEN (if there is no underwriting syndicate) $

9. IS THIS AN AMENDED OR STICKERED OFFICIAL STATEMENT? ☐ Yes ☒ No

10. CHECK ALL THAT APPLY:

    a. ☐ At the option of the holder thereof, all securities in this offering may be tendered to the issuer of such securities or its designated agent for redemption or purchase at par value or more at least as frequently as every nine months until maturity, earlier redemption, or purchase by the issuer or its designated agent.

    b. ☐ At the option of the holder thereof, all securities in this offering may be tendered to the issuer of such securities or its designated agent for redemption or purchase at par value or more at least as frequently as every two years until maturity, earlier redemption, or purchase by the issuer or its designated agent.

    c. ☐ This offering is exempt from SEC rule 15c2-12 under section (c)(1) of that rule. Section (c)(1) of SEC rule 15c2-12 states that an offering is exempt from the requirements of the rule if the securities offered have authorized denominations of $100,000 or more and are sold to no more than 35 persons each of whom the participating underwriter believes: (1) has the knowledge and expertise necessary to evaluate the merits and risks of the investment; and (2) is not purchasing for more than one account, with a view toward distributing the securities

11. MANAGING UNDERWRITER Prudential Securities Incorporated

16. MATURITY DATE	CUSIP NUMBER	MATURITY DATE	CUSIP NUMBER
8/01/1993	649647 S88	8/01/2010	649655 KJ5
8/01/1994	649647 S96	8/01/2010	649655 KG1
8/01/1995	649648 S52	8/01/2010	649655 KH
8/01/1996	649648 S60	8/01/2010	649658 GH8
8/01/1997	649649 L57	8/01/2011	649656 KM
8/01/1998	649649 L65	8/01/2011	649656 KK
8/01/1999	649650 XB9	8/01/2011	649656 GJ4
8/01/2000	649650 XC7	8/01/2011	649656 KL8
8/01/2001	649651 QG4	8/01/2011	649659 FQ
8/01/2002	649651 QH2	8/01/2011	649656 KH
8/01/2003	649652 MT8	8/01/2012	649656 KJ
8/01/2004	649652 MU5		
8/01/2005	649653 LK6		
8/01/2006	649653 LL4		
8/01/2007	649654 MT4		
8/01/2008	649654 MU2		
8/01/2009	649655 JJ7		
8/01/2009	649657 JK0		
8/01/2009	649657 JL8		
8/01/2010	649655 JK4		

17. MSRB rule G-34 requires that CUSIP numbers be assigned to each new issue of municipal securities unless the issue is ineligible for CUSIP number assignment under the eligibility criteria of the CUSIP Service Bureau.

☐ Check here if the issue is ineligible for CUSIP number assignment.

State the reason why the issue is ineligible for CUSIP number assignment: ______________________

____

18. **Submit two copies of the completed form along with two copies of the official statement to Municipal Securities Rulemaking Board, 1818 N Street, NW, Suite 800, Washington, DC 20036-2491. Incomplete submissions will be returned for correction.**