NEW ISSUE

In the opinion of Bond Counsel, interest on the Bonds will be exempt from personal income taxes imposed by the State of New York or any political subdivision thereof, including the City. Assuming continuing compliance with the provisions of the Internal Revenue Code of 1986, as amended, as described herein, interest on the Tax-Exempt Bonds will not be includable in the gross income of the owners thereof for Federal income tax purposes. Interest on the Taxable Bonds will be includable in gross income 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 Tax-Exempt Bonds for certain Bondholders.

$909,601,563.95

$445,775,000 FIXED RATE TAX-EXEMPT CURRENT INTEREST BONDS
$57,980,062.35 FIXED RATE TAX-EXEMPT CAPITAL APPRECIATION BONDS
$10,726,000 FIXED RATE TAX-EXEMPT CONVERTIBLE CAPITAL APPRECIATION BONDS
$3,195,000 FIXED RATE TAXABLE CURRENT INTEREST BONDS
$11,125,501.60 FIXED RATE TAXABLE CAPITAL APPRECIATION BONDS
$200,000,000 TAXABLE LIBOR BONDS
$50,800,000 TAX-EXEMPT ADJUSTABLE RATE BONDS
$130,000,000 TAXABLE ADJUSTABLE RATE BONDS

The City of New York

General Obligation Bonds, Fiscal 1993 Series E and F

Dated: Date of delivery Due: As shown inside this cover page

The Bonds will be issued as registered bonds and, when issued, all Bonds other than the Fixed Rate Tax-Exempt Current Interest Bonds maturing June 1, 1993, the Taxable Adjustable Rate Bonds and the Taxable LIBOR Bonds 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 such Bonds. See "SECTION II: THE BONDS—Bond Certificates".

Interest on the Fixed Rate Current Interest Bonds will be payable semi-annually, beginning November 15, 1993 (or June 1, 1993, for Bonds then maturing) and on each May 15 and November 15 thereafter. The Fixed Rate Tax-Exempt Convertible Capital Appreciation Bonds will not bear interest until May 15, 2003, and thereafter interest will be payable semi-annually, beginning November 15, 2003 and on each May 15 and November 15 thereafter. The Fixed Rate Capital Appreciation Bonds do not bear interest and the principal amount is payable only at maturity. See "SECTION II: THE BONDS—NYC BONDS". The Fixed Rate Bonds can be urchased in principal amounts (which are maturity amounts in the case of the Fixed Rate Capital Appreciation Bonds and Fixed Rate Tax-Exempt Convertible Capital Appreciation Bonds) of $5,000 or any integral multiple thereof. The Fixed Rate Current Interest Bonds and the Fixed Rate Tax-Exempt Convertible Capital Appreciation Bonds are subject to redemption prior to maturity as described in "SECTION II: THE BONDS—Optional Redemption". The Fixed Rate Capital Appreciation Bonds are not subject to redemption prior to maturity. *A detailed schedule of the Bonds is set forth inside this cover page.*

The Taxable Adjustable Rate Bonds will be insured by **Financial Guaranty Insurance Company.** Interest on each maturity of Taxable Adjustable Rate Bonds and each maturity of a Subseries of the Tax-Exempt Adjustable Rate Bonds may be converted at the option of the City to or from a Daily Rate, a Weekly Rate, a Monthly Rate, a Quarterly Rate, a Semiannual Rate, a Term Rate or a Money Market Municipal Rate or converted to bear interest at a Fixed Rate until maturity. The Tax-Exempt Adjustable Rate Bonds and the Taxable Adjustable Rate Bonds will bear interest at a Daily Rate and Money Market Municipal Rate, respectively, from their date of issuance until converted. See "APPENDIX C—TAX-EXEMPT ADJUSTABLE RATE BONDS" and "APPENDIX F—TAXABLE ADJUSTABLE RATE BONDS". Tax-Exempt Adjustable Rate Bonds will be issuable initially in Authorized Denominations of $100,000 or any integral multiple thereof, and Taxable Adjustable Rate Bonds will be issuable initially in Authorized Denominations of $100,000 or any integral multiple of $5,000 in excess of $100,000.

Tax-Exempt Adjustable Rate Bonds bearing interest at a Variable Rate, including a Daily Rate, may be tendered to the Tender Agent for purchase at the option of the owner thereof under the circumstances described herein. The Tax-Exempt Adjustable Rate Bonds are also subject to mandatory tender and to redemption prior to maturity, as described herein. Payment of the Purchase Price equal to the principal of and up to 185 days' accrued interest at a maximum rate of 9% per annum on the Tax-Exempt Adjustable Rate Bonds tendered for purchase as described herein will be made pursuant and subject to the terms of the Credit Facilities described herein pro ded severally by the following Banks, representing separate obligations of the respective Banks in respect of the separate Subseries:

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

The Subseries E-2 and Subseries E-3 Bonds are each supported by a separate Credit Facility (collectively, the Credit Facilities); each such Credit Facility is the obligation only of the Bank issuing such Credit Fa ility. The Fuji Bank, Limited, New York Branch and The Industrial Bank of Japan, Limited, New York Branch will issue a Credit Facility supporting only the Subseries E-2 and Subseries E-3 Bonds, respectively. The Credit Facilities will expire with respect to each maturity of Tax-Exempt Adjustable Rate Bonds on the fifth day after each respective maturity date unless sooner terminated as set forth herein. The several obligations of the Banks are shown inside this cover page.

Taxable Adjustable Rate Bonds may be tendered to the Tender Agent for purchase at the option of the owner thereof under the circumstances described herein. The Taxable Adjustable Rate Bonds are also subject to mandatory tender and to redemption prior to maturity, as described herein. Payment of the Purchase Price equal to the principal and accrued interest, for a specified number of days as determined under the Liquidity Facility, at a maximum rate of 13% on the Taxable Adjustable Rate Bonds tendered for purchase as described herein will be made pursuant and subject to the terms of the Liquidity Facility described herein provided by **FGIC Securities Purchase, Inc.** Delivery of this Official Statement in conjunction with the offering of Taxable Adjustable Rate Bonds may only be made in conjunction with delivery of the prospectus relating to the Liquidity Facility. The Liquidity Facility will expire on the fifth anniversary of the delivery of the Bonds unless terminated sooner as set forth herein.

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 May 27, 1993.

Bear, Stearns & Co. Inc.

The First Boston Corporation		**Goldman, Sachs & Co.**
Lehman Brothers		**Merrill Lynch & Co.**
J.P. Morgan Securities Inc.		**Prudential Securities Incorporated**
Artemis Capital Group, Inc.	**George K. Baum & Co.**	**Carmona, Motley & Co., Inc.**
Chemical Securities, Inc.		**Dillon, Read & Co. Inc.**
Donaldson, Lufkin & Jenrette Securities Corporation		**First Albany Corporation**
First Chicago Capital Markets, Inc.		**Glickenhaus & Co.**
Grigsby Brandford & Co., Inc.	**Kidder, Peabody & Co. Incorporated**	**Lazard Freres & Co.**
WR Lazard, Laidlaw & Mead, Inc.		**Lebenthal & Co., Inc.**
Morgan Stanley & Co. Incorporated		**The Nikko Securities Co. International, Inc.**
PaineWebber Incorporated		**Pryor, McClendon, Counts & Co., Inc.**
Samuel A. Ramirez & Co., Inc.		**Muriel Siebert & Co., Inc.**
Smith Barney, Harris Upham & Co. Incorporated		**Dean Witter Reynolds Inc.**

May 20, 1993

$956,410,000 General Obligation Bonds, Fiscal 1993 Series E
Subseries

	Subseries E-1						Subseries E-2		Subseries E-3		
	$577,260,000 Tax-Exempt Bonds			$328,350,000 Taxable Bonds			$25,400,000 Tax-Exempt Bonds		$25,400,000 Tax-Exempt Bonds		
May 15	Principal Amount	Interest Rate	Price or Yield	Principal Amount	Interest Rate	Price or Yield	Principal Amount(3)	Price	Principal Amount(4)	Price	Total Principal Amount
1995	$25,335,000	3.80%	100%	$	%	%	$	%	$	%	$25,335,000
1996							25,400,000	100			25,400,000
1997									25,400,000	100	25,400,000
1998	28,690,000†	0	5.00	8,350,000†	0	6.66					37,040,000
1999(1)				38,000,000	(1)	100					38,000,000
2000(1)				38,000,000	(1)	100					38,000,000
2001(1)				38,000,000	(1)	100					38,000,000
2002(1)				38,000,000	(1)	100					38,000,000
2003(1)				38,000,000	(1)	100					38,000,000
2004	24,530,000	5.70	5.80								
2004	13,470,000†	0	5.90								38,000,000
2005	33,235,000	5.80	5.90								
2005	4,765,000†	0	6.00								38,000,000
2006	29,085,000	5¾	5.95								
2006	8,415,000†	0	6.05								37,500,000
2007	27,845,000	6	100								
2007	5,810,000†	0	6.10								33,655,000
2008	12,125,000	6	6.05								
2008	11,345,000†	0	6.15								23,470,000
2009	18,070,000	6	6.10								
2009	5,400,000†	0	6.20								23,470,000
2010	17,670,000	6	6.15								
2010	5,800,000†	0	6.30								23,470,000
2011	18,270,000	6	6.15								
2011	6,300,000†	0	6.30								24,570,000
2012	28,500,000	5¾	6.20								
2012	6,700,000†	0	6.35								35,200,000
2013	24,200,000	5¾	6.20								
2013	10,500,000†	0	6.35								34,700,000
2014	15,200,000	5¾	6.20								
2014	20,000,000†	0	6.35								35,200,000
2015	35,200,000	6	6.25								35,200,000
2016	35,200,000	6	6.25								35,200,000
2017				35,000,000	(2)	100					35,000,000
2018				35,000,000	(2)	100					35,000,000
2019	15,200,000	6	6.25								
2019	20,000,000†	0	6.40								35,200,000
2020	35,200,000	6	6.25								35,200,000
2021	35,200,000	6	6.25								35,200,000
2022				30,000,000	(2)	100					30,000,000
2023				30,000,000	(2)	100					30,000,000

† Aggregate maturity amount of the Fixed Rate Capital Appreciation Bonds and the Fixed Rate Tax-Exempt Convertible Capital Appreciation Bonds. See table on next page.

(1) Taxable LIBOR Bonds. See "SECTION II: THE BONDS—LIBOR Bonds" and "SECTION IX: OTHER INFORMATION—Underwriting". The maturity dates of the LIBOR Bonds are set forth in the LIBOR Bonds.

(2) Taxable Adjustable Rate Bonds. Insured by Financial Guaranty Insurance Company and supported by a Liquidity Facility provided by FGIC Securities Purchase, Inc. See "APPENDIX F—TAXABLE ADJUSTABLE RATE BONDS" and "APPENDIX F — TAXABLE ADJUSTABLE RATE BONDS—Bond Insurance".

(3) Supported by a Credit Facility provided by The Fuji Bank, Limited, New York Branch. To be offered at a price equal to par. See "APPENDIX C—TAX-EXEMPT ADJUSTABLE RATE BONDS".

(4) Supported by a Credit Facility provided by The Industrial Bank of Japan, Limited, New York Branch. To be offered at a price equal to par. See "APPENDIX C—TAX-EXEMPT ADJUSTABLE RATE BONDS".

Fixed Rate Tax-Exempt Capital Appreciation Bonds and Fixed Rate Tax-Exempt Convertible Capital Appreciation Bonds, Fiscal 1993 Series E

May 15	Aggregate Initial Offering Price	Initial Offering Price Per $5,000 Maturity Amount	Approximate Yield to Maturity
1998	$22,449,351.20	$3,912.40	5.00%
2004	7,119,164.40	2,642.60	5.90
2005	2,348,668.50	2,464.50	6.00
2006	3,885,121.35	2,308.45	6.05
2007	2,510,152.40	2,160.20	6.10
2008	4,582,245.50	2,019.50	6.15
2009	2,037,042.00	1,886.15	6.20
2010	2,024,722.00	1,745.45	6.30
2011	2,066,967.00	1,640.45	6.30
2012	2,047,118.00	1,527.70	6.35
2013	3,013,710.00	1,435.10	6.35
2014†	10,726,000.00	2,681.50	6.35
2019	3,895,800.00	973.95	6.40
	$68,706,062.35*		

Fixed Rate Taxable Capital Appreciation Bonds, Fiscal 1993 Series E

May 15	Aggregate Initial Offering Price	Initial Offering Price Per $5,000 Maturity Amount	Approximate Yield to Maturity
1998	$6,030,704*	$3,611.20	6.66%

* The aggregate maturity amount of the Fixed Rate Tax-Exempt Capital Appreciation Bonds and the Fixed Rate Tax-Exempt Convertible Capital Appreciation Bonds is $147,195,000 and the aggregate maturity amount of the Fixed Rate Taxable Capital Appreciation Bonds is $8,350,000. See table on prior page.

† Fixed Rate Tax-Exempt Convertible Capital Appreciation Bonds. Interest at 6.35% from May 15, 2003 is payable November 15, 2003 and semi-annually thereafter.

$44,475,000 General Obligation Bonds, Fiscal 1993 Series F

May 15	$15,710,000 Tax-Exempt Bonds			$28,765,000 Taxable Bonds			Total Principal Amount
	Principal Amount	Interest Rate	Price or Yield	Principal Amount	Interest Rate	Price or Yield	
1993*	$	%	%	$2,000,000	3⅜%	100%	$2,000,000
1994	2,000,000	3.20	100				2,000,000
1995	2,000,000	3.80	100				2,000,000
1996	2,000,000	4.20	100				2,000,000
1997	2,000,000	4.70	100				2,000,000
1998	2,000,000	4.90	100				2,000,000
1999(1)				2,000,000	(1)	100	2,000,000
2000(1)				2,000,000	(1)	100	2,000,000
2001(1)				2,000,000	(1)	100	2,000,000
2002(1)				2,000,000	(1)	100	2,000,000
2003(1)				2,000,000	(1)	100	2,000,000
2004				2,000,000†	0	7.77	2,000,000
2005				2,000,000†	0	7.89	2,000,000
2006				2,000,000†	0	8.05	2,000,000
2007				2,070,000†	0	8.15	2,070,000
2008				2,500,000†	0	8.24	2,500,000
2009				2,500,000†	0	8.35	2,500,000
2010				2,500,000†	0	8.44	2,500,000
2011				575,000	8⅜	8½	575,000
2012				620,000	8⅜	8½	620,000
2013	420,000	5¾	6.20				420,000
2014	420,000	5¾	6.20				420,000
2015	420,000	6	6.25				420,000
2016	420,000	6	6.25				420,000
2017	420,000	6	6.25				420,000
2018	580,000	6	6.25				580,000
2019	625,000	6	6.25				625,000
2020	530,000	6	6.25				530,000
2021	625,000	6	6.25				625,000
2022	625,000	6	6.25				625,000
2023	625,000	6	6.25				625,000

* Matures June 1, 1993

† Aggregate maturity amount of the Fixed Rate Taxable Capital Appreciation Bonds. See table below.

(1) Taxable LIBOR Bonds. See "SECTION II: THE BONDS—LIBOR BONDS" and "SECTION IX: OTHER INFORMATION—Underwriting". The maturity dates of the LIBOR Bonds are set forth in the LIBOR Bonds.

Fixed Rate Taxable Capital Appreciation Bonds, Fiscal 1993 Series F

May 15	Aggregate Initial Offering Price	Initial Offering Price Per $5,000 Maturity Amount	Approximate Yield to Maturity
2004	$ 866,900.00	$2,167.25	7.77%
2005	792,240.00	1,980.60	7.89
2006	718,760.00	1,796.90	8.05
2007	678,297.60	1,638.40	8.15
2008	746,575.00	1,493.15	8.24
2009	677,150.00	1,354.30	8.35
2010	614,875.00	1,229.75	8.44
	$5,094,797.60*		

* The aggregate maturity amount of the Fixed Rate Taxable Capital Appreciation Bonds is $15,570,000. See table above.

RATE PERIOD TABLE
FOR TAX-EXEMPT ADJUSTABLE RATE BONDS

	DAILY RATE	WEEKLY RATE	MONTHLY RATE	QUARTERLY RATE	SEMIANNUAL RATE	TERM RATE	MONEY MARKET MUNICIPAL RATE
Interest Payment Date	First day of each calendar month	First day of each calendar month	First day of each calendar month	First day of the third calendar month following Conversion to a Quarterly Rate Period and the first day of each third calendar month thereafter	First day of the sixth calendar month following Conversion to the Semiannual Rate Period and the first day of each sixth calendar month thereafter	First day of the sixth calendar month following Conversion to the Term Rate Period and the first day of each sixth calendar month thereafter	First Business Day following a Money Market Municipal Rate Period
Record Date	Last day of the calendar month	Last day of the calendar month	Last day of the calendar month	Fifteenth day of the calendar month next preceding the Interest Payment Date	Fifteenth day of the calendar month next preceding the Interest Payment Date	Fifteenth day of the calendar month next preceding the Interest Payment Date	Interest on presentment
Date of Interest Rate Determination	Not later than 9:30 a.m. on each Business Day, but not less than two Business Days prior to each Interest Payment Date	Not later than 9:00 a.m. on the commencement date of the Weekly Rate Period or if such day is not a Business Day, the next succeeding Business Day	Not later than 4:00 p.m. on the Business Day immediately preceding the commencement of the Monthly Rate Period	Not later than 4:00 p.m. on the Business Day immediately preceding the commencement of the Quarterly Rate Period	Not later than 4:00 p.m. on the Business Day immediately preceding the commencement of the Semiannual Rate Period	Not later than 4:00 p.m. on the Business Day immediately preceding the commencement of the Term Rate Period	Not later than 12:00 noon on the first Business Day of a Money Market Municipal Rate Period
Commencement of Rate Period	Each Business Day	On Conversion to a Weekly Rate and on each Wednesday thereafter	On Conversion to a Monthly Rate and on the first day of each month thereafter	On Conversion to a Quarterly Rate and thereafter on the next succeeding Interest Payment Date	On Conversion to a Semiannual Rate and thereafter on the next succeeding Interest Payment Date	On Conversion to a Term Rate and thereafter on the first Business Day of any subsequent period of twelve months or any integral multiple thereof	Interest Rate Determination Date
Purchase Date	Any Business Day	Any Business Day	Any Interest Payment Date	Any Interest Payment Date	Any Interest Payment Date	Mandatory Tender	Mandatory Tender
Notice Period for Tender	Telephone notice by 9:00 a.m. on Purchase Date	Written notice not later than 5:00 p.m. on any Business Day not less than seven days prior to the Purchase Date	Written notice not later than 5:00 p.m. on any Business Day not less than seven days prior to the Purchase Date	Written notice not later than 5:00 p.m. on any Business Day not less than 15 days prior to the Purchase Date	Written notice not later than 5:00 p.m. on any Business Day not less than 15 days prior to the Purchase Date	Mandatory Tender	Mandatory Tender
Tender Date for Tendered Bonds	Not later than 10:00 a.m. on the Purchase Date	Not later than 9:00 a.m. on the Purchase Date	Not later than 10:00 a.m. on the Purchase Date	Not later than 10:00 a.m. on the Purchase Date	Not later than 10:00 a.m. on the Purchase Date	Not later than 10:00 a.m. on the commencement of the Term Rate Period or the next succeeding Business Day	Not later than 10:00 a.m. on the commencement of a Money Market Municipal Rate Period
Payment Date for Tendered Bonds	Not later than 5:00 p.m. on the Purchase Date	Not later than 5:00 p.m. on the Purchase Date	Not later than 5:00 p.m. on the Purchase Date	Not later than 5:00 p.m. on the Purchase Date	Not later than 5:00 p.m. on the Purchase Date	Not later than 5:00 p.m. on the commencement of the Term Rate Period or the next succeeding Business Day	Not later than 5:00 p.m. on the commencement of a Money Market Municipal Rate Period

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

The information in this Rate Period Table is provided for the convenience of the Bondholders and is not meant to be comprehensive. See "APPENDIX C—TAX-EXEMPT ADJUSTABLE RATE BONDS" for a description of the Tax-Exempt Adjustable Rate Bonds.

RATE PERIOD TABLE
FOR TAXABLE ADJUSTABLE RATE BONDS

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

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

The information in this Rate Period Table is provided for the convenience of the Bondholders and is not meant to be comprehensive. See "APPENDIX F—TAXABLE ADJUSTABLE RATE BONDS" for a description of the Taxable Adjustable Rate Bonds.

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* Interest on the Taxable Adjustable Rate Bonds is also payable on the first day of the sixth month in an MMMR Period exceeding six months; the Record Date therefor is the fifteenth day of the next preceding calendar month.

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 Appendices E, H and L has been supplied by the Banks, the Liquidity Provider and the Insurer, respectively, and the Underwriters and the City make no representation as to the adequacy or accuracy of such information. The information set forth in Appendix K has been obtained from the Underwriters, and the City makes 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 location herein. Where agreements, reports or other documents are referred to herein, reference should be made to such agreements, reports or other documents for more complete information regarding the rights and obligations of parties thereto, facts and opinions contained therein and the subject matter thereof.

OFFICIAL STATEMENT OF THE CITY OF NEW YORK

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

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OFFICIAL STATEMENT
OF
THE CITY OF NEW YORK

This Official Statement provides certain information concerning The City of New York (the "City") in connection with the sale of $909,601,563.95 aggregate issuance amount of the City's General Obligation Bonds, Fiscal 1993 Series E and F (the "Series E Bonds" and the "Series F Bonds", respectively, and collectively, the "Bonds").

INTRODUCTORY STATEMENT

The Bonds will be general obligations of the City for the payment of which the City will pledge its faith and credit. 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, applicable redemption premium, if any, and interest on the Bonds.

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. The City now projects, and its current four-year financial plan assumes, that the City's economy has stabilized and that there will be a modest recovery beginning by the end of this calendar year.

For each of the past twelve fiscal years, the City achieved balanced operating results as reported in accordance with generally accepted accounting principles ("GAAP"), and the City's current 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.

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 and outlines proposed gap-closing programs for years with projected budget gaps. For information regarding the current financial plan, see "SECTION I: RECENT FINANCIAL DEVELOPMENTS" and "SECTION VII: 1993 MODIFICATION AND 1994-1997 FINANCIAL PLAN". The City is required to submit its financial plans to review bodies, including the New York State Financial Control Board ("Control Board"). 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 tax revenues for its 1991 and 1992 fiscal years were substantially reduced. The State completed its 1993 fiscal year with a cash-basis positive balance of $671 million in the State's General Fund (the major operating fund of the State). The State's 1994 fiscal year budget, as enacted, projects a balanced General Fund. If the State experiences revenue shortfalls or spending increases beyond its projections during its 1994 fiscal year or subsequent years, such developments could result in reductions in anticipated 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. See "SECTION I: RECENT FINANCIAL DEVELOPMENTS—The State".

The Mayor is responsible for preparing the City's four-year financial plan, including the City's current financial plan for the 1994 through 1997 fiscal years (the "1994-1997 Financial Plan" or "Financial Plan"). 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 for City employees 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 1997 contemplates the issuance of $17.8 billion of general obligation bonds primarily to reconstruct and rehabilitate the City's infrastructure and physical assets and to make capital investments. 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 capital and operating 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 others 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 MODIFICATION AND 1994-1997 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 Years 1992 and 1993

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, the City implemented various actions during the 1991 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; proposed State aid for the City which was $564 million less than the amount projected by the City; and approximately $400 million of projected increases in legally mandated expenditures, including public assistance and Medicaid expenditures. The gap-closing measures for the 1992 fiscal year included receipt of $605 million from tax increases; approximately $1.5 billion of proposed service reductions; and proposed productivity savings of $545 million.

The most recent quarterly modification to the City's financial plan released on May 3, 1993 (the "1993 Modification") projects a balanced budget in accordance with GAAP for the 1993 fiscal year. For changes in forecasted revenues and expenditures since the financial plan submitted to the Control Board on June 11, 1992 (the "June Financial Plan"), see "SECTION VI: FINANCIAL OPERATIONS—Forecast of 1993 Results".

1994-1997 Financial Plan

On May 3, 1993, the City released the Financial Plan for the 1994 through 1997 fiscal years, which relates to the City, the Board of Education ("BOE") and the City University of New York ("CUNY") and is based on the Executive Budget and Budget Message for the City's 1994 fiscal year (the "Executive Budget"). The Executive Budget and the 1994-1997 Financial Plan project revenues and expenditures for the 1994 fiscal year balanced in accordance with GAAP. The Executive Budget is subject to approval by the City Council. There can be no assurance that the Executive Budget will be adopted in its proposed form.

The 1994-1997 Financial Plan sets forth actions to close a projected gap of approximately $2.1 billion in the 1994 fiscal year. The gap-closing actions for the 1994 fiscal year include agency actions aggregating $598 million, including productivity savings and savings from restructuring the delivery of City services; service reductions aggregating $172 million; the sale of delinquent real property tax receivables for $215 million; discretionary transfers from the 1993 fiscal year of $110 million; reduced debt service costs aggregating $187 million, resulting from refinancings and other actions; $250 million in proposed increased Federal assistance; a proposed continuation of the personal income tax surcharge, resulting in revenues of $143 million; $280 million in proposed increased State aid, which could include savings from the proposed State assumption of Medicaid costs or various proposed mandate relief measures; and revenue actions aggregating $114 million.

The Financial Plan also sets forth projections for the 1995 through 1997 fiscal years and outlines a proposed gap-closing program to close projected budget gaps of $1.7 billion, $2.2 billion and $2.6 billion for the 1995 through 1997 fiscal years, respectively. The projections include $250 million of increased Federal assistance in each of the 1995 through 1997 fiscal years and $286 million, $419 million and $419 million of increased State assistance in the 1995, 1996 and 1997 fiscal years, respectively, which reflect a continuation of the increased Federal and State assistance proposed in the Financial Plan for the 1994 fiscal year, and include the continuation of the personal income tax surcharge, resulting in revenues of $420, $446 and $471 million in the 1995, 1996 and 1997 fiscal years, respectively. The proposed gap-closing actions include City actions aggregating $287 million, $564 million and $645 million in the 1995 through 1997 fiscal years, respectively; $100 million and $200 million in proposed additional Federal assistance in the 1996 and 1997 fiscal years, respectively; savings from various proposed mandate relief measures and the proposed reallocation of State education aid among various localities, aggregating $175 million, $325 million and $475 million in the 1995 through 1997 fiscal years, respectively; and other unspecified Federal, State or City actions of $1.2 billion, $1.3 billion and $1.3 billion in the 1995, 1996 and 1997 fiscal years, respectively.

Various actions proposed in the Financial Plan, including the proposed continuation of the personal income tax surcharge and the proposed increase in State aid, are subject to approval by the Governor and 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 similar proposals for State assistance in the last session

and, recently, again failed to approve similar proposals in adopting the State budget for the State fiscal year beginning April 1, 1993, thereby increasing the uncertainty as to the receipt of the State assistance included in the Financial Plan. 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 MODIFICATION AND 1994-1997 FINANCIAL PLAN—Certain Reports".

In addition to the gap-closing actions described above, the City has identified a $176 million contingency program for the 1994 fiscal year, primarily consisting of service reductions, which could be implemented in the event that the City does not receive all of the $280 million in increased State assistance contained in the Financial Plan for the 1994 fiscal year.

The City Comptroller issued a report on March 16, 1993 on the financial plan submitted to the Control Board on February 9, 1993 (the "February Financial Plan") that projected potential budget gaps in fiscal years 1994 through 1996 of approximately $950 million, $2.0 billion and $2.4 billion, respectively, after taking into account the City's gap-closing program set forth in the February Financial Plan. The City Comptroller is expected to issue a report on the Financial Plan in the near future. See "SECTION VII: 1993 MODIFICATION AND 1994-1997 FINANCIAL PLAN—Certain Reports".

Collective Bargaining Agreements

On January 11, 1993, the City announced a settlement with a coalition of municipal unions, including 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 other unions covering approximately 44% of the City's workforce. The settlement, which has been ratified by the unions, includes a total net expenditure increase of 8.25% over a 39-month period, ending March 31, 1995 for most of these employees. On April 9, 1993 the City announced an agreement with the Uniformed Fire Officers Association (the "UFOA") which is consistent with the coalition agreement. The agreement has been ratified. The 1993 Modification and the Financial Plan reflect the costs associated with these settlements and provide for similar increases for all other City-funded employees.

The 1993 Modification and the 1994-1997 Financial Plan also provide for the cost of wage increases for those uniformed employees who have not reached agreement with the City for the 1991 and 1992 fiscal years, based on the framework established by the 1991 police officers arbitration.

The Financial Plan provides no additional wage increases for City employees after their contracts expire in the 1995 fiscal year. Each 1% wage increase for all employees commencing in the 1995 fiscal year would cost the City an additional $56 million for the 1995 fiscal year and $152 million for the 1996 fiscal year and each year thereafter above the amounts provided for in the Financial Plan.

In the event of a collective bargaining impasse, the terms of wage settlements could be determined through the impasse procedure in the New York City Collective Bargaining Law, which can impose a binding settlement. See "SECTION VII: 1993 MODIFICATION AND 1994-1997 FINANCIAL PLAN—Assumptions—*Expenditure Assumptions*—1. Personal Service Costs".

The State

As a result of the national and regional economic recession, the State's tax receipts for its 1991 and 1992 fiscal years were substantially lower than projected. 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, but without giving effect to any remedial actions reflected in the State's budget). To correct such potential imbalance, the State took various actions for its 1992 and 1993 fiscal years, which included reductions in State aid to localities from amounts previously projected. The State completed its 1993 fiscal year with a positive margin of $671 million in the General Fund which was deposited into a tax refund reserve account.

The 1993-94 State Financial Plan, which is based upon the enacted State budget, projects a balanced General Fund. However, the State Legislature failed to enact a proposed takeover of local Medicaid costs, other significant mandate relief items, and certain Medicaid cost containment items proposed by the Governor, which would have provided the City with savings. For further information concerning the State, including the State's credit ratings, see "SECTION VII: 1993 MODIFICATION AND 1994-1997 FINANCIAL PLAN—Assumptions".

SECTION II: THE BONDS

General

The Bonds will be general obligations of the City issued pursuant to the Constitution and laws of the State and the New York City Charter (the "City Charter") and in accordance with a certificate 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.

$430,065,000 of the Series E Bonds will be issued as fixed rate tax-exempt current interest bonds (the "Series E Fixed Rate Tax-Exempt Current Interest Bonds"), $15,710,000 of the Series F Bonds will be issued as fixed rate tax-exempt current interest bonds (the "Series F Fixed Rate Tax-Exempt Current Interest Bonds" and, together with the Series E Fixed Rate Tax-Exempt Current Interest Bonds, the "Fixed Rate Tax-Exempt Current Interest Bonds"). The Fixed-Rate Tax-Exempt Current Interest Bonds, together with the Fixed Rate Tax-Exempt Capital Appreciation Bonds (as defined below) and the Fixed Rate Tax-Exempt Convertible Capital Appreciation Bonds (as defined below) are referred to together as the "Fixed Rate Tax-Exempt Bonds". The Fixed Rate Tax-Exempt Bonds and the Tax-Exempt Adjustable Rate Bonds (as defined below) are referred to together as the "Tax-Exempt Bonds". $3,195,000 of the Series F Bonds will be issued as fixed rate taxable current interest bonds (the "Fixed Rate Taxable Current Interest Bonds"), $190,000,000 of the Series E Bonds will be issued as variable rate taxable bonds (the "Series E Taxable LIBOR Bonds") and $10,000,000 of the Series F Bonds will be issued as variable rate taxable bonds (the "Series F Taxable LIBOR Bonds" and, together with the Series E Taxable LIBOR Bonds, the "Taxable LIBOR Bonds" or "LIBOR Bonds"). The Taxable Adjustable Rate Bonds (as defined below), the Fixed Rate Taxable Capital Appreciation Bonds (as defined below), the Fixed Rate Taxable Current Interest Bonds and the Taxable LIBOR Bonds are referred to together as the "Taxable Bonds".

The terms of the Bonds other than the Taxable LIBOR Bonds provide for their defeasance 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.

Tax-Exempt Adjustable Rate Bonds

$50,800,000 of the Bonds are being issued as tax-exempt adjustable rate bonds (the "Tax-Exempt Adjustable Rate Bonds"). For a discussion of the terms of the Tax-Exempt Adjustable Rate Bonds, see "APPENDIX C—TAX-EXEMPT ADJUSTABLE RATE BONDS".

Taxable Adjustable Rate Bonds

$130,000,000 of the Bonds are being issued as taxable adjustable rate bonds (the "Taxable Adjustable Rate Bonds" and, together with the Tax-Exempt Adjustable Rate Bonds, the "Adjustable Rate Bonds"). For a discussion of the terms of the Taxable Adjustable Rate Bonds, see "APPENDIX F—TAXABLE ADJUSTABLE RATE BONDS".

NYC BONDS

$20,000,000 maturity amount of the Bonds will be issued as fixed rate tax-exempt convertible capital appreciation bonds (the "Fixed Rate Tax-Exempt Convertible Capital Appreciation Bonds"), $127,195,000 maturity amount of the Bonds will be issued as fixed rate tax-exempt capital appreciation bonds (the "Fixed Rate Tax-Exempt Capital Appreciation Bonds", and $23,920,000 maturity amount of the Bonds will be issued as fixed rate taxable capital appreciation bonds (the "Fixed Rate Taxable Capital Appreciation Bonds" and together with the Fixed Rate Tax-Exempt Capital Appreciation Bonds, the "Fixed Rate Capital Appreciation Bonds"). The Fixed Rate Capital Appreciation Bonds and the Fixed Rate Tax-Exempt Convertible Capital Appreciation Bonds are referred to together as the "NYC BONDS." The Fixed Rate Capital Appreciation Bonds, the Fixed Rate Tax-Exempt Current Interest Bonds, the Fixed Rate Taxable Current Interest Bonds and the Fixed Rate Tax-Exempt Convertible Capital Appreciation Bonds are referred to together as the "Fixed Rate Bonds".

The NYC BONDS are being reoffered by a subgroup of the Underwriters led by Prudential Securities Incorporated. See "SECTION IX: OTHER INFORMATION—Underwriting". The Fixed Rate Tax-Exempt Convertible Capital Appreciation Bonds will not bear interest until May 15, 2003, and thereafter will bear interest payable semiannually, beginning November 15, 2003 and on each May 15 and November 15 thereafter. The Fixed Rate Capital Appreciation Bonds do not bear interest, and the principal amount is only payable at maturity. Tables of hypothetical accreted values for the Fixed Rate Tax-Exempt Capital Appreciation Bonds, the Fixed Rate Tax-Exempt Convertible Capital Appreciation Bonds and the Fixed Rate Taxable Capital Appreciation Bonds are contained in Appendix K. The Fixed Rate Capital Appreciation Bonds and the Fixed Rate Tax-Exempt Convertible Capital Appreciation Bonds may not be suitable for all investors. The purchase at a discount of obligations not bearing current interest, such as Fixed Rate Tax-Exempt Convertible Capital Appreciation Bonds (until May 15, 2003),the Fixed Rate Tax-Exempt Capital Appreciation Bonds and the Fixed Rate Taxable Capital Appreciation Bonds, may result in greater price volatility than the purchase of an obligation bearing current interest. In addition, there is no assurance that a secondary market will develop and be maintained for the Fixed Rate Tax-Exempt Convertible Capital Appreciation Bonds, the Fixed Rate Tax-Exempt Capital Appreciation Bonds or the Fixed Rate Taxable Capital Appreciation Bonds. See "SECTION IX: OTHER INFORMATION—Tax Exemption" and "SECTION IX: OTHER INFORMATION—Taxable Bonds".

LIBOR Bonds

The LIBOR Bonds will be issued, bear interest, be payable, mature and be redeemable as described therein.

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 City will also covenant to include as terms of the Tax-Exempt Adjustable Rate Bonds and Taxable Adjustable Rate Bonds certain provisions described below in "APPENDIX C—TAX-EXEMPT ADJUSTABLE RATE BONDS" and "APPENDIX F—TAXABLE ADJUSTABLE RATE BONDS". The City will further covenant to comply with the financial reporting requirements of the Act, as in effect from time to time.

The State pledges and agrees in the Financial Emergency Act that the State will not take any action that will impair the power of the City to comply with the covenants described in the preceding paragraph (the "City Covenants") or any right or remedy of any owner of the Bonds to enforce the City Covenants (the "State Pledge and Agreement"). The City will include in the Series E Bonds (other than the LIBOR Bonds, the Taxable Adjustable Rate Bonds, the Fixed Rate Capital Appreciation Bonds and the Fixed Rate Tax-Exempt Convertible Capital Appreciation 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 Tax-Exempt Current Interest Bonds and the Fixed Rate Taxable Current Interest Bonds will be subject to redemption at the option of the City on or after May 15, 2003, 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
May 15, 2003 through May 14, 2004	101½%
May 15, 2004 through May 14, 2005	100¾
May 15, 2005 and thereafter	100

The Fixed Rate Capital Appreciation Bonds will not be subject to redemption prior to maturity.

The Fixed Rate Tax-Exempt Convertible Capital Appreciation Bonds will be subject to redemption at the option of the City on or after May 15, 2008, 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
May 15, 2008 through May 14, 2009	101 %
May 15, 2009 through May 14, 2010	100½
May 15, 2010 and thereafter	100

The Tax-Exempt Adjustable Rate Bonds will be subject to redemption and optional and mandatory tender prior to maturity as described in "APPENDIX C—TAX-EXEMPT ADJUSTABLE RATE BONDS—Redemption".

The Taxable Adjustable Rate Bonds will be subject to redemption and optional and mandatory tender prior to maturity as described in "APPENDIX F—TAXABLE ADJUSTABLE RATE BONDS—Redemption".

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.

Use of Proceeds

The proceeds from the sale of the Series E Tax-Exempt Bonds will be used for various municipal capital purposes, and the proceeds from the sale of the Series E Taxable Bonds will be used for loan programs and other discrete municipal purposes. The City purposes for which some of the Series E Tax-Exempt Bonds are being issued are to be accomplished through voluntary organizations (the "Organizations") that are described in Section 501(c)(3) of the Internal Revenue Code of 1986, as amended (the "Code"), selected by the City and engaged in providing housing facilities (the "Projects"). For further information concerning the City's capital projects, see "SECTION V: CITY SERVICES AND EXPENDITURES—Capital Expenditures" and "SECTION VII: 1993 MODIFICATION AND 1994-1997 FINANCIAL PLAN—Long-Term Capital and Financing Program". Certain expenses of the City incurred in connection with the issuance and sale of the Bonds, preliminary costs of surveys, maps, plans, estimates and hearings in connection with capital improvements and costs incidental to such improvements may be included in the above purposes.

The proceeds from the sale of the Series F Bonds will be used for refunding purposes. The proceeds from the sale of such Bonds are expected to be used to refund the bonds identified in Appendix I hereto by providing for the payment of the principal of 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 Series F Bonds.

Bond Insurance

For information pertaining to insurance on the Taxable Adjustable Rate Bonds to be provided by Financial Guaranty Insurance Company ("Financial Guaranty"), see "APPENDIX F—TAXABLE ADJUSTABLE RATE BONDS—Bond Insurance" and "APPENDIX L—SPECIMEN INSURANCE POLICY".

Bond Certificates

Book-Entry Only System

The Depository Trust Company ("DTC"), New York, New York, will act as securities depository for the Bonds other than the Taxable LIBOR Bonds and the Taxable Adjustable Rate Bonds. However, it is anticipated that DTC may act in such capacity with respect to the Taxable Adjustable Rate Bonds, when and if such capability becomes available. In such event, holders of the Taxable Adjustable Rate Bonds may be required, upon notice, to present their certificates so that they may be deposited with DTC in accordance with the procedures described below. Reference to the Bonds under the caption "Bond Certificates" shall mean all Bonds other than the Taxable LIBOR Bonds and the Taxable Adjustable Rate Bonds until such time that the Taxable Adjustable Rate Bonds are deposited with DTC, in which case, references to the Bonds shall also include the Taxable Adjustable Rate 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, and the Tax-Exempt Adjustable Rate Bonds, each in the aggregate principal amount (which is the maturity amount with respect to the Fixed Rate Capital Appreciation Bonds), 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 payment 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 payment date. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC,

the Fiscal Agent, or the City, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of principal, redemption premium, if any, and interest to DTC is the responsibility of the City or the Fiscal Agent, disbursement of such payments to Direct Participants shall be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners shall be the responsibility of Direct and Indirect Participants.

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

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

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

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

Payments and Transfers

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

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

Discontinuance of the Book-Entry Only System

In the case of the Taxable Adjustable Rate Bonds and the Taxable LIBOR Bonds, and 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 as of the close of business on the last business day of the calendar month immediately preceding the applicable interest payment date, except as set forth in the Taxable LIBOR Bonds, "APPENDIX C—TAX-EXEMPT ADJUSTABLE RATE BONDS— Interest on Tax-Exempt Adjustable Rate Bonds" and "APPENDIX F—TAXABLE ADJUSTABLE RATE BONDS—Interest on Taxable Adjustable Rate Bonds".

SECTION III: GOVERNMENT AND FINANCIAL CONTROLS

Structure of City Government

The City of New York is divided into five counties, which correspond to its five boroughs. The City, however, is the only unit of local government within its territorial jurisdiction with authority to levy and collect taxes, and is the unit of local government primarily responsible for service delivery. Responsibility for governing the City is currently vested by the City Charter in the Mayor, the City Comptroller, the City Council, the President of the Council and the Borough Presidents.

—*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. The title of the office of the President of the City Council will be changed to Public Advocate, effective January 1, 1994, pursuant to Local Law No. 19 for the year 1993. The powers and duties of the office will remain the same.

—*The Borough Presidents.* Each of the City's five boroughs elects a Borough President who serves for a four year term concurrent with other City elected officials. The Borough Presidents consult with the Mayor in the preparation of the City's annual Expense Budget and Capital Budget (as defined below). Five percent of discretionary increases proposed by the Mayor in the Expense Budget and, with certain exceptions, five percent of the appropriations supported by funds over which the City has substantial discretion proposed by the Mayor in the Capital Budget, must be based on appropriations

proposed by the Borough Presidents. Each Borough President also appoints one member to BOE and has various responsibilities relating to, among other things, reviewing and making recommendations regarding applications for the use, development or improvement of land located within the borough, monitoring and making recommendations regarding the performance of contracts providing for the delivery of services in the borough, and overseeing the coordination of a borough-wide public service complaint program.

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 in 1993 or thereafter to determine whether the proposed charter should be approved, and if such referendum is approved, the charter commission will submit to the State Legislature proposed legislation enabling Staten Island to separate from the City. The charter would take effect upon approval of such enabling legislation by the State Legislature. Any such legislation would be subject to legal challenge by the City and would require approval by the United States Department of Justice under the Federal Voting Rights Act.

City Financial Management, Budgeting and Controls

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

The City, through the Office of Management and Budget ("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. In addition the City prepares a Ten-Year Capital Strategy.

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 1993 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 MODIFICATION AND 1994-1997 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 or otherwise authorized. 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 ("GASB") issued Statement No. 11, *Measurement Focus and Basis of Accounting—Governmental Fund Operating Statements*, in May 1990. Statement No. 11 was scheduled to take effect in the City's 1995 fiscal year. As of October 1992, GASB proposed to delay indefinitely the implementation 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 (including collective bargaining agreements), long-term and short-term borrowings, and the four-year financial plan and modifications thereto 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 the Municipal Assistance Corporation For The City of New York ("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 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); H. Carl McCall, 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 Cornelius F. Healy.

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 66.8% of total revenues in the 1993 fiscal year while Federal aid, including categorical grants, will provide 12.4%, 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 MODIFICATION AND 1994-1997 FINANCIAL PLAN—Assumptions". For information regarding the City's tax base, see "APPENDIX A—ECONOMIC AND SOCIAL FACTORS".

Real Estate Tax

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

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 of 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) Full valuation is based on the special equalization ratios (discussed below) and the billable assessed valuation. Special equalization ratios and full valuations are revised periodically as a result of surveys by the State Board of Equalization and Assessment.

(4) Does not include supplemental levy of $61.7 million raised in mid-year for the Criminal Justice Fund.

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 exceeded 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		542,488,990,007
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 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. Any class's share of the total tax levy is 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 and decreases in classes two and four are generally phased in over a period of five years to determine the transition assessed value. 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. Increases in class one market value in excess of applicable limitations 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. 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. For further information regarding the City's proceeding, see "SECTION IX: OTHER INFORMATION—Litigation—*Taxes*".

Trend in Taxable Assessed Value

Over the past decade, real property tax revenues grew substantially. Because State law provides for increases in assessed values of most properties to be phased into property tax bills over five year periods, these revenues increased and billable assessed values continued to grow even as actual assessed real property values declined during the local recession. For the 1993 fiscal year, while billable assessed valuation for taxable property increased by approximately 0.9%, actual assessed valuation decreased approximately 2.3% in such year from the prior fiscal year valuation of $83.6 billion.

The 1994 tentative assessment roll was published in January, 1993. The billable assessed valuation of taxable real estate decreased $1.9 billion from the final valuation for fiscal year 1993 to $77.3 billion reflecting the continuation of the decline in assessed values, together with the end of the five year phase-in of assessed value increases from prior years. The City expects the final billable assessed valuation in 1994 to decline approximately 3.9% from the final valuation for the 1993 fiscal year.

The City forecasts growth in billable assessed values of 1.5% and 2.3% for fiscal years 1995 and 1996, respectively. Although the forecasts assume a real estate market improvement that will be reflected in assessment increases and a renewed phase-in of billable assessed values, the forecasted assessed values are substantially lower than those contained in the City's prior financial plan.

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	136.8	7,908.7	94.2	347.0	4.13

(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 $61.7 million raised in mid-year for the Criminal Justice Fund.
(5) Forecast.

Other Taxes

The City expects to derive approximately 55.4% 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. 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. 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	708
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	666
Total	$7,944	$8,454	$8,513	$8,642	$9,264

(1) All Other includes, among others, the stock transfer tax, New York City Off-Track Betting Corporation ("OTB") net revenues, 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 and paid to the City by the Water Board for the water and sewer system, 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 in an amount corresponding to debt service on outstanding general obligation bonds issued to finance water and sewer infrastructure.

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 MODIFICATION AND 1994-1997 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 MODIFICATION AND 1994-1997 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 72.5% of the City's public assistance caseload and receives approximately 50% Federal and 25% State reimbursement. In addition, Home Relief provides support for those who do not qualify for AFDC but are in need of public assistance. The cost of Home Relief is borne approximately equally by the City and the State. The Federal Government directly administers a program of Supplemental Security Income ("SSI") for the aged, disabled and blind which provides recipients with a grant based on a nationwide standard. State law requires that this standard be supplemented. The basic SSI program is entirely Federally funded, and, since September 30, 1978, the State has borne the entire cost of the local supplementation to the SSI program in the City. State legislation authorizing the State to take over additional SSI payments previously paid by the City was passed by the Senate on March 23 and by the Assembly on May 3. It is currently awaiting delivery to the Governor, who is expected to sign the bill into law. 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 1993-1994 school year is estimated to be 1,020,290. Actual enrollment in fiscal years 1988 through 1993 has been 940,940, 937,248, 939,638, 956,658, 973,263 and 995,465, respectively. Between fiscal years 1988 and 1993, the percentage of the City's total budget allocated to BOE has remained relatively stable at approximately 25.5%; in fiscal year 1994 the percentage of the City's total budget allocated to BOE is projected to be 25.6%. See "SECTION VII: 1993 MODIFICATION AND 1994-1997 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 33.6% 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
City University	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.

Under applicable law, the City may not make unilateral changes 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 settlement, as well as assumptions with respect to the cost of future labor settlements and related effects on the 1994-1997 Financial Plan, see "SECTION VII: 1993 MODIFICATION AND 1994-1997 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, physical assets and capital program, see "SECTION VII: 1993 MODIFICATION AND 1994-1997 FINANCIAL PLAN—Long-Term Capital and Financing Program" and "APPENDIX A—ECONOMIC AND SOCIAL FACTORS".

The City utilizes a three-tiered capital planning process consisting of the Ten-Year Capital Strategy (previously, the Ten-Year Capital Plan), the Four-Year Capital Program and the current-year Capital Budget. The Ten-Year Capital Strategy, which is published biannually in conjunction with the Executive Budget, 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.

On May 3, 1993, the City published a Ten-Year Capital Strategy for fiscal years 1994 through 2003 (the "Ten-Year Capital Strategy"). The Ten-Year Capital Strategy totals $51.6 billion, of which approximately 93% will be financed with City funds. The Ten-Year Capital Strategy includes an assumption that the debt service cost relating to $2.9 billion of the educational capital program for the ten-year period 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. This aid requires an annual allocation and appropriation from the State. Also, BOE is expected by the end of calendar year 1993 to propose a five-year capital program for fiscal years 1995 through 1999. The Ten-Year Capital Strategy provides for $4.0 billion for BOE for that period, as compared with $4.3 billion for the preceding five-year period. In addition, the State has approved a $9.6 billion capital funding schedule for the Metropolitan Transportation Authority (the "MTA") for fiscal years 1992 through 1996. The MTA may seek to increase City funding of the TA's capital program by as much as a total of $500 million for the duration of the TA's capital program above the $105 million per year provided for in the Ten-Year Capital Strategy.

The Ten-Year Capital Strategy also assumes that the debt service cost relating to approximately $671 million of the future capital program for HHC through the 1997 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.

The Ten-Year Capital Strategy includes (i) $10.4 billion to construct new schools and improve existing educational facilities; (ii) $5.0 billion for expanding and upgrading the City's housing stock; (iii) $2.3 billion for reconstruction or resurfacing more than 12,000 lane miles of City streets; (iv) $1.6 billion for continued City-funded investment in mass transit; (v) $3.7 billion for the continued reconstruction of all four East River bridges and over 333 other bridge structures; (vi) $1.4 billion for the major reconstruction of Elmhurst, Kings County and Queens Hospitals; (vii) $758 million to expand current jail capacity; and (viii) $2.3 billion for construction and improvement of court facilities.

Those programs in the Ten-Year Capital Strategy financed with City funds are currently expected to be funded primarily from the issuance of general obligation bonds. Debt service on such bonds is paid out of the City's operating revenues. From time to time in the past, during recessionary periods when operating

revenues have come under increasing pressure, funding levels for the earlier years of the Ten-Year Capital Strategy have been reduced from those previously contemplated in order to reduce debt service costs. For information concerning the City's long-term financing program for capital expenditures, see "SECTION VII: 1993 MODIFICATION AND 1994-1997 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 May 1993, 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 MODIFICATION AND 1994-1997 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 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 released by the City on May 3, 1993 (the "May 1993 Forecast"). These forecasts were prepared on a basis consistent with GAAP.

	June 1992 Forecast	May 1993 Forecast	Increase (Decrease) from June 1992 Forecast
		(In Millions)	
REVENUES			
Taxes			
General Property Tax	$ 7,799	$ 7,779	$ (20)
Other Taxes	8,621	9,197	576 (1)
Tax Audit Revenue	500	525	25
Criminal Justice Fund	290	241	(49)(2)
Anticipated Tax Program	7	7	—
Miscellaneous Revenues	3,127	3,108	(19)
Unrestricted Intergovernmental Aid	677	700	23
Inter-Fund Revenues	231	227	(4)
Less: Intra-City Revenues	(496)	(582)	(86)(3)
Disallowances Against Categorical Grants	(15)	(15)	—
Total City Funds	$20,741	$21,187	$ 446
Federal Categorical Grants	3,226	3,795	569 (4)
State Categorical Grants	5,541	5,677	136 (4)
Total Revenues	$29,508	$30,659	$1,151
EXPENDITURES			
Personal Service	$14,699	$15,285	$ 586 (5)
Other Than Personal Service	12,829	13,552	723 (6)
Debt Service	1,956	1,994	38 (7)
MAC Debt Service Funding	370	370	—
General Reserve	150	40	(110)
	$30,004	$31,241	$1,237
Less: Intra-City Expenses	(496)	(582)	(86)
Total Expenditures	$29,508	$30,659	$1,151
GAP TO BE CLOSED	$ —	$ —	$ —

(1) The forecasted increase of $576 million in Other Taxes is primarily due to projected increases in collections of the personal income tax ($398 million), the banking corporation tax ($87 million), the general corporation tax ($59 million), the sales tax ($17 million), and the unincorporated business tax ($35 million). These increases are offset by a forecasted decrease of $32 million in the commercial rent tax.

(2) The forecasted decrease of $49 million in the Criminal Justice Fund is due to a reduction in the proceeds from the City lottery.

(3) Excluding the increase in Intra-City Revenues, Miscellaneous Revenues declined by $105 million, which is almost entirely due to a decrease of $109 million in water and sewer revenue.

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

(5) The increase in Personal Service is in part due to the cost of the labor settlement with the civilian coalition and the assumptions that all employees will settle for the same economic terms. The balance of the increase is due to revisions in the expenditure forecast.

(6) The increase in Other Than Personal Service is primarily due to budget modifications that were processed from July to March as well as adjustments to the expenditure forecast.

(7) The decrease in Debt Service reflects an increase of $245 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 $55 million from two refundings in fiscal year 1993, various reductions in long-term debt service of $46 million and savings in short-term interest costs of $26 million.

SECTION VII: 1993 MODIFICATION AND 1994-1997 FINANCIAL PLAN

The following table sets forth the City's projected operations on a basis consistent with GAAP for the 1993 through 1997 fiscal years as contained in the 1993 Modification and the 1994-1997 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".

	1993-1997 Fiscal Years(1)(2)				
	1993	1994	1995	1996	1997
			(In Millions)		
REVENUES					
Taxes					
General Property Tax	$ 7,779	$ 7,498	$ 7,591	$ 7,776	$ 8,147
Other Taxes(3)	9,204	9,411	9,758	10,283	10,985
Tax Audit Revenue	525	553	503	503	503
Criminal Justice Fund(4)	241	350	437	455	120
Sale of Property Receivables	—	215	(20)	—	—
Miscellaneous Revenues	3,108	3,450	3,135	3,042	3,037
Unrestricted Intergovernmental Aid	700	449	451	461	461
Anticipated Federal Actions	—	250	250	250	250
Anticipated State Actions	—	280	286	419	419
Inter-Fund Revenues(5)	227	243	243	244	246
Less: Intra-City Revenues	(582)	(610)	(662)	(670)	(676)
Disallowances Against Categorical Grants	(15)	(15)	(15)	(15)	(15)
Total City Funds	$21,187	$22,074	$21,957	$22,748	$23,477
Federal Categorical Grants	3,795	3,552	3,472	3,483	3,492
State Categorical Grants	5,677	5,773	5,894	5,992	6,117
Total Revenues(6)	$30,659	$31,399	$31,323	$32,223	$33,086
EXPENDITURES					
Personal Service(7)	$15,285	$15,741	$16,620	$17,199	$17,533
Other Than Personal Service	13,552	13,381	13,973	14,343	14,874
Debt Service(3)	1,994	2,183	2,870	3,167	3,497
MAC Debt Service Funding(3)	370	554	59	277	313
General Reserve	40	150	150	150	150
	$31,241	$32,009	$33,672	$35,136	$36,367
Less: Intra-City Expenses	(582)	(610)	(662)	(670)	(676)
Total Expenditures(6)	$30,659	$31,399	$33,010	$34,466	$35,691
GAP TO BE CLOSED	$ —	$ —	$(1,687)	$(2,243)	$(2,605)
GAP-CLOSING PROGRAM					
City Actions	$ —	$ —	$ 287	$ 564	$ 645
State Actions Including Mandate Relief	—	—	175	325	475
Federal Actions	—	—	—	100	200
Other Actions	—	—	1,225	1,254	1,285
Reserve for Service Enhancements, Tax Reductions and Other Contingencies	—	—	—	—	—
TOTAL GAP-CLOSING PROGRAM	$ —	$ —	$ 1,687	$ 2,243	$ 2,605

(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.

(footnotes continued on next page)

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

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

(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 MODIFICATION AND 1994-1997 FINANCIAL PLAN—Assumptions—*Expenditure Assumptions*—2. Other Than Personal Service Costs—*Transit Authority*".

(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, anticipated payments by the City of debt service on City obligations held by MAC. Other Taxes include transfers of net OTB revenues. Also included for the 1993 fiscal year is $7 million in respect of the Anticipated Tax Program.

(4) Criminal Justice Fund revenues comprise $130 million, $150 million, $150 million and $150 million from the general property tax receipts projected for the 1993 through 1996 fiscal years, respectively; a city lottery which is expected to raise $0.8 million in 1993, no revenue in 1994 and $120 million for each of 1995 and 1996; 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.

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

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

For fiscal year 1994, the Financial Plan includes $280 million of Anticipated State Actions, which could be provided by the State through a variety of possible actions, including the payment of prior years claims for reimbursement for senior colleges; payment for shelter for adults and youth services; settlement of pending lawsuits regarding City reimbursement for social services costs; a State assumption of Medicaid costs; and other mandate relief proposals currently before the Legislature. The Financial Plan assumes $286 million in 1995 and $419 million in each of 1996 and 1997, in Anticipated State Actions resulting from an assumption of some of the local costs of the Medicaid program by the State. The Financial Plan also assumes the receipt of $250 million of Anticipated Federal Actions in each of the 1994 through 1997 fiscal years.

The City has identified a $176 million contingency program for the 1994 fiscal year, primarily consisting of service reductions, which could be implemented in the event that the City does not receive the $280 million in increased State assistance contained in the Financial Plan for the 1994 fiscal year.

Actions to Close the Gaps

The 1994-1997 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, $2.2 billion and $2.6 billion for the 1995, 1996 and 1997 fiscal years, respectively.

City gap-closing actions total $287 million in the 1995 fiscal year, $564 million in the 1996 fiscal year and $645 million in the 1997 fiscal year. These actions include increased revenues and reduced expenditures from

agency actions aggregating $165 million, $439 million and $470 million in the 1995 through 1997 fiscal years, respectively, including productivity savings and savings from restructuring the delivery of City services and service reductions.

State actions proposed in the gap-closing program total $175 million, $325 million and $475 million in each of the 1995, 1996 and 1997 fiscal years, respectively. These actions include savings from various proposed mandate relief measures and the proposed reallocation of State education aid among various localities.

The Federal actions proposed in the gap-closing program are $100 million and $200 million in increased Federal assistance in fiscal years 1996 and 1997, respectively.

Other Actions proposed in the gap-closing program represent Federal, State or City actions to be specified in the future.

Various actions proposed in the Financial Plan, including the proposed continuation of the personal income tax surcharge, and the proposed mandate relief, State assumption of Medicaid costs and reallocation of State education aid, are subject to approval by the Governor and the State Legislature, and the proposed increase in Federal aid is subject to approval by Congress and the President. State and Federal 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. The State Legislature failed to approve the proposed Medicaid and certain mandate relief programs in the last session. The Financial Plan assumes that these proposals will be approved by the State Legislature during the 1994 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 MODIFICATION AND 1994-1997 FINANCIAL PLAN—Certain Reports", "SECTION VII: 1993 MODIFICATION AND 1994-1997 FINANCIAL PLAN—Assumptions" and "SECTION IX: OTHER INFORMATION—Ratings".

The City's projected budget gaps for the 1996 and 1997 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 1995 budget are not taken into account in projecting the budget gaps for the 1996 and 1997 fiscal years.

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 Modification and the 1994-1997 Financial Plan are based on numerous assumptions, including the recovery of the City's and the region's economy beginning by the end of calendar year 1993. The 1993 Modification and the 1994-1997 Financial Plan are 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 1997 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, in the context of the State's current financial condition, 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; the willingness of the Federal government to provide Federal aid; legislative approval of 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 MODIFICATION AND 1994-1997 FINANCIAL PLAN—Certain Reports". For further information concerning certain legislation requiring minimum levels of funding for education, see "SECTION VII: 1993 MODIFICATION AND 1994-1997 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 tax revenues for its 1991 and 1992 fiscal years were substantially lower than projected. 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 reductions in both agency operations and grants to local governments from previously anticipated levels. The State completed its 1993 fiscal year with a positive margin of $671 million in the General Fund which was deposited into a tax refund reserve account.

The Governor released the recommended Governor's Executive Budget for the 1993-94 fiscal year on January 19, 1993. The recommended 1993-94 State Financial Plan projected a balanced General Fund. General Fund receipts and transfers from other funds were projected at $31.6 billion, including $184 million carried over from the State's 1993 fiscal year. Disbursements and transfers from other funds were projected at $31.5 billion, not including a $67 million repayment to the State's Tax Stabilization Reserve Fund. To achieve General Fund budgetary balance in the 1994 State fiscal year, the Governor recommended various actions. These included proposed spending reductions and other actions that would reduce General Fund spending ($1.6 billion); continuing the freeze on personal income and corporate tax reductions and on hospital assessments ($1.3 billion); retaining moneys in the General Fund that would otherwise have been deposited in dedicated highway and transportation funds ($516 million); a 21-cent increase in the cigarette tax ($180 million); and new revenues from miscellaneous sources ($91 million). The recommended Governor's 1993-94 Executive Budget included reductions in anticipated aid to all levels of local government.

In comparison to the recommended 1993-94 Executive Budget, the 1993-94 State budget, as enacted, reflects increases in both receipts and disbursements in the General Fund of $811 million.

The $811 million increase in projected receipts reflects (i) an increase of $487 million, from $184 million to $671 million, in the positive year-end margin at March 31, 1993, which resulted primarily from improving economic conditions and higher-than-expected tax collections, (ii) an increase of $269 million in projected receipts, $211 million resulting from the improved 1992-93 results and the expectation of an improving economy and the balance from improved auditing and enforcement measures and other miscellaneous items, (iii) additional payments of $200 million from the Federal government to reimburse the State for the cost of providing indigent medical care, and (iv) the payment of an additional $50 million of personal income tax refunds in the 1992-93 fiscal year which would otherwise have been paid in fiscal year 1993-94; offset by (v) $195 million of revenue raising recommendations in the Executive Budget that were not enacted in the budget and thus are not included in the 1993-94 State Financial Plan.

The $811 million increase in projected disbursements reflects (i) an increase of $252 million in projected school-aid payments, after receipts from the State Lottery allocated to school aid, (ii) an increase of $194 million in projected payments for Medicaid assistance and other social service programs, (iii) additional spending on the judiciary ($56 million) and criminal justice ($48 million), (iv) a net increase in projected disbursements for all other programs and purposes, including mental hygiene and capital projects, of $161 million, after reflecting certain re-estimates in spending, and (v) the transfer of $100 million to a newly-established contingency reserve.

The 1993-94 State budget, as enacted, had a negative impact on the City of approximately $400 million. Important and more equitable reform of education aid formulas was achieved which brought an additional $145 million education dollars to New York City. However, the State Legislature failed to enact a takeover of local Medicaid costs, other significant mandate relief items and certain Medicaid cost containment items

proposed by the Governor, which would have provided the City with savings. The adopted State budget cut aid for probation services, increased sanctions on social service programs, eliminated the pass-through of a State surcharge on parking tickets, cut reimbursement for CHIPS transportation operating dollars, and required a large contribution in City funds to hold the MTA fare at the current level. In the event of any significant reduction in projected State revenues or increases in projected State expenditures from the amounts currently projected by the State, there could be an adverse impact on the timing and amounts of State aid payments to the City in the future. For further information concerning the State, including the State's credit ratings, see "SECTION VII: 1993 MODIFICATION AND 1994-1997 FINANCIAL PLAN—Assumptions".

In certain prior fiscal years, the State has failed to enact a budget prior to the beginning of the State's fiscal year. 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 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 Corporation ("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 March 9, 1993, Standard & Poor's confirmed its January 1992 rating and assessment with respect to the State's general obligation bonds. On April 26, 1993, Standard & Poor's revised the rating outlook assessment to stable. On January 6, 1992, Moody's Investors Service, Inc. ("Moody's") reduced its ratings on outstanding limited-liability State lease purchase and contractual obligations from A to Baa1. On March 9, 1993, Moody's reconfirmed its A rating on the State's general long-term indebtedness.

The projections and assumptions contained in the 1993 Modification and the 1994-1997 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 April 1993. 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. The Financial Plan now projects that the economy has stabilized and that there will be a modest recovery beginning by the end of the 1993 calendar year. However, there can be no assurance that the City will recover from the current recession at that time or to the extent assumed in the Financial Plan.

The following table presents a forecast of the key economic indicators for the calendar years 1992 through 1997. This forecast is based upon information available in April 1993.

FORECAST OF KEY ECONOMIC INDICATORS

	Calendar Years					
U.S. ECONOMY	1992	1993	1994	1995	1996	1997
Economic Activity and Income						
Real GDP ($ billions of 1987 dollars)	4,922.6	5,075.5	5,243.8	5,382.1	5,501.9	5,637.1
Percent Change	2.1	3.1	3.3	2.6	2.2	2.5
Pre-tax Corporate Profits ($ billions)	371.6	442.2	479.3	458.7	470.2	507.3
Percent Change	11.0	19.0	8.4	(4.3)	2.5	7.9
Personal Income ($ billions)	5,058.1	5,327.6	5,633.7	5,980.4	6,276.9	6,580.5
Percent Change	4.8	5.3	5.7	6.2	5.0	4.8
Nonagricultural Employment (millions)	108.4	109.8	112.4	115.3	117.3	119.3
Change From Prior Year	0.1	1.4	2.6	2.8	2.1	2.0
Unemployment Rate	7.4	6.9	6.2	5.7	5.8	5.7
CPI-All Urban (1982-84=100)	140.4	144.7	149.3	154.4	159.6	164.9
Percent Change	3.0	3.1	3.2	3.4	3.3	3.3
3 Month T-Bill Rate	3.4	3.0	3.3	3.8	3.6	3.6
CITY ECONOMY						
Personal Income ($ billions)	173.8	181.3	189.9	198.9	207.2	215.7
Percent Change	4.9	4.3	4.8	4.7	4.2	4.1
Nonagricultural Employment (thousands)	3,285.2	3,272.3	3,282.1	3,290.9	3,297.6	3,305.6
Change From Prior Year	(90.4)	(12.9)	9.9	8.8	6.7	8.0
Real Gross City Product ($ billions of 1987 dollars)	220.4	223.8	227.2	228.5	230.7	233.3
Percentage Change	3.6	1.6	1.5	0.6	0.9	1.2
CPI-All Urban NY-NJ Area (1982-84=100)	150.0	155.6	161.6	168.4	174.9	181.8
Percent Change	3.6	3.7	3.9	4.2	3.9	3.9

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, assumptions relating to 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 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 Modification and the 1994-1997 Financial Plan project delinquency rates of 4.13%, 3.82%, 3.24%, 2.85% and 2.80%, respectively, for the 1993 through 1997 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 Modification and 1994-1997 Financial Plan. The amounts set forth below include projected tax program revenues and excludes the Criminal Justice Fund and audit revenues.

	1993	1994	1995	1996	1997
			(In Millions)		
Personal Income(1)	$3,433	$3,375	$3,595	$ 3,807	$ 4,224
General Corporation	995	1,061	1,126	1,182	1,248
Banking Corporation	372	405	365	380	395
Unincorporated Business Income	407	438	455	477	499
Sales	2,344	2,398	2,524	2,655	2,790
Commercial Rent	624	617	608	630	657
Real Property Transfer	127	136	147	161	176
Mortgage Recording	121	133	144	160	177
Utility	188	198	203	211	219
All Other(2)	593	650	591	620	600
Total	$9,204	$9,411	$9,758	$10,283	$10,985

(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 includes revenues which would be generated by extension of an existing personal income tax surcharge amounting to $143 million, $420 million, $446 million and $471 million in the 1994 through 1997 fiscal years, respectively. The Financial Plan assumes 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 each of the 1993 through 1997 fiscal years. All Other excludes Criminal Justice Fund lottery revenues of $.8 million in fiscal year 1993 and $120 million and $120 million in the 1995 and 1996 fiscal years, respectively.

The 1993 Modification and the 1994-1997 Financial Plan reflect 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 and the proposed extension of the mortgage recording tax to cooperatives; (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 as well as the proposed increase in the taxable thresholds; 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 Modification and the 1994-1997 Financial Plan also assume the timely extension by the State Legislature of the current rate structures for the non-resident earnings tax, for the resident personal income tax, for the general corporation tax, for the two special sales taxes and for the cigarette tax. The authority for these taxes has been extended to December 31, 1993, and the City intends to seek extensions through the 1997 fiscal year.

4. MISCELLANEOUS REVENUES

The following table sets forth amounts of miscellaneous revenues projected to be received by the City in the 1993 Modification and the 1994-1997 Financial Plan.

	1993	1994	1995	1996	1997
			(In Millions)		
Licenses, Permits and Franchises	$ 206	$ 209	$ 206	$ 208	$ 206
Interest Income	84	70	91	105	112
Charges for Services	392	402	396	395	396
Water and Sewer Payments(1)	723	749	726	716	726
Rental Income	162	183	204	191	186
Fines and Forfeitures	383	496	442	407	403
Other	576	731	408	350	332
Intra-City Revenues	582	610	662	670	676
Total	$3,108	$3,450	$3,135	$3,042	$3,037

(1) Received from the Water Board. For further information regarding the Water Board, see "SECTION VII: 1993 MODIFICATION AND 1994-1997 FINANCIAL PLAN—Long-Term Capital and Financing Program".

The 1993 Modification and the 1994-1997 Financial Plan project that aggregate miscellaneous revenues except for the "Other" category will remain relatively stable with offsetting increases and declines. Rental Income is estimated to increase in the 1994 through 1997 fiscal years due to the anticipated renegotiation of the airport lease with the Port Authority. For the 1993 through 1997 fiscal years, the 1993 Modification and the 1994-1997 Financial Plan provide 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 $46 million from a lawsuit with the State and $30 million from union contributions. Other Revenues in the 1994 fiscal year include $57 million from union contributions, $55 million for the proposed restructuring of OTB and $85 million from the recovery of prior year FICA overpayments.

5. UNRESTRICTED INTERGOVERNMENTAL AID

The following table sets forth amounts of unrestricted intergovernmental aid projected to be received by the City in the 1993 Modification and the 1994-1997 Financial Plan.

	1993	1994	1995	1996	1997
			(In Millions)		
State Revenue Sharing	$535	$293	$293	$293	$293
Other Aid	165	156	158	168	168
Total	$700	$449	$451	$461	$461

The "Other Aid" category mainly consists of $8 million annually of Highway Assistance Program Aid, approximately $81 to $107 million from aid associated with the State takeover of long-term care Medicaid costs, $34 to $27 million of recoupment for welfare clients who were originally denied disability assistance and $15 million annually from New York State fraud audits.

For information concerning recent shortfalls in projected State tax revenues and the possible impact on State aid to the City, see "SECTION VII: 1993 MODIFICATION AND 1994-1997 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 Modification and the 1994-1997 Financial Plan.

	1993	1994	1995	1996	1997
			(In Millions)		
Federal					
JTPA	$ 137	$ 74	$ 74	$ 74	$ 74
Community Development(1)	305	276	258	258	258
Welfare	2,173	2,190	2,130	2,138	2,143
Education	849	733	733	733	733
Other	331	279	277	280	284
Total	$3,795	$3,552	$3,472	$3,483	$3,492
State					
Welfare	$1,824	$1,711	$1,744	$1,755	$1,766
Education	3,246	3,322	3,407	3,486	3,574
Higher Education	118	127	126	128	122
Health and Mental Health	209	208	205	204	204
Other	280	405	412	419	451
Total	$5,677	$5,773	$5,894	$5,992	$6,117

(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 Modification and the 1994-1997 Financial Plan assume 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 MODIFICATION AND 1994-1997 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 March 31, 1993, approximately 10.83% 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 1994-1997 Financial Plan, the City believes, based on past administrative and legislative actions, that it is unlikely that substantial disallowances 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 1994-1997 Financial Plan contains a provision for aid disallowances of $15 million for each of the City's 1994 through 1997 fiscal years.

The Federal fiscal year 1993 budget process was completed late in the 1992 calendar year. The net impact on the City is positive, as several programs benefitting the City were increased. These increases included $21.5 million in additional Community Development Block Grant funds and $19 million for emergency and regular tuberculosis funding through the Center for Disease Control.

On April 8, 1993, President Clinton formally submitted to Congress a budget for Federal fiscal year 1994. The President's budget contains significantly higher funding for a number of programs which would benefit the City. These include additional transportation funds through the Intermodal Surface Transportation Efficiency Act Program, Community Development Block Grant funds, HOME Investment Partnership Program funds, Head Start funds and educational funding. Proposed increases for a number of grant programs could also yield substantially more Federal aid for the City. These programs include State Legalization Impact Assistance Grants, Emergency Medical Assistance for Undocumented Workers, a Supportive Housing Program, Tuberculosis Elimination Grants and HIV Education and Prevention Grants. The City will continue to monitor the Federal budget process and will make any necessary adjustments when the final Federal budget is enacted.

Expenditure Assumptions

1. PERSONAL SERVICE COSTS

The following table sets forth projected expenditures for personal service costs contained in the 1993 Modification and the 1994-1997 Financial Plan.

	1993	1994	1995	1996	1997
			(In Millions)		
Wages and Salaries	$11,029	$11,170	$11,316	$11,437	$11,538
Pensions	1,496	1,526	1,489	1,567	1,484
Other Fringe Benefits	2,518	2,776	2,998	3,235	3,501
Reserve for Collective Bargaining(1)	242	269	817	960	1,010
Total	$15,285	$15,741	$16,620	$17,199	$17,533

(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 Modification and the 1994-1997 Financial Plan project 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 212,488 on June 30, 1993 to an estimated level of 209,102 by June 30, 1997, assuming the gap-closing program contained in the Financial Plan is successfully implemented.

On January 11, 1993 the City announced a settlement with a coalition of 19 municipal unions for a 39-month period that will extend into fiscal year 1995. The coalition of 19 unions includes District Council 37 and Local 237 and represents approximately 44% of the City's workforce. This settlement, which has been ratified by the unions, provides that employees will receive no wage increase during the first 18 months of the agreement, a 2% increase in the 19th month of the agreement, another 2% increase in the 31st month of the agreement and a 3% increase in the 36th month of the agreement. Thus by the end of the term of the agreement the wage increase will total 7.16%. Other benefits include a one-time bonus of $700, a one-time payment to union-administered welfare funds of $125 per employee and retiree and annual increases to the welfare funds totalling $200 per employee and retiree per year. As an offset to these costs, employees hired after the first wage increase will be hired at salaries that do not include any of the increases; they will remain at those salaries for one year. If the value of all of the benefits contained in the agreement are included, the total net increase by the end of the agreement period is 8.25%. Subsequently, the City reached similar agreements with the United Probation Officers Association which represents approximately 1,000 probation officers, the Professional Staff Congress ("PSC") which represents over 3,000 full-time and part-time professors at the community colleges of City University and the UFOA which represents approximately 2,500 fire officers. The PSC agreement is retroactive to November 1, 1990 and will extend through June 30, 1995. The UFOA agreement is retroactive to November 1, 1990 and will extend through April 30, 1995.

The 1993 Modification and the 1994-1997 Financial Plan reflect the costs associated with these settlements and provide for similar increases for all other City-funded employees. The 1993 Modification

and the 1994-1997 Financial Plan also provide for the cost of wage increases for those uniformed employees who have not reached agreement with the City for the 1991 and 1992 fiscal years, based on the framework established by the 1991 police officers arbitration. The Financial Plan provides no additional wage increases for City employees after the 1995 fiscal year. Each 1% wage increase for all employees commencing in the 1995 fiscal year would cost the City an additional $56 million for the 1995 fiscal year and $152 million for the 1996 fiscal year and each year thereafter above the amounts provided for in the Financial Plan. The terms of wage settlements could be determined through the impasse procedure in the New York City Collective Bargaining Law, which can impose a binding settlement.

The agreement with the coalition of municipal unions also calls for the implementation of at least six workforce productivity initiatives in mid-1993; the savings produced by these initiatives will be shared with the workers involved. A Productivity Advisory Council with members from business, academia and labor has been established to advise the City concerning these and other initiatives.

On August 4, 1992, the United Federation of Teachers (the "UFT") filed a declaration of impasse with the New York State Public Employment Relations Board ("PERB"). Hearings before a panel of fact-finders began on January 13 and concluded on February 7, 1993. The panel issued its non-binding recommendations on April 28, 1993. The panel gave great weight to the pattern established by the settlement with a coalition of municipal unions in January, which called for increases totaling 8.25 percent for a thirty-nine month period and included a freeze on starting salaries for new employees. In its report, the panel recommended the same increases for teachers, with the exception of the wage freeze for starting salaries (which would add an additional 0.25 percent onto the cost). The parties are currently studying these recommendations.

On March 12, 1993, an impasse panel issued an interim award covering approximately 8,800 firefighters for the fifteen month period beginning July 1, 1990. On May 17, 1993 the panel issued its final award. The award conforms to the pattern set by other uniformed unions for that fifteen month period and funding for the award is reflected in the 1993 Modification and the 1994-1997 Financial Plan.

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 Modification and the 1994-1997 Financial Plan.

	1993	1994	1995	1996	1997
			(In Millions)		
Administrative OTPS	$ 6,262	$ 5,992	$ 6,104	$ 6,283	$ 6,500
Public Assistance	2,910	3,145	3,219	3,240	3,270
Medical Assistance (Excluding City Medicaid Payments to HHC)	1,694	1,859	2,056	2,268	2,509
HHC Support	965	885	991	909	934
Other	1,720	1,500	1,602	1,643	1,662
Total	$13,551	$13,381	$13,972	$14,343	$14,875

Administrative OTPS

The 1993 Modification and the 1994-1997 Financial Plan contain estimates of the City's administrative OTPS expenditures for general supplies and materials, equipment and selected contractual services in the 1993 and 1994 fiscal years. Thereafter, to account for inflation, selected OTPS expenditures are projected to rise by approximately 3.8% in fiscal year 1995, 4.1% in fiscal year 1996 and 4.0% in fiscal year 1997. 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 Modification and the 1994-1997 Financial Plan assume no inflation for fiscal year 1993 and different rates of inflation for energy costs for each of the 1994 through 1997 fiscal years. Inflation rates for each of the 1994 through 1997 fiscal years are set forth in the following table.

	1994	1995	1996	1997
		(In Millions)		
Gasoline and Fuel Oil	4.0%	5.0%	9.0%	10.0%
Electricity	3.0	3.0	5.0	7.0
Natural Gas	4.0	3.0	4.0	6.0

Total energy expenditures are projected at $441 million in the 1993 fiscal year, rising to $509 million in the 1997 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 1994 adjustments, where applicable.

Public Assistance

The average number of persons receiving income benefits under public assistance is projected to be 1,045,297 per month in the 1993 fiscal year. The 1993 Modification and the 1994-1997 Financial Plan project that the average number of recipients will increase by 7.0% 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 1994 fiscal year, with a projected annual increase in the average grant of 4.4%. Of total public assistance expenditures in the City for the 1993 fiscal year, the City-funded portion is projected to be $837.8 million. The City-funded portion of public assistance expenditures is projected to be $877.0 million in the 1994 fiscal year, an increase of 4.7% from the 1993 fiscal year, rising to $893.2 million in the 1997 fiscal year.

Medical Assistance

Medical assistance payments projected in the 1993 Modification and the 1994-1997 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 $1.63 billion for the 1993 fiscal year and is expected to increase to $2.444 billion in the 1997 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 Modification and the 1994-1997 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 Modification and the 1994-1997 Financial Plan project savings of $521 million in the 1993 fiscal year due to the State having assumed such costs, and projects such savings will increase to $625.1 million in the 1997 fiscal year.

Health and Hospitals Corporation

The 1993 Modification and the 1994-1997 Financial Plan anticipate an increase in the 1993 fiscal year of approximately $80 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 Modification and the 1994-1997 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 $625 million in the 1993 fiscal year and are projected to be approximately $620 million in the 1997 fiscal year.

HHC operates under its own section of the 1993 Modification and the 1994-1997 Financial Plan as a Covered Organization. HHC's financial plan projects City-funded expenditures of $978 million for the 1993 fiscal year (including debt service and lease payments), decreasing to $934 million in the 1997 fiscal year. The City-funded expenditures in the 1993 fiscal year include $310 million of general City support, $625 million of Medicaid payments to HHC and $44 million for certain intra-city payments. The HHC plan projects total expenditures of $3.136 billion in the 1993 fiscal year, increasing to $3.368 billion in the 1997 fiscal year. The

plan projects no gaps between revenues and expenditures in the 1993 through 1997 fiscal years. These projections assume: (i) a one time payment for wages of $28 million in fiscal year 1993, an increase in wages of 2.0% in fiscal year 1994, and no increases in the 1995 through 1997 fiscal years; (ii) a 1.6% increase in each of the 1993 through 1997 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 4.2% in fiscal year 1993, 4.5% in fiscal year 1994, 4.7% in fiscal year 1995, 4.7% in fiscal year 1996 and 4.7% in fiscal year 1997 in other than personal service costs (excluding fuel and per diem nursing costs); and (v) a weighted Medicaid in-patient rate increase of 3.2%, 3.6%, 2.9%, 2.9% and 2.9% in fiscal years 1993 through 1997, respectively.

Other

The projections set forth in the 1993 Modification and the 1994-1997 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

In early May, 1993, the City will submit to the Control Board a financial plan for the Transit Authority covering its 1993 through 1997 fiscal years (the "Transit Authority Financial Plan"). The TA's fiscal year is the calendar year. The Transit Authority Financial Plan projects for its 1993 fiscal year, among other things, a cash-basis surplus of $1.7 million and operating expenses of approximately $3.6 billion. City assistance to the TA is $632.6 million for the TA's 1993 fiscal year. This plan includes an increase in the City's contribution over the previous plan of $91 million in 1993 and $65 million per year in the out-years in order to maintain the fare at $1.25 until 1995.

The MTA revised the TA's 1993 budget in April, 1993 to reflect the State's 1994 fiscal year budget. The revised budget includes the additional City funds, a portion of the Petroleum Business Tax revenues in the amount of $73.2 million, the restoration through November, 1995 of the Corporate Tax Surcharge and other MTA actions that will close the TA's deficit in 1993.

On November 9, 1992, the TA forwarded to the MTA its 1993 fiscal year operating budget proposal which projected a budget gap of $265.9 million. This proposal included the assumption of the City's paratransit program, Access-a-Ride, on July 1, 1993 at an expected net cost of $5.1 million. The budget adopted by the MTA Board on December 18, 1992 incorporated a 20% increase in Triborough Bridge and Tunnel Authority (the "TBTA") tolls (a 50¢ increase on major bridges and tunnels and 25¢ on others) effective January 31, 1993 which is expected to raise $43.7 million. Combined with modifications to cash flow adjustments, the deficit was reduced to $229.1 million.

The Transit Authority Financial Plan forecasts cash-basis gaps of $29.8 million, $471.9 million, $613.4 million and $764.2 million in its 1994 through 1997 fiscal years, respectively, before implementation of gap-closing actions. These gaps are not required to be funded in the City's own financial plans. The gaps projected for its 1994 to 1997 fiscal years in the Transit Authority Financial Plan occur, in part, because expenditures are expected to increase by 23.5 percent between fiscal years 1993 and 1997 while revenues are expected to increase by 2.6 percent during the same period. The plan assumes that the gaps beyond 1993 will be closed in part through restoration by the end of 1995 of certain State taxes (which were restored only through November, 1995 by the State legislature) which will be available to the MTA, 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 to the MTA Capital Program Review Board (the "CPRB") for 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 submitted revised 1992-1996 Capital Program proposals, which identified $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. The State required the MTA to submit to the CPRB by October 1, 1992 a revised 1992-1996 Capital Program, and the MTA complied. This third submission reduced the overall program to $9.6 billion, for which $3.7 billion in funding sources was not identified. The submission was disapproved "without prejudice" on December 30, 1992, again due to the funding shortfalls. In the State's 1994 fiscal year budget, the State expressed its support for a $9.56 billion funding schedule, including approximately $7.4 billion in projects for the TA, with the additional resources to be provided by additional Federal, State and City capital funds, MTA bonds and other MTA resources. The MTA subsequently resubmitted its Capital Program with the necessary modifications to the CPRB for approval, which is still pending. The State has assumed a City capital contribution $500 million greater than the amount funded in the City's Ten-Year Capital Strategy. Unless the MTA identifies additional resources, parts of the Capital Program may be deferred or reduced.

Board of Education

The Stavisky-Goodman Act requires the City to allocate to BOE an amount of funds from the total budget either 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. In 1994, 25.6% of the City's total budget is allocated to BOE, exceeding the three-year average.

The 1993 Modification 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 MODIFICATION AND 1994-1997 FINANCIAL PLAN—Certain Reports".

The 1993 Modification and the 1994-1997 Financial Plan assume continuing increases in student enrollment over the 1994 enrollment estimate of 1,020,289.

Judgments and Claims

In the fiscal year ended on June 30, 1992, the City expended $231 million for judgments and claims. The 1993 Modification and the 1994-1997 Financial Plan include provisions for judgments and claims of $219 million, $222 million, $228 million, $238 million and $247 million for the 1993 through 1997 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 Modification and the 1994-1997 Financial Plan for estimated refunds for overpayments of real estate taxes in the amount of an average of $131.8 million in each of the 1993 through 1997 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 1994-1997 Financial Plan includes $100 million in each of fiscal years 1994 through 1997 to cover the estimated cost of sludge disposal. The Ten-Year Capital Strategy includes $1.0 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 Modification and the 1994-1997 Financial Plan.

3. DEBT SERVICE

Debt service estimates for the 1993 through 1997 fiscal years include estimates of debt service costs on outstanding City bonds and notes and future debt issuances based on current and projected future market conditions.

4. MAC DEBT SERVICE FUNDING

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

MAC refunded certain of its outstanding indebtedness in February 1992 and 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 MAC's 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 Modification and the 1994-1997 Financial Plan include a reserve of $40 million in fiscal year 1993 and $150 million in each of the 1994 through 1997 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, OSDC and the City Comptroller will issue reports in the near future reviewing the 1993 Modification and the 1994-1997 Financial Plan.

The City Comptroller issued a report on the state of the City's economy on December 15, 1992. The report projected that the City's economy would slowly follow the national economy out of recession. The report noted that, from the peak employment level in April 1989 through September 1992, the City lost more

than 350,000 jobs. The report stated that job loss, while continuing, had decelerated and that the productivity of persons employed in the City had risen rapidly in 1992. The report also noted that Gross City Product had stopped declining in 1992. The report projected that job losses would continue to occur in the City in 1993, but that Gross City Product would rise. The report noted that increased productivity and Gross City Product had led to raises for those persons with jobs, but that new jobs were not being created for the unemployed. The City Comptroller warned that this phenomenon was increasing the disparity between the employed and the unemployed and that the City needed to stimulate job growth to allow the unemployed to become productive members of the economy.

In her previous economic reports, the City Comptroller had stated that the recession in the City's economy began earlier and was more devastating than the national recession. The reports 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 was an acceleration of the loss of businesses and jobs from the City.

The reports 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 were expected to have a devastating effect on the City's local service industries. The combined effect was 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 caused increased demand for social services provided by the City.

The Comptroller also 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's Office issued a report on September 30, 1992 detailing the causes of, and the effects on the City's economy from, the relocation of corporate headquarters away 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 March 16, 1993 that suggested that the City might end fiscal year 1993 with a surplus. The City Comptroller said it was essential to maximize such savings to offset the serious risks to the budget in fiscal year 1994. The report did express concern, however, over the greater number of failed initiatives in the program to eliminate the gap in fiscal year 1993 compared to fiscal year 1992.

In her March report, the City Comptroller projected potential budget gaps in fiscal years 1994 through 1996 of approximately $950 million, $2.0 billion and $2.4 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 $94 million and $68 million in fiscal years 1994 and 1996, respectively, pursuant to the Stavisky-Goodman Act. The report also identified additional risks of approximately $137 million, $404 million and $427 million in fiscal years 1994 through 1996, respectively, if the personal income tax surcharge is not renewed and of approximately $91 million in each of fiscal years 1994 through 1996 from proposals to avoid a transit fare increase.

The City Comptroller's estimates of budget gaps are based on projections of higher expenditures for overtime and judgments and claims than are forecast in the February Financial Plan, risks that certain taxes, State aid and other actions assumed in the February Financial Plan may not receive necessary approvals from the State Legislature, various questions about the sale of property tax receivables and doubts about the receipt of Federal countercyclical aid in fiscal year 1994.

The City Comptroller is expected to issue a report on the Financial Plan in the near future. The report is expected to include many of the same concerns raised in the City Comptroller's March report. The report is expected to note substantial areas of uncertainty in the Mayor's Executive Budget for fiscal year 1994 that may require additional actions.

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 April 23, 1993 OSDC issued a status report on the February Financial Plan which focused on certain issues concerning BOE in the 1993 and 1994 fiscal years. The report cited additional education-related spending needs for fiscal year 1993 totaling $60 million but identified the potential for some offsetting resources. The report expressed concern that only a small portion of the fiscal year 1994 gap-closing measures relating to BOE were likely to be achieved, primarily because many of the measures require the approval of the State Legislature or the UFT. The report also noted that BOE's budget request for fiscal year 1994 seeks funds which are substantially greater than those contained in the February Financial Plan. The report also noted that the 1994 State budget failed to meet all of the City's expectations and thus could necessitate the City's imposing further cost reductions on BOE.

On April 27, 1993 OSDC issued a report analyzing the City's economy. The report stated that the City's economy is emerging from a severe four-year recession, with salaries and wages rising, business earnings stronger and the end of the huge jobs losses experienced in 1991 and 1992. The report, however, cautioned that a sustained economic recovery has not taken hold and that the City's economy remains far from healthy, with high unemployment, a lack of substantial and widespread job creation, an increasing number of persons receiving public assistance, a troubled real estate market and declining retail sales. The report also expressed concern over the apparent bifurcation in the City's economy between one successful and growing segment, represented by well-educated employees in the financial, legal, securities and consulting industries, and another represented by many of the service industries, which produce relatively low paying jobs, and the manufacturing and trade industries which continue to decline. The report also took note of a large population group living in poverty who are outside both these segments and whose integration into the economic mainstream presents a formidable challenge.

On March 25, 1993, the staff of the Control Board issued a report on the February Financial Plan. The staff concluded that, while the City will balance its budget for the 1993 fiscal year, the February Financial Plan does not make progress towards establishing a structural balance with a revenue base sufficient to sustain a stable level of services. The staff identified risks of approximately $1.0 billion, $1.9 billion,

$2.3 billion and $2.6 billion in each of the 1994 through 1997 fiscal years, respectively, after taking into account what the staff considered to be the achievable elements of the City's gap-closing program. Identified in the report as the sources of these major risks are actions that require State and/or federal approval, unspecified City gap-closing actions, risks associated with the City's revenue and expenditure estimates, including lower than planned revenues from the City lottery and higher than planned overtime costs, proposed BOE expenditure reductions and the proposed sale of certain property tax receivables. In addition, the report explored issues relating to the growth of the City's substantial debt service burden and personal services budget, and noted that the City's property tax forecast may need further reduction.

On March 9, 1993 OSDC issued a report on the February Financial Plan. The report found that the City should achieve a balanced budget in the 1993 fiscal year but projected budget gaps that were higher than projected in the February Financial Plan by $102 million, $196 million and $354 million in fiscal years 1994, 1995 and 1996, respectively. These larger gaps result primarily from higher costs than assumed in the February Financial Plan, including the approximately $400 million cost, not reflected in the February Financial Plan, of providing City employees with annual wage increases of 1.5 percent for part of the 1995 fiscal year and all of the 1996 fiscal year. In addition, in its evaluation of the February Financial Plan's gap-closing program, the report identified initiatives valued at $244 million, $350 million and $350 million in fiscal years 1994, 1995 and 1996, respectively, relating to increased State aid and proposed tax increases requiring State legislative approval that are unlikely to be achieved. The report also identified initiatives valued at approximately $1.1 billion, $900 million and $900 million in fiscal years 1994, 1995 and 1996, respectively, that either rely on proposed actions by the State or Federal government or entail other risks that make their achievement uncertain. The report noted that additional City gap-closing actions valued at $720 million in fiscal year 1995 and $1,114 million in fiscal year 1996 were largely unspecified. The report also noted that the February Financial Plan includes increases in unspecified State and Federal aid of $500 million and $700 million in fiscal years 1995 and 1996 respectively, and that the receipt of such aid is highly uncertain.

The OSDC report expressed concern that the budget gaps projected for fiscal years 1994 through 1996 are the largest the City has faced at this point in the financial planning cycle in at least a decade, and concluded that the February Financial Plan represented a step backward in the City's efforts to bring recurring revenues into line with recurring expenditures.

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, during recessionary periods when operating revenues have come under increasing pressure, funding levels for the earlier years of the City's capital program have been reduced from those previously forecast in order to reduce debt service costs. 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 $3.2 billion in 1993. City-funded expenditures, which more than tripled between fiscal years 1980 and 1985, are forecast at $3.6 billion in the 1993 fiscal year; total expenditures are forecast at $3.9 billion in 1993. For additional information concerning the City's capital expenditures and the Ten-Year Capital Strategy covering fiscal years 1994 through 2003, 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 1997 fiscal years. See "SECTION V: CITY SERVICES AND EXPENDITURES—Capital Expenditures".

1993-1997 CAPITAL COMMITMENT PLAN

	1993		1994		1995		1996		1997	
	City Funds	All Funds	City Funds	All Funds	City Funds	All Funds	City Funds	All Funds	City Funds	All Funds
					(In Millions)					
Mass Transit(1)	$ 227	$ 227	$ 222	$ 222	$ 547	$ 547	$ 107	$ 107	$ 106	$ 106
Roadway, Bridges	281	483	440	539	519	736	616	806	373	423
Environmental Protection(2)	723	739	849	925	1,440	1,513	1,452	1,489	1,333	1,366
Education	909	922	1,065	1,065	713	713	743	743	670	670
Housing	292	414	371	520	325	511	281	404	277	406
Hospitals	298	299	351	351	303	303	311	311	377	377
Sanitation	241	247	267	286	204	228	122	572	321	321
City Operations/Facilities	866	977	1,138	1,200	1,382	1,489	543	571	945	969
Economic and Port Development	142	146	185	187	171	171	57	91	17	39
Reserve For Unattained Commitments	(747)	(747)	(495)	(495)	(772)	(772)	111	111	(116)	(116)
Total Commitments(3)(5)	$3,232	$3,706	$4,393	$4,801	$4,832	$5,438	$4,341	$5,205	$4,304	$4,561
Total Expenditures(4)(5)	$3,632	$3,912	$4,008	$4,495	$3,903	$4,373	$4,345	$4,925	$4,504	$5,102

(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 $958 million of commitments for court facilities during the 1993 through 1997 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 which is based on the 1993 Modification and the 1994-1997 Financial Plan 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 1997 fiscal years.

1993-1997 FINANCING PROGRAM

	1993	1994	1995	1996	1997	Total
			(In Millions)			
SOURCES OF FUNDS:						
City General Obligation Bonds(1)	$5,302	$2,731	$3,150	$3,325	$3,258	$17,766
Water Authority Revenue Bonds(2)	1,566	674	796	1,159	1,355	5,550
HHC Financing(3)	16	97	124	137	156	530
Other Sources(4)	546	681	19	(61)	(24)	1,161
Total	$7,430	$4,183	$4,089	$4,560	$4,745	$25,007
USES OF FUNDS:						
City Capital Improvements	$3,632	$4,008	$3,903	$4,345	$4,504	$20,392
City Refunding	2,528	34	21	—	—	2,583
Water Authority Refunding	1,041	0	0	0	0	1,041
Reserve Funds and Other(5)	229	141	165	215	241	991
Total	$7,430	$4,183	$4,089	$4,560	$4,745	$25,007

(1) The City has issued $3.549 billion in general obligation bonds to date in fiscal year 1993.

(2) The New York City Municipal Water Finance Authority (the "Water Authority") has issued $1.266 billion in water and sewer revenue bonds to date in fiscal year 1993.

(3) 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 expects to incur indebtedness in the approximate amount of $550 million in June 1993 which is not reflected in the amounts set forth above. Such a financing by HHC would reduce further the amount of General Obligation Bonds projected to be issued by the City.

(4) Other Sources includes changes in restricted cash balances and MAC programs in the 1993 through 1997 fiscal years.

(5) Reserve Funds and Other comprises amounts necessary to fund certain reserves in connection with the issuance of Water Authority revenue bonds, amounts to provide for certain costs of issuance of securities and allocations for original issue discounts in connection with the issuance of City bonds. The amounts allocated for original issue discounts are 2% of the capital cash needs in the 1994 through 1997 fiscal years.

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.

The City is subject to statutory and regulatory standards relating to the quality of its drinking water. State and Federal regulations require the City water supply to meet certain standards to avoid filtration. The City's water supply now meets all technical standards and the City's current efforts are directed toward protection of the watershed area. 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 billion and $5 billion. The U.S. Environmental Protection Agency has granted interim approval to the City filtration's avoidance plan and intends to issue a final decision before the end of 1993.

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 Ten-Year Capital Strategy covering fiscal years 1994 through 2003 projects City-funded water and sewer investment at approximately $9.4 billion of the $47.8 billion City-funded portion of the plan. The City retains the legal authorization to fund any portion of the $10.0 billion strategy with the proceeds of sales of its general obligation bonds.

Implementation of the capital plan is dependent upon the City's ability to market its securities successfully in the public credit markets. The terms and the success of projected public sales of City general obligation bonds and Water Authority revenue bonds will be subject to prevailing market conditions at the times of sale. No assurance can be given that the credit markets will absorb the projected amounts of public bond sales. As a significant portion of bond financing is used to reimburse the City's General Fund for capital expenditures already incurred, if the City is unable to sell such amounts of bonds it would have an adverse effect on the City's cash position. In addition, the need of the City to fund future debt service costs from current operations may also limit the City's capital program. The Ten-Year Capital Strategy for fiscal years 1994 through 2003 totals $51.6 billion, of which approximately 93% is to be financed with City funds. 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 May 1993, 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 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 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 Ten-Year Capital Strategy fund approximately 85% of the total $4.76 billion investment recommended in the report, although the report concludes that the capital investment in the Four-Year Capital Program for the specifically identified inventoried assets funds 50% of the recommended investment. In addition, the report sets forth operating maintenance recommendations for the inventoried assets totalling $174 million, $111 million, $118 million and $118 million for the 1994 through 1997 fiscal years, respectively. OMB has estimated that approximately 40% of such maintenance activities for fiscal year 1994 are included in the 1994-1997 Financial Plan.

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 MODIFICATION AND 1994-1997 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 March 31, 1993.

(In Thousands)

Gross City Long-Term Indebtedness (1)	$20,451,645	
Less: Assets Held for Debt Service(2)	1,281,120	
Net City Long-Term Indebtedness		$19,170,525
Gross MAC Long-Term Indebtedness(3)	5,463,265	
Less: Assets Held for Debt Service(3)	800,909	
Net MAC Long-Term Indebtedness		4,662,356
PBC Indebtedness(4)		
Bonds Payable	575,346	
Capital Lease Obligations	388,556	
Gross PBC Indebtedness(5)	963,902	
Less: Assets Held for Debt Service	190,808	
Net PBC Indebtedness		773,094
Combined Net City, MAC and PBC Indebtedness		$24,605,975

(1) Amount reflects the issuance of $757,825,000 principal amount of Fiscal 1993 Series D Bonds on April 1, 1993 and the refunding of the bonds refunded thereby.

(2) With respect to City long-term indebtedness, "Assets Held for Debt Service" consists of sinking fund assets, General Debt Service Fund assets, and $1,278.9 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 $263.9 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 March 31, 1993, except for short-term debt information, which is as of May 20, 1993.

	City(1)		MAC(2)		Component Unit and City Guaranteed Debt(3)	Total
	Long-Term Net Debt(3)	Short-Term Debt(4)	Long-Term Net 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
March 31, 1993	19,171	700	4,662	—	773	25,306

(1) Amounts do not include debt of the City held by MAC. See "Outstanding Indebtedness—note 1". Amount reflects the issuance of $757,825,000 principal amount of Fiscal 1993 Series D Bonds on April 1, 1993 and the refunding of the bonds refunded thereby.

(2) 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 $5,463 million as of March 31, 1993.

(3) 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". 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 includes $700 million of revenue anticipation notes issued on July 2, 1992, which mature on June 30, 1993.

(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 March 31, 1993, 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	27.20%
10 years	49.66
15 years	68.41
20 years	83.16
25 years	94.56
30 years	99.93

City, MAC and City-guaranteed PBC Debt Service Requirements

The following table summarizes future debt service requirements, as of March 31, 1993, on City and MAC term and serial bonds outstanding and City-guaranteed debt of and capital lease obligations to certain PBCs.

Fiscal Years	City Long-Term Debt: Principal Serial Bonds(1)	City Long-Term Debt: Interest(1)	Component Unit and City Guaranteed Debt(2)	MAC Funding Requirements	Total
			(In Thousands)		
1993	$ 113,865	$ 157,431	$ 19,728	$ 744,847	$ 1,035,871
1994	904,616	1,243,477	94,050	599,001	2,841,144
1995	1,002,561	1,198,110	94,021	525,423	2,820,115
1996	1,030,695	1,132,238	97,025	514,187	2,774,145
1997	1,063,266	1,066,305	99,402	577,010	2,805,983
1998	962,051	996,164	99,369	588,707	2,646,291
1999	914,171	931,365	99,708	607,226	2,552,470
2000	835,750	873,474	99,692	542,653	2,351,569
2001 through 2147	12,345,755	7,619,241	1,081,033	4,345,064	25,391,093
Total	$19,172,730	$15,217,805	$1,784,028	$9,044,118	$45,218,681

(1) Amount reflects the issuance of $757,825,000 principal amount of Fiscal 1993 Series D Bonds on April 1, 1993 and the refunding of the bonds refunded thereby. Excludes debt service payments on $1,278.9 million principal amount of serial bonds held by MAC.

(2) 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". For more information concerning Enterprise Funds PBCs, see "APPENDIX B—FINANCIAL STATEMENTS—Notes to Financial Statements—Notes I, J, K, L and M".

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

Certain Debt Ratios

The following table sets forth information, as of December 31, for each of the fiscal years 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.

Fiscal Year	Debt Per Capita	Debt as % of Total Taxable Real Property By: Assessed Valuation	Debt as % of Total Taxable Real Property By: 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 May 20, 1993, the maximum amount of additional short-term debt which the City could issue was approximately $4.490 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 TANs, RANs or Budget 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 March 31, 1993.

GENERAL DEBT LIMIT		
Total Debt-Incurring Power		$47,780,161,223
Gross Debt—Funded	$20,300,758,105	
Less: Excluded Debt	1,285,948,130	
	19,014,809,975	
Less: Assets of Sinking Funds and General Debt Service Fund and Balance of Appropriations for Redemption of Debt	150,294,262	
Net Debt	18,864,515,713	
Add: Net Contracts and Other Liabilities	4,409,322,456	23,273,838,169
Remaining Debt-Incurring Power Within Limit		$24,506,323,054
TWO PERCENT DEBT LIMIT		
Total Debt-Incurring Power		$ 1,476,618,556
Charges:		
Housing Authority Indebtedness	$ 1,004,000	
Limited Profit Housing Program	16,482,104	
Housing and Industrial Urban Renewal Programs	133,427,484	150,913,588
Remaining Debt-Incurring Power Within Limit		$ 1,325,704,968

The aggregate amount of the City's planned debt issues required to fund the Ten-Year Capital Strategy approaches the general debt limit estimated for the late 1990's. This estimate is strongly affected by projected real property values in the City.

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 March 31, 1993, when the debt-incurring capacity under the general debt limit was $24.506 billion, the unencumbered margin was $14.7 billion. The unencumbered margin represents the amount available to the City for additional appropriations for capital expenditures that can be made by the City without exceeding the general debt limit. The unencumbered margin analysis has no impact on the City's legal debt-incurring capacity.

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 may provide for the municipality to issue 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 are paid, subject to appropriation, directly by 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. 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. 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 March 31, 1993, MAC had outstanding an aggregate of approximately $5.463 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".

As of March 31, 1993, 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 March 31, 1993. 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 March 31, 1993.

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. In July 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 1997, the amounts that the City will receive for operating purposes under the agreements as amended are $175 million, $185 million, $515 million, $75 million and $75 million, respectively.

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 March 31, 1993, approximately $128.3 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 March 31, 1993, the City had guaranteed $38.7 million principal amount of HA bonds. The Federal government has agreed to pay debt service on $47.0 million principal amount of additional HA indebtedness guaranteed by the City. The City has also guaranteed the repayment of $245.8 million principal amount of HA indebtedness to the State, of which the Federal government has agreed to pay debt service on $122.8 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 March 31, 1993, $322.1 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 March 31, 1993, $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 March 31,

1993, approximately $90.9 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 March 31, 1993, $66.4 million principal amount of UDC bonds subject to executed or proposed lease arrangements was outstanding. This amount differs from the amount calculated by UDC ($78.0 million) because UDC has included certain interest costs relating to Public School 50 and Intermediate School 229 in Manhattan in its calculation. The City leases schools and certain other facilities from UDC.

New York City Housing Development Corporation

As of March 31, 1993, $263.9 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, $30.2 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 $233.7 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 $22.8 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 March 31, 1993, HDC's combined capital reserve funds amounted to approximately $31.3 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 1997, these expenditures are expected to approximate $1.5 billion, $1.5 billion, $1.6 billion and $1.5 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 Modification and the 1994-1997 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 MODIFICATION AND 1994-1997 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. 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 year 1993, the application of the lower ratio could result in a refund of approximately $140 million for that fiscal year.

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 and, if so, whether the law was being implemented properly. The Court remanded the case to the trial court. 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.

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. 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.

7. In an action brought by the New York City Coalition to End Lead Poisoning and other plaintiffs, against the City and other defendants, the Supreme Court, New York County, on August 2, 1990 ordered the City to promulgate regulations consistent with local law governing the removal of lead-based paint in residential buildings. On February 28, 1991, the Appellate Division, First Department affirmed the order and on May 30, 1991, the Appellate Division, First Department, denied the City's motion for leave to appeal to the Court of Appeals. On March 26, 1993, plaintiffs moved for partial summary judgement and a permanent injunction directing the City to adopt written procedures to ensure adequate enforcement of local law. On May 4, 1993 the Supreme Court issued a decision holding the City in contempt for failing to comply with its 1990 order and fined the City approximately $14,000. 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.

8. 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 New York Court of Appeals has ruled that the City must, *inter alia*, assist in locating adequate and appropriate housing when such patients are discharged from in-patient care. It is unclear at present what costs the City may incur as a result of this ruling. Adverse determinations in the other actions could also result in substantial costs to the City.

9. 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.

10. 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.

11. On December 1, 1992, certain New York City Transit Police retirees filed an action in State Supreme Court, Queens County (later transferred to New York County) challenging legislation that provides, among other things, for the payment of variable supplemental pension benefits only to retired transit police officers who did not retire by reason of a disability or who retired after July 1, 1987 (the "Transit Police Variable Supplement Legislation"). Plaintiffs allege that the Transit Police Variable Supplement Legislation violates the United States and New York Constitutions as well as Federal and State statutes and seek either to have the legislation declared void or to obtain benefits equivalent to those to which the statutory beneficiaries are entitled. On December 15, 1992 the Court granted a temporary restraining order enjoining the payment of variable supplemental pension benefits to statutory beneficiaries pending a hearing. On April 23, 1993, plaintiffs filed a second lawsuit in State Supreme Court, Queens County, against the City, the Transit Authority and the unions representing certain City employees alleging a breach of duty of fair representation and other violations of law in the enactment of the Transit Police Variable Supplement Legislation and seeking damages of $600 million of which $300 million are sought from the City.

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 Tax-Exempt Bonds will not be includable in the gross income of the owners of the Tax-Exempt Bonds for purposes of Federal income taxation under existing law. Interest on the Tax-Exempt Bonds will be includable in the gross income of the owners thereof retroactive to the date of issue of the Tax-Exempt Bonds (a) in the event of a failure by the City or any of the Organizations to comply with applicable requirements of the Code, and covenants regarding use, expenditure and investment of bond proceeds and the timely payment of certain investment earnings to the United States Treasury, or (b) with respect to each Organization, in the event that the $150,000,000 limitation imposed by the Code on outstanding tax-exempt nonhospital bonds is exceeded within three years of the later of the date such Organization's Project is placed in service and the date of issue of the Bonds; and no opinion is rendered by either firm as to the exclusion from gross income of the interest on the Tax-Exempt 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. The Organizations will covenant, among other things, not to take any action that would cause interest on the Tax-Exempt Bonds to be includable in the gross income of the owners thereof. In rendering their opinions, Bond Counsel will rely upon the representations made by the Organizations with respect to material facts within the knowledge of the Organizations and upon the accompanying opinions of their counsel and will make no independent investigation thereof (see "SECTION II: THE BONDS—Use of Proceeds.")

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

Interest on the Tax-Exempt 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 Tax-Exempt 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 Tax-Exempt 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 Tax-Exempt Bonds should consult their tax advisors as to applicability of any such collateral consequences.

The initial public offering price of the Series E Fixed Rate Tax-Exempt Current Interest Bonds due in years 2004-2006, 2008-2016 and 2019-2021, the Series F Fixed Rate Tax-Exempt Current Interest Bonds due in the years 2013-2023, the Fixed Rate Tax-Exempt Convertible Capital Appreciation Bonds and the Fixed Rate Tax-Exempt Capital Appreciation Bonds (collectively the "Tax-Exempt 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 Tax-Exempt OID Bonds is sold and the amount payable at maturity constitutes (and, in the case of the Fixed Rate Tax-Exempt Convertible Capital Appreciation Bonds, the interest payable semi-annually) original issue discount, which will be excludable from gross income to the same extent as interest on the Tax-Exempt Bonds for Federal, New York State and New York City income tax purposes. The Code provides that the amount of original issuance discount 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 Tax-Exempt OID Bonds will be increased by such amount. A portion of the original issue discount that accrues in each year to an owner of a Tax-Exempt 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 Tax-Exempt 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 Tax-Exempt OID Bond has not received cash attributable to such original issue discount in such year.

A subsequent purchaser of a Tax-Exempt OID Bond who purchases the Tax-Exempt 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 a Tax-Exempt 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 a Tax-Exempt 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 Tax-Exempt OID Bond as capital gain.

Owners of Tax-Exempt 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 Tax-Exempt OID Bonds, other tax consequences of owning Tax-Exempt OID Bonds and the other state and local tax consequences of holding such Tax-Exempt OID 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 Tax-Exempt Bonds will not have an adverse effect on the tax-exempt status or market price of the Tax-Exempt Bonds.

Taxable Bonds

The following discussion addresses certain Federal income tax consequences to United States holders of the Taxable Bonds. It does not discuss all the tax consequences that may be relevant to particular holders. Each holder should consult his own tax adviser with respect to his particular circumstances.

Interest on the Taxable Bonds will be includable in the gross income of the owners thereof for purposes of Federal income taxation. Interest on the Taxable Bonds will be exempt from personal income taxes imposed by the State or any political subdivision thereof, including the City.

The initial public offering price of the Series F Fixed Rate Taxable Current Interest Bonds due in the years 2011 and 2012 and the Fixed Rate Taxable Capital Appreciation Bonds (the "Taxable 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 Taxable OID Bonds is sold and the amount payable at maturity constitutes original issue discount which must be included in gross income for Federal income tax purposes as it accrues in accordance with a constant interest method based on the compounding of interest in advance of receipt of the cash attributable to such income. The Code provides that the amount which accrues in accordance with a constant interest method based on the compounding of interest shall be added to a holder's adjusted basis for purposes of determining a holder's gain or loss on disposition. Original issue discount, however, will be considered to be zero if it equals less than 0.25% of the Taxable Bond's stated redemption price at maturity multiplied by the number of full years to maturity.

A subsequent purchaser of a Taxable OID Bond who purchases the Taxable OID Bond at a cost less than the remaining stated redemption price at maturity will also be required to include in gross income the sum of the daily portions of the original issue discount on the Taxable OID Bond. If a subsequent purchaser purchases a Taxable OID Bond at a price which exceeds the sum of the issue price and the original issue discount accrued prior to acquisition (i.e., at a premium), the amount includable in income in each taxable year as original issue discount will be reduced by that portion of the premium properly allocable to such year. A subsequent purchaser who purchases a Taxable OID Bond at a market discount will be required to treat any gain on subsequent disposition of the Taxable OID Bond as ordinary income to the extent of any accrued market discount on such Taxable OID Bond. A holder may, however, elect to include market discount in income over the period remaining to maturity. For these purposes, market discount generally will be the difference between the Taxable OID Bond's adjusted issue price (original issue price increased by the required accruals of original issue discount) and the price at which such holder purchased the Taxable OID Bond.

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

Ratings

Moody's has rated the Fixed Rate Bonds Baa1. Standard & Poor's has rated the Fixed Rate Bonds A−. The City expects that ratings on the Adjustable Rate Bonds will be received prior to May 27, 1993. The Taxable Adjustable Rate Bonds are expected to be rated Aaa/VMIG1 and AAA/A-1+ by Moody's and Standard & Poor's, respectively, based upon the understanding that, upon delivery of such Taxable Adjustable Rate Bonds, such Taxable Adjustable Rate Bonds will be entitled to the benefits of the Financial Guarantee Policy and the Liquidity Facility. The Tax-Exempt Adjustable Rate Bonds, Subseries E-2 and Subseries E-3 are expected to be rated A1/VMIG1 and Aa3/VMIG1, respectively, by Moody's and A+/A-1 and AA−/A-1+, respectively, by Standard & Poor's , based upon the understanding that, with respect to such ratings for a Subseries, upon delivery of such Tax-Exempt Adjustable Rate Bonds of a Subseries, such Tax-Exempt Adjustable Rate Bonds of a Subseries will be entitled to the benefits of the applicable Credit Facility. Bonds insured to maturity by Financial Guaranty are rated AAA by Standard & Poor's, Aaa by Moody's and AAA by Fitch Investors Service, Inc. ("Fitch"). Such ratings reflect only the views of Moody's, Standard & Poor's and Fitch, 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 Fixed Rate Bonds and the Tax-Exempt Adjustable Rate Bonds are being purchased for reoffering by the Underwriters, for whom Bear, Stearns & Co. Inc.; The First Boston Corporation; Goldman, Sachs & Co.; Merrill Lynch, Pierce, Fenner & Smith Incorporated; J.P. Morgan Securities Inc.; Prudential Securities Incorporated and Shearson Lehman Brothers Inc. are acting as lead Managers. The Fixed Rate Tax-Exempt Capital Appreciation Bonds, the Fixed Rate Tax-Exempt Convertible Capital Appreciation Bonds and the Fixed Rate Taxable Capital Appreciation Bonds are being reoffered as the NYC BONDS by a subgroup of the Underwriters led by Prudential Securities Incorporated and including Samuel A. Ramirez & Co., Inc., Bear, Stearns & Co. Inc., Chemical Securities, Inc., Glickenhaus & Co., Lebenthal & Co., Inc., Lehman Brothers, PaineWebber Incorporated, Roosevelt & Cross, Inc., Muriel Siebert & Co., Inc., and Dean Witter Reynolds Inc. The Taxable Adjustable Rate Bonds are being purchased for reoffering by Kidder, Peabody & Co. Incorporated. The LIBOR Bonds are being purchased at par by a not-for-profit corporation organized by the City and secure an issue of that corporation's bonds to be offered in Japan.

The Bonds (other than the Taxable LIBOR Bonds) are being purchased at an aggregate purchase price of $693,185,947.05 less the amount to be paid for part of the cost of the Credit Facilities and the Liquidity Facility and for insurance which the Underwriters will purchase. The aggregate initial public offering price is $699,218,013.05. 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 J hereto for the matters covered by such opinions and the scope of Bond Counsel's engagement in relation to the issuance of the Bonds. Such firms are also acting as counsel for and against the City in certain other unrelated matters.

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

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

Certain legal matters will be passed upon by Rogers & Wells, New York, New York, and Wood, Williams, Rafalsky & Harris, New York, New York, Counsel for the Underwriters. Such firms are also acting as counsel for and against the City in certain other unrelated matters.

Financial Advisor

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

Further Information

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

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

THE CITY OF NEW YORK

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

By /s/ 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)	7,234,514	91.6	1,179,413	2,288,807	1,457,879	1,943,568	364,847
1985(2)	7,274,054	92.1	1,187,894	2,304,368	1,464,286	1,949,579	367,927
1986(2)	7,319,246	92.7	1,198,837	2,320,507	1,475,202	1,953,616	371,084
1987(2)	7,342,476	93.0	1,210,712	2,324,361	1,481,531	1,952,640	373,232
1988(2)	7,353,719	93.1	1,215,834	2,326,439	1,484,183	1,951,557	375,706
1989(1)	7,344,175	93.0	1,213,675	2,316,966	1,486,046	1,950,425	377,063
1990(1)	7,322,564	92.7	1,203,789	2,300,664	1,487,536	1,951,598	378,977
1991(1)	7,320,510	92.7	1,197,523	2,292,394	1,494,082	1,951,928	384,583

(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)

	1960		1970		1980		1990	
Age		% of Total		% of Total		% of Total		% 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. From 1987 to 1990 the rate of economic growth in the City slowed substantially as a result of the 1987 stock market crash and the beginning of the national recession. 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 191,000 jobs, or 5.3 percent, and the nation experienced job losses totalling 1.5 million, or 1.3 percent. In 1992, job losses moderated in the City, with employment in the City decreasing by 90,000 jobs, or 2.7 percent, and employment in the U.S. increased by 0.1 percent. As of March 1993, employment in the U.S. had increased by 1.0 million jobs and employment in the City decreased by 27,000 jobs from March 1992.

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 the 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	1992
Private Sector										
Non-Manufacturing ..	1989	2647.2	2523.7	2575.6	2630.1	2638.8	2647.2	2621.1	2475.2	2408.2
Services	1990	1149.0	1038.5	1076.2	1108.4	1123.1	1147.2	1149.0	1096.9	1091.1
Wholesale and Retail trade ...	1969	749.1	638.1	638.5	637.6	634.3	630.2	608.3	565.3	547.9
Finance, Insurance and Real Estate ...	1987	549.7	507.6	529.3	549.7	542.4	530.5	519.6	494.4	477.2
Transportation and Public Utilities	1969	323.9	232.0	217.3	214.9	218.4	218.1	229.1	218.4	205.4
Contract Construction ..	1962	139.1	106.3	113.7	118.8	120.1	120.8	114.9	99.8	86.2
Mining	1967	2.5	1.2	0.8	0.7	0.5	0.3	0.3	0.3	0.4
Manufacturing.....	1960	946.8	407.7	391.5	379.6	370.1	359.5	337.5	307.8	293.1
Durable	1960	303.6	112.2	106.5	100.0	97.7	94.3	88.0	77.3	72.8
Non-Durable	1960	643.2	295.5	285.0	279.6	272.4	265.2	249.5	230.5	220.2
Government(2)	1990	607.6	556.6	573.5	580.4	596.1	601.5	607.6	592.6	584.0
Total Non-agricultural	1969	3797.7	3488.1	3540.6	3590.0	3605.0	3608.2	3566.2	3375.6	3285.2

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	3389.2	3387.7	3407.6	3395.1	3396.9	3406.5	3340.7	3336.6	3343.0	3358.9	3372.9	3372.4
1992	3260.8	3260.5	3284.9	3293.7	3297.7	3302.6	3278.8	3275.7	3264.9	3283.7	3305.2	3313.7
1993	3224.0	3230.8	3258.2									

(1) For the period 1960 through 1991.

(2) 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%	64.3%	9.6%	9.7%
1983	3,047	2,759	288	53.8	64.4	9.4	9.6
1984	3,081	2,806	275	53.9	64.7	8.9	7.5
1985	3,227	2,965	261	56.1	65.1	8.1	7.2
1986	3,220	2,983	237	55.5	65.6	7.4	7.0
1987	3,244	3,058	186	55.6	65.9	5.7	6.2
1988	N/A	N/A	N/A	N/A	66.2	N/A	5.5
1989(3).....	3,441	3,201	240	58.8	66.8	7.0	5.3
1990	3,339	3,111	228	57.0	66.7	6.8	5.5
1991	3,307	3,023	284	56.4	66.3	8.6	6.8
1992	3,311	2,952	359	56.3	66.6	10.8	7.4

RECENT MONTHLY TRENDS

Year	Unemployment											
	Jan	Feb	Mar	Apr	May	June	July	Aug	Sept	Oct	Nov	Dec
1985	8.2%	9.6%	9.0%	9.1%	8.4%	7.4%	6.9%	7.7%	8.1%	8.4%	7.3%	7.1%
1986	7.3	8.4	7.9	8.7	7.9	7.3	7.9	6.9	6.6	6.9	6.1	6.2
1987	7.4	6.0	5.8	5.2	5.4	6.0	6.0	5.1	4.5	5.8	6.6	5.0
1988(3).....	5.3	4.2	4.6	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
1989(3).....	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	6.5	7.0
1990	7.0	6.5	6.8	5.9	6.9	6.0	7.2	6.2	7.9	7.7	7.4	6.3
1991	7.4	7.3	8.1	8.9	8.9	8.7	8.8	9.3	7.7	8.5	10.2	9.3
1992	10.4	10.9	10.3	9.5	10.5	11.5	12.1	11.1	11.4	11.0	10.5	11.0
1993	13.4	11.3	9.6	9.8								

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

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

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

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

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

Consumer Prices and Wage Rates

The City's economic growth during 1977 to 1987, fueled by the boom in the financial sector, aggravated local inflationary pressures. Since 1983, the local Consumer Price Index increased more than the national average, rising 4.6 percent per year on average through 1989 versus 3.6 percent per year for the nation. This was a reversal of the trend in the 1970s and early 1980s, when local inflation lagged the national rate by a percentage point. In 1988, local prices rose 4.9 percent, or 0.8 percentage points faster than the national rate, and in 1989, local inflation measured 5.6 percent compared to the national 4.8 percent rate. In 1990, prices at the local and national levels experienced a sharp increase over 1989, climbing 6.1 percent and 5.4 percent, respectively. Largely responsible for the surge in prices in 1990 was a steep upturn in energy prices created by an OPEC agreement and the Middle East crisis. In 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 1992, local prices rose at a premium of 0.6 percent over the national rate, with local inflation measuring 3.6 percent compared to the 3.0 percent national rate. In April 1993, there was no difference between the New York area inflation rate and the national rate with local inflation running at a rate of 3.2 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	1992
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	3.6
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	3.1
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	2.9
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	3.3
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	3.6
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	3.0

(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 the 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

	Average Annual % Increase 1982-92		% Increase 1992		% Increase April 1993 over April 1992	
Expenditure Class	U.S.	New York-NE. N.J.	U.S.	New York-NE. N.J.	U.S.	New York-NE. N.J.
All Items	3.8	4.6	3.0	3.6	3.2	3.2
Food and Beverages.....	3.6	4.1	1.4	1.2	1.9	2.1
Housing	3.6	4.8	2.9	3.9	2.9	2.5
Apparel and Upkeep.....	3.0	2.8	2.5	3.2	2.7	3.6
Transportation	2.7	3.2	2.2	2.8	3.4	5.2
Medical Care	7.5	8.1	7.4	7.2	6.0	4.8
Entertainment	4.0	4.4	2.8	4.0	2.3	2.7
Other Goods and Services.....	7.2	7.8	6.8	7.8	6.7	6.1

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					
		Average Annual % Change			Average Annual % Change		New York City as a Percent of		
Year	NYC Total (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	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(3)	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) 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
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
1992	1,007.7	7.3	189.3	710.1	15.9	92.3

(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 eligibility 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	1,027.3	1,053.7
1993	1,047.5	1,053.9	1,068.0									

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 increased slightly by 0.2 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 10.8 percent. By 1989 and 1990, however, the local recession became apparent as retail sales in the City increased only slightly by 0.4% and then declined by 0.8%, respectively, over the previous years' figures. Retail sales decreased in 1991 by 4.4% and by 3.4% in 1992. The February 1993 figures indicate a decrease of 4.3 percent over February 1992. 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

Year	Total Retail Sales (In Billions)		Annual Percent Change					
			Total Retail Sales		Non-Durable(1)		Durable(2)	
	NYC	U.S.	NYC	U.S.	NYC	U.S.	NYC	U.S.
1982	$26.4	$1,067.5	0.7%	2.8%	(2.0)%	2.6%	7.4%	3.2%
1983	29.0	1,167.4	9.8	9.4	5.5	6.2	20.0	16.3
1984	30.9	1,283.8	6.3	10.0	4.5	6.8	10.0	16.2
1985	33.8	1,373.8	9.4	7.0	6.4	5.6	15.3	9.7
1986	39.6	1,449.2	17.3	5.5	9.1	3.7	32.1	8.6
1987	39.7	1,538.6	0.2	6.2	1.7	6.1	(2.1)	6.3
1988	44.0	1,650.0	10.8	7.2	11.6	6.0	9.6	9.3
1989	44.2	1,762.0	0.4	6.8	3.3	7.9	(4.2)	5.0
1990	43.8	1,849.9	(0.8)	5.0	3.7	6.8	(8.7)	1.9
1991	41.9	1,865.8	(4.4)	0.9	0.0	2.8	(13.0)	(2.6)
1992	40.4	1,956.5	(3.4)	4.9	2.9	3.4	(17.6)	7.5

(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 1970s. 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	1993(1)
New York City	109	112	116	121	124	125	126	122	120	121
New York State	114	119	124	129	135	137	137	135	135	136

(1) January 1993.

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

Note: The Business Activity Index comprises eight 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 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 Ten-Year Capital Strategy, for fiscal years 1994-2003 which projects available capital funds over this period of $51.6 billion, of which approximately 93% 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 1980s. 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

INDEX

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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		Total (Memorandum Only)
	General	Capital Projects	Debt Service	Enterprise	Trust and Agency	General Fixed Assets	General Long-term Obligations	
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		Total (Memorandum Only)
	General	Capital Projects	Debt Service	Enterprise	Trust and Agency	General Fixed Assets	General Long-term Obligations	
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		Total (Memorandum Only)
	General	Capital Projects	Debt Service	Enterprise	Trust and Agency	General Fixed Assets	General Long-Term Obligations	
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		Total (Memorandum Only)
	General	Capital Projects	Debt Service	Enterprise	Trust and Agency	General Fixed Assets	General Long-Term Obligations	
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	Total
	General	Capital Projects	Debt Service	Expendable Trust	(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	Total
		(in thousands)	
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 Guaranteed Debt	Total
	Term Bonds	Serial Bonds	Interest on Bonds	MAC Debt Service		
			(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	Total
		(in thousands)	
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			Total pension benefit obligation	Net assets available for benefits	Unfunded (Overfunded) pension benefit obligation
		Accumulated employee contributions including allocated investment income	Employer-financed vested	Employer-financed nonvested			
				(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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TAX-EXEMPT ADJUSTABLE RATE BONDS

The Tax-Exempt Adjustable Rate Bonds are subject to the provisions summarized below. Capitalized terms used in this "APPENDIX C—TAX-EXEMPT ADJUSTABLE RATE BONDS" which are not otherwise defined in the Official Statement are defined in "APPENDIX D—TAX-EXEMPT ADJUSTABLE BONDS—Definitions".

The Tax-Exempt Rate Bonds shall bear interest at a Daily Rate from their dates of issuance as described below in "Interest on Adjustable Rate Bonds". Each maturity of each Subseries of Tax-Exempt Adjustable Rate Bonds is subject to Conversion from a Variable Rate Period to a different Variable Rate Period, to the Money Market Mode or to a Fixed Rate Period, or from the Money Market Mode to a Variable Rate Period or to a Fixed Rate Period. The rate of interest for any Rate Period shall be determined as described below, and each determination of rate or period shall be conclusive and binding upon the Remarketing Agent, the City, the applicable Subseries Bank (each a "Bank"), the Fiscal Agent, the Tender Agent and the Bondholders. Computations of interest shall be based on 365-day or 366-day years for the actual number of days elapsed; except that interest at Semiannual, Term or Fixed Rates shall be computed on the basis of a year of 360 days and twelve 30-day months.

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

Interest on Tax-Exempt Adjustable Rate Bonds

Interest for any Rate Period shall accrue from and including the commencement date of such Rate Period through and including the last day thereof. The interest payment dates for the Tax-Exempt Adjustable Rate Bonds shall be: (a) the first day of each calendar month, in the case of interest payable at Daily or Weekly Rates; (b) the first day of each calendar month, in the case of interest payable at Monthly Rates; (c) the first day of the third calendar month following a Conversion to a Quarterly Rate Period and the first day of each third calendar month thereafter, in the case of interest payable at Quarterly Rates; (d) the first day of the sixth calendar month following a Conversion to a Semiannual Rate Period or Term Rate Period and the first day of each sixth calendar month thereafter, in the case of interest payable at Semiannual or Term Rates; (e) the fifteenth day of each May and November, in the case of interest payable at a Fixed Rate, or in any case not otherwise specified; (f) the first Business Day following an MMMR Period, in the case of interest payable at Money Market Municipal Rates; (g) the date of any redemption or mandatory tender of Tax-Exempt Adjustable Rate Bonds for purchase and (h) the date of maturity ("Interest Payment Dates"). Interest shall be payable on each Interest Payment Date by check mailed to the registered owner at his address as it appears on the registration books of the City as of the close of business on the appropriate Record Date; provided, that (i) while a securities depository is the registered owner of all the Tax-Exempt Adjustable Rate Bonds of a Subseries and maturity, all payments of principal of and interest on such Tax-Exempt Adjustable Rate Bonds shall be paid to the securities depository or its nominee by wire transfer, (ii) prior to and including the Fixed Rate Conversion Date, interest on the Tax-Exempt Adjustable Rate Bonds shall be payable to any registered owner of at least $1,000,000 aggregate principal amount of Tax-Exempt Adjustable Rate Bonds by wire transfer, upon written notice received by the Fiscal Agent at least five days prior to the Record Date from such registered owner containing the wire transfer address (which shall be in the continental United States) to which such registered owner wishes to have such wire directed and (iii) following an MMMR Period, interest shall be payable on the Tax-Exempt Adjustable Rate Bonds only upon presentation thereof to the Tender Agent upon purchase thereof and if such presentation is made by 10:00 a.m. (New York City time) such payment shall be by wire transfer.

The Variable Rate or a Money Market Municipal Rate of interest on the Tax-Exempt Adjustable Rate Bonds shall not exceed 9% per annum and, in no event, shall the rate of interest on the Tax-Exempt Adjustable Rate Bonds exceed 25% per annum.

Variable Rates

Variable Rates shall be determined on the following dates (the "Rate Determination Dates"): (i) not later than 9:30 a.m., New York City time, on the commencement date of each Daily Rate Period, except that the final Rate Determination Date for each interest payment shall occur no less than two Business Days prior to the Interest Payment Date, (ii) not later than 9:00 a.m., New York City time, on the commencement date of each Weekly Rate Period (or, if such date is not a Business Day, on the immediately succeeding Business Day); and (iii) not later than 4:00 p.m., New York City time, on the Business Day immediately preceding the commencement date of each Monthly, Quarterly, Semiannual or Term Rate Period.

Each Variable Rate Period shall commence: (a) initially, on the effective date of a Conversion to such Variable Rate Period; and (b) thereafter (i) on each Business Day following such Conversion, in the case of Daily Rate Periods, (ii) on Wednesday of each week commencing after such Conversion, in the case of Weekly Rate Periods, (iii) on the first day of each calendar month commencing after such Conversion, in the case of Monthly Rate Periods, (iv) on the first day of each third calendar month commencing after such Conversion in the case of Quarterly Rate Periods, (v) on the first day of each sixth calendar month commencing after such Conversion, in the case of Semiannual Rate Periods, and (vi) on the first day of the calendar month that is twelve (or an integral multiple of twelve, as the case may be) months from the calendar month of such Conversion, in the case of Term Rate Periods. Each such Variable Rate Period shall end on the last day preceding the earliest of the commencement date of the next Rate Period, the date of maturity and the date of any mandatory tender.

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

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

Money Market Mode

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

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

the maturity date of the Tax-Exempt Adjustable Rate Bond, and the maximum length of the MMMR Period shall not exceed the number of days of interest coverage under the Credit Facility minus 5 days of interest coverage.

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

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

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

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

Fixed Rates

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

Conversions

Upon the direction of the City, the Tax-Exempt Adjustable Rate Bonds of a Subseries and maturity may be Converted from one Variable Rate Period to a different type of Variable Rate Period (including a change from one Term Rate Period to a Term Rate Period equal or approximately equal in length to a different number of years from the preceding Term Rate Period) or to the Money Market Mode or to a Fixed Rate, or from the Money Market Mode to a Variable Rate Period or to a Fixed Rate; in each case on, if from a Variable Rate Period other than a Term Rate Period, a regularly scheduled Interest Payment Date for the Rate Period from which the Conversion is to be made; if from a Term Rate Period, only on a date on which a

new Term Rate Period would have commenced; and if from the Money Market Mode, only on the first regularly scheduled Interest Payment Date on which interest is payable for any MMMR Periods theretofore established for the Tax-Exempt Adjustable Rate Bonds to be Converted which is at least 30 days after notice of mandatory tender upon Conversion is given to the Bondholders.

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

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

Purchased Bonds

Any Tax-Exempt Adjustable Rate Bond purchased by a Bank (a "Purchased Bond") shall bear interest at the rates, payable on the dates, described in the Tax-Exempt Adjustable Rate Bonds. Purchased Bonds may be sold when and as provided in the Credit Facility for such Tax-Exempt Adjustable Rate Bond, and if remarketed at a Variable Rate, a Money Market Municipal Rate or a Fixed Rate will no longer bear interest as Purchased Bonds.

Tender of Tax-Exempt Adjustable Rate Bonds

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

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

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

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

In the case of any tender for purchase at the option of a Bondholder, irrevocable notice of the exercise of such option, specifying the Purchase Date and the principal amount to be purchased, shall be required to

be given to the Tender Agent: (a) by telephone not later than 9:00 a.m., New York City time, on the Purchase Date, in the case of any Tax-Exempt Adjustable Rate Bond bearing interest at a Daily Rate; or (b) in writing delivered to the designated office of the Tender Agent not later than 5:00 p.m., New York City time, on a Business Day which is not less than (i) seven days prior to the Purchase Date, in the case of any Tax-Exempt Adjustable Rate Bond bearing interest at a Weekly or Monthly Rate or (ii) 15 days prior to the Purchase Date, in the case of any Tax-Exempt Adjustable Rate Bond bearing interest at a Quarterly or Semiannual Rate.

The Remarketing Agent will remarket tendered Tax-Exempt Adjustable Rate Bonds as described therein. The City may, but is not obligated to, purchase tendered Tax-Exempt Adjustable Rate Bonds. Each Bank agrees in the Credit Facility to which it is a party to purchase tendered Tax-Exempt Adjustable Rate Bonds of the stated Subseries (if not defeased) upon timely delivery by the Tender Agent of a Notice demanding such purchase. See below "Credit Facilities".

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

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

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

Mandatory Tender to Banks

Each of the Tax-Exempt Adjustable Rate Bonds of a Subseries bearing interest at a Variable Rate or a Money Market Municipal Rate (and not defeased) is subject to mandatory tender for purchase by the Subseries Bank pursuant to its Credit Facility, on the Purchase Date following a Notice from the Fiscal Agent to such Subseries Bank, at the applicable Purchase Price. If (x) there is on a payment date for principal of or interest on such Tax-Exempt Adjustable Rate Bonds an insufficiency of funds for such payment, the Fiscal Agent shall give the Notice to the Subseries Bank by a specified time on that day or (y) the Fiscal Agent receives a Termination Notice from a Subseries Bank, the Fiscal Agent shall give the Notice to such Bank on that day (or, at latest, by a specified time on the next Business Day); and the Fiscal Agent shall promptly notify the registered owners of such Tax-Exempt Adjustable Rate Bonds, by certified mail, postage prepaid, return receipt requested, of its Notice. Such Notice to registered owners shall also state the Purchase Date; that such Tax-Exempt Adjustable Rate Bonds shall be required to be surrendered to the Fiscal Agent on the Purchase Date (which, for any purchase of Tax-Exempt Adjustable Rate Bonds pursuant to clause (x) above shall be the Business Day on which the Notice is received by the Subseries Bank, if received not later than the specified time, or if received thereafter, the next Business Day; *provided* that the Purchase Date is prior to the termination of the applicable Credit Facility, for such Tax-Exempt Adjustable Rate Bonds; and, for any purchase of Tax-Exempt Adjustable Rate Bonds pursuant to clause (y) above shall, unless the Purchase Date has theretofore occurred pursuant to clause (x), be the last Business Day prior to the termination of the applicable Credit Facility; that if any such Tax-Exempt Adjustable Rate Bond is not so

tendered, it shall be deemed to have been tendered on the Purchase Date; and that upon deposit by the Fiscal Agent of sufficient money in a special trust account for the payment of the Purchase Price of such Tax-Exempt Adjustable Rate Bond, interest on such Tax-Exempt Adjustable Rate Bond shall cease to accrue to the former owner and such Tax-Exempt Adjustable Rate Bond shall be deemed purchased by the Subseries Bank. All Tax-Exempt Adjustable Rate Bonds purchased pursuant to this paragraph shall be paid for from funds furnished under the applicable Credit Facility upon presentation and surrender thereof, together with an instrument of transfer thereof, in form satisfactory to the Fiscal Agent, executed in blank by the registered owner thereof, at the office of the Fiscal Agent. If Notice is not given following a Termination Notice, the Termination Notice shall nonetheless take effect and, beginning on the date of termination of the applicable Bank's Commitment (as defined below), such Tax-Exempt Adjustable Rate Bonds bearing interest at a Variable Rate or a Money Market Municipal Rate shall bear interest at the highest rate provided by law for interest on accrued claims against municipalities and shall not be subject to optional or mandatory tender for purchase.

Redemption

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

Defeasance

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

Credit Facilities

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

Each Registered owner of an Adjustable Rate Bond bearing interest at a Variable Rate or a Money Market Municipal Rate (and not defeased) will be entitled to the benefits and subject to the terms of the Credit Facility for such Bond. Under such Credit Facility, the Subseries Bank agrees to make available to the Tender Agent or the Fiscal Agent, upon receipt of an appropriate demand for payment, the Purchase Price for Adjustable Rate Bonds of the stated Subseries. Each Bank's commitments under the Credit Facilities will be sufficient to pay a Purchase Price equal to the principal of and up to 185 days' interest on the Tax-Exempt Adjustable Rate Bonds at an assumed rate of 9% as follows:

Bank	Subseries	Principal	Interest	Due May 15
Fuji Bank	E-2	$25,400,000	$1,174,750	1996
IBJ	E-3	25,400,000	1,174,750	1997

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

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

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

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

To the extent described in the Tax-Exempt Adjustable Rate Bonds and the Credit Facilities, if any decrease in the ratings applicable to debt of any Bank adversely affects the interest rate payable by the City on any Tax-Exempt Adjustable Rate Bonds, the City shall have the right to seek a substitute bank or banks to assume the rights and obligations of such Bank. The holders of the affected Tax-Exempt Adjustable Rate Bonds shall be notified of any assumption of a Bank's rights and obligations.

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

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TAX-EXEMPT ADJUSTABLE RATE BONDS—DEFINITIONS

As used in "APPENDIX C—TAX-EXEMPT ADJUSTABLE RATE BONDS", the following terms have the meanings set forth below:

Bond Counsel: Any nationally recognized bond counsel retained by the City.

Bondholder or Owner: The person in whose name any Tax-Exempt Adjustable Rate Bond is registered on the books of the City.

Business Day: A day (i) other than a day on which banks located in the City are required or authorized by law or executive order to close and (ii) on which the New York Stock Exchange is not closed.

Conversion: A change in the type of Rate Period applicable to Tax-Exempt Adjustable Rate Bonds of any Subseries and maturity to a Fixed Rate Period, the Money Market Mode or a Variable Rate, including a change to a different type of Variable Rate Period and including a change from a Term Rate Period to a Term Rate Period equal (or approximately equal) in length to a different number of years from the preceding Term Rate Period.

Conversion Date: The effective date of a Conversion.

Credit Facilities: The several Letters of Credit and Reimbursement Agreements, between the City and each of the Banks.

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

Fixed Rate: The rate at which Tax-Exempt Adjustable Rate Bonds of any Subseries and maturity shall bear interest from and including the Fixed Rate Conversion Date therefor to the maturity date thereof.

MMMR Period: The period during which a specific Money Market Municipal Rate applies.

Money Market Mode: The Period or sequence of Periods during which a maturity of a Subseries of Tax-Exempt Adjustable Rate Bonds bears interest at Money Market Municipal Rates.

Money Market Municipal Rate: The interest rate that may be separately determined for each Tax-Exempt Adjustable Rate Bond of a Subseries and maturity pursuant to the applicable provisions of the Certificate.

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

Notice: A notice of purchase, pursuant to each Credit Facility.

Quarterly Rate: The interest rate that may be determined for Tax-Exempt Adjustable Rate Bonds of a Subseries and maturity on a quarterly basis pursuant to the applicable provisions of the Certificate.

Rate Period or *Period:* With respect to a Money Market Municipal Rate, a Daily Rate, a Weekly Rate, a Monthly Rate, a Quarterly Rate, a Semiannual Rate, a Term Rate or a Fixed Rate, the period during which a specific rate of interest determined for any Tax-Exempt Adjustable Rate Bonds of any Subseries and maturity will remain in effect.

Record Date: With respect to each Interest Payment Date, (i) during a Daily, Weekly or Monthly Rate Period, the last day of the calendar month next preceding such Interest Payment Date; (ii) during a Quarterly, Semiannual or Term Rate Period, the fifteenth day of the calendar month next preceding such Interest Payment Date; and (iii) during a Fixed Rate Period, the last business day of the calendar month next preceding such Interest Payment Date.

Remarketing Agent: Bear, Stearns & Co. Inc., or any successor appointed for the Tax-Exempt Adjustable Rate Bonds.

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

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

Tender Agent: The Chase Manhattan Bank, N.A., New York, New York, or any successor appointed pursuant to the Certificate. The Tender Agent's designated office is, 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.

Term Rate: The interest rate that may be determined for Tax-Exempt Adjustable Rate Bonds of any Subseries and maturity for a Period that is equal or approximately equal to (but not more than) one year or any whole multiple thereof.

Termination Notice: A Termination Notice, as defined in the Credit Facilities.

Variable Rate: As the context requires, the Daily Rate, Weekly Rate, Monthly Rate, Quarterly Rate, Semiannual Rate or Term Rate applicable to Tax-Exempt Adjustable Rate Bonds of any Subseries and maturity.

Weekly Rate: The interest rate that may be determined for Tax-Exempt Adjustable Rate Bonds of a Subseries and maturity on a weekly basis pursuant to the applicable provisions of the Certificate.

Written Notice: Notice in writing which may be delivered by hand, first class mail, facsimile transmission (such as telecopy), telegram or telex.

THE BANKS

The information with respect to each Bank contained in this Appendix relates to and has been obtained from such Bank. The City makes no representation as to the accuracy or adequacy of such information. The delivery of the Official Statement shall not create any implication that there has been no change in the affairs of any of the Banks since the date hereof, or that the information contained or referred to in this Appendix is correct as of any time subsequent to the date of such information. For information concerning the Credit Facilities between the City and the Banks, see "APPENDIX C—TAX-EXEMPT ADJUSTABLE RATE BONDS—Credit Facilities".

The Industrial Bank Of Japan, Limited

Introduction The Industrial Bank of Japan, Limited ("IBJ") was incorporated for an unlimited duration on March 27, 1902 in Japan under Japanese law. IBJ's head office is located at 3-3, Marunouchi 1-chome, Chiyoda-ku, Tokyo. IBJ is the oldest and largest of Japan's long-term credit banks and, in terms of deposits and debentures, is also one of the largest commercial banks in Japan. On March 31, 1992, IBJ had total assets of ¥42,871 billion ($322,700 million), total loans and bills discounted outstanding of ¥24,356 billion ($183,333 million) and total debentures and deposits of ¥32,972 billion ($248,193 million). Unless otherwise specified, yen amounts in this Official Statement have been translated into U.S. dollars at the "Spot Mean Rate" (the spot mean exchange rate quoted on the Tokyo foreign exchange market) at March 31, 1992 of 132.85 Japanese yen to one U.S. dollar.

IBJ has 29 domestic branches and 11 branches, 3 agencies, and 18 representative offices overseas. In addition, 15 major overseas subsidiaries provide investment banking, trust, leasing, and other financial services. IBJ's shares are listed on the Tokyo Stock Exchange and the Osaka Securities Exchange.

The Branch IBJ operates the Branch in New York pursuant to a license issued by the Banking Department of the State of New York on March 5, 1984. Prior to this date, IBJ operated an agency pursuant to a license issued by the Banking Department of the State of New York on November 16, 1972. The Branch conducts an extensive banking business concentrating primarily on international banking transactions and servicing the financial needs of IBJ's Japanese customers (and their subsidiaries) in the United States.

At March 31, 1992, the Branch had total assets (determined on the basis of Japanese accounting principles) of approximately $21 billion, loans (net of unearned income) of approximately $5 billion, of which approximately $1 billion was due from foreign customers, and deposits of approximately $6 billion, of which approximately $1 billion was due to banks in foreign countries. Balances due from depository institutions included approximately $3 billion owed by foreign depository institutions. Commitments and contingencies (other than foreign exchange commitments) totaled approximately $5 billion (of which approximately $2 billion was participated to others).

The address of the Branch is 245 Park Avenue, New York, New York 10167.

It should be noted that the financial statements of IBJ, available at the address of the Branch listed above, conform with accounting principles that vary from those generally accepted in the United States.

The Fuji Bank, Limited, New York Branch

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

As of March 31, 1992 on a non-consolidated basis (not taking into account its subsidiaries), Fuji had total assets of approximately $438.1 billion, total deposits of approximately $303.0 billion, total loans and bills discounted of approximately $239.3 billion and stockholders' equity of approximately $14.0 billion, and for the year then ended had net income of approximately $227.6 million (assuming an exchange rate of

132.85 yen to one United States dollar prevailing on March 31, 1992. These figures were determined in accordance with generally accepted accounting principles in Japan which differ in certain material respects from United States generally accepted accounting principles.

Fuji Bank will provide without charge a copy of Fuji's Annual Report (including non-consolidated financial statements) for the year ended March 31, 1992 or any more recent publicly available Annual Report or Condensed Interim Statements of Condition. Written requests should be directed to The Fuji Bank, Limited, New York Branch, Two World Trade Center, 79th Floor, New York, New York 10048, Attention: Vice President and Manager, Public Finance Group.

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

TAXABLE ADJUSTABLE RATE BONDS

The Taxable Adjustable Rate Bonds are subject to the provisions summarized below. Capitalized terms used in this "APPENDIX F—TAXABLE ADJUSTABLE RATE BONDS" which are not otherwise defined in the Official Statement are defined in "APPENDIX G—TAXABLE ADJUSTABLE RATE BONDS—DEFINITIONS".

The Taxable Adjustable Rate Bonds shall bear interest at Money Market Municipal Rates from their date of issuance as described below under "Interest on Taxable Adjustable Rate Bonds". Each maturity of Taxable Adjustable Rate Bonds is subject to Conversion to a Fixed Rate, or from a Variable Rate Period to a different Variable Rate Period or to the Money Market Mode, or from the Money Market Mode to a Variable Rate Period. The rate of interest for any Rate Period shall be determined as described below, and each determination of rate or period shall be conclusive and binding upon the Remarketing Agent, the City, the Bond Insurer, the Liquidity Provider, the Fiscal Agent, the Tender Agent and the Bondholders. Computations of interest shall be based on 365-day or 366-day years for the actual number of days elapsed; except that interest at Semiannual, Term or Fixed Rates shall be computed on the basis of a year of 360 days and twelve 30-day months.

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

Interest on Taxable Adjustable Rate Bonds

Interest for any Rate Period shall accrue from and including the commencement date of such Rate Period through and including the last day thereof. The interest payment dates for the Taxable Adjustable Rate Bonds shall be: (a) the first day of each calendar month, in the case of interest payable at Daily, Weekly or Monthly Rates; (b) the first day of the third calendar month following a Conversion to a Quarterly Rate Period and the first day of each third calendar month thereafter, in the case of interest payable at Quarterly Rates; (c) the first day of the sixth calendar month following a Conversion to a Semiannual Rate Period or Term Rate Period and the first day of each sixth calendar month thereafter, in the case of interest payable at Semiannual or Term Rates; (d) the fifteenth day of each May and November, in the case of interest payable at a Fixed Rate, or in any case not otherwise specified; (e) in the case of interest payable at Money Market Municipal Rates, the first day of the sixth month in the case of an MMMR Period exceeding six months and the first Business Day following an MMMR Period; (f) the date of any redemption or mandatory tender of Taxable Adjustable Rate Bonds for purchase and (g) the date of maturity ("Interest Payment Dates"). Interest shall be payable on each Interest Payment Date by check mailed to the registered owner at his address as it appears on the registration books of the City as of the close of business on the appropriate Record Date; provided, that (i) while a securities depository is the registered owner of all the Taxable Adjustable Rate Bonds of a maturity, all payments of principal of and interest on such Taxable Adjustable Rate Bonds shall be paid to the securities depository or its nominee by wire transfer, (ii) prior to and including the Fixed Rate Conversion Date, interest on the Taxable Adjustable Rate Bonds shall be payable to any registered owner of at least $1,000,000 aggregate principal amount of Taxable Adjustable Rate Bonds by wire transfer, upon written notice received by the Fiscal Agent at least five days prior to the Record Date from such registered owner containing the wire transfer address (which shall be in the continental United States) to which such registered owner wishes to have such wire directed and (iii) following an MMMR Period, interest shall be payable on the Taxable Adjustable Rate Bonds only upon presentation thereof to the Tender Agent upon purchase thereof and if such presentation is made by 10:00 a.m. (New York City time) such payment shall be by wire transfer.

The Variable Rate or a Money Market Municipal Rate of interest on the Taxable Adjustable Rate Bonds shall not exceed 13% per annum and, in no event, shall the rate of interest on the Taxable Adjustable Rate Bonds exceed 25% per annum.

Variable Rates

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

Each Variable Rate Period shall commence: (a) initially, on the effective date of a Conversion to such Variable Rate Period; and (b) thereafter (i) on each Business Day following such Conversion, in the case of Daily Rate Periods, (ii) on Wednesday of each week commencing after such Conversion, in the case of Weekly Rate Periods, (iii) on the first day of each calendar month commencing after such Conversion, in the case of Monthly Rate Periods, (iv) on the first day of each third calendar month commencing after such Conversion in the case of Quarterly Rate Periods, (v) on the first day of each sixth calendar month commencing after such Conversion, in the case of Semiannual Rate Periods, and (vi) on the first day of the calendar month that is twelve (or an integral multiple of twelve, as the case may be) months from the calendar month of such Conversion, in the case of Term Rate Periods. Each such Variable Rate Period shall end on the last day preceding the earliest of the commencement date of the next Rate Period, the date of maturity and the date of any mandatory tender.

Each Variable Rate shall be determined by the Remarketing Agent and shall represent the rate which, in the judgment of the Remarketing Agent, is the lowest rate of interest that would cause the Taxable Adjustable Rate Bonds to have a market value equal to the principal amount thereof, plus accrued interest (if any), under prevailing market conditions on the commencement date of the applicable Rate Period. In the event that the Remarketing Agent no longer determines, or fails to determine when required, any Variable Rate for any Taxable Adjustable Rate Bond in a Variable Rate Period, or if for any reason such manner of determination shall be determined to be invalid or unenforceable, the Variable Rate for such Period shall be a Daily Rate equal to 105% of the 30-day Dealer Commercial Paper Rate set forth in Federal Reserve Board Statistical Release H.15 (519) as of such day.

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

Money Market Mode

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

(i) *Establishment of MMMR Periods.* At or prior to 12:00 noon, New York City time, on any Conversion Date upon which Taxable Adjustable Rate Bonds will begin to bear interest in the Money Market Mode and on any day immediately after the end of a MMMR Period, the Remarketing Agent shall establish MMMR Periods in accordance with instructions from the City with respect to Taxable Adjustable Rate Bonds for which no MMMR Period is currently in effect. Any MMMR Period may not exceed 270 days and may not extend beyond any applicable mandatory tender date or the day prior to the maturity date of the Taxable Adjustable Rate Bond.

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

The City may change its instructions about the establishment of MMMR Periods pursuant to the preceding paragraph (i) in a written direction from the City, which direction must be received by the Remarketing Agent prior to 10:00 a.m., New York City time, on the day prior to any Rate Determination Date to be effective on such date, but only if the City receives an opinion of Bond Counsel to the effect that such action is authorized by law.

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

In the event that the Remarketing Agent no longer determines, or fails to determine when required, any MMMR Period or any Money Market Municipal Rate for any Taxable Adjustable Rate Bond in the Money Market Mode, or if for any reason such manner of determination shall be determined to be invalid or unenforceable, the MMMR Period for any such Taxable Adjustable Rate Bond shall automatically extend from the day after the next preceding MMMR Period to but not including the Business Day thereafter and the Money Market Municipal Rate for each such MMMR Period shall automatically be equal to 105% of the 30-day Dealer Commercial Paper Rate set forth in Federal Reserve Board Statistical Release H.15 (519) as of such day.

Fixed Rates

The Fixed Rate to be effective to maturity upon a Conversion to such rate shall be determined by the Remarketing Agent on the date (the "Rate Determination Date") specified in the notice of mandatory tender related to such Conversion and shall represent the lowest rate that, in the judgment of the Remarketing Agent, would cause the Taxable Adjustable Rate Bonds being Converted to have a market value equal to the principal amount thereof on the commencement date of the applicable Rate Period under prevailing market conditions.

Conversions

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

Not later than the 15th day prior to the Conversion Date (or the immediately succeeding Business Day, if such 15th day is not a Business Day), the City may irrevocably withdraw its election to Convert the Bonds by giving written notice of such withdrawal to the Tender Agent, the Fiscal Agent, the Remarketing Agent, the Bond Insurer and the Liquidity Provider. In the event the City gives such notice of withdrawal (or upon failure to meet the conditions specified below), (i) the Tender Agent shall promptly give Written Notice to the owners of all Taxable Adjustable Rate Bonds that were to be Converted and (ii) such Taxable Adjustable

Rate Bonds shall continue to bear interest at a Variable Rate, a Money Market Municipal Rate, or otherwise, as the case may be. Failure by the Tender Agent to provide such notice to the owners of the Taxable Adjustable Rate Bonds shall not affect the validity of the notice of withdrawal given by the City.

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

Subject to meeting the conditions to such Conversion, the City shall Convert to a Fixed Rate all Bonds bearing interest at a Variable Rate or a Money Market Municipal Rate prior to the mandatory tender that would occur upon expiration of the Liquidity Facility if the Liquidity Facility is not extended or replaced.

Purchased Bonds

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

Tender of Taxable Adjustable Rate Bonds

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

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

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

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

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

The Remarketing Agent will remarket tendered Taxable Adjustable Rate Bonds as provided in the Certificate. The City may, but is not obligated to, purchase tendered Taxable Adjustable Rate Bonds. The

Liquidity Provider agrees in the Liquidity Facility to purchase tendered Taxable Adjustable Rate Bonds (if not defeased) upon timely delivery by the Tender Agent of a Notice demanding such purchase. See below "Liquidity Facility".

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

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

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

Mandatory Tender to Liquidity Provider

Each of the Taxable Adjustable Rate Bonds bearing interest at a Variable Rate or a Money Market Municipal Rate (and not defeased) is subject to mandatory tender for purchase by the Liquidity Provider pursuant to the Liquidity Facility, on the Purchase Date following a Notice from the Fiscal Agent to the Liquidity Provider, at the applicable Purchase Price. If (x) on the 15th day prior to the Scheduled Termination Date of the Liquidity Facility Taxable Adjustable Rate Bonds are bearing interest at a Variable Rate or a Money Market Municipal Rate and the City has not given Written Notice to the Fiscal Agent of the extension or replacement of the Liquidity Facility or (y) the Fiscal Agent receives a Termination Notice from the Liquidity Provider (which notice shall be given to the Remarketing Agent as well), the Fiscal Agent shall give the Notice to the Liquidity Provider on that day (or, at latest, by a specified time on the next Business Day); and the Fiscal Agent shall promptly notify the registered owners of such Taxable Adjustable Rate Bonds, by certified mail, postage prepaid, return receipt requested, of its Notice. Such Notice to registered owners shall also state the Purchase Date; that such Taxable Adjustable Rate Bonds shall be required to be surrendered to the Fiscal Agent on the Purchase Date (which shall be the last Business Day on or prior to the date of termination of the Liquidity Provider's Commitment or, if earlier, the last Business Day of such Purchase Period); that if any such Taxable Adjustable Rate Bond is not so tendered, it shall be deemed to have been tendered on the Purchase Date; and that upon deposit by the Fiscal Agent of sufficient money in a special trust account for the payment of the Purchase Price of such Taxable Adjustable Rate Bond, interest on such Taxable Adjustable Rate Bond shall cease to accrue to the former owner and such Taxable Adjustable Rate Bond shall be deemed purchased by the Liquidity Provider. All Taxable Adjustable Rate Bonds purchased pursuant to this paragraph shall be paid for from funds furnished under the Liquidity Facility upon presentation and surrender thereof, together with an instrument of transfer thereof, in form satisfactory to the Fiscal Agent, executed in blank by the registered owner thereof, at the office of the Fiscal Agent. If Notice is not given following a Termination Notice, the Termination Notice shall nonetheless take effect and, beginning on the date of termination of the Liquidity Provider's Commitment (as defined below), such Taxable Adjustable Rate Bonds bearing interest at a Variable Rate or a Money Market Municipal Rate

shall bear interest at the highest rate provided by law for interest on accrued claims against municipalities and shall not be subject to optional or mandatory tender for purchase (except upon Conversion to a Fixed Rate).

Redemption

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

Following a Fixed Rate Conversion, the Taxable Adjustable Rate Bonds of a maturity will be subject to redemption at the option of the City, beginning on the tenth anniversary of the Fixed Rate Conversion Date, in whole or in part, by lot within each maturity, on any date, at a redemption price of 101½%, which price shall decline annually by three quarters of 1% per annum, until reaching a price of 100% on the twelfth anniversary, to remain in effect thereafter; plus accrued interest to the date of redemption. The City may select amounts and maturities of such Bonds for redemption in its sole discretion. Prior to Conversion to a Fixed Rate, such optional redemption provisions may be amended if the City receives an opinion of Bond Counsel to the effect that such amendment is authorized by law.

Defeasance

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

Liquidity Facility

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

Each registered owner of a Taxable Adjustable Rate Bond bearing interest at a Variable Rate or a Money Market Municipal Rate (and not defeased) will be entitled to the benefits and subject to the terms of the Liquidity Facility. Under the Liquidity Facility, the Liquidity Provider agrees to make available to the Tender Agent or the Fiscal Agent, upon receipt of an appropriate demand for payment, the Purchase Price

for Taxable Adjustable Rate Bonds. The Liquidity Provider's Commitment under the Liquidity Facility in the initial mode will be sufficient to pay a Purchase Price equal to the principal of and up to 185 days' interest on the Taxable Adjustable Rate Bonds at an assumed rate of 13%.

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

Bonds bearing interest at a Variable Rate or a Money Market Municipal Rate are subject to mandatory tender to the Liquidity Provider upon notice to be given 15 days before expiration of the Liquidity Facility if the Liquidity Facility is not extended or replaced. The Scheduled Termination Date of the Liquidity Facility is May 27, 1998.

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

To the extent provided in the Certificate and the Liquidity Facility, the City shall have the right to seek a substitute provider or providers to assume the rights and obligations of the Liquidity Provider. The holders of the affected Taxable Adjustable Rate Bonds shall be notified of any assumption of the Liquidity Provider's rights and obligations.

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

A Prospectus is required to be delivered with respect to the offering of the obligations of FGIC-SPI under the Liquidity Facility issued by FGIC-SPI in support of the Taxable Adjustable Rate Bonds. A Registration Statement with respect thereto has been filed under the Securities Act of 1933, as amended. The City does not make any representation with respect to the information in the Prospectus or the Registration Statement.

Bond Insurance

The following information pertaining to Financial Guaranty Insurance Company ("Financial Guaranty") has been supplied by Financial Guaranty. 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 Financial Guaranty 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 L—SPECIMEN INSURANCE POLICY".

Concurrently with the issuance of the Bonds, Financial Guaranty will issue its Municipal Bond New Issue Insurance Policy (the "Financial Guaranty Policy") for the Taxable Adjustable Rate Bonds (the "Financial Guaranty Insured Bonds"). The Financial Guaranty Policy unconditionally guarantees the payment of that portion of the principal of and interest on the Financial Guaranty Insured Bonds which has become due for payment, but shall be unpaid by reason of nonpayment by the City. Financial Guaranty will make such payments to Citibank, N.A., or its successor as its agent (the "Insurer's Fiscal Agent"), on the

later of the date on which such principal and interest is due or on the business day next following the day on which Financial Guaranty shall have received telephonic or telegraphic notice, subsequently confirmed in writing, or written notice by registered or certified mail, from an owner of Financial Guaranty Insured Bonds or the City's Fiscal Agent of the nonpayment of such amount by the City. The Insurer's Fiscal Agent will disburse such amount due on any Financial Guaranty Insured Bond to its owner upon receipt by the Insurer's Fiscal Agent of evidence satisfactory to the Insurer's Fiscal Agent of the owner's right to receive payment of the principal and interest due for payment and evidence, including any appropriate instruments of assignment that all of such owner's rights to payment of such principal and interest shall be vested in Financial Guaranty. The term "nonpayment" in respect of a Financial Guaranty Insured Bond includes any payment of principal or interest made to an owner of a Financial Guaranty Insured Bond which has been recovered from such owner pursuant to the United States Bankruptcy Code by a trustee in bankruptcy in accordance with a final, nonappealable order of a court having competent jurisdiction.

The Financial Guaranty Policy is non-cancellable and the premium will be fully paid at the time of delivery of the Financial Guaranty Insured Bonds. The Financial Guaranty Policy covers failure to pay principal of the Financial Guaranty Insured Bonds on their respective stated maturity dates, and not on any other date on which the Financial Guaranty Insured Bonds may have been accelerated, and covers the failure to pay an installment of interest on the stated date for its payment. Reference is made to Appendix L for a specimen of the Financial Guaranty Policy.

Generally, in connection with its insurance of an issue of municipal securities, Financial Guaranty requires, among other things, (i) that it be granted the power to exercise any rights granted to the holders of such securities upon the occurrence of an event of default, without the consent of such holders, and that such holders may not exercise such rights without Financial Guaranty's consent, in each case so long as Financial Guaranty has not failed to comply with its payment obligations under its insurance policy; and (ii) that any amendment or supplement to or other modification of the principal legal documents be subject to Financial Guaranty's consent. The specific rights, if any, granted to Financial Guaranty in connection with its insurance of the Bonds are set forth in the description of the principal legal documents appearing elsewhere in this Official Statement. Reference should be made as well to such description for a discussion of the circumstances, if any, under which the City is required to provide additional or substitute credit enhancement, and related matters.

This Official Statement contains a section regarding the ratings assigned to the Bonds and references should be made to such section for a discussion of such ratings and the basis for their assignment to the Bonds. Reference should be made to the description of the City for a discussion of the ratings, if any, assigned to such entity's outstanding parity debt that is not secured by credit enhancement.

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

Financial Guaranty is a wholly-owned subsidiary of FGIC Corporation (the "Corporation"), a Delaware holding company. The Corporation is a subsidiary of General Electric Capital Corporation ("GE Capital"). Neither the Corporation nor GE Capital is obligated to pay the debts of or the claims against Financial Guaranty. Financial Guaranty is a monoline financial guaranty insurer domiciled in the State of New York and subject to regulation by the State of New York Insurance Department. As of December 31, 1992 the total capital and surplus of Financial Guaranty was approximately $621,000,000. Financial Guaranty prepares financial statements on the basis of both statutory accounting principles and generally accepted accounting principles. Copies of such financial statements may be obtained by writing to Financial Guaranty at 115 Broadway, New York, New York 10006, Attention: Communications Department (telephone number: (212) 312-3000) or to the New York State Insurance Department at 160 West Broadway, 18th Floor, New York, New York 10013, Attention: Property Companies Bureau (telephone number: (212) 602-0389).

TAXABLE ADJUSTABLE RATE BONDS—DEFINITIONS

As used in "APPENDIX F—TAXABLE ADJUSTABLE RATE BONDS", the following terms have the meanings set forth below:

Bond Counsel: Any nationally recognized bond counsel retained by the City.

Bond Insurer: Financial Guaranty Insurance Company.

Bond Insurer Event: (a) the Bond Insurer shall commence a voluntary case or other proceeding seeking liquidation, reorganization or other relief with respect to itself or its debts under any bankruptcy, insolvency or other similar law now or hereafter in effect or seeking the appointment of a trustee, receiver, liquidator, custodian or other similar official of it or any substantial part of its property, or shall consent to any such relief or to the appointment of or taking possession by any such official in an involuntary case or other proceeding commenced against it, or shall make a general assignment for the benefit of creditors, or shall admit in writing its inability to pay its debts generally as they become due, or shall take any corporate action to authorize any of the foregoing;

(b) an involuntary case or other proceeding shall be commenced against the Bond Insurer seeking liquidation, reorganization or other relief with respect to it or its debts under any bankruptcy, insolvency or other similar law now or hereafter in effect or seeking the appointment of a trustee, receiver, liquidator, custodian or other similar official of it or any substantial part of its property, and such involuntary case or other proceeding shall remain undismissed and unstayed for a period of sixty days; or an order for relief shall be entered against the Bond Insurer under the federal bankruptcy laws as now or hereafter in effect; or

(c)(i) the Superintendent of Insurance of the State of New York (or any successor to the duties of such Superintendent) shall apply for an order (1) pursuant to Section 7402 of the New York Insurance Law (or any successor provision thereto), directing him to rehabilitate the Bond Insurer, (2) pursuant to Section 7404 of the New York Insurance Law (or any successor provision thereto), directing him to liquidate the business of the Bond Insurer or (3) pursuant to Section 7416 of the New York Insurance Law (or any successor provision thereto), dissolving the corporate existence of the Bond Insurer;

(ii) a proceeding shall be commenced seeking the rehabilitation, liquidation, dissolution or conservation of the assets of the Bond Insurer or any substantial part thereof or any similar remedy and such proceeding shall remain undismissed and unstayed for a period of sixty days; or

(iii) the Bond Insurer shall be insolvent within the meaning of Section 1309 of the New York Insurance Law (or any successor provision thereto).

Bondholder or Owner: The person in whose name any Taxable Adjustable Rate Bond is registered on the books of the City.

Business Day: A day (i) other than a day on which banks located in the City are required or authorized by law or executive order to close and (ii) on which the New York Stock Exchange is not closed.

Conversion: A change in the type of Rate Period applicable to Taxable Adjustable Rate Bonds of any maturity to a Fixed Rate Period, the Money Market Mode or a Variable Rate, including a change to a different type of Variable Rate Period and including a change from a Term Rate Period to a Term Rate Period equal (or approximately equal) in length to a different number of years from the preceding Term Rate Period.

Conversion Date: The effective date of a Conversion.

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

FGIC-SPI: The Liquidity Provider.

Fixed Rate: The rate at which Taxable Adjustable Rate Bonds of any maturity shall bear interest from and including the Fixed Rate Conversion Date therefor to the maturity date thereof.

Liquidity Facility: The Standby Bond Purchase Agreements with the Liquidity Provider, dated as of May 27, 1993, as each may be amended and supplemented pursuant thereto, to the Certificate, or to a supplement to the Certificate.

Liquidity Provider: FGIC Securities Purchase, Inc., a Delaware corporation.

MMMR Period: The period during which a specific Money Market Municipal Rate applies.

Money Market Mode: The Period or sequence of Periods during which a maturity of Taxable Adjustable Rate Bonds bears interest at Money Market Municipal Rates.

Money Market Municipal Rate: The interest rate that may be separately determined for each Adjustable Rate Bond of a maturity pursuant to the applicable provisions of the Certificate.

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

Notice: A Notice of Purchase, as defined in the Liquidity Facility.

Quarterly Rate: The interest rate that may be determined for Taxable Adjustable Rate Bonds of a maturity on a quarterly basis pursuant to the applicable provisions of the Certificate.

Rate Period or Period: With respect to a Money Market Municipal Rate, a Daily Rate, a Weekly Rate, a Monthly Rate, a Quarterly Rate, a Semiannual Rate, a Term Rate or a Fixed Rate, the period during which a specific rate of interest determined for any Taxable Adjustable Rate Bonds of any maturity will remain in effect.

Record Date: With respect to each Interest Payment Date to which a Record Date is applicable, (i) during a Daily, Weekly or Monthly Rate Period, the last day of the calendar month next preceding such Interest Payment Date; (ii) during a Quarterly, Semiannual, Term or Fixed Rate Period, or in an MMMR Period exceeding six months, the fifteenth day of the calendar month next preceding such Interest Payment Date.

Remarketing Agent: Kidder, Peabody & Co. Incorporated or any successor appointed pursuant to the Certificate.

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

Tender Agent: The Chase Manhattan Bank, N.A., New York, New York, or any successor appointed pursuant to the Certificate. The Tender Agent's designated office is, 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.

Term Rate: The interest rate that may be determined for Taxable Adjustable Rate Bonds of any maturity for a Period that is equal or approximately equal to (but not more than) one year or any whole multiple thereof.

Termination Notice: A Termination Notice, as defined in the Liquidity Facility.

Variable Rate: As the context requires, the Daily Rate, Weekly Rate, Monthly Rate, Quarterly Rate, Semiannual Rate or Term Rate applicable to Taxable Adjustable Rate Bonds of any maturity.

Weekly Rate: The interest rate that may be determined for Taxable Adjustable Rate Bonds of a maturity on a weekly basis pursuant to the applicable provisions of the Certificate.

Written Notice: Notice in writing which may be delivered by hand, first class mail, facsimile transmission (such as telecopy), telegram or telex.

THE LIQUIDITY PROVIDER

The information contained in this Appendix relates to and has been obtained from the Liquidity Provider. The City makes no representation as to the accuracy or adequacy of such information. The delivery of the Official Statement shall not create any implication that there has been no change in the affairs of the Liquidity Provider since the date hereof, or that the information contained or referred to in this Appendix is correct as of any time subsequent to the date of such information. For information concerning the Liquidity Facility between the City and the Liquidity Provider see "APPENDIX F—TAXABLE ADJUSTABLE RATE BONDS—Liquidity Facility".

FGIC Securities Purchase, Inc.

FGIC-SPI, the Liquidity Provider, was incorporated in 1990 in the State of Delaware. All outstanding capital stock of FGIC-SPI is owned by FGIC Corporation, a Delaware corporation, a wholly-owned subsidiary of General Electric Capital Corporation, a New York Corporation ("GE Capital").

The business of FGIC-SPI consists of providing liquidity for certain floating rate municipal securities through a "liquidity facility". Said floating rate municipal securities are typically remarketed by registered broker-dealers at par on a periodic basis to establish the applicable interest rate for the next interest period and to provide a secondary market liquidity mechanism for security holders desiring to sell their securities. Pursuant to a standby bond purchase agreement with the issuer of the securities, FGIC-SPI will be obligated to purchase unremarketed securities from the holders thereof who voluntarily or mandatorily tender their securities for purchase. In order to obtain funds to purchase the securities, FGIC-SPI will enter into one or more standby loan agreements with GE Capital under which GE Capital is irrevocably obligated to lend funds as needed to FGIC-SPI to purchase securities as required. FGIC-SPI's principal executive offices are located at 115 Broadway, New York, New York 10006-4972, Telephone No. (212) 312-3000.

FGIC-SPI is subject to the informational requirements of the Securities Exchange Act of 1934 (the "1934 Act") and in accordance therewith files reports and other information with the Securities and Exchange Commission (the "Commission"). Such reports and other information can be inspected and copied at Room 1024 at the Office of the Commission, 450 Fifth Street N.W., Washington, D.C. 20549, as well as at the Regional Offices of the Commission at 500 W. Madison, 14th Floor, Chicago, Illinois 60661-2511, and 75 Park Place, New York, New York 10007 and copies can be obtained by mail from the Public Reference Section of the Commission at 450 Fifth Street, N.W., Washington, D.C. 20549 at prescribed rates. FGIC-SPI does not intend to deliver to holders of the Adjustable Rate Bonds an annual report or other report containing financial information.

A Prospectus is required to be delivered with respect to the offering of the obligations of FGIC-SPI under the Liquidity Facility issued by FGIC-SPI in support of the Adjustable Rate Bonds. A Registration Statement with respect thereto has been filed under the Securities Act of 1933, as amended.

The Standby Loan Agreement; GE Capital. In order to obtain funds to fulfill its obligations under the Liquidity Facility, FGIC-SPI has entered into a Standby Loan Agreement with GE Capital under which GE Capital is irrevocably obligated to lend funds to FGIC-SPI as needed to purchase Adjustable Rate Bonds. Each loan under the Standby Loan Agreement will be in an amount not exceeding the purchase price for tendered Bonds which represents the outstanding principal amount of such tendered Bonds together with accrued interest thereon to but excluding the date a borrowing is made and will mature on the date which is five years from the effective date of the Standby Loan Agreement. The proceeds of each loan shall be used only for the purpose of paying the purchase price for tendered Bonds. When FGIC-SPI desires to make a borrowing under the Standby Loan Agreement, it must give GE Capital prior written notice of such borrowing by at least 1:00 p.m., New York City time, on the proposed borrowing date. No later than 4:00 p.m., New York City time, on each borrowing date (if the related notice of borrowing has been received by 1:00 p.m. on such date), GE Capital will make available the amount of the borrowing requested.

The Standby Loan Agreement expressly provides that it is not a guarantee by GE Capital of the Adjustable Rate Bonds or of FGIC-SPI's obligations under the Standby Bond Purchase Agreement.

GE Capital will not have any responsibility for, or incur any liability in respect of, any act, or any failure to act, by FGIC-SPI which results in the failure of FGIC-SPI to effect the purchase for the account of FGIC-SPI of Tendered Bonds with the funds provided pursuant to the Standby Loan Agreement.

GE Capital is subject to the informational requirements of the 1934 Act and in accordance therewith files reports and other information with the Commission. Such reports and other information can be inspected and copied at Room 1024 at the Office of the Commission, 450 Fifth Street N.W., Washington, D.C. 20549, as well as at the Regional Offices of the Commission at 500 W. Madison, 14th Floor, Chicago, Illinois 60661-2511, and 75 Park Place, New York, New York 10007 and copies can be obtained by mail from the Public Reference Section of the Commission at 450 Fifth Street, N.W., Washington, D.C. 20549 at prescribed rates. Reports and other information concerning GE Capital can also be inspected at the offices of the New York Stock Exchange, 20 Broad Street, New York, New York 10005, on which certain of GE Capital's securities are listed.

The following table sets forth the consolidated ratio of earnings to fixed charges of GE Capital for the periods indicated:

Fiscal Year Ended December 31				
1988	1989	1990	1991	1992
1.30	1.30	1.31	1.34	1.44

For purposes of computing the consolidated ratio of earnings to fixed charges, earnings consist of net earnings adjusted for the provision for income taxes, minority interest and fixed charges. Fixed charges consist of interest on all indebtedness and one-third of annual rentals, which GE Capital believes is a reasonable approximation of the interest factor of such rentals.

BONDS TO BE REFUNDED

At present, the City expects to refund City bonds through issuance by the City of its Fiscal 1993 Series F Bonds by providing for the payment of the principal of and interest on such bonds to the payment date set forth below. The refunding is contingent upon delivery of the Bonds.

The bonds to be refunded are being refunded in whole.

Series	Dated Date	Maturities Being Refunded	Payment Date
1990E	12/06/89	June 1, 1993	June 1, 1993

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555 CALIFORNIA STREET
SAN FRANCISCO, CA. 94104-1715
TELEPHONE: 415-398-3909
FACSIMILE: 415-397-4621

10900 WILSHIRE BOULEVARD
LOS ANGELES, CA. 90024-3959
TELEPHONE: 310-443-0200
FACSIMILE: 310-208-5740

SHIROYAMA JT MORI BUILDING, 15TH FLOOR
3-1, TORANOMON 4-CHOME, MINATO-KU
TOKYO 105, JAPAN
TELEPHONE: 03-5472-5360
FACSIMILE: 03-5472-5058

BROWN & WOOD

ONE WORLD TRADE CENTER
NEW YORK, N.Y. 10048-0557

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

815 CONNECTICUT AVENUE, N.W.
WASHINGTON, D.C. 20006-4004
TELEPHONE: 202-223-0220
FACSIMILE: 202-223-0485

172 WEST STATE STREET
TRENTON, N.J. 08608-1104
TELEPHONE: 609-393-0303
FACSIMILE: 609-393-1990

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

May 27, 1993

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 $956,410,000 General Obligation Bonds, Fiscal 1993 Series E, and $44,475,000 General Obligation Bonds, Fiscal 1993 Series F (together, the "Bonds"). The City purposes for which some of the Tax-Exempt Bonds identified below are being issued are to be accomplished through voluntary organizations that are described in Section 501(c)(3) of the Internal Revenue Code of 1986, as amended (the "Organizations"), selected by the City and engaged in providing housing facilities (the "Projects").

The Bonds are issued pursuant to the provisions of the Constitution of the State, the Local Finance Law of the State, and the Charter of the City, and in accordance with a certificate (the "Certificate") of the Deputy Comptroller for Finance of the City dated the date hereof.

Based on our examination of existing law, such legal proceedings and such other documents as we deem necessary to render this opinion, we are of the opinion that:

1. The Bonds have been duly authorized, executed and issued in accordance with the Constitution and statutes of the State and the Charter of the City and constitute valid and legally binding obligations of the City for the payment of which the City has validly pledged its faith and credit, and all real property within the City subject to taxation by the City is subject to the levy by the City of ad valorem taxes, without limit as to rate or amount, for payment of the principal of and interest on the Bonds.

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

3. Except as provided in the following sentence, interest on the Bonds that are identified below (the "Tax-Exempt Bonds") is not includable in the gross income of the owners of the Tax-Exempt Bonds for purposes of Federal income taxation under existing law. Interest on the Tax-Exempt Bonds will be includable in the gross income of the owners thereof retroactive to the date of issue of the Tax-Exempt

Bonds (a) in the event of a failure by the City or any of the Organizations to comply with applicable requirements of the Internal Revenue Code of 1986, as amended (the "Code"), and covenants regarding use, expenditure and investment of bond proceeds and the timely payment of certain investment earnings to the United States Treasury or (b) with respect to each Organization, in the event that the $150,000,000 limitation imposed by the Code on outstanding tax-exempt nonhospital bonds is exceeded within three years of the later of the date a Project is placed in service and the date of issue of the Bonds; and we render no opinion as to the exclusion from gross income of interest on the Tax-Exempt Bonds for Federal income tax purposes on or after the date on which any action is taken under the Certificate upon the approval of counsel other than Brown & Wood. The Organizations have covenanted, among other things, not to take any action that would cause interest on the Tax-Exempt Bonds to be includable in the gross income of the owners thereof. In rendering this opinion, we have relied upon the representations made by the Organizations with respect to material facts within the knowledge of the Organizations and upon the accompanying opinions of their counsel and we have made no independent investigation thereof.

Series E Tax-Exempt Bonds

Maturity	Interest Rate	Maturity	Interest Rate	Maturity	Interest Rate
1998	0 %(1)(2)	1996	%(4)	2007	6.00%
2004-13	0 (1)	1997	(4)	2008-11	6.00 (1)
2014	(1)(3)	2004	5.70 (1)	2012-14	5.75 (1)
2019	0 (1)	2005	5.80 (1)	2015-16	6.00 (1)
1995	3.80	2006	5.75 (1)	2019-21	6.00 (1)

Series F Tax-Exempt Bonds

Maturity	Interest Rate	Maturity	Interest Rate	Maturity	
1994	3.20%	1996	4.20%	2013-23	(1)
1995	3.80	1997	4.70		
		1998	4.90		

(1) OID Bonds.
(2) The zero-coupon Tax-Exempt Bonds maturing in 1998 are issued without a legend stating their original issue discount and yield to maturity.
(3) Fixed Rate Tax-Exempt Convertible Capital Appreciation Bonds. Interest at 6.35% from May 15, 2003 is payable November 15, 2003 and semi-annually thereafter.
(4) Adjustable Rate Bonds.

4. Interest on the Tax-Exempt 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 Tax-Exempt 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 Tax-Exempt OID Bonds identified above (and, in the case of Series E Tax-Exempt OID Bonds maturing in 2014, interest payable semi-annually), 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 Tax-Exempt 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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EARL L. SCOTT
TAYLOR C. SEGUE, III*
THOMAS E. WORRELL

MEMBERS OF THE NEW YORK BAR
*MEMBER OF THE MICHIGAN BAR
**MEMBER OF THE TEXAS BAR
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FAX: (201) 622-1610

May 27, 1993

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 $956,410,000 General Obligation Bonds, Fiscal 1993 Series E, and $44,475,000 General Obligation Bonds, Fiscal 1993 Series F, (together, the "Bonds"). The City purposes for which some of the Tax-Exempt Bonds identified below are being issued are to be accomplished through voluntary organizations that are described in Section 501(c)(3) of the Internal Revenue Code of 1986, as amended (the "Organizations"), selected by the City and engaged in providing housing facilities (the "Projects").

The Bonds are issued pursuant to the provisions of the Constitution of the State, the Local Finance Law of the State, and the Charter of the City, and in accordance with a certificate (the "Certificate") of the Deputy Comptroller for Finance of the City dated the date hereof.

Based on our examination of existing law, such legal proceedings and such other documents as we deem necessary to render this opinion, we are of the opinion that:

1. The Bonds have been duly authorized, executed and issued in accordance with the Constitution and statutes of the State and the Charter of the City and constitute valid and legally binding obligations of the City for the payment of which the City has validly pledged its faith and credit, and all real property within the City subject to taxation by the City is subject to the levy by the City of ad valorem taxes, without limit as to rate or amount, for payment of the principal of and interest on the Bonds.

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

3. Except as provided in the following sentence, interest on the Bonds that are identified below (the "Tax-Exempt Bonds") is not includable in the gross income of the owners of the Tax-Exempt Bonds for purposes of Federal income taxation under existing law. Interest on the Tax-Exempt Bonds will be includable in the gross income of the owners thereof retroactive to the date of issue of the Tax-Exempt

Bonds (a) in the event of a failure by the City or any of the Organizations to comply with applicable requirements of the Internal Revenue Code of 1986, as amended (the "Code"), and covenants regarding use, expenditure and investment of bond proceeds and the timely payment of certain investment earnings to the United States Treasury or (b) with respect to each Organization, in the event that the $150,000,000 limitation imposed by the Code on outstanding tax-exempt nonhospital bonds is exceeded within three years of the later of the date a Project is placed in service and the date of issue of the Bonds; and we render no opinion as to the exclusion from gross income of interest on the Tax-Exempt 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. The Organizations have covenanted, among other things, not to take any action that would cause interest on the Tax-Exempt Bonds to be includable in the gross income of the owners thereof. In rendering this opinion, we have relied upon the representations made by the Organizations with respect to material facts within the knowledge of the Organizations and upon the accompanying opinions of their counsel and we have made no independent investigation thereof.

Series E Tax-Exempt Bonds

Maturity	Interest Rate	Maturity	Interest Rate	Maturity	Interest Rate
1998	0 %(1)(2)	1996	%(4)	2007	6.00%
2004-13	0 (1)	1997	(4)	2008-11	6.00 (1)
2014	(1)(3)	2004	5.70 (1)	2012-14	5.75 (1)
2019	0 (1)	2005	5.80 (1)	2015-16	6.00 (1)
1995	3.80	2006	5.75 (1)	2019-21	6.00 (1)

Series F Tax-Exempt Bonds

Maturity	Interest Rate	Maturity	Interest Rate	Maturity	
1994	3.20%	1996	4.20%	2013-23	(1)
1995	3.80	1997	4.70		
		1998	4.90		

(1) OID Bonds.

(2) The zero-coupon Tax-Exempt Bonds maturing in 1998 are issued without a legend stating their original issue discount and yield to maturity.

(3) Fixed Rate Tax-Exempt Convertible Capital Appreciation Bonds. Interest at 6.35% from May 15, 2003 is payable November 15, 2003 and semi-annually.

(4) Adjustable Rate Bonds.

4. Interest on the Tax-Exempt 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 Tax-Exempt 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 Tax-Exempt OID Bonds identified above (and, in the case of Series E OID Bonds maturing in 2014, interest payable semi-annually), 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 Tax-Exempt 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,

TABLE OF HYPOTHETICAL ACCRETED VALUES FOR CAPITAL APPRECIATION BONDS

(Expressed per $5,000 maturity amount)

The Underwriters have prepared the table below and the table on the following page to illustrate the hypothetical accretion to each of the Capital Appreciation Bonds listed below, on the basis of semiannual compounding, of the difference between its principal amount payable at maturity and its initial public offering price ("Initial Offering Price" on the inside cover page). The City is not obligated to pay, or to provide for the payment of, any amounts on the Capital Appreciation Bonds prior to their respective dates of maturity. *No representation is made that the hypothetical accreted values presented below bear or will bear any relationship to the market prices of the Capital Appreciation Bonds. The market prices of the Capital Appreciation Bonds are expected to be more volatile than those of the Current Interest Bonds.*

Fixed Rate Tax-Exempt Capital Appreciation Bonds and
Fixed Rate Tax-Exempt Convertible Capital Appreciation Bonds due May 15,

Date	1998	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014*	2019
May 27, 1993	$3,912.40	$2,642.60	$2,464.50	$2,308.45	$2,160.20	$2,019.50	$1,886.15	$1,745.45	$1,640.45	$1,527.70	$1,435.10	$2,681.50	$ 973.95
November 15, 1993	4,003.60	2,715.25	2,533.45	2,373.55	2,221.60	2,077.40	1,940.67	1,796.70	1,688.65	1,572.90	1,477.60	2,760.90	1,003.00
May 15, 1994	4,103.70	2,795.35	2,609.45	2,445.35	2,289.40	2,141.25	2,000.83	1,853.30	1,741.85	1,622.85	1,524.50	2,848.55	1,035.10
November 15, 1994	4,206.30	2,877.85	2,687.70	2,519.35	2,359.20	2,207.10	2,062.85	1,911.70	1,796.70	1,674.40	1,572.90	2,939.00	1,068.20
May 15, 1995	4,311.45	2,962.75	2,768.35	2,595.55	2,431.15	2,275.00	2,126.80	1,971.90	1,853.30	1,727.55	1,622.85	3,032.30	1,102.40
November 15, 1995	4,419.25	3,050.15	2,851.40	2,674.05	2,505.30	2,344.95	2,192.73	2,034.05	1,911.70	1,782.40	1,674.40	3,128.60	1,137.65
May 15, 1996	4,529.75	3,140.10	2,936.95	2,754.95	2,581.70	2,417.05	2,260.71	2,098.10	1,971.90	1,839.00	1,727.55	3,227.95	1,174.05
November 15, 1996	4,642.95	3,232.75	3,025.05	2,838.30	2,660.45	2,491.35	2,330.79	2,164.20	2,034.05	1,897.40	1,782.40	3,330.40	1,211.65
May 15, 1997	4,759.05	3,328.10	3,115.80	2,924.15	2,741.60	2,568.00	2,403.04	2,232.35	2,098.10	1,957.65	1,839.00	3,436.15	1,250.40
November 15, 1997	4,878.00	3,426.30	3,209.30	3,012.60	2,825.25	2,646.95	2,477.54	2,302.70	2,164.20	2,019.80	1,897.40	3,545.25	1,290.45
May 15, 1998	5,000.00	3,527.35	3,305.55	3,103.75	2,911.40	2,728.35	2,554.34	2,375.20	2,232.35	2,083.90	1,957.65	3,657.80	1,331.75
November 15, 1998		3,631.45	3,404.75	3,197.60	3,000.20	2,812.25	2,633.53	2,450.05	2,302.70	2,150.10	2,019.80	3,773.95	1,374.35
May 15, 1999		3,738.55	3,506.85	3,294.35	3,091.70	2,898.70	2,715.17	2,527.20	2,375.20	2,218.35	2,083.90	3,893.80	1,418.30
November 15, 1999		3,848.85	3,612.10	3,394.00	3,186.00	2,987.85	2,799.34	2,606.85	2,450.05	2,288.80	2,150.10	4,017.40	1,463.70
May 15, 2000		3,962.40	3,720.45	3,496.70	3,283.20	3,079.75	2,886.11	2,688.95	2,527.20	2,361.45	2,218.35	4,144.95	1,510.55
November 15, 2000		4,079.25	3,832.05	3,602.45	3,383.30	3,174.45	2,975.58	2,773.65	2,606.85	2,436.40	2,288.80	4,276.55	1,558.90
May 15, 2001		4,199.60	3,947.00	3,711.45	3,486.50	3,272.05	3,067.83	2,861.00	2,688.95	2,513.80	2,361.45	4,412.35	1,608.75
November 15, 2001		4,323.50	4,065.45	3,823.70	3,592.85	3,372.65	3,162.93	2,951.15	2,773.65	2,593.60	2,436.40	4,552.45	1,660.25
May 15, 2002		4,451.05	4,187.40	3,939.35	3,702.45	3,476.40	3,260.98	3,044.10	2,861.00	2,675.95	2,513.80	4,697.00	1,713.40
November 15, 2002		4,582.35	4,313.00	4,058.55	3,815.35	3,583.30	3,362.07	3,140.00	2,951.15	2,760.90	2,593.60	4,846.10	1,768.20
May 15, 2003		4,717.55	4,442.40	4,181.30	3,931.75	3,693.45	3,466.30	3,238.90	3,044.10	2,848.55	2,675.95	5,000.00	1,824.80
November 15, 2003		4,856.70	4,575.70	4,307.80	4,051.65	3,807.05	3,573.75	3,340.95	3,140.00	2,939.00	2,760.90		1,883.20
May 15, 2004		5,000.00	4,712.95	4,438.10	4,175.20	3,924.10	3,684.54	3,446.15	3,238.90	3,032.30	2,848.55		1,943.45
November 15, 2004			4,854.35	4,572.35	4,302.55	4,044.75	3,798.76	3,554.70	3,340.95	3,128.60	2,939.00		2,005.65
May 15, 2005			5,000.00	4,710.65	4,433.80	4,169.15	3,916.52	3,666.70	3,446.15	3,227.95	3,032.30		2,069.80
November 15, 2005				4,853.15	4,569.05	4,297.35	4,037.93	3,782.20	3,554.70	3,330.40	3,128.60		2,136.05
May 15, 2006				5,000.00	4,708.40	4,429.50	4,163.11	3,901.35	3,666.70	3,436.15	3,227.95		2,204.40
November 15, 2006					4,852.00	4,565.70	4,292.16	4,024.25	3,782.20	3,545.25	3,330.40		2,274.95
May 15, 2007					5,000.00	4,706.10	4,425.22	4,151.00	3,901.35	3,657.80	3,436.15		2,347.75
November 15, 2007						4,850.80	4,562.40	4,281.75	4,024.25	3,773.95	3,545.25		2,422.90
May 15, 2008						5,000.00	4,703.84	4,416.65	4,151.00	3,893.80	3,657.80		2,500.40
November 15, 2008							4,849.66	4,555.75	4,281.75	4,017.40	3,773.95		2,580.45
May 15, 2009							5,000.00	4,699.25	4,416.65	4,144.95	3,893.80		2,663.00
November 15, 2009								4,847.30	4,555.75	4,276.55	4,017.40		2,748.20
May 15, 2010								5,000.00	4,699.25	4,412.35	4,144.95		2,836.15
November 15, 2010									4,847.30	4,552.45	4,276.55		2,926.90
May 15, 2011									5,000.00	4,697.00	4,412.35		3,020.60
November 15, 2011										4,846.10	4,552.45		3,117.25
May 15, 2012										5,000.00	4,697.00		3,217.00
November 15, 2012											4,846.10		3,319.95
May 15, 2013											5,000.00		3,426.20
November 15, 2013													3,535.80
May 15, 2014													3,648.95
November 15, 2014													3,765.75
May 15, 2015													3,886.25
November 15, 2015													4,010.60
May 15, 2016													4,138.95
November 15, 2016													4,271.40
May 15, 2017													4,408.05
November 15, 2017													4,549.15
May 15, 2018													4,694.70
November 15, 2018													4,844.95
May 15, 2019													5,000.00

* Fixed Rate Tax-Exempt Convertible Capital Appreciation Bonds. The Fixed Rate Tax-Exempt Convertible Capital Appreciation Bonds will not bear interest until May 15, 2003, and thereafter interest at 6.35% will be payable semi-annually, beginning November 15, 2003 and on each May 15 and November 15 thereafter. See "SECTION II—THE BONDS—NYC BONDS".

Taxable Capital Appreciation Bonds due May 15,

Date	1998	2004	2005	2006	2007	2008	2009	2010
May 27, 1993	$3,611.20	$2,167.25	$1,980.60	$1,796.90	$1,638.40	$1,493.15	$1,354.30	$1,229.75
November 15, 1993	3,723.30	2,245.70	2,053.45	1,864.30	1,700.65	1,550.50	1,407.00	1,278.15
May 15, 1994	3,847.30	2,332.95	2,134.45	1,939.35	1,769.95	1,614.40	1,465.75	1,332.05
November 15, 1994	3,975.40	2,423.60	2,218.65	2,017.40	1,842.05	1,680.90	1,526.95	1,388.30
May 15, 1995	4,107.80	2,517.75	2,306.20	2,098.65	1,917.10	1,750.15	1,590.70	1,446.85
November 15, 1995	4,244.60	2,615.60	2,397.15	2,183.10	1,995.25	1,822.25	1,657.10	1,507.95
May 15, 1996	4,385.95	2,717.20	2,491.75	2,270.95	2,076.55	1,897.35	1,726.30	1,571.55
November 15, 1996	4,532.00	2,822.75	2,590.05	2,362.35	2,161.20	1,975.50	1,798.35	1,637.90
May 15, 1997	4,682.90	2,932.40	2,692.20	2,457.45	2,249.25	2,056.90	1,873.45	1,707.00
November 15, 1997	4,838.85	3,046.35	2,798.40	2,556.35	2,340.90	2,141.65	1,951.65	1,779.05
May 15, 1998	5,000.00	3,164.70	2,908.80	2,659.25	2,436.30	2,229.90	2,033.15	1,854.10
November 15, 1998		3,287.65	3,023.55	2,766.30	2,535.60	2,321.75	2,118.05	1,932.35
May 15, 1999		3,415.35	3,142.85	2,877.65	2,638.90	2,417.40	2,206.45	2,013.90
November 15, 1999		3,548.05	3,266.85	2,993.50	2,746.45	2,517.00	2,298.55	2,098.90
May 15, 2000		3,685.90	3,395.70	3,113.95	2,858.35	2,620.70	2,394.55	2,187.50
November 15, 2000		3,829.10	3,529.65	3,239.30	2,974.85	2,728.70	2,494.50	2,279.80
May 15, 2001		3,977.85	3,668.90	3,369.70	3,096.05	2,841.10	2,598.65	2,376.00
November 15, 2001		4,132.40	3,813.65	3,505.30	3,222.25	2,958.15	2,707.15	2,476.25
May 15, 2002		4,292.95	3,964.10	3,646.40	3,353.55	3,080.05	2,820.20	2,580.75
November 15, 2002		4,459.75	4,120.50	3,793.20	3,490.20	3,206.95	2,937.90	2,689.70
May 15, 2003		4,633.00	4,283.05	3,945.85	3,632.40	3,339.05	3,060.60	2,803.20
November 15, 2003		4,813.00	4,452.00	4,104.65	3,780.45	3,476.65	3,188.35	2,921.50
May 15, 2004		5,000.00	4,627.65	4,269.90	3,934.50	3,619.90	3,321.50	3,044.75
November 15, 2004			4,810.20	4,441.75	4,094.80	3,769.00	3,460.15	3,173.25
May 15, 2005			5,000.00	4,620.55	4,261.70	3,924.30	3,604.60	3,307.15
November 15, 2005				4,806.50	4,435.35	4,086.00	3,755.10	3,446.75
May 15, 2006				5,000.00	4,616.10	4,254.35	3,911.90	3,592.20
November 15, 2006					4,804.20	4,429.60	4,075.20	3,743.75
May 15, 2007					5,000.00	4,612.10	4,245.35	3,901.75
November 15, 2007						4,802.15	4,422.60	4,066.40
May 15, 2008						5,000.00	4,607.25	4,238.00
November 15, 2008							4,799.60	4,416.85
May 15, 2009							5,000.00	4,603.25
November 15, 2009								4,797.50
May 15, 2010								5,000.00

Financial Guaranty Insurance
Company
115 Broadway
New York, NY 10006
(212) 312-3000
(800) 352-0001

A GE Capital Company

FGIC.

Municipal Bond
New Issue Insurance Policy

Issuer:

Policy Number:

Control Number:

Bonds:

Premium:

SPECIMEN

Financial Guaranty Insurance Company ("Financial Guaranty"), a New York stock insurance company, in consideration of the payment of the premium and subject to the terms of this Policy, hereby unconditionally and irrevocably agrees to pay to Citibank, N.A., or its successor, as its agent (the "Fiscal Agent"), for the benefit of Bondholders, that portion of the principal 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.

Financial Guaranty will make such payments to the Fiscal Agent on the date such principal or interest becomes Due for Payment or on the Business Day next following the day on which Financial Guaranty shall have received Notice of Nonpayment, whichever is later. The Fiscal Agent will disburse to the Bondholder the face amount of principal and interest which is then Due for Payment but is unpaid by reason of Nonpayment by the Issuer, but only upon receipt by the Fiscal Agent, in form reasonably satisfactory to it, of (i) evidence of the Bondholder's right to receive payment of the principal or interest Due for Payment and (ii) evidence, including any appropriate instruments of assignment, that all of the Bondholder's rights to payment of such principal or interest Due for Payment shall thereupon vest in Financial Guaranty. Upon such disbursement, Financial Guaranty shall become the owner of the Bond, appurtenant coupon or right to payment of principal or interest on such Bond and shall be fully subrogated to all of the Bondholder's rights thereunder, including the Bondholder's right to payment thereof.

This Policy is non-cancellable for any reason. The premium on this Policy is not refundable for any reason, including the payment of the Bonds prior to their maturity. This Policy does not insure against loss of any prepayment premium which may at any time be payable with respect to any Bond.

As used herein, the term "Bondholder" means, as to a particular Bond, the person other than the Issuer who, at the time of Nonpayment, is entitled under the terms of such Bond to payment thereof. "Due for Payment" means, when referring to the principal of a Bond, the stated maturity date thereof or the date on which the same shall have been duly called for mandatory sinking fund redemption and does not refer to any earlier date on which payment is due by reason of call for redemption (other than by mandatory sinking fund redemption), acceleration or other advancement of maturity and means, when referring to interest on a

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Financial Guaranty Insurance
Company
115 Broadway
New York, NY 10006
(212) 312-3000
(800) 352-0001

A GE Capital Company

FGIC.

Municipal Bond
New Issue Insurance Policy

Bond, the stated date for payment of interest. "Nonpayment" in respect of a Bond means the failure of the Issuer to have provided sufficient funds to the paying agent for payment in full of all principal and interest Due for Payment on such Bond. "Notice" means telephonic or telegraphic notice, subsequently confirmed in writing, or written notice by registered or certified mail, from a Bondholder or a paying agent for the Bonds to Financial Guaranty. "Business Day" means any day other than a Saturday, Sunday or a day on which the Fiscal Agent is authorized by law to remain closed.

In Witness Whereof, Financial Guaranty has caused this Policy to be affixed with its corporate seal and to be signed by its duly authorized officers in facsimile to become effective and binding upon Financial Guaranty by virtue of the countersignature of its duly authorized representative.

President

Effective Date: **Authorized Representative**

Citibank, N.A., acknowledges that it has agreed to perform the duties of Fiscal Agent under this Policy.

Authorized Officer

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Company
115 Broadway
New York, NY 10006
(212) 312-3000
(800) 352-0001

A GE Capital Company

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Endorsement
To Financial Guaranty Insurance Company Insurance Policy

Policy Number: **Control Number:**

It is further understood that the term "Nonpayment" in respect of a Bond includes any payment of principal or interest made to a Bondholder by or on behalf of the issuer of such Bond which has been recovered from such Bondholder pursuant to the United States Bankruptcy Code by a trustee in bankruptcy in accordance with a final, nonappealable order of a court having competent jurisdiction.

In Witness Whereof, Financial Guaranty has caused this Endorsement to be affixed with its corporate seal and to be signed by its duly authorized officers in facsimile to become effective and binding upon Financial Guaranty by virtue of the countersignature of its duly authorized representative.

President

Effective Date: **Authorized Representative**

Acknowledged as of the Effective Date written above:

Authorized Officer
Citibank, N.A., as Fiscal Agent

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Company
115 Broadway
New York, NY 10006
(212) 312-3000
(800) 352-0001

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FGIC.

Mandatory New York State Amendatory Endorsement

To Financial Guaranty Insurance Company Insurance Policy

Policy Number: **Control Number:**

The insurance provided by this Policy is not covered by the New York Property/Casualty Insurance Security Fund (New York Insurance Code, Article 76.)

Nothing herein shall be construed to waive, alter, reduce, or amend coverage in any other section of the Policy. If found contrary to the Policy language, the terms of this Endorsement shall supersede the Policy language.

In Witness Whereof, Financial Guaranty has caused this Endorsement to be affixed with its corporate seal and to be signed by its duly authorized officers in facsimile, to become effective and binding upon Financial Guaranty by virtue of the countersignature of its duly authorized representative.

President

Effective Date: **Authorized Representative**

Acknowledged as of the Effective Date written above:

Authorized Officer
Citibank, N.A., as Fiscal Officer

SPECIMEN

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Financial Guaranty Insurance
Company
115 Broadway
New York, NY 10006
(212) 312-3000
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A GE Capital Company

FGIC.

Mandatory New York State Amendatory Endorsement

To Financial Guaranty Insurance Company Insurance Policy

Policy Number: **Control Number:**

Notwithstanding the terms and conditions in this Policy, it is further understood that the term "Due for Payment" shall not include, when referring to either the principal of a Bond or the interest on a Bond, any acceleration of payment unless such acceleration is at the sole option of Financial Guaranty.

Nothing herein shall be construed to waive, alter, reduce, or amend coverage in any other section of the Policy. If found contrary to the Policy language, the terms of this Endorsement supersede the Policy language.

In Witness Whereof, Financial Guaranty has caused this Endorsement to be affixed with its corporate seal and to be signed by its duly authorized officers in facsimile to become effective and binding upon Financial Guaranty by virtue of the countersignature of its duly authorized representative.

President

Effective Date: **Authorized Representative**

Acknowledged as of the Effective Date written above:

Authorized Officer
Citibank, N.A., as Fiscal Officer

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MSRB 26689

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 E and F

   (2) _____

3. STATE(S) New York

4. DATED DATE(S): (1) May 27, 1993 (2) _____

5. DATE OF FINAL MATURITY OF OFFERING May 15, 2023 6. DATE OF SALE May 20, 1993

7. PAR VALUE OF OFFERING $ 800,885,000 + $200,000,000 Taxable LIBOR BONDS (Total Issuance Amount $909,601,563.95)

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.

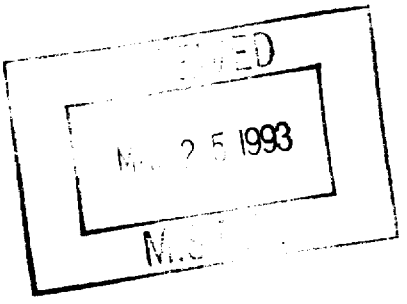
   c. ☐ This offering is exempt from SEC rule 15c2-12 under section (c)(1) of that rule. Section (c)(1) of SEC rule 15c2-12 states that an offering is exempt from the requirements of the rule if the securities offered have authorized denominations of $100,000 or more and are sold to no more than 35 persons 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 Bear, Stearns & Co. Inc.

16. MATURITY D

5/15/94

5/



G-36

16. MATURITY DATE	CUSIP NUMBER	MATURITY DATE	CUSIP NUMBER
5/15/94	649647 Z98	5/15/2008	649654 NH9
5/15/95	649648 2P6	5/15/2008	649654 NG1
5/15/95	649648 2Q4	5/15/2008	649654 NL2
5/15/96	649648 2S0	5/15/2009	649655 LF2
5/15/97	649649 U65	5/15/2009	649655 LE5
5/15/98	649649 V23	5/15/2009	649655 LL9
5/15/98	649649 U73	5/15/2010	649655 LJ4
5/15/98	649649 U81	5/15/2010	649655 LH8
5/15/2004	649652 QX5	5/15/2010	649655 LN5
5/15/2004	649652 QW7	5/15/2011	649656 KZ7
5/15/2004	649652 QZ0	5/15/2011	649656 KY0
5/15/2005	649653 LZ3	5/15/2011	649656 LA1
5/15/2005	649653 LY6	5/15/2012	649656 LC7
5/15/2005	649653 ME9	5/15/2012	649656 LB9
5/15/2006	649653 MC3	5/15/2012	649656 LD5
5/15/2006	649653 MB5	5/15/2013	649657 KU
5/15/2006	649653 MG4	5/15/2013	649657 KT9
5/15/2007	649654 NE6	5/15/2013	649657 KV4
5/15/2007	649654 ND8	5/15/2014	649657 KX6
5/15/2007	649654 NK2	5/15/2014	649657 KW8

Continued on next page

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: _____

_____

...copies of the completed form along with two copies of the official statement to Municipal Securities Rulemaking ... submissions will be returned for correction

16. MATURITY DATE (continued)	CUSIP NUMBER (from previous page)	MATURITY DATE	CUSIP NUMBER
5/15/2014	649657 KY8		
5/15/2015	649658 GY1		
5/15/2015	649658 GZ8		
5/15/2016	649658 HA2		
5/15/2016	649658 HB0		
5/15/2017	649659 FY0		
5/15/2018	649659 FZ7		
5/15/2019	649660 NA1		
5/15/2019	649660 MZ7		
5/15/2019	649660 NF0		
5/15/2020	649660 NB9		
5/15/2020	649660 NG8		
5/15/2021	649660 NC7		
5/15/2021	649660 NH6		
5/15/2022	649660 NJ2		
5/15/2023	649660 NK9		

MAY 25 1993
M.S.R.B.

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 [illegible] late submissions will be returned for correction.