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.

$1,069,570,000

The City of New York

General Obligation Bonds, Fiscal 1994 Series H and I

$689,065,000 FIXED RATE TAX-EXEMPT BONDS
$258,300,000 TAX-EXEMPT ADJUSTABLE RATE BONDS
$122,205,000 TAXABLE ADJUSTABLE RATE BONDS

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 Taxable Adjustable Rate 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.

Interest on the Fixed Rate Tax-Exempt Series H Bonds will be payable semiannually, beginning August 1, 1994 and on each February 1 and August 1 thereafter. Interest on the Fixed Rate Tax-Exempt Series I Bonds will be payable semiannually, beginning June 1, 1994 and on each December 1 and June 1 thereafter. The Fixed Rate Tax-Exempt Bonds can be purchased in principal amounts of $5,000 or any integral multiple thereof. The Fixed Rate Bonds are subject to redemption prior to maturity as described herein. *A detailed schedule of the Bonds is set forth inside this cover page.*

The Taxable Adjustable Rate Bonds and the Tax-Exempt Adjustable Rate Bonds will be insured as set forth inside this cover page. 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 35 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 Liquidity Facilities described herein provided severally by the following Banks, representing separate obligations of the respective Banks in respect of the separate Subseries:

Banco Santander, New York Branch
Banque Paribas, New York Branch
Kredietbank N.V., New York Branch
Landesbank Hessen-Thüringen Girozentrale, New York Branch
Rabobank Nederland, New York Branch

The Subseries H-2, Subseries H-5 and Subseries H-6 Bonds will be insured by **Municipal Bond Investors Assurance Corporation**; the Subseries H-3 Bonds will be insured by **Financial Security Assurance Inc.**; and the Subseries H-4 Bonds will be insured by **AMBAC Indemnity Corporation**; and each will be supported by a separate Liquidity Facility (collectively, the "Liquidity Facilities"); each such Liquidity Facility is the obligation only of the Bank issuing such Liquidity Facility. The Liquidity Facilities will expire 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 FGIC-SPI 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 FGIC-SPI 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 FGIC-SPI Liquidity Facility. The FGIC-SPI 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, 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 April 12, 1994.

J.P. Morgan Securities Inc.

Bear, Stearns & Co. Inc.
CS First Boston
Goldman, Sachs & Co.
Lehman Brothers
Merrill Lynch & Co.
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 Frères & 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 Shearson Inc.
Dean Witter Reynolds Inc.

March 24, 1994

$1,035,365,000 General Obligation Bonds, Fiscal 1994 Series H

	Subseries H-1 $673,530,000 Tax-Exempt Bonds			Subseries H-2 $50,000,000 Tax-Exempt Bonds		Subseries H-3 $90,000,000 Tax-Exempt Bonds		Subseries H-4 $50,000,000 Tax-Exempt Bonds		Subseries H-5 $25,000,000 Tax-Exempt Bonds		Subseries H-6 $43,300,000 Tax-Exempt Bonds		Subseries H-7 $103,535,000 Taxable Bonds		
August 1	Principal Amount	Interest Rate	Price or Yield	Principal Amount(1)	Price	Principal Amount(2)	Price	Principal Amount(3)	Price	Principal Amount(4)	Price	Principal Amount(5)	Price	Principal Amount(6)	Price	Total Principal Amount
1995	$34,860,000	4 %	3.75 %	$	%	$	%	$	%	$	%	$	%	$	%	$34,860,000
1996	44,365,000	4.45	100													44,365,000
1997	34,860,000	4.90	100													34,860,000
1998	23,390,000	5.10	100											10,450,000	100	33,840,000
1999	44,365,000	5.30	5.35													44,365,000
2000	44,365,000	5.40	5.50													44,365,000
2001	44,365,000	5½	5.60													44,365,000
2002	35,070,000	5.60	5.70													35,070,000
2003	33,900,000	5.70	5.80											10,450,000	100	44,350,000
2004	44,365,000	5.80	5.90													44,365,000
2005	44,365,000	5.90	6.00													44,365,000
2006	44,365,000	6	6.10													44,365,000
2007	44,365,000	6	6.15													44,365,000
2008	33,900,000	6	6.20											10,450,000	100	44,350,000
2009	44,365,000	6⅛	6.25													44,365,000
2010	44,365,000	6⅛	6.275													44,365,000
2011	33,900,000	6⅛	6.30									10,500,000	100			44,400,000
2012										25,000,000	100	24,500,000	100			49,500,000
2013				30,700,000	100							8,300,000	100	10,450,000	100	49,450,000
2014				19,300,000	100	14,300,000	100	15,900,000	100							49,500,000
2015								34,100,000	100					15,435,000	100	49,535,000
2016														15,435,000	100	15,435,000
2017														15,435,000	100	15,435,000
2018														15,430,000	100	15,430,000
2019						15,200,000	100									15,200,000
2020						15,200,000	100									15,200,000
2021						15,100,000	100									15,100,000
2022						15,100,000	100									15,100,000
2023						15,100,000	100									15,100,000

(1) Tax-Exempt Adjustable Rate Bonds. Insured by Municipal Bond Investors Assurance Corporation ("MBIA") and supported by a Liquidity Facility provided by Banco Santander, New York Branch. See "APPENDIX C—TAX-EXEMPT ADJUSTABLE RATE BONDS".

(2) Tax-Exempt Adjustable Rate Bonds. Insured by Financial Security Assurance Inc. and supported by a Liquidity Facility provided by Banque Paribas, New York Branch. See "APPENDIX C—TAX-EXEMPT ADJUSTABLE RATE BONDS".

(3) Tax-Exempt Adjustable Rate Bonds. Insured by AMBAC Indemnity Corporation and supported by a Liquidity Facility provided by Kredietbank N.V., New York Branch. See "APPENDIX C—TAX-EXEMPT ADJUSTABLE RATE BONDS".

(4) Tax-Exempt Adjustable Rate Bonds. Insured by MBIA and supported by a Liquidity Facility provided by Landesbank Hessen-Thüringen Girozentrale, New York Branch. See "APPENDIX C—TAX-EXEMPT ADJUSTABLE RATE BONDS".

(5) Tax-Exempt Adjustable Rate Bonds. Insured by MBIA and supported by a Liquidity Facility provided by Rabobank, Nederland, New York Branch. See "APPENDIX C—TAX-EXEMPT ADJUSTABLE RATE BONDS".

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

$34,205,000 General Obligation Bonds, Fiscal 1994 Series I

June 1	$15,535,000 Tax-Exempt Bonds Principal Amount	Interest Rate	Price or Yield	$18,670,000 Taxable Bonds Principal Amount(1)	Price	Total Principal Amount
1994	$ 970,000	3½%	3.00%	$	%	$ 970,000
1995	970,000	4	3.75			970,000
1996	970,000	4.45	100			970,000
1997	970,000	4.90	100			970,000
1998				1,335,000	100	1,335,000
1999	970,000	5.30	5.35			970,000
2000	970,000	5.40	5.50			970,000
2001	970,000	5½	5.60			970,000
2002	970,000	5.60	5.70			970,000
2003				1,335,000	100	1,335,000
2004	970,000	5.80	5.90			970,000
2005	970,000	5.90	6.00			970,000
2006	970,000	6	6.10			970,000
2007				1,335,000	100	1,335,000
2008				1,335,000	100	1,335,000
2009				1,335,000	100	1,335,000
2010				1,335,000	100	1,335,000
2011				1,335,000	100	1,335,000
2012				1,335,000	100	1,335,000
2013				1,335,000	100	1,335,000
2014				1,335,000	100	1,335,000
2015				1,335,000	100	1,335,000
2016				1,330,000	100	1,330,000
2017				1,330,000	100	1,330,000
2018				1,325,000	100	1,325,000
2019	1,330,000	6¼	6.30			1,330,000
2020	970,000	6¼	6.30			970,000
2021	970,000	6¼	6.30			970,000
2022	970,000	6¼	6.30			970,000
2023	625,000	6¼	6.30			625,000

(1) Taxable Adjustable Rate Bonds. Insured by Financial Guaranty and supported by the FGIC-SPI Liquidity Facility provided by FGIC-SPI. See "APPENDIX F-TAXABLE ADJUSTABLE RATE BONDS".

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 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 9:30 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 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 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.

---

* 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 Appendix E, H and K has been supplied by the Banks, the Liquidity Provider and the Insurers, respectively, and the Underwriters and the City make no representation as to the adequacy or accuracy 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

TABLE OF CONTENTS

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.

IN MAKING AN INVESTMENT DECISION INVESTORS MUST RELY ON THEIR OWN EXAMINATION OF THE ISSUER AND THE TERMS OF THE OFFERING, INCLUDING THE MERITS AND RISKS INVOLVED. THESE SECURITIES HAVE NOT BEEN RECOMMENDED BY ANY FEDERAL OR STATE SECURITIES COMMISSION OR REGULATORY AUTHORITY. FURTHERMORE, THE FOREGOING AUTHORITIES HAVE NOT CONFIRMED THE ACCURACY OR DETERMINED THE ADEQUACY OF THIS DOCUMENT. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE.

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 $1,069,570,000 aggregate principal amount of the City's General Obligation Bonds, Fiscal 1994 Series H and I (the "Series H Bonds" and the "Series I Bonds", respectively, and collectively, the "Bonds") consisting of $689,065,000 of fixed rate tax-exempt bonds (the "Fixed Rate Bonds"); $258,300,000 of tax-exempt adjustable rate bonds (the "Tax-Exempt Adjustable Rate Bonds" and together with the Fixed Rate Bonds, the "Tax-Exempt Bonds"); and $122,205,000 of taxable adjustable rate bonds (the "Taxable Adjustable Rate Bonds" or "Taxable 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.

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 job losses in 1990 and 1991 and real Gross City Product (GCP) fell in those two years. In order to achieve a balanced budget as required by the laws of the State of New York (the "State") for the 1992 fiscal year, the City increased taxes and reduced services during the 1991 fiscal year to close a then projected gap of $3.3 billion in the 1992 fiscal year which resulted from, among other things, lower than projected tax revenue of approximately $1.4 billion, reduced State aid for the City and greater than projected increases in legally mandated expenditures, including public assistance and Medicaid expenditures. Beginning in calendar year 1992, the improvement in the national economy helped stabilize conditions in the City. Employment losses moderated toward year-end and real GCP increased, boosted by strong wage gains. The City now projects, and its current four-year financial plan assumes, that the City's economy will continue to improve and that a modest employment recovery will occur during calendar year 1994.

For each of the 1981 through 1993 fiscal years, the City achieved balanced operating results as reported in accordance with generally accepted accounting principles ("GAAP"), and the City's 1994 fiscal year results are projected to be balanced in accordance with GAAP. The City was required to close substantial budget gaps in recent years in order to maintain balanced operating results. There can be no assurance that the City will continue to maintain a balanced budget as required by State law 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: 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. The State currently estimates that it will end its 1994 fiscal year with a cash-basis General Fund (the major operating fund of the State) positive balance of $339 million. The Governor's recommended Budget for the State's 1995 fiscal year projects a balanced General Fund. There can be no assurance that there will not be reductions in State aid to the City from amounts currently projected or that State budgets in future fiscal years will be adopted by the April 1 statutory deadline and that such reductions or delays will not have adverse effects on the City's cash flow or result in additional City expenditures. See "SECTION I: RECENT FINANCIAL DEVELOPMENTS—The State".

The Mayor is responsible for preparing the City's four-year financial plan. On February 10, 1994 the City released a 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 and pace of any regional and local economic recovery, the impact on real estate tax revenues of the current downturn in the real estate market, wage increases for City employees consistent with those assumed in the Financial Plan, employment growth, the ability to implement proposed reductions in City personnel and other cost reduction initiatives which may require in certain cases the cooperation of the City's municipal unions and the Municipal Assistance Corporation for The City of New York ("MAC"), provision of State and Federal aid and mandate relief, adoption of the budget by the City Council in substantially the form submitted by the Mayor and the impact on the New York City region of the tax increases contained in President Clinton's economic plan. See "SECTION VII: 1994-1997 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 1994 through 1997 contemplates the issuance of $12.47 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 provide the level of services included in the Financial Plan. It is reasonable to expect that such reports and statements will continue to be issued and to engender public comment. See "SECTION VII: 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 Year 1993

The City achieved balanced operating results as reported in accordance with GAAP for the 1993 fiscal year. For further information, see "SECTION VI: FINANCIAL OPERATIONS".

1994-1997 Financial Plan

In February 1994, the City released the Financial Plan for the 1994 through 1997 fiscal years, which is a modification to a financial plan submitted to the Control Board on August 30, 1993 (the "August Financial Plan") and which relates to the City, the Board of Education ("BOE") and the City University of New York ("CUNY"). The 1994-1997 Financial Plan projects revenues and expenditures for the 1994 fiscal year balanced in accordance with GAAP. The 1994-1997 Financial Plan sets forth actions, which were outlined in the City's August Financial Plan, to close a previously projected gap of approximately $2.0 billion in the 1994 fiscal year. The gap-closing actions for the 1994 fiscal year included substantial productivity savings and savings from restructuring the delivery of City services, service reductions, and the sale of delinquent real property tax receivables for $215 million. The proposed sale of real property tax receivables requires authorization by the City Council. For information concerning changes since the August Financial Plan, which are reflected in the Financial Plan, see "SECTION VI: FINANCIAL OPERATIONS—Forecast of 1994 Results". Subsequent to the submission of the Financial Plan to the Control Board, the City proposed additional Other Than Personal Service expenditure reductions to offset additional projected expenditures resulting from the unusually harsh winter.

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 $2.3 billion, $3.2 billion and $3.3 billion for the 1995 through 1997 fiscal years, respectively. The projections include the continuation of the personal income tax surcharge, resulting in revenues of $415 million, $443 million and $470 million in the 1995, 1996 and 1997 fiscal years, respectively, and reflect a decline in the property tax forecast for each of the 1995 through 1997 fiscal years. The proposed gap-closing actions include City actions aggregating $1.9 billion, $1.8 billion and $1.6 billion in the 1995 through 1997 fiscal years, respectively; $275 million, $525 million and $705 million in proposed State actions in the 1995 through 1997 fiscal years, respectively; $125 million, $200 million and $250 million in proposed additional Federal assistance in the 1995 through 1997 fiscal years, respectively; and other unspecified Federal, State or City actions of $629 million and $740 million in the 1996 and 1997 fiscal years, respectively.

The proposed City actions include increased revenues and reduced expenditures from agency actions and efficiency initiatives aggregating $1.1 billion, $1.4 billion and $1.5 billion in the 1995 through 1997 fiscal years, respectively, including productivity savings, tax and fee enforcement initiatives, service reductions, savings from the restructuring of City services, tort reform, and other initiatives, including a proposed video lottery. Proposed productivity initiatives and initiatives regarding the restructuring of City services could include work rule changes for City employees; combining City agencies which perform overlapping functions; the competitive bidding out of services performed by the City; and the decentralization of certain City services. Certain of these initiatives, including work rule changes, will be subject to negotiation with the City's municipal unions, and other initiatives, including the proposed video lottery, tort reform and the combining of certain City agencies, will require approval of the State legislature.

City gap-closing actions also include a reduction in City personnel as the result of a severance program, which the City proposes to be funded by MAC in the 1994 fiscal year, and a partial hiring freeze or, alternatively, through attrition and layoffs, which would result in savings of $244 million, $311 million and $415 million in each of the 1995, 1996 and 1997 fiscal years. Implementation of the voluntary severance program will depend upon the cooperation of the City's municipal unions, to permit transfers of certain remaining employees among City agencies, and the availability in the 1994 fiscal year of $200 million from MAC for the estimated cost of severance payments. In addition, proposed City gap-closing actions also include annual savings of $200 million for health insurance costs, resulting from City employees sharing in the payment of premiums or from alternative proposals, and savings of $200 million and $100 million in 1995 and 1996 fiscal years, respectively, from reduced pension costs. The savings from reduced pension costs assume that the City Actuary will accelerate recognition of recent investment returns which were in excess of the assumed investment returns and will continue the current assumptions with respect to wages for City employees and earnings on pension fund assets affecting the City's required pension fund contributions. The proposed savings for health insurance costs will be subject to collective bargaining negotiation with the City's unions. Projected savings resulting from the City gap-closing actions described above are partially offset by reduced revenues of $35 million, $186 million and $534 million in the 1995, 1996 and 1997 fiscal years, respectively, from a proposed tax reduction program.

The proposed State actions include the proposed reallocation of State education aid among various localities, aggregating $80 million, $160 million and $240 million in the 1995 through 1997 fiscal years, respectively, and $130 million, $300 million and $400 million of savings in the 1995, 1996 and 1997 fiscal years, respectively, from the proposed State assumption of certain Medicaid costs.

Various actions proposed in the Financial Plan, including a continuation of the resident personal income tax surcharge beyond December 31, 1995 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 has in previous legislative sessions failed to approve proposals for the State assumption of certain Medicaid costs, mandate relief and reallocation of State education aid, thereby increasing the uncertainty as to the receipt of the State assistance included in the Financial Plan. The Governor has submitted to the current Legislature a proposal for the State assumption of certain Medicaid costs. In addition, on February 17, 1994 the Governor proposed the deposit of $110 million in a Medicaid Takeover Reserve Fund to be available in the State's 1995 fiscal year to local governments for certain Medicaid costs. If these two proposals for local Medicaid relief are enacted as proposed, the Governor has stated that the City would receive approximately $130 million during the City's 1995 fiscal year. If these actions cannot be implemented, the City will be required to take other actions to decrease expenditures or increase revenues to maintain a balanced financial plan. The Financial Plan has been the subject of extensive public comment and criticism particularly regarding the sale of delinquent property tax receivables, the amount of State and Federal aid included in the Financial Plan and the amount of savings contingent on collective bargaining agreements yet to be reached with the City's work force. See "SECTION VII: 1994-1997 FINANCIAL PLAN—Certain Reports".

The $2.3 billion budget gap for the 1995 fiscal year is the largest budget gap which has been projected for the next succeeding fiscal year at this stage of the budget planning process for the last four years. It can be expected that the proposals contained in the Financial Plan to close the projected budget gap for the 1995 fiscal year will engender substantial public debate, and that public debate relating to the 1995 fiscal year budget will continue through the time the budget is scheduled to be adopted in June 1994.

On March 1, 1994, the City Comptroller issued a report on the state of the City's economy. The report concluded that, while the City's long recession is over, moderate growth is the best the City can expect. The report projects that total tax revenues for the 1994, 1995 and 1996 fiscal years will be slightly higher than projected in the Financial Plan, and that tax revenues for the 1997 fiscal year will be slightly below the Financial Plan projections. The report identified revenue risks for the 1994 through 1997 fiscal years totaling $9 million, $134 million, $184 million and $184 million, respectively, relating to the proposed video lottery and certain audit initiatives and other revenues. On March 21, 1994, the City Comptroller issued a report on the Financial Plan. In the report, the City Comptroller identified as risks for the 1995 fiscal year the proposals in the Financial Plan that are uncertain because they depend on actions by organizations other than City government, including the State Legislature and municipal unions. The City Comptroller stated that if none of the uncertain proposals are implemented, the total risk could be as a much as $1.15 billion to $1.53 billion. The City Comptroller noted that there are a number of additional issues, the impact of which cannot be currently quantified. See "SECTION VII: 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 and which has been ratified. On August 30, 1993, the BOE and the City announced an agreement with the United Federation of Teachers ("UFT"). The agreement, which has been ratified by the UFT members, is generally consistent with the coalition agreement. The Financial Plan reflects the costs for all City-funded employees associated with these settlements and provides for similar increases for all other City-funded employees.

The Financial Plan provides no additional wage increases for City employees after their contracts expire in the 1995 and 1996 fiscal years. Each 1% wage increase for all employees commencing in the 1995 and 1996 fiscal years would cost the City an additional $30 million for the 1995 fiscal year, $135 million for the 1996 fiscal year and $150 million 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: 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, which resulted in reductions in State aid to localities for the State's 1992 and 1993 fiscal years from amounts previously projected. The State completed its 1993 fiscal year with a positive margin of $671 million in the General Fund.

The State's economy, as measured by employment, started to recover near the start of the 1993 calendar year. On January 18, 1994, the third quarterly update to the 1993-94 State Financial Plan was submitted to the Legislature, which Plan was subsequently amended on February 17, 1994. Such update projects that the State will complete the State's 1994 fiscal year with a cash-basis positive balance of $339 million in the State's General Fund (the major operating fund of the State). The Governor also released the recommended Executive Budget for the 1994-95 fiscal year on January 18, 1994, which Budget was subsequently amended on February 17, 1994. The recommended 1994-95 State Financial Plan, which is based on the Governor's Executive Budget, projects a balanced General Fund. There can be no assurance that the Legislature will enact the Executive Budget as proposed or that the 1994-95 budget will be enacted prior to the April 1 beginning of the State's fiscal year. The Division of the Budget has cautioned that its projections are subject to various risks and that actual economic growth may be weaker than projected due to such factors as interest rate increases, protracted recessions abroad and lower than expected inflation. For further information concerning the State, including the State's credit ratings, see "SECTION VII: 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 inside cover pages of this Official Statement and will contain a pledge of the City's faith and credit for the payment of the principal of, redemption premium, if any, and interest on the Bonds. All real property subject to taxation by the City will be subject to the levy of *ad valorem* taxes, without limitation as to rate or amount, to pay the principal of, redemption premium, if any, and interest on the Bonds.

The terms of the 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

Certain of the Bonds are being issued as 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

Certain of the Bonds are being issued as Taxable Adjustable Rate Bonds. For a discussion of the terms of the Taxable Adjustable Rate Bonds, see "APPENDIX F—TAXABLE ADJUSTABLE RATE BONDS".

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 in 1978, the Fund has been fully funded at the beginning of each payment period.

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

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

BONDS—Certain Covenants and Agreements") may be within the discretion of a court. For further information concerning certain rights of owners of Bonds against the City, see "SECTION VIII: INDEBTEDNESS—City Indebtedness".

Enforceability of City Obligations

As required by the State Constitution and applicable law, the City pledges its faith and credit for the payment of the principal of and interest on all City indebtedness. Holders of City debt obligations have a contractual right to full payment of principal and interest at maturity. If the City fails to pay principal or interest, the holder has the right to sue and is entitled to the full amount due, including interest to maturity at the stated rate and at the rate authorized by law thereafter until payment. Under the General Municipal Law, if the City fails to pay any money judgment, it is the duty of the City to assess, levy and cause to be collected amounts sufficient to pay the judgment. 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 mechanism 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 the Taxable Adjustable Rate Bonds certain provisions described in "APPENDIX C—TAX-EXEMPT ADJUSTABLE RATE BONDS" and "APPENDIX F—TAXABLE ADJUSTABLE RATE BONDS", respectively.

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"). In the opinion of Bond Counsel, the enforceability of the City Covenants and the State Pledge and Agreement 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 Series H Fixed Rate Bonds will be subject to redemption at the option of the City on or after August 1, 2004, in whole or in part, by lot within each maturity, on any date, upon 30 days' notice to Bondholders, at the following redemption prices, plus accrued interest to the date of redemption:

Redemption Dates	Redemption Price as Percentage of Par
August 1, 2004 through July 31, 2005	101½%
August 1, 2005 through July 31, 2006	100¾
August 1, 2006 and thereafter	100

The Series I Fixed Rate Bonds will be subject to redemption at the option of the City on or after June 1, 2004, in whole or in part, by lot within each maturity, on any date, upon 30 days' notice to Bondholders, at the following redemption prices, plus accrued interest to the date of redemption:

Redemption Dates	Redemption Price as Percentage of Par
June 1, 2004 through May 31, 2005	101½%
June 1, 2005 through May 31, 2006	100¾
June 1, 2006 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".

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".

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 $258,300,000 of the Bonds will be used for various municipal capital purposes, and the proceeds from the sale of $103,535,000 of the Bonds will be used for loan programs and other discrete municipal programs. For further information concerning the City's capital projects, see "SECTION V: CITY SERVICES AND EXPENDITURES—Capital Expenditures" and "SECTION VII: 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 $707,735,000 of the Bonds will be used for refunding purposes including certain expenses of the City incurred in connection with the issuance and sale of the Bonds. Such proceeds 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 and redemption premium, if any, on such bonds to the payment dates shown. The amount and identity of specific bonds to be refunded may be changed by the City, in its sole discretion, due to market conditions or any other factors considered relevant by the City. The proposed refunding is subject to the delivery of the Bonds.

Bond Insurance

For information pertaining to insurance on the Subseries H-2, Subseries H-5 and Subseries H-6 to be provided by Municipal Bond Investors Assurance Corporation ("MBIA"), on the Subseries H-3 Bonds to be provided by Financial Security Assurance Inc. ("Financial Security") and on the Subseries H-4 Bonds to be provided by AMBAC Indemnity Corporation ("AMBAC Indemnity"), see "APPENDIX C—TAX-EXEMPT ADJUSTABLE RATE BONDS—BOND INSURANCE" and "APPENDIX K—SPECIMEN INSURANCE POLICIES" and 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 K—SPECIMEN INSURANCE POLICIES".

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 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 Adjustable Rate Bonds until such time that the Taxable Adjustable Rate Bonds are deposited with DTC, in which case, such 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 of each Subseries, each in the aggregate principal amount thereof, 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 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 fifteenth day of the calendar month immediately preceding the applicable interest payment date, except as set forth in "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 Public Advocate and the Borough Presidents.

—*The Mayor.* Rudolph W. Giuliani, the Mayor of the City, took office on January 1, 1994. 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.* Alan G. Hevesi, the Comptroller of the City, took office on January 1, 1994. 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 Public Advocate and 51 members elected for four-year terms who represent various geographic districts of the City. Under the Charter, the City Council must annually adopt a resolution fixing the amount of the real estate tax and approve the City's annual Expense Budget and Capital Budget (as defined below). 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 and as provided by State law.

—*The Public Advocate.* Mark Green, the Public Advocate, took office on January 1, 1994. The Public Advocate is elected in a general election for a four-year term. The Public Advocate may preside at meetings of the City Council without voting power, except in the case of a tie vote. The Public Advocate 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 Public Advocate 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 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. 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 referendum approving the charter proposed by such commission was approved by the voters of the borough of Staten Island on November 2, 1993. On March 1, 1994, the charter commission submitted 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. Based upon the advice of the State Assembly's "home rule" counsel, the Speaker of the Assembly has determined that the City must issue a "home rule message", which requires a formal request of action by the State Legislature by either (i) the Mayor and a majority of the City Council or (ii) two-thirds of the City Council, before the proposed legislation may be voted upon by the Assembly. In addition, any such legislation may be subject to legal challenge and would require approval by the United States Department of Justice under the Federal Voting Rights Act. It cannot be determined at this time what the content of such proposed legislation will be, whether it will be enacted into law by the State Legislature, and if so, what legal challenges might be commenced contesting the validity of such legislation.

On November 2, 1993, the voters of the City approved a referendum amending the City Charter to provide that no person shall be eligible to be elected to or serve in the office of Mayor, Public Advocate, Comptroller, Borough President or Council member if that person had previously held such office for two or more full consecutive terms, unless one full term or more has elapsed since that person last held such office. This Charter amendment will apply only to terms of office commencing after January 1, 1994, and is subject to 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") and for submitting the Budgets to the City Council for its review and adoption. 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. Pursuant to the City Charter, the City Council may increase, decrease, add or omit specific units of appropriation in the Budgets submitted by the Mayor and add, omit or change any terms or conditions related to such appropriations. The City Council is also responsible, pursuant to the City Charter, for approving modifications to the Expense Budget and adopting amendments to the Capital Budget beyond certain latitudes allowed to the Mayor under the City Charter. The Mayor has the power to veto any increase or addition to the Budgets or any change in any term or condition of the Budgets approved by the City Council, which veto is subject to an override by a two-thirds vote of the City Council. In addition, the Mayor has 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, 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 300 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: 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 1992 fiscal year, which includes, among other things, the City's financial statements for the 1992 fiscal year, has received the GFOA award of the Certificate of Achievement for Excellence in Financial Reporting, the thirteenth 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 thirteen consecutive fiscal years with a General Fund surplus when reported in accordance with GAAP.

Both OMB and the Office of the Comptroller utilize financial monitoring, reporting and control systems, including the Integrated Financial Management System and a comprehensive Capital Projects

Information System, which provide comprehensive current and historical information regarding the City's financial condition. This information, which is independently evaluated by each office, provides a basis for City action required to maintain a balanced budget and continued financial stability.

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

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

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. 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 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 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 created by the Act.

The ex officio 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; Rudolph W. Giuliani, Mayor of The City of New York; Alan G. Hevesi, 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 which position is currently vacant. Rosemary Scanlon has been nominated for the position of State Deputy Comptroller, and her appointment is subject to approval by the State Senate.

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 1993, while unrestricted Federal aid has been sharply reduced. The City projects that local revenues will provide approximately 68.6% of total revenues in the 1994 fiscal year while Federal aid, including categorical grants, will provide 12.7%, and State aid, including unrestricted aid and categorical grants, will provide 18.7%. Adjusting the data for comparability, local revenues provided approximately 60.6% of total revenues in 1980, while Federal and State aid each provided approximately 19.7%. A discussion of the City's principal revenue sources follows. For information regarding assumptions on which the City's revenue projections are based, see "SECTION VII: 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 41.8% of its total tax revenues and 23.4% of its total revenues for the 1994 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—1989-1993 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 1989 through 1994 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)				
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
1994	8,113.2	5,920.9	2,192.2	27.0	13,853.8	42.7	1.46	10.44

(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 1994 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	=	Full Valuation(2)
1990	$70,252,467,843		0.1741		$403,517,908,346
1991	76,528,438,709		0.1637		467,491,989,670
1992	78,660,903,551		0.1441		545,877,193,276
1993	79,370,561,446		0.1254		632,939,086,491
1994	78,364,554,204		0.1087		720,925,061,674

(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 1994 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).

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. This adjustment was limited to a five percent increase in class share for fiscal year 1994. 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 to the five-year phase-in requirement applicable to 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 H. LONG-TERM OBLIGATIONS—*Judgments and Claims*".

The State Board annually certifies various class ratios and class equalization rates relating to the four classes of real property in the City. "Class ratios", which are determined for each class by the State Board by calculating the ratio of assessed value to market value, are used in real property tax *certiorari* proceedings involving allegations of inequality of assessments. The City believes that the State Board overestimated market values for class two and class four properties in calculating the class ratios for the 1991 and 1992 assessment rolls and has commenced proceedings challenging these class ratios. A lowering of the market value determination by the State Board for classes two and four would raise the class ratios and could result in a reduction in tax refunds issued as a result of tax *certiorari* proceedings. For further information regarding the City's proceeding, see "SECTION IX: OTHER INFORMATION—Litigation—*Taxes*".

A commission, which was created by the City Council to study real property tax reform, issued a report on December 30, 1993 which concluded that the current property tax burden on owners of cooperatives and condominiums, on less affluent residents and on commercial properties is unfair and should be revised.

Trend in Taxable Assessed Value

During the decade prior to fiscal year 1993, 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 through fiscal year 1993 even as actual assessed real property values declined during the local recession. For the 1994 fiscal year, billable assessed valuation for taxable property decreased by approximately 1.25% over the $79.3 billion final valuation for fiscal year 1993. Actual assessed valuation decreased approximately 3.0% in such year from the prior fiscal year valuation of $81.7 billion. For the 1994 assessment year, a change was made to the assessment percentages for class three property, resulting in a 46% increase in class three billable assessed value. This change did not yield additional revenue to the City because the class three tax rate fell from $12.79 per hundred dollars of assessed valuation in fiscal year 1993 to $7.40 in fiscal year 1994. After adjusting for the change in assessment percentages, class three billable assessed values grew 2.7% in fiscal year 1994 and assessed values for all classes declined by 3.6%. Classes one and two declined approximately 1.0% and 2.0%, respectively, and class four declined nearly 6.0%, reflecting the fall-off in valuations of commercial properties.

The tentative assessment roll for fiscal year 1995 published in January 1994 showed a decline in billable assessed values from the 1994 fiscal year of 1.3%, or $1 billion, to $77.2 billion. Based on historical experience, the final assessment roll to be released in May is expected to be $1 billion lower than the tentative assessment roll. Assessments in fiscal year 1996 are expected to remain flat and are expected to grow modestly in fiscal year 1997, due to minimal growth in value and the requirement that increases in assessments for classes two and four be phased in over five years.

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)			
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	8,392.5	154.5	7,886.3	94.0	351.7	4.19
1994(5)	8,113.2	155.7	7,648.0	94.3	309.5	3.81

(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 58.2% of its total tax revenues for the 1994 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 State legislation. 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, including Audits and Criminal Justice Fund in the 1993 fiscal year increased by $500 million or approximately 5.4% over the 1992 fiscal year, primarily due to increases in the personal income tax, the region's relatively strong wage rates, and the General Corporation, Banking Corporation and Unincorporated Business Income Taxes. The following table sets forth revenues from other taxes by category for each of the City's 1989 through 1993 fiscal years.

	1989	1990	1991	1992	1993
			(In Millions)		
Personal Income(1)	$2,445	$2,532	$2,789	$3,223	$3,465
General Corporation	1,113	954	950	964	989
Banking Corporation	242	129	205	310	362
Unincorporated Business Income	334	332	333	340	400
Sales	2,315	2,407	2,306	2,262	2,372
Commercial Rent	618	640	670	649	630
Real Property Transfer	202	210	141	123	125
Mortgage Recording	214	154	137	121	118
Utility	162	179	177	183	190
All Other(2)	495	537	490	561	588
Audits	314	439	444	528	525
Total	$8,454	$8,513	$8,642	$9,264	$9,764

(1) Personal Income Tax includes $110 of Criminal Justice Fund revenues in the 1993 fiscal year.

(2) All Other includes, among others, the stock transfer tax, OTB net revenues, cigarette, beer and liquor taxes, the hotel tax, the automobile use tax and, for the 1993 fiscal year, $0.6 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 (the "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 1989 through 1993 fiscal years.

	1989	1990	1991	1992	1993
			(In Millions)		
Licenses, Permits and Franchises	$ 193	$ 189	$ 201	$ 210	$ 213
Interest Income	194	194	167	133	87
Charges for Services	286	299	337	369	397
Water and Sewer Payments(1)	546	571	596	644	709
Rental Income	187	207	169	158	162
Fines and Forfeitures	297	310	366	404	380
Other	367	464	426	411	607
Total	$2,070	$2,234	$2,262	$2,329	$2,555

(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 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.

A portion of miscellaneous revenues in the 1989 fiscal year consisted of 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. The increase in miscellaneous revenues for the 1993 fiscal year is mainly due to a one time collection from the transfer of surplus funds from the Rehabilitation Mortgage Insurance Corporation amounting to $23 million, a litigation settlement amounting to $46 million and on-going payments from HHC amounting to $161 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: 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 1989 through 1993 fiscal years.

	1989	1990	1991	1992	1993
			(In Millions)		
State Per Capita Aid	$535	$535	$535	$534	$535
State Shared Taxes(1)	47	47	20	27	8
Other(2)	131	105	145	265	164
Total	$713	$687	$700	$826	$707

(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 1989, 1990, 1991, 1992 and 1993 fiscal years are $50 million, $58 million, $69 million, $75 million and $88 million, respectively, of aid associated with the partial 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 wholly or partially 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 all or a portion of certain 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: 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 1989 through 1993 fiscal years.

	1989	1990	1991	1992	1993
			(In Millions)		
Federal					
JTPA	$ 76	$ 74	$ 73	$ 86	$ 128
Community Development(1)	223	234	227	187	193
Welfare	1,531	1,634	1,842	2,108	2,111
Education	512	611	667	744	867
Other	269	320	338	297	311
Total	$2,611	$2,873	$3,147	$3,422	$3,610
State					
Welfare	$1,350	$1,482	$1,620	$1,773	$1,767
Education	2,791	3,072	3,285	3,072	3,309
Higher Education	110	111	119	119	117
Health and Mental Health	218	244	237	201	189
Other	247	263	250	270	279
Total	$4,716	$5,172	$5,511	$5,435	$5,661

(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—1989-1993 Statement of Operations".

Federal and State laws require the City to provide certain social services for needy individuals and families who qualify for such assistance. Aid to Families with Dependent Children ("AFDC") supports approximately 73% 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 equally by the City and the State.

The Federal Government fully funds and 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. New York State law requires that this standard be supplemented with additional payments that vary according to an individual's living arrangement. Since September 30, 1978, the State has assumed responsibility for the entire cost of both the State and City shares of this SSI supplement. State assumption of the City's share has been extended through September 1995.

The City also provides funding for many other social services such as day care, foster care, family planning, services for the elderly and special employment services for welfare recipients some of which are mandated, and may be wholly or partially subsidized, by either the Federal or State government.

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 1989 through 1993 has been 937,248, 939,638, 956,658, 973,263 and 995,465, respectively. Between fiscal years 1989 and 1993, the percentage of the City's total budget allocated to BOE has remained relatively stable at approximately 25.25%; in fiscal year 1994 the percentage of the City's total budget allocated to BOE is projected to be 25.37%. See "SECTION VII: 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. The City is projected to provide approximately 32.1% of the costs of the Community Colleges in the 1994 fiscal year. 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% of the cost of all Medicaid eligible care. 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.

The City's expense budget has increased during the five-year period ended June 30, 1993, 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 1989 through 1993 fiscal years.

	1989	1990	1991	1992	1993
Education	84,754	86,224	86,071	83,863	86,981
Police	33,414	32,976	34,401	34,217	35,531
Social Services	29,227	31,491	31,404	28,890	28,810
City University	3,828	3,843	3,864	3,516	3,682
Environmental Protection and Sanitation	17,812	18,300	17,366	16,560	16,714
Fire	13,321	12,769	12,679	12,571	12,537
All Other	56,027	57,487	57,423	54,491	54,184
Total	238,383	243,090	243,208	234,108	238,439

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 1989 through 1993 fiscal years.

	1989	1990	1991	1992	1993
Transit Authority	52,315	51,471	49,035	48,388	48,910
Housing Authority	14,747	15,253	15,106	15,271	16,294
HHC	45,115	46,194	45,717	45,498	47,738
Total(1)	112,177	112,918	109,858	109,157	112,942

(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: 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, rehabilitate and expand 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: 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 Plan (previously, the Ten-Year Capital Strategy), the Four-Year Capital Program and the current-year Capital Budget. The Ten-Year Capital Plan, which is published once every two years 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 for each fiscal year 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 totaled $51.6 billion, of which approximately 93% would be financed with City funds.

On February 2, 1994 the City published a Preliminary Updated Ten-Year Capital Plan for fiscal years 1994 through 2003 (the "Preliminary Updated Ten-Year Capital Plan") to provide a financial update to the Ten-Year Capital Strategy. The Preliminary Updated Ten-Year Capital Plan totals $45.8 billion, of which approximately 91% would be financed with City funds. The Preliminary Updated Ten-Year Capital Plan includes an assumption that the debt service costs relating to $2.6 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 has proposed a five-year capital program for fiscal years 1995 through 1999 which totals $7.5 billion. The Preliminary Updated Ten-Year Capital Plan provides for $3.4 billion for BOE for that period, as compared with $4.2 billion for the preceding five-year period. In addition, the State has approved legislation authorizing a $9.6 billion capital funding schedule for the Metropolitan Transportation Authority (the "MTA") for fiscal years 1992 through 1996, which contemplates a capital contribution by the City that is $500 million higher than the amount provided for this purpose in the Ten-Year Capital Strategy. The Preliminary Updated Ten-Year Capital Plan assumes a deferral of approximately $245 million from the capital commitment plan for the 1995 fiscal year to the capital commitment plan for the 1998 fiscal year. Such delay requires the approval of the Governor, MAC and the Mayor.

The Preliminary Updated Ten-Year Capital Plan also assumes that the debt service cost relating to approximately $1.4 billion of the future capital program for HHC through the 1997 fiscal year and $2.7 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. In June 1993, HHC issued $550 million of bonds for capital projects and other related purposes. The City expects that incremental capital needs of HHC through fiscal year 1997 in the amount of $889 million will be financed by additional bonds issued by HHC rather than with City general obligation bonds.

The Preliminary Updated Ten-Year Capital Plan includes (i) $8.9 billion to construct new schools and improve existing educational facilities; (ii) $4.4 billion for expanding and upgrading the City's housing stock; (iii) $2.0 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) $1.5 billion for the major reconstruction of Elmhurst, Kings County and Queens Hospitals; (vii) $442 million to expand current jail capacity; and (viii) $1.9 billion for construction and improvement of court facilities.

Those programs in the Preliminary Updated Ten-Year Capital Plan 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. As well as the reduction noted above, from time to time in the past, during recessionary periods when operating revenues have come under increasing pressure, capital funding levels 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: 1994-1997 FINANCIAL PLAN—Long-Term Capital and Financing Program".

The City's capital expenditures, including expenditures funded by State and Federal grants, totaled $18.6 billion during the 1989 through 1993 fiscal years. City-funded expenditures, which totaled $16.8 billion during the 1989 through 1993 fiscal years, have been financed through the issuance of bonds by the City, the Water Authority and, commencing in fiscal year 1993, HHC. The following table summarizes the major categories of capital expenditures in the past five fiscal years.

	1989	1990	1991	1992	1993	Total
			(In Millions)			
Education	$ 208	$ 380	$ 694	$ 681	$ 754	$ 2,717
Environmental Protection	622	637	826	894	746	3,725
Transportation	422	392	399	364	341	1,918
Transit Authority(1)	472	360	381	329	250	1,792
Housing	367	572	689	639	431	2,698
Hospitals	118	148	195	155	167	783
Sanitation	210	223	172	153	188	946
All Other(2)	724	1,039	877	678	740	4,058
Total Expenditures(3)	$3,143	$3,751	$4,233	$3,893	$3,617	$18,637
City-funded Expenditures(4)	$2,690	$3,213	$3,946	$3,582	$3,395	$16,826

(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 1989 through 1993 fiscal years include City, State and Federal funding and represent amounts which include an accrual for work-in-progress. The figures for the 1989 through 1993 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: 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, 1993, 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—1989-1993 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 forccast of 1994 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, thc City makes no representation or warranty that these estimates and projections will be realized.

1989-1993 Statement of Operations

The following table sets forth the City's results of operations for its 1989 through 1993 fiscal years reported in accordance with GAAP. The information regarding the 1989 through 1993 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 1992 and 1993 financial statements included in "APPENDIX B—FINANCIAL STATEMENTS". The 1989 through 1991 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)				
	1989	1990	1991	1992	1993
		(In Millions)			
Revenues and Transfers					
Real Estate Tax(2)	$ 5,943	$ 6,543	$ 7,251	$ 7,818	$ 7,886
Other Taxes(3)	8,454	8,513	8,642	9,264	9,764
Miscellaneous Revenues	2,070	2,234	2,262	2,329	2,555
Unrestricted Federal and State Aid	713	687	700	826	707
Federal Categorical Grants	2,611	2,873	3,147	3,422	3,610
State Categorical Grants	4,716	5,172	5,511	5,435	5,661
Less: Disallowances Against Categorical Grants	(18)	(85)	(32)	(72)	(26)
Total Revenues and Transfers	$24,489	$25,937	$27,481	$29,022	$30,157
Expenditures and Transfers					
Social Services	$ 5,355	$ 5,932	$ 6,686	$ 7,108	$ 7,430
Board of Education	5,786	6,377	6,694	6,626	7,213
City University	266	299	313	458	571
Public Safety and Judicial	3,174	3,523	3,494	3,586	3,759
Health Services	1,337	1,395	1,463	1,276	1,452
Pensions	1,742	1,693	1,479	1,370	1,427
Debt Service(3)	1,324	1,205	1,503	2,502	2,069
MAC Debt Service Funding(3)	515	522	449	540	370
All Other	4,984	4,986	5,395	5,552	5,861
Total Expenditures and Transfers	$24,483	$25,932	$27,476	$29,018	$30,152
Surplus(4)	$ 6	$ 5	$ 5	$ 4	$ 5

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

(2) Real Estate Tax for the 1991, 1992 and 1993 fiscal years includes $56 million, $131 million and $127.3 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 revenues from the City lottery. 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 $412 million, $570 million, $27 million, $253 million, $4[illegible]9 million before discretionary transfers and expenditures for the 1993, 1992, 1991, 1990 and 1989 fiscal years, respectively.

Forecast of 1994 Results

The following table compares the forecast for the 1994 fiscal year contained in the financial plan submitted to the Control Board on August 30, 1993 (the "August 1993 Forecast") with the 1994 modification submitted to the Control Board in February 1994 (the "February 1994 Forecast"). These forecasts were prepared on a basis consistent with GAAP. This table should be read in conjunction with the "Actions to Close the Gaps" and "Assumptions" below.

	August 1993 Forecast (1)	February 1994 Forecast	Increase (Decrease) from August 1993 Forecast
		(In Millions)	
REVENUES			
Taxes			
General Property Tax	$ 7,520	$ 7,458	$ (62)(2)
Other Taxes	9,439	9,616	177 (3)
Tax Audit Revenue	553	554	1
Criminal Justice Fund	350	350	—
Sale of Property Tax Receivables	215	215	—
Miscellaneous Revenues	3,651	3,493	(158)(4)
Unrestricted Intergovernmental Aid	451	548	97 (5)
Anticipated Federal Actions	150	56	(94)
Anticipated State Actions	80	80	—
Inter-Fund Revenues	243	238	(5)
Less: Intra-City Revenues	(693)	(677)	16
Disallowances Against Categorical Grants	(15)	(15)	—
Total City Funds	$21,944	$21,916	$ (28)
Federal Categorical Grants	3,569	3,964	395 (6)
State Categorical Grants	5,734	5,858	124 (6)
Total Revenues	$31,247	$31,738	$ 491
EXPENDITURES			
Personal Service	$15,573	$15,601	$ 28 (7)
Other Than Personal Service	13,355	14,007	652 (8)
Debt Service	2,177	2,055	(122)(9)
MAC Debt Service Funding	554	554	—
General Reserve	281	198	(83)
	$31,940	$32,415	$ 475
Less: Intra-City Expenses	$ (693)	(677)	16
Total Expenditures	$31,247	$31,738	$ 488
GAP TO BE CLOSED	$ —	$ —	$—

(1) The City Council adopted a budget for the City's 1994 fiscal year on June 14, 1993. On July 2, 1993 the Mayor announced additional expenditure reductions in the amount of approximately $131 million, which included a $50 million reduction in BOE expenditures, a $30 million reduction in Personal Service costs and a $25 million reduction in Other Than Personal Services, for the City's 1994 fiscal year beyond those incorporated in the adopted budget. Based on the adopted budget and the additional reductions announced by the Mayor on July 2, 1993, the City submitted to the Control Board on August 6, 1993 a financial plan for the 1994 through 1997 fiscal years which was subsequently revised on August 30, 1993 to reflect technical changes.

(2) The forecasted decrease in General Property Tax revenues reflects a larger provision for refunds, partially offset by the availability of $28 million of funds previously required in a property tax reserve that is now dormant.

(3) The forecasted increase in Other Taxes is primarily due to projected increases in collections for the general corporation tax of $78 million, for the sales tax of $73 million, for the banking corporation tax of $61 million and for the personal income tax of $10 million. These increases are offset by forecasted decreases for the unincorporated business tax of $24 million and for the commercial rent tax of $15 million. All other taxes are lower by $6 million.

(4) Excluding the decrease in Intra-City Revenues, Miscellaneous Revenues are projected to decrease by $144 million. The projected decreases are primarily due to the elimination of $55 million in revenue associated with the restructuring of OTB and the reduction of $84 million in projected revenues from fines.

(5) The forecasted increase in Unrestricted Intergovernmental Aid of $97 million is in part due to claims for reimbursement of Supplemental Security Income costs totaling $43 million, $15 million resulting from New York State Medicaid audits of pharmacy billings, additional reimbursement of $20 million for highway improvement claims and other items totaling $19 million.

(6) The increase in Federal and State Categorical Grants is due in part to modifications that were processed from July to December 1993 as well as adjustments to the expenditure forecast.

(7) The increase in Personal Service expenditures is due in part to additional overtime costs in the uniformed forces and for increased costs associated with the slowdown of attrition for some uniform force members, offset in part by savings in pension costs and the current year value of the proposed severance program.

(8) The increase in Other Than Personal Service is primarily due to budget modifications that were processed from July to September, as well as other revisions to the expenditure forecast, including increased costs in the Department of Social Services, offset by savings from a reduction in prior years' accrued expenditures.

(9) The decrease in Debt Service costs is primarily due to discretionary adjustments in payments between the 1993 and 1994 fiscal years of $90 million, the payment of debt from $21 million of additional resources and reductions in short term interest costs of $4 million.

SECTION VII: 1994-1997 FINANCIAL PLAN

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

	1994-1997 Fiscal Years(1)(2)			
	1994	1995	1996	1997
	(In Millions)			
REVENUES				
Taxes				
General Property Tax	$ 7,458	$ 7,254	$ 7,317	$ 7,671
Other Taxes(3)	9,616	9,980	10,451	11,181
Tax Audit Revenue	554	507	507	507
Criminal Justice Fund(4)	350	317	335	—
Sale of Property Tax Receivables	215	(20)	—	—
Miscellaneous Revenues	3,493	3,325	3,154	3,140
Unrestricted Intergovernmental Aid	548	465	470	476
Anticipated Federal Actions	56	60	50	50
Anticipated State Actions	80	—	—	—
Inter-Fund Revenues(5)	238	245	247	248
Less: Intra-City Revenues	$ (677)	$ (793)	$ (796)	$ (802)
Disallowances Against Categorical Grants	(15)	(15)	(15)	(15)
Total City Funds	$21,916	$21,325	$21,720	$22,456
Federal Categorical Grants	3,964	3,428	3,448	3,467
State Categorical Grants	5,858	5,992	6,104	6,213
Total Revenues(6)	$31,738	$30,745	$31,272	$32,136
EXPENDITURES				
Personal Service(7)	$15,601	$16,435	$16,965	$17,202
Other Than Personal Service	14,007	14,439	14,823	15,330
Debt Service(3)	2,055	2,716	3,020	3,196
MAC Debt Service Funding(3)	554	59	277	313
General Reserve	198	150	150	150
Total Expenditures	$32,415	$33,799	$35,235	$36,191
Less: Intra-City Expenses	(677)	(793)	(796)	(802)
Net Total Expenditures(6)	$31,738	$33,006	$34,439	$35,389
GAP TO BE CLOSED	$ —	(2,261)	(3,167)	(3,253)
GAP-CLOSING PROGRAM				
City Actions	$ —	1,861	1,813	1,558
State Actions Including Mandate Relief	—	275	525	705
Federal Actions	—	125	200	250
Other Actions	—	—	629	740
TOTAL GAP-CLOSING PROGRAM	$ —	$ 2,261	$ 3,167	$ 3,253

(1) The four-year financial plan for the 1993 through 1996 fiscal years, as submitted to the Control Board on June 11, 1992, contained the following projections for the 1993-1996 fiscal years: (i) for 1993, total revenues of $29.508 billion and total expenditures of $29.508 billion; (ii) for 1994, total revenues of $29.895 billion and total expenditures of $31.492 billion, with a gap to be closed of $1.597 billion; (iii) for 1995, total revenues of $30.395 billion and total expenditures of $32.092 billion, with a gap to be closed of $1.697 billion; (iv) for 1996, total revenues of $31.430 billion and total expenditures of $33.676 billion with a gap to be closed of $2.246 billion.

(footnotes continued on next page)

(footnotes continued from previous page)

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

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

(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. For information concerning the Transit Authority, see "SECTION VII: 1994-1997 FIN NCI 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.

(4) Criminal Justice Fund revenues comprise $150 million, $150 million and $150 million from the general property tax receipts projected for the 1994 through 1996 fiscal years, respectively; and $200 million, $167 million and $185 million projected to be received from personal income tax for the 1994 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 ND EXPENDITURES—Employees and Labor Relations".

For fiscal year 1994, the Financial Plan includes $80 million of Anticipated State Actions, of which approximately half has been agreed upon pursuant to discussions with the Governor. The City is currently engaged in discussions with the Governor concerning the remaining half and expects to conclude these discussions by the end of the State's fiscal year. The Financial Plan also assumes the receipt of Anticipated Federal Actions in each of the 1994 through 1997 fiscal years. The Anticipated Federal Actions are subject to approval by Congress and the President.

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 $2.3 billion, $3.2 billion and $3.3 billion for the 1995, 1996 and 1997 fiscal years, respectively.

City gap-closing actions total $1.9 billion in the 1995 fiscal year, $1.8 billion in the 1996 fiscal year and $1.6 billion in the 1997 fiscal year. These actions include increased revenues and reduced expenditures from agency actions and efficiency initiatives aggregating $1.1 billion, $1.4 billion and $1.5 billion in the 1995 through 1997 fiscal years, respectively, including productivity savings totaling $299 million, $390 million and $381 million, respectively; tax and fee enforcement initiatives totaling $207 million, $193 million and $182 million respectively; service reductions totaling $300 million, $273 million and $276 million, respectively; savings from the restructuring of City services totaling $28 million, $207 million and $287 million, respectively; and tort reform, a proposed video lottery and other initiatives totaling $242 million, $235 million and $236 million, respectively. Proposed productivity initiatives and initiatives regarding the restructuring of City services could include work rule changes for City employees, including changes which would reduce vacation days; combining City agencies which perform overlapping functions; the competitive bidding out of services performed by the City; and the decentralization of certain City services. Certain of these initiatives, including work rule changes, will be subject to negotiation with the City's municipal unions, and other initiatives, including the proposed video lottery, tort reform and the combining of certain City agencies, will require approval of the State Legislature.

City gap-closing actions also include a reduction in City personnel as the result of a severance program, which the City proposes to be funded by MAC in the 1994 fiscal year, and a partial hiring freeze or, alternatively, through attrition and layoffs, which would result in savings of $244 million, $311 million and $415 million in each of the 1995, 1996 and 1997 fiscal years. Implementation of the voluntary severance program will depend upon the cooperation of the City's municipal unions to permit transfers of certain remaining employees among City agencies, and the availability in the 1994 fiscal year of $200 million from MAC for the estimated cost of severance payments. In addition, proposed City gap-closing actions also include annual savings of $200 million for insurance costs, resulting from City employees sharing in the payment of premiums or from alternative proposals, and savings of $200 million and $100 million in the 1995 and 1996 fiscal years, respectively, from reduced pension costs, based upon the assumption that the City Actuary will accelerate recognition of recent pension investment returns which were in excess of the assumed investment returns. The proposed savings for health insurance costs will be subject to negotiation with the City's unions. Projected savings resulting from the City gap-closing actions described above are partially offset by reduced revenues of $35 million, $186 million and $534 million in the 1995, 1996 and 1997 fiscal years, respectively, from a proposed tax reduction program.

State actions proposed in the gap-closing program total $275 million, $525 million and $705 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 totaling $80 million, $160 million and $240 million in each of the 1995, 1996 and 1997 fiscal years, respectively. These actions also include $130 million, $300 million and $400 million in the 1995, 1996 and 1997 fiscal years, respectively, in savings from the proposed State assumption of certain Medicaid costs.

The Federal actions proposed in the gap-closing program are $125 million, $200 million and $250 million in increased Federal assistance in fiscal years 1995, 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 a continuation of the resident personal income tax surcharge beyond December 31, 1995 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. 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 State assumption of Medicaid costs in the last session. The Governor has submitted to the current Legislature a proposal for the State assumption of certain Medicaid costs. In addition, on February 17, 1994 the Governor proposed the deposit of $110 million in a Medicaid Takeover Reserve Fund to be available in the State's 1995 fiscal year to local governments for certain Medicaid costs. If these two proposals for local Medicaid relief are enacted as proposed, the Governor has stated that the City would receive approximately $130 million during the City's 1995 fiscal year. The Financial Plan assumes that these proposals will be approved by the State Legislature during the 1995 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. The continuation of the personal income tax surcharge through December 31, 1995 has been approved. See "SECTION VII: 1994-1997 FINANCIAL PLAN—Certain Reports", "SECTION VII: 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 fiscal year 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 thirteen fiscal years, and is projected to achieve balanced operating results for the 1994 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 1994-1997 Financial Plan is based on numerous assumptions, including the continuing improvement in the City's and the region's economy and a modest employment recovery during calendar year 1994 and the concomitant receipt of economically sensitive tax revenues in the amounts projected. The 1994-1997 Financial Plan is subject to various other uncertainties and contingencies relating to, among other factors, the extent, if any, to which wage increases for City employees exceed the annual increases assumed for the 1994 through 1997 fiscal years; continuation of the 9% interest earnings assumptions for pension fund assets and current assumptions with respect to wages for City employees affecting the City's required pension fund contributions and the cooperation of the City Actuary in accelerating recognition of recent pension investment returns which were in excess of the assumed investment returns; 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 ability of HHC, BOE and other such agencies to maintain balanced budgets; the willingness of the Federal government to provide Federal aid; 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 in substantially the forms submitted by the Mayor; the receipt of revenues from the proposed video lottery in the amounts projected in the Financial Plan; the ability of the City to implement proposed reductions in City personnel and other cost reduction initiatives which may require in certain cases the cooperation of the City's municipal unions and MAC and the success with which the City controls expenditures; savings for insurance costs in the amounts projected in the Financial Plan; additional expenditures that may be incurred due to the requirements of certain legislation requiring minimum levels of funding for education; the impact on the New York City region of the tax increases contained in President Clinton's economic plan; the impact on real estate tax revenues of the current downturn in the real estate market; 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: 1994-1997 FINANCIAL PLAN—Certain Reports". For further information concerning certain legislation requiring minimum levels of funding for education, see "SECTION VII: 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 which projected a balanced General Fund. To achieve a General Fund budgetary balance in the State's 1994 fiscal, the Governor took various actions including spending reductions and continuing the freeze in personal income and corporate tax reductions. The 1993-94 State Financial Plan was last revised on January 18, 1994 and amended on February 17, 1994. Such update now projects that the State will complete the State's 1994 fiscal year with a cash-basis positive balance of $339 million in the State's General Fund (the major operating fund of the State).

The Governor released the recommended Governor's Executive Budget for the 1994-95 fiscal year on January 18, 1994 and amended it on February 17, 1994. The recommended 1994-95 State Financial Plan projects a balanced General Fund. General Fund receipts and transfers from other funds were projected at

$33.4 billion, including $299 million carried over from the State's 1994 fiscal year. Disbursements and transfers from other funds were projected at $33.4 billion, not including a $23 million repayment to the State's Tax Stabilization Reserve Fund.

The State's recommended 1994-95 Financial Plan is predicated on modest growth in the State economy. Major revenue actions recommended in the Governor's recommended 1994-95 Executive Budget include tax and fee reductions ($210 million); preservation of revenues currently received ($1.266 billion), primarily through deferral of a scheduled personal income tax rate reduction; additional revenue measures ($58 million), resulting primarily from the collection of unredeemed deposits on bottles and cans; increased lottery revenues due to changes proposed in lottery games ($130 million); and revenue collection and enforcement measures ($49 million). Major programmatic recommendations include a $198 million increase in school aid (on a school year basis), $185 million in statutory Medicaid cost containment initiatives, additional State takeover of local government Medicaid costs amounting to $110 million, funding for new programs to fight crime and spur economic development, increased funding for community-based mental hygiene programs consistent with legislation passed in the 1993 legislative session, and productivity initiatives which constrain the cost of operating State government.

There can be no assurance that the Legislature will enact the State's Executive Budget as proposed nor can there be any assurance as to when the Legislature will enact a budget for the State's 1995 fiscal year. In recent 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 could delay 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.

As a result of these uncertainties and other factors, including possible weaker than projected economic growth, interest rate increases, protracted recessions abroad or lower than expected inflation, 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 April 26, 1993, Standard & Poor's revised the rating outlook assessment to stable. On February 14, 1994, Standard & Poor's raised its outlook to positive and, on February 28, 1994, confirmed its A- rating. 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 February 28, 1994, Moody's reconfirmed its A rating on the State's general obligation long-term indebtedness.

The projections and assumptions contained in 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 January 1994. 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 impact of the current recession and the declines in employment 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 growth in employment in the 1994 calendar year. However, there can be no assurance that the economic projections assumed in the Financial Plan will occur or that the tax revenues projected in the Financial Plan to be received will be received in the amounts anticipated.

The following table presents a forecast of the key economic indicators for the calendar years 1993 through 1998. This forecast is based upon information available in January 1994.

FORECAST OF KEY ECONOMIC INDICATORS

	Calendar Years					
U.S. ECONOMY	**1993**	**1994**	**1995**	**1996**	**1997**	**1998**
Economic Activity and Income						
Real GDP ($ billions of 1987 dollars)	5,132.7	5,294.6	5,405.6	5,526.0	5,707.1	5,870.7
Percent Change	2.9	3.2	2.1	2.2	3.3	2.9
Pre-tax Corporate Profits ($ billions)	441.9	485.6	457.6	470.5	514.5	522.5
Percent Change	11.8	9.9	(5.8)	2.8	9.4	1.6
Personal Income ($ billions)	5,388.8	5,702.1	6,018.4	6,340.9	6,718.0	7,115.1
Percent Change	4.7	5.8	5.5	5.4	5.9	5.9
Nonagricultural Employment (millions)	110.2	112.5	114.8	116.8	119.2	121.6
Change From Prior Year	1.7	2.3	2.3	2.0	2.4	2.4
Unemployment Rate	6.8	6.1	6.0	6.2	5.9	5.6
CPI-All Urban (1982-84=100)	144.6	148.7	153.4	158.6	163.6	169.1
Percent Change	3.0	2.9	3.2	3.4	3.1	3.4
3 Month T-Bill Rate	3.0	3.5	3.6	3.2	3.6	4.4
CITY ECONOMY						
Personal Income ($ billions)	185.8	195.4	204.2	213.6	225.6	238.4
Percent Change	2.7	5.2	4.5	4.6	5.6	5.7
Nonagricultural Employment (thousands)	3,270.7	3,294.4	3,305.0	3,315.5	3,343.7	3,369.7
Change From Prior Year	(14.5)	23.7	10.6	10.5	28.2	26.0
Real Gross City Product ($ billions of 1987 dollars)	221.3	228.7	231.5	236.4	243.8	250.1
Percentage Change	(0.9)	3.3	1.2	2.1	3.2	2.6
CPI-All Urban NY-NJ Area (1982-84=100)	154.5	159.4	165.1	171.4	178.0	185.3
Percent Change	3.0	3.2	3.6	3.8	3.8	4.1

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 1993 fiscal year was 4.19%. The 1994-1997 Financial Plan projects delinquency rates of 3.81%, 3.45%, 3.09% and 2.60%, respectively, for the 1994 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*". For information concerning a commission created to study real property tax reform, see "SECTION IV: SOURCES OF CITY REVENUES—Real Estate Tax—*Assessment*".

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 1994-1997 Financial Plan. The amounts set forth below include projected tax program revenues and excludes the Criminal Justice Fund and audit revenues.

	1994	1995	1996	1997
		(In Millions)		
Personal Income(1)	$3,385	$3,574	$ 3,784	$ 4,226
General Corporation	1,139	1,167	1,212	1,264
Banking Corporation	471	469	484	499
Unincorporated Business Income	414	447	473	505
Sales	2,474	2,613	2,731	2,850
Commercial Rent	609	608	626	651
Real Property Transfer	142	150	164	179
Mortgage Recording	131	136	151	168
Utility	207	203	211	219
All Other(2)	637	613	615	620
Total	$9,609	$9,980	$10,451	$11,181

(1) Personal Income excludes amounts to be paid to the Criminal Justice Fund of $200 million, $167 million and $185 million in the 1994 through 1996 fiscal years, respectively. Personal Income includes revenues which would be generated by extension of an existing personal income tax surcharge amounting to $415 million, $443 million, $470 million and $504 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 1994 through 1997 fiscal years.

The 1994-1997 Financial Plan reflects the following assumptions regarding projected baseline revenues from Other Taxes: (i) with respect to personal income tax revenues, sluggish employment and moderate 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 in the 1994 fiscal year, with moderate growth thereafter; (iii) with respect to the banking corporation tax, earnings slowing after the 1994 fiscal year as an improving economy causes interest rate spreads to narrow; (iv) with respect to the unincorporated business tax, continued growth in net income of unincorporated businesses; (v) with respect to the sales tax, growth greatly exceeding the rate of inflation in the 1994 and 1995 fiscal years due to a rebound in consumption now that the local recession has ended; (vi) with respect to the mortgage recording and real property transfer taxes, a moderate recovery in the 1994 fiscal year; (vii) with respect to the commercial rent tax, declines in asking rental rates and negotiated contract rents for office space due to the glut of available space resulting from business relocations, failures, mergers and general downsizing as well as from the increase in the taxable thresholds; and (viii) with respect to the All Other category, the current general economic forecast. The 1994-1997 Financial Plan also assumes 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. Legislation extending these taxes to December 31, 1995 has been approved.

4. MISCELLANEOUS REVENUES

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

	1994	1995	1996	1997	1998
			(In Millions)		
Licenses, Permits and Franchises	$ 217	$ 209	$ 211	$ 208	$ 210
Interest Income	74	83	102	121	121
Charges for Services	407	409	403	405	404
Water and Sewer Payments(1)	749	738	723	734	733
Rental Income	176	199	194	192	192
Fines and Forfeitures	440	429	363	360	359
Other	753	465	362	318	307
Intra-City Revenues	677	793	796	802	807
Total	$3,493	$3,325	$3,154	$3,140	$3,133

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

The 1994-1997 Financial Plan projects that aggregate miscellaneous revenues except for the "Other" category will remain relatively stable with offsetting increases and declines. Rental Income is estimated to increase by $45 million in the 1994 fiscal year and by larger amounts in subsequent fiscal years due to the anticipated renegotiation of the airport lease with the Port Authority. For the 1994 through 1997 fiscal years, the 1994-1997 Financial Plan provides that water and sewer payments levied and collected by the Water Board will fully reimburse the City for the debt service associated with general obligation bonds issued by the City for water and sewer system purposes. Other Revenues in the 1994 fiscal year include $120 million from union contributions 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 1994-1997 Financial Plan.

	1994	1995	1996	1997	1998
			(In Millions)		
State Revenue Sharing	$293	$293	$293	$293	$293
Other Aid	255	172	177	183	189
Total	$548	$465	$470	$476	$482

The "Other Aid" category mainly consists of $10 million annually of the Consolidated Local Highway Assistance Program aid, approximately $103 to $118 million from aid associated with the State takeover of long-term care Medicaid costs, $76 to $27 million of recoupment for welfare clients who were originally denied disability assistance and $30 to $25 million from New York State fraud audits.

The receipt of State Revenue Sharing funds could be affected by potential prior claims asserted by the State. For information concerning recent shortfalls in projected State tax revenues and the possible impact on State aid to the City, see "SECTION VII: 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 1994-1997 Financial Plan.

	1994	1995	1996	1997
		(In Millions)		
Federal				
JTPA	$ 109	$ 74	$ 74	$ 74
Community Development(1)	342	258	258	258
Welfare	2,441	2,245	2,258	2,273
Education	721	675	675	675
Other	351	176	183	187
Total	$3,964	$3,428	$3,448	$3,467
State				
Welfare	$1,870	$1,932	$1,955	$1,974
Education	3,344	3,436	3,503	3,591
Higher Education	162	161	163	157
Health and Mental Health	218	201	200	200
Other	264	262	283	291
Total	$5,858	$5,992	$6,104	$6,213

(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 1994-1997 Financial Plan assumes that all existing Federal and State categorical grant programs will continue, unless specific legislation provides for their termination or adjustment, and assumes increases in aid where increased costs are projected for existing grant programs. For information concerning recent shortfalls in projected State tax revenues and the possible impact on State aid to the City, see "Section VII: 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 December 31, 1993, approximately 10.39% of the City's full-time employees (consisting of employees of the mayoral agencies and BOE) were paid by JTPA funds, Community Development funds and from other sources not funded by unrestricted revenues of the City.

The City's receipt of categorical aid is contingent upon the satisfaction of certain statutory conditions and is subject to subsequent audits, possible disallowances and possible prior claims 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 $8 million in the 1993 fiscal year. This decrease reflects improved claims control procedures and favorable experience with the level of disallowances in recent years. As of June 30, 1993, the City had an accumulated reserve of $189 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.

On February 7, 1994, President Clinton formally submitted to Congress a budget for Federal fiscal year 1995. The President's budget proposal will proceed through the congressional appropriations process, where it is most likely that appropriations bills will be adopted before the start of federal fiscal year 1995 (October 1, 1994). The President's budget contains significantly higher funding for a number of programs of benefit to the City. Increases for grant programs could also yield more Federal aid for the City. The higher funding for certain programs in the President's budget is substantially offset by reduced funding proposed for several programs.

Expenditure Assumptions

1. Personal Service Costs

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

	1994	1995	1996	1997
		(In Millions)		
Wages and Salaries	$11,260	$11,270	$11,380	$11,438
Pensions	1,446	1,446	1,522	1,414
Other Fringe Benefits	2,751	2,977	3,192	3,426
Reserve for Collective Bargaining(1)	144	742	871	924
Total	$15,601	$16,435	$16,965	$17,202

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

The 1994-1997 Financial Plan projects that the authorized number of City-funded employees whose salaries are paid directly from City funds, as opposed to Federal or State funds, will decrease from an estimated level of 208,388 on June 30, 1994 to an estimated level of 197,522 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 800 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.

On August 4, 1992, 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% 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 adds an additional 0.25% onto the cost). On August 30, 1993, BOE and the City announced an agreement with the UFT. The agreement, which has been ratified by the UFT's membership, is generally consistent with the coalition agreement. However, while the coalition agreement is for a period of 39 months and provides for a freeze on starting salaries for new employees, the UFT agreement covers a 48½ month period and does not freeze starting salaries. For the first 39 months of the UFT agreement, the net expenditure increase will total 8.5%, the increase recommended by the fact-finding panel. For the period beyond the first 39 months, the net expenditure increase is based on a mathematical proration and will amount to 2.06%. The agreement also contains various educational reforms that will yield savings that are expected to help fund the agreement.

The 1994-1997 Financial Plan reflects the costs associated with the 39 month settlements and provides for similar increases for all City-funded employees.

The 1994-1997 Financial Plan also provides for the cost of wage increases for the correction officers who reached a tentative agreement with the City on November 13, 1993 for a fifteen month period spanning the 1991 and 1992 fiscal years, based on the framework established by the 1991 police officers arbitration.

On March 12, 1993, an impasse panel issued an interim award covering approximately 8,800 firefighters of the Uniformed Firefighters Association (the "UFA") 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 1994-1997 Financial Plan. On June 18, 1993, the New York City Board of Collective Bargaining affirmed the impasse panel's final award following an appeal by the UFA.

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 or 1996 fiscal year would cost the City an additional $30 million for the 1995 fiscal year and $135 million for the 1996 fiscal year and $150 million 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.

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 R".

2. OTHER THAN PERSONAL SERVICE COSTS

The following table sets forth projected OTPS expenditures contained in the 1994-1997 Financial Plan.

	1994	1995	1996	1997
		(In Millions)		
Administrative OTPS	$ 6,466	$ 6,316	$ 6,466	$ 6,662
Public Assistance	3,141	3,267	3,322	3,377
Medical Assistance (Excluding City Medicaid Payments to HHC)	1,863	2,056	2,282	2,544
HHC Support	975	1,130	1,045	1,012
Other	1,562	1,670	1,708	1,735
Total	$14,007	$14,439	$14,823	$15,330

Administrative OTPS

The 1994-1997 Financial Plan contains estimates of the City's administrative OTPS expenditures for general supplies and materials, equipment and selected contractual services in the 1994 fiscal year. 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 projected increases in OTPS expenditures that result from the accounting for inflation.

Energy

The 1994-1997 Financial Plan assumes different rates of inflation for energy costs for each of the 1995 through 1997 fiscal years. Inflation rates for each of the 1995 through 1997 fiscal years are set forth in the following table.

	1995	1996	1997
Gasoline and Fuel Oil	3.0%	6.0%	6.0%
Electricity	3.0	2.0	3.0
Natural Gas	3.0	3.0	3.0

Total energy expenditures are projected at $423 million in the 1994 fiscal year, rising to $472 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 1,112,329 per month in the 1994 fiscal year. The 1994-1997 Financial Plan projects that the average number of recipients will increase by 6.20% in the 1994 fiscal year from the average number of recipients in the 1993 fiscal year. The Financial Plan assumes that public assistance grant levels will decrease by 0.40% in the 1994 fiscal year. Of total public assistance expenditures in the City for the 1994 fiscal year, the City-funded portion is projected to be $854 million. The City-funded portion of public assistance expenditures is projected to be $859 million in the 1995 fiscal year, an increase of 0.60% from the 1994 fiscal year, decreasing to $831 million in the 1997 fiscal year.

Medical Assistance

Medical assistance payments projected in the 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 $1.788 billion for the 1994 fiscal year and is expected to increase to $2.455 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 1994-1997 Financial Plan do not include Medicaid costs for the mentally disabled and 80% of the non-Federal share of long-term care costs which have been assumed by the State. The 1994-1997 Financial Plan projects savings of $548 million in the 1994 fiscal year due to the State having assumed such costs, and projects such savings will increase to $621 million in the 1997 fiscal year.

Health and Hospitals Corporation

Support for HHC in the 1994-1997 Financial Plan includes City-funded Medicaid payments to HHC as well as other subsidies to HHC.

HHC operates under its own section of the 1994-1997 Financial Plan as a Covered Organization. HHC's financial plan projects City-funded expenditures of $975 million for the 1994 fiscal year (including debt service and lease payments), increasing to $1,012 million in the 1997 fiscal year. The City-funded expenditures in the 1994 fiscal year include $296 million of general City support, $603 million of Medicaid payments to HHC and $75 million for certain intra-city payments. The HHC plan projects total expenditures of $3.26 billion in the 1994 fiscal year, increasing to $3.46 billion in the 1997 fiscal year. The plan projects no gaps between revenues and expenditures in the 1994 through 1997 fiscal years. These projections assume: (i) 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 1994 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 4.5% 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 3.6%, 2.9%, 2.9% and 2.9% in fiscal years 1994 through 1997, respectively. OMB has stated that HHC may have a potential gap of between approximately $60 million and $120 million which is not currently reflected in the HHC plan. In addition, significant changes have been and may be made in Medicaid, Medicare and other third-party payor programs, which changes could have a material adverse impact on HHC's financial condition. President Clinton has recommended comprehensive changes to the current health care system encompassing the delivery and financing of health care and related services. If enacted, such changes may adversely affect the operations of HHC, including its ability to compete for patients and the level of reimbursement it receives for medical services.

Other

The projections set forth 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

The City submitted to the Control Board on February 10, 1994 a financial plan for the Transit Authority covering its 1994 through 1998 fiscal years (the "Transit Authority Financial Plan"). The TA's fiscal year is the calendar year. The Transit Authority Financial Plan projects for its 1994 fiscal year, among other things, a cash-basis surplus of $53.4 million and operating expenses of approximately $3.83 billion. City assistance to the TA is $608.2 million for the TA's 1994 fiscal year. The City provided an additional $26 million in operating assistance to the Transit Authority for closing its operating budget gap in 1992 and 1993. Due to the TA's estimated operating surplus of $53.4 million for 1994, the City has not appropriated the additional $26 million in 1994.

The Transit Authority Financial Plan forecasts cash-basis gaps of $436.3 million, $576.0 million, $613.0 million and $562.4 million in its 1995 through 1998 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 1995 to 1998 fiscal years in the Transit Authority Financial Plan occur, in part, because expenditures are expected to increase by 11.2% between fiscal years 1994 and 1997 while revenues are expected to decrease by 3.8% during the same period. The plan assumes that the gaps beyond 1994 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.

On April 5, 1993, the State Legislature approved, and the Governor subsequently signed into law, legislation authorizing a five-year $9.56 billion capital plan for the MTA for 1992 through 1996, 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 submitted a 1992-1996 Capital Program based on this legislation for approval of the MTA Capital Program Review Board (the "CPRB"), as State law requires. The plan was approved on December 11, 1993. The State has assumed a City capital contribution $500 million greater than the amount funded in the City's Preliminary Updated Ten-Year Capital Plan. In addition, approximately $245 million in funds relating to an agreement with MAC have been deferred from the City's capital commitment plan for its 1995 fiscal year to the City's capital commitment plan for its 1998 fiscal year, resulting in a deferral of these funds from the MTA 1992-1996 Capital Program to the MTA 1997-2001 Capital Program. This action requires approval of the Governor, MAC and the Mayor. Unless the MTA identifies additional resources, parts of the 1992-1996 Capital Program may be deferred or reduced.

The approved MTA 1992-1996 Capital Program incorporates a one-year $1.635 billion program adopted in 1992. The MTA 1992-1996 Capital Program succeeds two previous five-year capital programs for the periods covering 1982-1986 and 1987-1991. The MTA 1987-1991 Capital Program totaled approximately $8.0 billion, including $6.2 billion for TA capital projects.

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 the Financial Plan 25.37% of the City's budget is allocated to BOE for the 1994 fiscal year, exceeding the amount required by the Stavisky-Goodman Act.

The 1994-1997 Financial Plan assumes student enrollment to be 1,020,290, 1,044,088, 1,066,921, 1,086,993 in the 1994 through 1997 fiscal years, respectively.

Judgments and Claims

In the fiscal year ended on June 30, 1993, the City expended $231 million for judgments and claims. The 1994-1997 Financial Plan includes provisions for judgments and claims of $242 million, $243 million, $253 million and $262 million for the 1994 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, 1993 amounted to approximately $2.2 billion. This estimate was made by categorizing the various claims and applying a statistical model, based primarily on actual settlements by type of claim during the preceding ten fiscal years, and by supplementing the estimated liability with information supplied by the City's Corporation Counsel. For further information regarding certain of these claims, see "SECTION IX: OTHER INFORMATION—Litigation".

In addition to the above claims, numerous real estate tax *certiorari* proceedings involving allegations of inequality of assessment, illegality and overvaluation are currently pending against the City. The City's 1993 Financial Statements estimate that the potential exposure to the City in the *certiorari* proceedings, as of June 30, 1993, could amount to approximately $268 million. Provision has been made in the Financial Plan for estimated average refunds of $179 million in each of the 1994 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 H".

3. DEBT SERVICE

Debt service estimates for the 1994 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.

5. GENERAL RESERVE

The 1994-1997 Financial Plan includes a reserve of $198 million in fiscal year 1994 and $150 million in each of the 1995 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.

On March 1, 1994, the City Comptroller issued a report on the state of the City's economy. The report concluded that, while the City's long recession is over, moderate growth is the best the City can expect, with the local economy being held back by continuing weakness in important international economies. The report projects that total tax revenues for the 1994 and 1995 fiscal years will be $45 million and $107 million higher than projected in the Financial Plan, due primarily to higher estimates of the personal income tax and the banking corporation tax. In addition, the report projects that, while tax revenues for the 1996 fiscal year will exceed those projected in the Financial Plan by $71 million, tax revenues for the 1997 fiscal year will be below the Financial Plan projections by $76 million, due primarily to a projected shortfall in property tax revenues. The report identified revenue risks for the 1994 through 1997 fiscal years totaling $9 million, $134 million, $184 million and $184 million, respectively, relating to the proposed video lottery and certain audit initiatives and other revenues. In the report the City Comptroller also offered certain alternative tax initiatives to the tax reductions proposed by the Mayor, which are designed to further stimulate the creation of jobs.

On March 21, 1994, the City Comptroller identified as risks for the 1995 fiscal year the proposals in the Financial Plan that are uncertain because they depend on actions by organizations other than City government, including the State Legislature and municipal unions. The City Comptroller stated that if none of the uncertain proposals are implemented, the total risk could be as much as $1.15 billion to $1.53 billion. These risks include a possible $39 million increase in overtime costs; the possible need for a $30 million increase in the reserve to fund disallowances of State and Federal claims; approval by the State Legislature of a tort reform program to limit damage claims against the City, which would result in savings of $45 million; the receipt of $125 million of mandate relief from the Federal government; State Legislature approval of $58 million to $138 million of funding for the State payment of certain costs for administering the Medicaid program and an additional $145 million in State aid; agreement of municipal unions to employee co-sharing of the payment of premiums with respect to employee health insurance, which would reduce City expenditures for health insurance costs by $200 million; approval by the City Actuary of the acceleration of earnings which were in excess of assumed investment returns, which would result in reduced contributions by the City of $200 million to the municipal pension systems; uncertainties relating to the proposed reduction in the City's workforce, which is subject to further discussion with the City's municipal unions, BOE and MAC; assumed improvement in the collection of taxes, fines and fees totaling $120 million; uncertainties involving State Legislative approval of an extension of late payment penalties on overdue parking violations and the proposed State video lottery; and renegotiation of the terms of certain Port Authority leases totaling $75 million.

The City Comptroller noted that there are a number of additional issues, the impact of which cannot currently be quantified, including the proposed $291 million participation of BOE in the gap-closing program, the amount of proposed asset sales assumed in the Financial Plan and the impact of a recent court decision on recycling which could cost the City $100 million in the 1995 fiscal year. Finally, the City Comptroller has recommended that the City abandon its plan to sell real property tax receivables to generate $215 million in the 1994 fiscal year.

The City Comptroller issued a report on February 17, 1994 projecting that the exceptionally harsh winter will cost the City an additional $37 to $50 million. The report also stated that the City Comptroller would issue a report in April quantifying other additional costs of this year's exceptional winter, which may be substantial, including possible decreased tax revenues due to lost business and increased expenditures due to increased use of health facilities by Medicaid participants and overtime costs for City employees not directly involved in snow removal.

On March 22, 1994, OSDC issued a report reviewing the Financial Plan. The report concluded that a balanced budget is achievable for the 1994 fiscal year. The report noted that expenditures for the 1994 fiscal year may be higher than projected by $176 million, due primarily to possible overspending at BOE, revenue shortfalls at HHC and overtime costs in the uniformed agencies; however, the City has initiated a program that is intended to reduce nonpersonnel costs by up to $150 million. In addition, the report noted that the Financial Plan includes a general reserve of $198 million and assumes savings of $117 million from the implementation of the proposed severance program for the 1994 fiscal year. While the City intends to transfer $234 million of these resources to help balance the 1995 fiscal year budget, the report concluded that most of these resources will be needed to maintain budget balance in the 1994 fiscal year.

With respect to each of the 1995 through 1997 fiscal years, the report noted the potential for a budget gap of approximately $300 million greater than shown in the Financial Plan, primarily due to possible shortfalls in projected HHC revenues, greater than anticipated spending at BOE and overtime costs in the uniformed agencies. Additional risks for such years include the potential for increased recycling costs due to a recent court decision, lower than anticipated revenues from the renegotiation of certain Port Authority leases, and greater personnel costs, since the Financial Plan makes no provision for wage increases after the expiration of current contracts. For the 1996 and 1997 fiscal years, the report identified the extension of the resident personal income tax surcharge as an additional risk.

With respect to the City's $2.3 billion gap-closing program for the 1995 fiscal year, the report noted that approximately $1.4 billion of the gap-closing initiatives must be considered as high risk because the initiatives are outside the Mayor's direct control to implement. The report noted that the City will need to obtain the approval and cooperation of the municipal labor unions, the City Actuary, certain Covered Organizations, the City Council and the State and Federal governments, and that if the necessary approvals are not obtained, the City will have only a few months to develop alternative solutions.

On March 23, 1994, the staff of the Control Board issued its report on the Financial Plan. The report states that, while the Financial Plan moves the City in the direction of structural balance, the Financial Plan has more risks and fewer details than are desirable and does not set forth contingency plans or other protections to assist the City if unknown but inevitable impediments emerge. With respect to the 1994 fiscal year, the report concludes that the budget is reliably balanced. However, for the 1995 fiscal year, the report notes that decisions will have to be made in the next modification to the Financial Plan in April 1994 whether to continue to include in the Financial Plan for the 1995 fiscal year revenues from proposed additional Federal and State aid, new Port Authority lease agreements and a proposed video lottery, funds from MAC for the severance program, and savings from employee health and pension cost reductions and tort reform. The report notes that all of these actions, which total $1.2 billion, are outside the Mayor's direct control and require the support of third parties. Risks identified in the reports for the 1994 through 1997 fiscal years aggregate $94 million, $952 million, $1.7 billion and $1.9 billion, respectively, excluding any risk associated with the State takeover of certain Medicaid costs, the workforce reduction program and the reduction in health insurance and pension costs proposed in the Financial Plan.

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, during recessionary periods when operating revenues come under increasing pressure, funding levels of the City's capital program are reduced from those previously forecast in order to reduce debt service costs. The Preliminary Updated Ten-Year Capital Plan as reflected in the Financial Plan reduces the portion of the City's capital program to be funded from City general obligation debt by approximately 25% in the four years covered by the Financial Plan from the amount provided for in the 1994 Adopted Budget capital commitment plan. 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 Plan, the Four-Year Capital Program and the current-year Capital Budget. The Ten-Year Capital Plan 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 $3.1 billion in 1994. City-funded expenditures, which more than tripled between fiscal years 1980 and 1985, are forecast at $3.7 billion in the 1994 fiscal year; total expenditures are forecast at $4.0 billion in 1994. For additional information concerning the City's capital expenditures and the Preliminary Updated Ten-Year Capital Plan 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 1994 through 1997 fiscal years. See "SECTION V: CITY SERVICES AND EXPENDITURES—Capital Expenditures".

1994-1997 CAPITAL COMMITMENT PLAN

	1994		1995		1996		1997	
	City Funds	All Funds	City Funds	All Funds	City Funds	All Funds	City Funds	All Funds
				(In Millions)				
Mass Transit(1)	$ 234	$ 234	$ 302	$ 302	$ 107	$ 107	$ 106	$ 106
Roadway, Bridges	310	620	493	579	569	727	362	469
Environmental Protection(2)	706	755	1,763	1,858	1,483	1,546	1,443	1,510
Education	751	752	556	556	579	579	522	522
Housing	323	442	240	417	189	319	193	331
Hospitals	412	413	331	331	310	310	385	385
Sanitation	174	195	187	211	134	584	235	235
City Operations/Facilities	1,130	1,190	969	1,081	439	469	806	878
Economic and Port Development	217	232	124	137	47	83	11	35
Reserve For Unattained Commitments	(1,190)	(1,190)	(846)	(846)	(86)	(86)	(470)	(470)
Total Commitments(3)(4)	$3,068	$3,642	$4,120	$4,626	$3,771	$4,637	$3,592	$4,001
Total Expenditures(4)(5)	$3,687	$4,005	$3,879	$4,429	$3,653	$4,246	$3,731	$4,334

(1) Excludes the Transit Authorit '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) Total Commitments do not include $702 million of commitments for court facilities during the 1994 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.
(5) Expenditures represent cash payments and appropriations planned to be expended for financing costs, excluding amounts for original issue discount.

The following table which is based on the 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 1994 through 1997 fiscal years.

1994-1997 FINANCING PROGRAM

	1994	1995	1996	1997	Total
			(In Millions)		
SOURCES OF FUNDS:					
City General Obligation Bonds	$4,774	$2,765	$2,592	$2,402	$12,533
Water Authority Revenue Bonds	2,324	1,188	1,184	1,414	6,110
HHC Financing(1)	0	218	313	301	832
Other Sources(2)	206	329	(65)	2	472
Total	$7,304	$4,500	$4,024	$4,119	$19,947
USES OF FUNDS:					
City Capital Improvements	$3,687	$3,880	$3,656	$3,737	$14,960
City Refunding	1,660	21	0	0	1,681
Water Authority Refunding and BAN Bonds (3)	1,696	250	0	0	1,946
Reserve Funds and Other(4)	261	349	368	382	1,360
Total	$7,304	$4,500	$4,024	$4,119	$19,947

(1) The financing program assumes that HHC will finance 100% of its capital commitments. Amounts do not reflect a specific borrowing schedule. The amounts reflected are the projected capital cash flow of HHC program commitments in fiscal years 1994 through 1997 of $1.206 billion less $374 million from the capital proceeds of a bond issuance by HHC in June 1993. The restricted balances from such bond issuance are included in Other Sources in fiscal years 1994 and 1995, respectively.
(2) Other Sources consists primarily of changes in restricted cash balances and the amount of funds advanced from the general fund for capital expenditures which have not been reimbursed from the proceeds of long-term debt.
(3) The amount shown reflects $1.321 million of refunding bonds and $375 million of bonds to redeem Water Authority bond anticipation notes.
(4) 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 9% of the capital cash needs in the 1995 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.

Currently, if all City capital projects 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 Preliminary Updated Ten-Year Capital Plan covering fiscal years 1994 through 2003 projects City-funded water and sewer investment at approximately $9.7 billion of the $41.7 billion City-funded portion of the plan. The City retains the legal authorization to fund any portion of the $10.2 billion strategy with the proceeds of sales of its general obligation bonds.

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 the City a filtration avoidance waiver through calendar year 1996.

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 and HHC 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 Preliminary Updated Ten-Year Capital Plan for fiscal years 1994 through 2003 totals $45.8 billion, of which approximately 91% is to be financed with City funds. Federal tax law provisions which restrict 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 $1.75 billion of short-term obligations in fiscal year 1994 to finance the City's current estimate of its seasonal cash flow needs for the 1994 fiscal year. Seasonal financing requirements for the 1993 fiscal year decreased to $1.4 billion from $2.25 billion in the 1992 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: 1994-1997 FINANCIAL PLAN—Assumptions".

Seasonal financing requirements were $3.65 billion, $2.45 billion and $1.2 billion in the 1991, 1990 and 1989 fiscal years, respectively.

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

SECTION VIII: INDEBTEDNESS

City Indebtedness

Outstanding Indebtedness

The following table sets forth outstanding indebtedness having an initial maturity greater than one year from the date of issuance of the City, MAC and the PBCs as of December 31, 1993.

(In Thousands)

Gross City Long-Term Indebtedness	$22,574,277	
Less: Assets Held for Debt Service(1)	1,170,299	
Net City Long-Term Indebtedness		$21,403,978
Gross MAC Long-Term Indebtedness(2)	5,203,635	
Less: Assets Held for Debt Service(2)	742,310	
Net MAC Long-Term Indebtedness		4,461,325
PBC Indebtedness(3)		
Bonds Payable	571,203	
Capital Lease Obligations	380,452	
Gross PBC Indebtedness(4)	951,655	
Less: Assets Held for Debt Service	192,431	
Net PBC Indebtedness		759,224
Combined Net City, MAC and PBC Indebtedness		$26,624,774

(1) With respect to City long-term indebtedness, "Assets Held for Debt Service" consists of General Debt Service Fund assets, and $1,166.0 million principal amount of City serial bonds held by MAC.

(2) 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 H".

(3) "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 G and H". "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 J, K, L, M and N".

(4) Amount does not include $231.9 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 1993 and as of December 31, 1993, except for short-term debt information, which is as of March 24, 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
1993	19,624	—	4,470	—	768	24,862
December 31, 1993	21,404	$1,750	4,461	—	759	28,374

(1) Amounts do not include debt of the City held by MAC. See "Outstanding Indebtedness—note 2".

(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, $5,559 million and $5,304 million as of June 30 of each of the years 1988 through 1993 and $5,204 million as of December 31, 1993.

(3) Net of reserves. See "Outstanding Indebtedness—note 2". 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 G and H". For more information concerning Enterprise Funds PBCs, see "APPENDIX B—FINANCIAL STATEMENTS—Notes to Financial Statements—Notes J, K, L, M and N".

(4) Amount includes revenue anticipation notes issued on August 10, 1993, $400 million of which mature on April 15, 1994, and $700 million of which mature on June 30, 1994 and $650 million of tax anticipation notes issued on October 21, 1993 which mature on April 8, 1994.

(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 December 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	26.03%
10 years	48.00
15 years	66.67
20 years	82.03
25 years	93.60
30 years	99.96

City, MAC and City-guaranteed PBC Debt Service Requirements

The following table summarizes future debt service requirements, as of December 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)				
1994	$ 177,661	$ 728,773	$ 40,175	$ 599,001	$ 1,545,610
1995	992,036	1,365,422	93,786	525,423	2,976,667
1996	1,130,085	1,295,567	96,793	514,187	3,036,632
1997	1,137,499	1,234,623	99,166	577,010	3,048,298
1998	1,078,667	1,163,988	99,134	588,707	2,930,496
1999	1,038,251	1,099,343	99,470	607,226	2,844,290
2000	914,207	1,047,505	99,466	542,653	2,603,831
2001 through 2147	14,939,531	9,882,537	1,088,164	4,345,064(3)	30,255,296
Total	$21,407,937	$17,817,758	$1,716,154	$8,299,271	$49,241,120

(1) Excludes debt service payments on $1,166.0 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 G and H". For more information concerning Enterprise Funds PBCs, see "APPENDIX B—FINANCIAL STATEMENTS—Notes to Financial Statements—Notes J, K, L, M and N".

(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 1988 through 1993, 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
1988	$2,041	25.3	6.0
1989	2,202	25.4	4.6
1990	2,496	26.1	4.5
1991	2,918	28.0	4.5
1992	3,190	28.6	4.1
1993	3,396	31.4	3.9

Source: Comprehensive Annual Financial Report of the Comptroller for the Fiscal Year Ended June 30, 1993.

Ratio of Debt to Personal Income

The following table sets forth, for each of fiscal years 1983 through 1991, 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	$14,277	11.89%
1984	1,695	15,598	10.87
1985	1,723	16,376	10.21
1986	1,833	17,334	10.57
1987	1,893	18,244	10.38
1988	2,041	19,728	10.35
1989	2,202	21,093	10.44
1990	2,496	22,508	12.17
1991	2,918	23,183	12.59

Source: Comprehensive Annual Financial Report of the Comptroller for the Fiscal Year Ended June 30, 1993.

(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 March 24, 1994, the maximum amount of additional short-term debt which the City could issue was approximately $4.54 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 issuances and renewals of RANs or 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 December 31, 1993.

GENERAL DEBT LIMIT		
Total Debt-Incurring Power		$55,415,024,789
Gross Debt—Funded	$23,001,793,953	
Less: Excluded Debt	1,260,763,940	
	21,741,030,013	
Less: Assets of Sinking Funds and General Debt Service Fund and Balance of Appropriations for Redemption of Debt	149,373,111	
Net Debt	21,591,656,902	
Add: Net Contracts and Other Liabilities	3,656,064,801	25,247,721,703
Remaining Debt-Incurring Power Within Limit		$30,167,303,086
TWO PERCENT DEBT LIMIT		
Total Debt-Incurring Power		$ 1,532,707,703
Charges:		
Housing Authority Indebtedness	$ 808,000	
Limited Profit Housing Program	15,999,879	
Housing and Industrial Urban Renewal Programs	123,852,846	140,660,725
Remaining Debt-Incurring Power Within Limit		$ 1,392,046,978

The aggregate amount of the City's planned debt issues required to fund the Preliminary Updated Ten-Year Capital Plan may conflict with 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 December 31, 1993, when the debt-incurring capacity under the general debt limit was $30.167 billion, the unencumbered margin was $19.7 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, subject to certain prior claims, 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 December 31, 1993, MAC had outstanding an aggregate of approximately $5.204 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 H".

As of December 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 $1.076 billion was held by MAC as of December 31, 1993. MAC has also exchanged $1.839 billion principal amount of MAC bonds for City debt, of which approximately $89.7 million was held by MAC on December 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 1994 through 1997, the amounts that the City is scheduled to receive for operating purposes under the agreements as amended are $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 J, K, L, M and N".

New York City Educational Construction Fund

As of December 31, 1993, approximately $124.4 million principal amount of ECF bonds to finance costs related to the school portions of combined occupancy structures was outstanding. Under ECF's leases with the City, debt service on the ECF bonds is payable by the City to the extent third party revenues are not sufficient to pay such debt service.

New York City Housing Authority

As of December 31, 1993, the City had guaranteed $37.7 million principal amount of HA bonds. The Federal government has agreed to pay debt service on $42.2 million principal amount of additional HA indebtedness guaranteed by the City. The City has also guaranteed the repayment of $233.1 million principal amount of HA indebtedness to the State, of which the Federal government has agreed to pay debt service on $115.2 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 $131.6 million in the 1993 fiscal year and are projected to amount to approximately $136.6 million in the 1994 fiscal year.

New York State Housing Finance Agency

As of December 31, 1993, $314.9 million principal amount of HFA refunding bonds relating to hospital and family care facilities leased to the City was outstanding. HFA does not receive third party revenues to offset the City's capital lease obligations with respect to these bonds. Lease payments, which are made by the City seven months in advance of payment dates of the bonds, are intended to cover development and construction costs, including debt service, of each facility plus a share of HFA's overhead and administrative expenses.

City University Construction Fund

As of December 31, 1993, $690.7 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 December 31, 1993, approximately $90.3 million was held in certain reserve funds to meet the reserve requirements of the Dormitory Authority for its bonds relating to Community College facilities. CUCF does not receive third party revenues to offset the City's obligations under the rental agreements.

New York State Urban Development Corporation

As of December 31, 1993, $65.6 million principal amount of UDC bonds subject to executed or proposed lease arrangements was outstanding. This amount differs from the amount calculated by UDC ($70.8 million) because UDC has included certain interest costs relating to Public School 50 and Intermediate School 229 in Manhattan in its calculation. The City leases schools and certain other facilities from UDC.

New York City Housing Development Corporation

As of December 31, 1993, $231.9 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, $231.9 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 $18.2 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 1994 fiscal year, no assurance can be given that such payments will not be required as a result of shortfalls in mortgage payments, subsidies or otherwise. As of December 31, 1993, HDC's combined capital reserve funds amounted to approximately $18.2 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, 1993 consisted of approximately 346,000 current employees, of whom approximately 92,000 were employees of certain independent agencies whose pension costs in some cases are provided by City appropriations. In addition, there are approximately 227,000 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 three 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 1994 fiscal year are expected to approximate $1.4 billion. In fiscal years 1995 through 1997, these expenditures are expected to approximate $1.4 billion, $1.5 billion and $1.4 billion, respectively. Certain of the systems provide pension benefits of 50% to 55% of "final pay" after 20 to 25 years of service with additional benefits for subsequent years of service. For the 1993 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 projected to be approximately 21% 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)
1989	$ 6.51
1990	6.10
1991	4.16
1992	2.67
1993	0.49

(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 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, 1993, there was approximately $290 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 R".

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 1994-1997 Financial Plan. The City has estimated that its potential future liability on account of outstanding claims against it as of June 30, 1993 amounted to approximately $2.2 billion. See "SECTION VII: 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 $268 million at June 30, 1993. 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 H".

2. The State Board has certified final class ratios for the 1991 and 1992 assessment rolls. The City believes that the class ratios determined for class two and class four are invalid and has commenced proceedings challenging the class ratios. Class ratios are used in real property tax *certiorari* proceedings involving allegations of inequality of assessments of real property and if the class ratios certified by the State Board are upheld, it could lead to an increase in refunds for overpayment of real property taxes paid in the 1992 and 1993 fiscal years. For additional information, see "SECTION IV: SOURCES OF CITY REVENUES—Real Estate Tax—*Assessment*".

3. 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 average 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). By motion dated June 10, 1993 plaintiffs moved for summary judgment. On or about July 2, 1993, the State and City defendants each cross-moved to dismiss the action and for summary judgment. A similar action relating to the real estate tax levy for fiscal year 1993 has been commenced by another group of taxpayers and is also pending in State Supreme Court, Albany County.

4. A number of petitions for administrative review of the Commissioner of Finance's denial of refund claims are pending in which the taxpayers claim they are due refunds under the Banking Corporation and General Corporation Tax Laws due to their payment of tax on interest from Federal obligations in violation of 31 U.S.C. Section 3124(a). In addition, an action was commenced by Astoria Federal Savings and Loan

Association ("Astoria Federal Savings") in New York Supreme Court, Nassau County, in which the City was not originally named as a party, seeking a declaratory judgment that, inter alia, interest on certain bonds issued pursuant to the Public Authorities Law are exempt from the City's franchise taxes. Defendant's motion to dismiss the action was denied by the Court. Subsequently, the City filed a motion to intervene as a party in the action and such motion was granted. On February 7, 1994, Astoria Federal Savings moved for summary judgment. The City intends to oppose this motion. If the taxpayers' positions are upheld, the City could become liable to pay substantial refunds and could experience a substantial decrease in revenues earned from such taxes.

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. On September 14, 1993, the Appellate Division, First Department, modified this order by overturning the dismissal of the claims made against the City's co-defendant, The Consolidated Edison Company, for purely economic loss, but affirmed the dismissal of the claims against the City for purely economic loss.

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. On August 7, 1991 the Court granted the City's motion for summary judgment and on May 20, 1993 the Appellate Division, First Department affirmed the decision. On June 21, 1993 plaintiff filed a notice of appeal to the New York State Court of Appeals. On September 14, 1993, the plaintiff's appeal as of right was dismissed by the Court of Appeals for lack of a substantial constitutional issue. On January 11, 1994 the plaintiff's motion for leave to appeal to the Court of Appeals was denied. On February 11, 1994, plaintiff filed a petition for a *writ of certiorari* to the United States Supreme Court. The City intends to oppose the petition.

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. 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 judgment and a permanent injunction directing the City to adopt written procedures to ensure adequate enforcement of local law, which motion was denied on February 25, 1994. 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.

7. 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.

8. 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 and close unsafe *in rem* buildings and asserting instead that they must 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 Court also issued a temporary restraining order barring the City from exercising its power under the City's Administrative Code to vacate one of these buildings as unsafe. The City has appealed this decision to the Appellate Division, First Department, which affirmed the judgment on February 8, 1994. The Appellate Division held that the City did not have total discretion to determine whether to vacate these buildings as unsafe and close them rather than rehabilitate them. The City intends to seek leave to appeal to the New

York State Court of Appeals. If it is ultimately determined that the City must bring its *in rem* buildings into statutory compliance and lacks broad authority to vacate and close such buildings as unsafe, the City could incur substantial costs.

9. On November 25, 1992, several self-insured employee welfare benefit plans 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 certain hospital bills. Plaintiffs allege that imposition of the surcharges, which are used in part to fund State bad debt and charity care pools, violate provisions of Federal law which regulate 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 now covered by the bad debt and charity care pools.

10. 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 supplement fund benefits only to retired transit police officers who did not retire by reason of a disability and 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 July 16, 1993, however, the Court denied plaintiffs' motion for a preliminary injunction to enjoin the payment of variable supplement fund benefits to statutory beneficiaries pending a hearing. On February 17, 1994 plaintiffs moved for partial summary judgment. The City intends to cross-move for summary judgment. On April 23, 1993, plaintiffs filed a second lawsuit in State Supreme Court, Queens County (also transferred to Supreme Court, New York 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.

11. In May 1991, the Natural Resources Defense Council and other petitioners initiated a proceeding in State Supreme Court, New York County, seeking to compel the City to fully implement various provisions of Local Law No. 19 ("Local Law No. 19") for the year 1989, the New York City Recycling Law, including annual targets for increasing the tonnage of solid waste that is recycled by the Department of Sanitation and its contractors. On March 19, 1992, the Court granted judgment for the petitioners, ordering the City to comply with the various mandates of Local Law No. 19. The Appellate Division, First Department, affirmed the decision on December 22, 1992 and the New York State Court of Appeals upheld the Appellate Division's decision on February 22, 1994. The Court of Appeals remanded the case to State Supreme Court to establish a new timetable for compliance since a number of the targeted compliance dates set forth in Local Law No. 19 expired during the pendency of this litigation. The City may seek to obtain amendments to Local Law No. 19. If it is unable to obtain such amendments and is required to fully implement Local Law No. 19, it would incur substantial costs.

12. On January 26, 1994, the Eastern Paralyzed Veterans Association ("EPVA") commenced an action in the United States District Court for the Southern District of New York alleging that the City had failed to take steps prescribed by the Americans with Disabilities Act and regulations promulgated thereunder to make the streets and sidewalks of the City accessible to handicapped persons. The EPVA seeks to compel the City, among other things, to implement a plan to provide curb ramps or other sloped areas at all intersections in the City by January 26, 1995. If the EPVA were to prevail in this action, performing such work in that time frame would impose substantial costs on the City.

13. In January 1994, the President of the United Federation of Teachers and various parents and teachers commenced a proceeding against the City, BOE and the New York State Department of Labor alleging, as against BOE, a failure to maintain the City's school buildings in safe condition as required by the City's Building Code and the State's Education and Labor Laws and, as against the City, a failure to inspect the schools on a regular basis. The suit, which does not seek a specified amount of damages, asks that the defendants be required to perform their inspection, repair, and maintenance obligations alleged to exist

under statute in regard to 37 complaints which they filed with respect to conditions at 20 schools and generally throughout the school system. If the plaintiffs were to prevail, BOE could incur substantial costs which it is not possible to estimate at this time.

Tax Exemption

In the opinion of Brown & Wood, New York, New York, and Barnes, McGhee, 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 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 Bonds in the event of a failure by the City to comply with applicable requirements of the Internal Revenue Code of 1986, as amended (the "Code"), and covenants regarding use, expenditure and investment of bond proceeds and the timely payment of certain investment earnings to the United States Treasury, and no opinion is rendered by either firm as to the exclusion from gross income of the 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 of the Deputy Comptroller for Finance (under which the Tax-Exempt Bonds are being issued) upon the approval of counsel other than such firm.

Interest on the Tax-Exempt Bonds will be exempt from personal income taxes imposed by New York State or any political subdivision thereof, including New York 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, 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 difference, if any, between the initial public offering price to the public (excluding bond houses, brokers or similar persons acting in the capacity of underwriters or wholesalers) of a maturity of the Fixed Rate Tax-Exempt Bonds at which price a substantial amount of such maturity is sold and the amount payable at maturity constitutes original issue discount, which will be excludable from gross income to the same extent as interest on the Tax-Exempt Bonds for Federal, New York State and New York City income tax purposes. The Code provides that the amount of original issue 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 Tax-Exempt Bonds with original issue discount (the "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.

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 Bonds will not have an adverse effect on the tax-exempt status or market price of the 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.

Ratings

Moody's has rated the Fixed Rate Bonds Baa1. Standard & Poor's has rated the Fixed Rate Bonds A –. Fitch Investors Service, Inc. ("Fitch") has rated the Fixed Rate Bonds A-. The City expects that ratings on the Tax-Exempt Adjustable Rate Bonds and the Taxable Adjustable Rate Bonds will be received prior to April 12, 1994. The Tax-Exempt Adjustable Rate Bonds, Subseries H-2, Subseries H-3, Subseries H-4, Subseries H-5 and Subseries H-6 are expected to be rated AAA/VMIG1, AAA/VMIG1, AAA/VMIG1, AAA/VMIG1 and AAA/VMIG1, respectively, by Moody's, and AAA/A-1 $+_c$, AAA/A-1_c, AAA/A-1_c, AAA/A-1 $+_c$ and AAA/A-1 $+_c$, 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 insurance policy to be issued by one of AMBAC Indemnity, Financial Security and MBIA and the applicable Liquidity Facility. 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 FGIC-SPI Liquidity Facility. 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 –. On July 2, 1993 Standard & Poor's reconfirmed its A – rating of City bonds, continued its negative rating outlook assessment and stated that maintenance of such rating depended upon the City's making further progress towards reducing budget gaps in the outlying years. 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. Since July 15, 1993, Fitch has rated City bonds A –.

Underwriting

The Bonds other than the Taxable Adjustable Rate Bonds are being purchased for reoffering by the Underwriters, for whom J.P. Morgan Securities Inc.; Bear, Stearns & Co. Inc.; CS First Boston Corporation; Goldman, Sachs & Co.; Lehman Brothers Inc.; Merrill Lynch, Pierce, Fenner & Smith Incorporated; and Prudential Securities Incorporated are acting as lead Managers. The Taxable Adjustable Rate Bonds are being purchased for reoffering by Kidder, Peabody & Co. Incorporated and J.P. Morgan Securities Inc.

The Bonds are being purchased at an aggregate purchase price of $1,057,959,182.48 less issuance costs to be paid by the Underwriters. The aggregate initial public offering price is $1,064,332,465.50. 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, 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.

Verification

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

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.

Copies of the most recent financial plan submitted to the Control Board are available upon written request to the Office of Management and Budget, General Counsel, 6th Floor, 75 Park Place, New York, NY 10007, and copies of the most recent published Comprehensive Annual Report of the Comptroller are available upon written request to the Office of the Comptroller, Deputy Comptroller for Finance, 5th Floor, Municipal Building, One Centre Street, New York, NY 10007. Financial plans are prepared quarterly, and the Comprehensive Annual Report of the Comptroller is typically prepared at the end of October of each year.

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

(This page has been left blank intentionally.)

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.

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

The following table sets forth the distribution of the City's population by age between 1960 and 1990.

DISTRIBUTION OF POPULATION BY AGE
(In Thousands)

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

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

Economic Activity, 1969-1991

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 1991 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 1969-91

	Levels				Average Annual Percent Change		
	1969	**1976**	**1988**	**1991**	**1969-76**	**1976-88**	**1988-91**
NYC							
Population(1) (millions)	7.9	7.4	7.4	7.3	(0.9)	(0.1)	(0.1)
Employment(2) (millions)	3.8	3.2	3.6	3.4	(2.4)	1.0	(2.2)
Personal Income(3) (billions)	$38.8	$58.3	$143.8	$169.6	6.0	7.8	5.7
Real Per Capita Personal Income(4)	$12,842.5	$12,858.8	$15,812.2	$16,004.1	0.0	1.7	0.4
United States							
Population(1) (millions)	201.3	217.6	244.5	252.2	1.1	1.0	1.0
Employment(2) (millions)	70.4	79.4	105.2	108.3	1.7	2.4	1.0
Personal Income(3) (billions)	$773.7	$1,446.3	$4,075.9	$4,828.3	9.3	9.0	5.8
Real Per Capita Personal Income(4)	$10,474.9	$11,676.3	$14,083.8	$14,050.8	1.6	1.6	(0.1)

(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 3.2 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 35,000 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 192,000 jobs, or 5.4 percent, and the nation experienced job losses totalling 1.2 million, or 1.1 percent. In 1992, job losses moderated in the City, with employment in the City decreasing by 93,000 jobs, or 2.8 percent, and employment in the U.S. increased by 0.2 percent. In 1993, employment in the U.S. increased by 1.7 million jobs. Employment in the City began to improve, experiencing a moderate loss of 6,000 jobs in 1993. As of February 1994, employment in the U.S. had increased by 1.8 million jobs and employment in the City increased by 13,000 jobs from February 1993.

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)		Average Annual Employment								
	Year	Level	1985	1986	1987	1988	1989	1990	1991	1992	1993
Private Sector											
Non-Manufacturing . .	1989	2647.2	2523.7	2575.6	2630.1	2638.8	2647.2	2621.1	2474.3	2404.4	2408.6
Services	1990	1149.0	1038.5	1076.2	1108.4	1123.1	1147.2	1149.0	1096.9	1093.1	1117.1
Wholesale and Retail trade. . .	1969	749.1	638.1	638.5	637.6	634.3	630.2	608.3	565.3	545.6	534.0
Finance, Insurance and Real Estate . . .	1987	549.7	507.6	529.3	549.7	542.4	530.5	519.6	493.6	473.5	470.4
Transportation and Public Utilities	1969	323.9	232.0	217.3	214.9	218.4	218.1	229.1	218.4	204.8	202.5
Contract Construction . .	1962	139.1	106.3	113.7	118.8	120.1	120.8	114.9	99.8	87.1	84.4
Mining	1967	2.5	1.2	0.8	0.7	0.5	0.3	0.3	0.3	0.4	0.3
Manufacturing	1960	946.8	407.7	391.5	379.6	370.1	359.5	337.5	307.8	292.8	290.0
Durable	1960	303.6	112.2	106.5	100.0	97.7	94.3	88.0	77.3	72.5	70.9
Non-Durable. . . .	1960	643.2	295.5	285.0	279.6	272.4	265.2	249.5	230.5	220.3	219.1
Government(2)	1990	607.6	556.6	573.5	580.4	596.1	601.5	607.6	592.6	584.1	576.4
Total Non-agricultural	1969	3797.7	3488.1	3540.6	3590.0	3605.0	3608.2	3566.2	3374.8	3281.3	3275.0

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	3394.9	3396.5	3405.9	3339.8	3335.4	3341.6	3357.2	3371.0	3370.3
1992	3258.5	3258.0	3282.0	3289.2	3292.4	3296.1	3276.9	3265.8	3264.3	3285.7	3295.4	3311.7
1993	3221.6	3236.5	3259.4	3273.5	3282.6	3292.1	3265.2	3262.7	3266.0	3296.6	3316.2	3327.5
1994	3238.6	3249.2										

(1) For the period 1960 through 1992.

(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.

Sources: 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

	Civilian Labor Force			Labor Force Participation Rate(1)		Unemployment Rate(2)(3)	
Year	Total	Employed	Unemployed	New York City	United States	New York City	United States
	(In Thousands)						
1982	3,093	2,798	296	55.2%	64.3%	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(4)	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	8.0
1993	3,290	2,956	334	55.9	66.4	10.1	7.4

RECENT MONTHLY TRENDS

	Unemployment											
Year	Jan	Feb	Mar	Apr	May	June	July	Aug	Sept	Oct	Nov	Dec
1985	8.2%	9.6%	9.0%	9.1%	8.4%	7.4%	6.9%	7.7%	8.1%	8.4%	7.3%	7.1%
1986	7.3	8.4	7.9	8.7	7.9	7.3	7.9	6.9	6.6	6.9	6.1	6.2
1987	7.4	6.0	5.8	5.2	5.4	6.0	6.0	5.1	4.5	5.8	6.6	5.0
1988(4)	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(4)	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	9.5	9.4	9.5	9.5	8.7	10.3	10.2	10.5
1994	10.8	10.0										

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

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

(3) Beginning in late 1992 the City unemployment survey methodology was revised for the period September 1992 to the present. As a result, the methodology used for such period differs from the methodology used for the period prior to September 1992. The pre-September 1992 data is inconsistent with the data of September 1992 to present.

(4) 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, inflation was generally subdued both locally and nationally with prices in the New York area rising 3.6 percent compared to 3.0 percent nationally. In 1993, inflation remained subdued locally and nationally with prices rising 3.0 percent at both levels. The New York area inflation rate and the national rate were both 2.5 percent in February 1994, with local inflation running at a rate of 2.0 percent and national inflation running at a rate of 2.5 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 3.6% for the nation. In 1992, boosted by FIRE sector bonus payments, local wage rates increased 11.3% versus 3.5% 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**	**1993**
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	3.0
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	2.5
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	3.1
San Francisco-Oakland(3)	5.1	9.9	15.1	13.0	6.9	1.0	5.8	4.0	3.0	3.5	4.4	4.9	4.5	4.4	3.3	2.7
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	2.5
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	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

Expenditure Class	Average Annual % Increase 1982-93 U.S.	Average Annual % Increase 1982-93 New York-NE. N.J.	% Increase 1993 U.S.	% Increase 1993 New York-NE. N.J.	% Increase February 1994 over February 1993 U.S.	% Increase February 1994 over February 1993 New York-NE. N.J.
All Items	3.8	4.5	3.0	3.0	2.5	2.5
Food and Beverages	3.6	4.2	2.1	2.1	2.1	1.6
Housing	3.6	4.5	2.7	2.7	2.9	3.9
Apparel and Upkeep	2.9	2.5	1.4	0.6	(0.7)	(5.9)
Transportation	2.8	3.3	3.0	4.7	2.1	2.7
Medical Care	7.2	7.6	6.0	4.5	4.9	4.2
Entertainment	3.8	4.1	2.5	2.3	3.2	2.6
Other Goods and Services	6.7	7.1	5.3	4.8	1.9	1.9

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 1991 (the most recent year for which local personal income data are available), New York City personal income averaged 6.7 percent growth, the same as in the nation. The following table sets forth recent information regarding personal income in the City.

PERSONAL INCOME IN NEW YORK CITY(1)

Year	Personal Income: NYC Total (In Billions)	Personal Income: Average Annual % Change NYC	Personal Income: Average Annual % Change U.S.	Per Capita Personal Income: NYC	Per Capita: Average Annual % Change NYC	Per Capita: Average Annual % Change U.S.	New York City as a Percent of U.S.	New York City as a Percent of Suburban Counties(2)	New York City as a Percent of Metropolitan Area(3)
1983	$102.1	7.4%	6.4%	$14,215	6.3%	5.4%	116.1%	84.1%	82.1%
1984	112.3	10.0	10.2	15,520	9.2	9.2	116.0	83.2	82.0
1985	118.4	5.5	7.1	16,278	4.9	6.2	114.6	81.2	81.7
1986	126.1	6.5	6.2	17,234	5.9	5.3	115.3	79.9	81.6
1987	133.0	5.5	5.9	18,120	5.1	4.9	115.5	77.7	81.2
1988	143.8	8.1	7.2	19,557	7.9	6.2	117.3	77.1	81.0
1989	154.3	7.3	7.5	21,006	7.4	6.5	118.4	76.6	80.8
1990	165.0	6.9	6.5	22,528	7.2	5.7	120.1	78.3	81.1
1991	169.6	2.8	3.5	23,174	2.9	2.1	121.0	79.8	81.4

(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) Suburban Counties consists of the counties of Nassau, Putnam, Rockland, Suffolk, and Westchester in New York State.

(3) Based on Primary Metropolitan Statistical Area ("PMSA") which includes New York City, Putnam, Rockland and Westchester counties.

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

Sectoral Distribution of Employment and Income

Data on the sectoral distribution of employment and income reflect a growing concentration of FIRE and services employment and a shrinking manufacturing base in the City relative to the nation. Within FIRE and services, the expanding trend is especially more marked in finance, business and related professional services. There are important implications of this structural shift from the manufacturing to the FIRE and services sectors. First, average employee income in finance and related business and professional services has been considerably higher than in manufacturing. Although the employment share of the FIRE sector increased by 2 percentage points during 1977 to 1989, its earnings share increased by about 9 percentage points, which reflects its high per employee income. However, the sudden shock in the financial industry of the October 1987 stock market crash had a disproportionally adverse effect on the City's employment and income relative to the nation. Payroll employment data indicates that through December 1991 the City's FIRE sector lost 71,000 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)

	Employment				Earnings(2)			
	1977		1991		1977		1991	
Sector	NYC	U.S.	NYC	U.S.	NYC	U.S.	NYC	U.S.
Private Sector								
Non-Manufacturing	67.2%	57.8%	73.3%	66.0%	70.7%	56.7%	78.4%	63.9%
Services	24.6	18.5	32.5	26.2	26.0	19.6	33.7	27.0
Wholesale and Retail Trade	19.5	22.5	16.7	23.4	16.7	16.6	12.1	16.3
Finance, Insurance and Real Estate	13.0	5.4	14.6	6.2	14.4	5.6	22.2	6.8
Transportation and Public Utilities	8.1	5.7	6.5	5.3	11.2	7.5	7.0	6.8
Contract Construction	2.0	4.7	3.0	4.3	2.3	5.9	3.2	5.5
Mining	0.0	1.0	0.0	0.0	0.1	1.5	0.0	0.9
Manufacturing	16.9	23.9	9.1	17.0	15.6	26.1	8.0	19.3
Durable	5.1	14.1	2.3	9.8	4.5	16.6	1.9	11.7
Non-Durable	11.8	9.8	6.8	7.2	11.1	9.5	6.1	7.6
Government(3)	15.9	18.3	17.6	17.0	13.7	17.2	13.6	16.8
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 1991 preliminary data.

(3) Excludes military establishments.

Sources: 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
1993	1,085.6	7.7	214.1	764.6	27.6	79.2

(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	1,078.9	1,081.8	1,089.0	1,092.0	1,096.7	1,101.0	1,103.7	1,104.9	1,112.5

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

Source: The City of New York, Human Resources Administration, Office of Budget and Fiscal ffairs, 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% 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%. 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%, by 3.4% in 1992 and by 3.6% in 1993. The retail sales figures for 1992 are based on a different sample of data than for 1991; therefore, year over year comparisons for 1992 may be distorted. Retail sales figures prior to 1992 were based, and, for 1993 and thereafter will be based, on the same sample of data as the prior year figures. Trends in the City's retail sales are shown in the table below.

RETAIL SALES IN NEW YORK CITY

	Total Retail Sales (In Billions)		Annual Percent Change: Total Retail Sales		Non-Durable(1)		Durable(2)	
Year	NYC	U.S.	NYC	U.S.	NYC	U.S.	NYC	U.S.
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	1,955.3	(3.4)	4.8	2.9	3.4	(17.6)	7.4
1993	39.0	2,083.8	(3.6)	6.6	(5.8)	3.9	2.7	15.7

(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.

Sources: 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. Data from Cushman & Wakefield indicates that the office market in the City, particularly in the downtown area where older, poorly maintained buildings had been vacated, had been softening from the mid-1980's through 1992. Recent data shows some improvement, with the overall vacancy rate in Manhattan at approximately 17.2% as of February 1994.

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	25.0*	76.7
1989	24.7*	74.5
1990	24.8*	72.6
1991	24.4*	67.1
1992	24.8*	68.8

(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.
* 1988 through 1992 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 1991 consisted of 2,980,762 housing units, excluding units in special places, primarily institutions such as hospitals and universities. The 1991 housing inventory represented an increase of 140,505 units, or 5.0%, since 1987. While the total population of the City grew by 1.7% between 1987 and 1991, housing in the City remains in short supply. 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	1991
Total Housing Units	2,792	2,803	2,840	2,980
Owner Units	755	807	837	858
Owner-Occupied	746	795	817	829
Conventional Home	581	598	576	555
Cooperative(1)	165	197	242	238
Vacant for Sale	9	12	19	10
Rental Units	1,976	1,940	1,932	2,027
Renter-Occupied	1,934	1,901	1,884	1,951
Vacant for Rent	42	40	47	76
Vacant Not Available For Sale Or Rent(2)	62	56	72	94

(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 and May 1993).

The 1991 Housing and Vacancy Report indicates that rental housing units predominate in the City. Of all occupied housing units in 1991, 29.8% were conventional home-ownership units, cooperatives or condominiums and 70.2% 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 3.78% in 1991, 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. This significant reduction is primarily a result of the City's housing improvement efforts.

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)	1989	1990	1991	1992	1993	1994
Bronx (The Bronx)	$ 3,670	$ 3,973	$ 4,330	$ 4,516	$ 4,719	$ 4,983
Kings (Brooklyn)	8,363	9,023	9,723	9,896	9,950	10,440
New York (Manhattan)	38,928	42,889	47,227	48,755	49,143	46,892
Queens (Queens)	10,807	11,543	12,386	12,666	12,776	13,185
Richmond (Staten Island)	2,374	2,627	2,669	2,635	2,590	2,678
Total	$64,142	$70,054	$76,334	$78,468	$79,179	$78,178

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 1989 Assessed Value (In Millions)	Fiscal Year 1989 Percentage Of Taxable Real Estate	Fiscal Year 1990 Assessed Value (In Millions)	Fiscal Year 1990 Percentage Of Taxable Real Estate	Fiscal Year 1991 Assessed Value (In Millions)	Fiscal Year 1991 Percentage Of Taxable Real Estate	Fiscal Year 1992 Assessed Value (In Millions)	Fiscal Year 1992 Percentage Of Taxable Real Estate	Fiscal Year 1993 Assessed Value (In Millions)	Fiscal Year 1993 Percentage Of Taxable Real Estate	Fiscal Year 1994 Assessed Value (In Millions)	Fiscal Year 1994 Percentage Of Taxable Real Estate
One Family Dwellings	$ 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%	$ 3,918.7	5.0%
Two Family Dwellings	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	3,046.8	3.9
Walk-Up Apartments	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	6,720.1	8.6
Elevator Apartments	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	14,914.0	19.1
Warehouses	668.2	1.0	767.1	1.1	895.5	1.2	926.8	1.2	989.8	1.3	1,031.5	1.3
Factory and Industrial Buildings	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	1,633.7	2.1
Garages and Gasoline Stations	779.2	1.2	883.5	1.3	1,028.6	1.3	1,107.3	1.4	1,191.3	1.5	1,248.2	1.6
Hotels	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	1,742.8	2.2
Hospitals and Health	400.9	0.6	374.6	0.5	391.6	0.5	402.6	0.5	425.2	0.5	481.0	0.6
Theatres	151.5	0.2	165.5	0.2	186.4	0.2	177.4	0.2	186.9	0.2	189.1	0.2
Store Buildings	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	4,360.2	5.6
Loft Buildings	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	2,100.3	2.7
Churches, Synagogues, etc.	30.9	0	30.5	0	54.3	0.1	41.1	0.1	53.8	0.1	68.1	0.1
Asylums and Homes	47.9	0.1	53.4	0.1	70.8	0.1	78.8	0.1	94.5	0.1	101.2	0.1
Office Buildings	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	21,817.1	27.9
Places of Public Assembly	99.6	0.2	107.9	0.2	123.1	0.2	135.3	0.2	138.3	0.2	145.2	0.2
Outdoor Recreation Facilities	75.0	0.1	85.4	0.1	80.6	0.1	82.7	0.1	84.5	0.1	108.3	0.1
Condominiums	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	4,195.9	5.4
Residence Multi-Use	228.7	0.4	267.5	0.4	318.1	0.4	1,004.5	1.3	1,034.6	1.3	1,111.1	1.4
Transportation Facilities	24.4	0	26.5	0	32.5	0	32.2	0	35.4	0	44.2	0.1
Utility Bureau Properties	0.1	0	0.1	0	0.0	0	0.0	0	0	0	0	0.0
Vacant Land	613.4	1.0	758.8	1.1	811.7	1.1	839.1	1.1	906.8	1.1	916.2	1.2
Educational Structures	106.4	0.2	119.4	0.2	138.6	0.2	142.9	0.2	170.1	0.2	175.1	0.2
Selected Government Installations	2.5	0	2.4	0	3.8	0	4.4	0	8.1	0	17.4	0.0
Miscellaneous	219.6	0.3	227.9	0.3	285.7	0.4	303.0	0.4	275.7	0.3	264.1	0.3
Real Estate of Utility Corporations and Special Franchises	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	7,827.2	10.0
Total	$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%	$78,177.5	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 1994 fiscal year, the assessed valuation of real estate of utility corporations is $6.3 billion. The following table presents the 40 non-utility, non-residential properties having the greatest assessed valuation in the 1994 fiscal year as indicated in the tax rolls.

LARGEST REAL ESTATE TAXPAYERS(1)

Property	1994 Fiscal Year Assessed Valuation	Property	1994 Fiscal Year Assessed Valuation
Met Life Building	$252,007,335	The Chase Manhattan Building	$115,000,000
Empire State Building	192,609,270	Burlington House	112,500,000
Exxon Building	191,250,000	Carpet Center	112,500,000
Sperry Rand Building	181,280,000	Simon & Schuster Building	112,050,000
American Brands	177,750,000	Manufacturers Hanover Plaza	110,000,000
55 Water Street Building	175,502,745	666 Fifth Avenue	110,000,000
General Motors Building	166,509,990	One New York Plaza	109,803,780
International Building	158,850,000	Shearson Lehman Operation Center	107,550,000
McGraw-Hill Building	153,000,000	Kalikow Building	105,750,000
Equitable Life Center	148,500,000	Park Avenue Plaza	103,500,000
Bristol-Meyers	148,414,000	595 Lexington Avenue	101,250,000
Equitable Tower	146,250,000	Continental Illinois Center	99,500,000
Time Life Building	144,000,000	Citicorp Center Condos	99,000,000
One Liberty Plaza	137,701,080	W.R. Grace Building	97,202,160
Morgan Guaranty Trust	137,000,000	American Express Plaza	93,604,860
Solow Building	132,750,000	Waldorf Astoria	92,795,500
Paramount Plaza	128,700,000	1411 Broadway	91,750,410
Celanese Building	126,000,000	Park Avenue Atrium	91,408,500
J.C. Penney Building	123,750,000	One Bankers Trust Plaza	89,000,000
One Penn Plaza	122,400,000	Bank of America Plaza	88,650,000

(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, 1993 and 1992

INDEX

THIS PAGE HAS BEEN LEFT BLANK INTENTIONALLY

ERNST & YOUNG
787 Seventh Avenue
New York, New York 10019
Phone: 212 773 3000

Mitchell, Titus & Co.
One Battery Park Plaza
New York NY 10004-1461
Phone 212 709 4500

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, 1993 and 1992, 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, 1993 and 1992, and the results of its operations and cash flows of its proprietary fund type for the years then ended in conformity with generally accepted accounting principles.

Ernst + Young

Mitchell, Titus + Co.

October 29, 1993

THE CITY OF NEW YORK

COMBINED BALANCE SHEET—ALL FUND TYPES AND ACCOUNT GROUPS

JUNE 30, 1993
(in thousands)

	Governmental Fund Types			Proprietary Fund Type	Fiduciary Fund Type	Account Groups		
	General	Capital Projects	Debt Service	Enterprise	Trust and Agency	General Fixed Assets	General Long-term Obligations	Total (Memorandum Only)
ASSETS:								
Cash and cash equivalents	$ 95,687	$ 5,314	$ 65,983	$ 246,954	$ 148,836	$ —	$ —	$ 562,774
Investments, including accrued interest	1,670,948	633,879	1,854,416	667,171	57,364,272	—	—	62,190,686
Accounts receivable:								
Real estate taxes (less allowance for uncollectible amounts of $289,965)	382,694	—	—	—	—	—	—	382,694
Federal, State and other aid	2,912,689	213,847	—	—	—	—	—	3,126,536
Patient service, net	—	—	—	538,708	—	—	—	538,708
Other, net	362,235	—	—	407,704	1,301,222	—	—	2,071,161
Mortgage loans and interest receivable, net	—	—	153,946	1,973,910	—	—	—	2,127,856
Due from other funds	895,943	21,887	103,934	6,671	—	—	—	1,028,435
Property, plant and equipment	—	—	—	14,589,032	—	14,166,634	—	28,755,666
Accumulated depreciation and amortization	—	—	—	(4,211,006)	—	(4,242,788)	—	(8,453,794)
Restricted cash and investments	—	—	—	1,284,511	—	—	—	1,284,511
Other assets	—	56,317	320	152,221	309,647	—	—	518,505
Amounts available in Debt Service Funds	—	—	—	—	—	—	1,940,027	1,940,027
Amounts to be provided for general long-term obligations	—	—	—	—	—	—	30,708,543	30,708,543
Total assets	$ 6,320,196	$ 931,244	$ 2,178,599	$ 15,655,876	$ 59,123,977	$ 9,923,846	$ 32,648,570	$ 126,782,308

See accompanying notes to financial statements.

THE CITY OF NEW YORK

COMBINED BALANCE SHEET—ALL FUND TYPES AND ACCOUNT GROUPS

JUNE 30, 1993
(in thousands)

	Governmental Fund Types			Proprietary Fund Type	Fiduciary Fund Type	Account Groups		
	General	Capital Projects	Debt Service	Enterprise	Trust and Agency	General Fixed Assets	General Long-term Obligations	Total (Memorandum Only)
LIABILITIES								
Accounts payable and accrued liabilities	$ 4,526,380	$1,061,827	$ 75,345	$ 775,891	$ 4,860,819	$ —	$ —	$ 11,300,262
Bonds and notes payable	—	—	—	6,995,588	—	—	25,669,710	32,665,298
Capital lease obligations	—	—	—	—	—	—	514,497	514,497
Accrued real estate tax refunds	78,956	—	—	—	—	—	267,764	346,720
Accrued tax refunds—other	114,261	—	—	—	—	—	—	114,261
Accrued judgments and claims	106,457	127,280	—	—	—	—	2,198,349	2,432,086
Accrued vacation and sick leave	—	—	—	187,823	—	—	1,389,022	1,576,845
Deferred wages	18,956	—	—	—	—	—	46,696	65,652
Accrued pension liability	—	—	—	112,250	—	—	2,562,532	2,674,782
Accrued interest payable	—	—	—	87,020	—	—	—	87,020
Deferred revenues	1,116,160	—	—	108,279	—	—	—	1,224,439
Due to other funds	82,018	704,008	14,448	227,961	—	—	—	1,028,435
Estimated disallowances of Federal, State and other aid	188,937	—	—	—	—	—	—	188,937
Other	—	—	—	41,894	723,297	—	—	765,191
Total liabilities	6,232,125	1,893,115	89,793	8,536,706	5,584,116	—	32,648,570	54,984,425
EQUITY AND OTHER CREDITS:								
Investment in general fixed assets	—	—	—	—	—	9,923,846	—	9,923,846
Contributed capital	—	—	—	5,923,617	—	—	—	5,923,617
Retained earnings:								
Reserved for capital improvement	—	—	—	52,350	—	—	—	52,350
Reserved for loans	—	—	—	54,198	—	—	—	54,198
Reserved for donor restrictions	—	—	—	10,494	—	—	—	10,494
Reserved for debt retirement	—	—	—	235,369	—	—	—	235,369
Unreserved:	—	—	—	843,142	—	—	—	843,142
Fund balances:								
Reserved for debt service	—	—	1,940,027	—	—	—	—	1,940,027
Reserved for non-current mortgage loans	—	—	148,779	—	—	—	—	148,779
Reserved for supplemental benefit payments	—	—	—	—	1,535,288	—	—	1,535,288
Reserved for pension benefits	—	—	—	—	52,004,573	—	—	52,004,573
Unreserved, undesignated	88,071	(961,871)	—	—	—	—	—	(873,800)
Total fund equity (deficit) and other credits	88,071	(961,871)	2,088,806	7,119,170	53,539,861	9,923,846	—	71,797,883
Commitments and contingencies								
Total liabilities, fund equity and other credits	$ 6,320,196	$ 931,244	$ 2,178,599	$15,655,876	$ 59,123,977	$ 9,923,846	$ 32,648,570	$ 126,782,308

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			Propietary Fund Type	Fiduciary Fund Type	Account Groups		
	General	Capital Projects	Debt Service	Enterprise	Trust and Agency	General Fixed Assets	General Long-term Obligations	Total (Memorandum Only)
ASSETS:								
Cash and cash equivalents	$ 140,595	$ 4,268	$ 85,375	$ 220,175	$ 105,991	$ —	$ —	$ 556,404
Investments, including accrued interest	1,174,855	1,440,253	2,141,833	764,246	50,646,395	—	—	56,167,582
Accounts receivable:								
Real estate taxes (less allowance for uncollectible amounts of $242,451)	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	—	—	383,461	731,353	—	—	1,424,116
Mortgage loans and interest receivable, net	—	—	168,637	1,948,810	—	—	—	2,117,447
Due from other funds	981,020	184,912	58,058	5,149	90,139	—	—	1,319,278
Property, plant and equipment	—	—	—	13,590,842	—	9,151,168	—	22,742,010
Accumulated depreciation and amortization	—	—	—	(3,941,239)	—	—	—	(3,941,239)
Restricted cash and investments	—	—	—	854,740	—	—	—	854,740
Other assets	—	44,003	176	337,566	16,820	—	—	398,565
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	$ 5,726,124	$ 1,869,976	$ 2,454,079	$ 14,801,842	$ 51,590,698	$ 9,151,168	$ 31,529,249	$ 117,123,136

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 Type	Account Groups		
	General	Capital Projects	Debt Service	Enterprise	Trust and Agency	General Fixed Assets	General Long-term Obligations	Total (Memorandum Only)
LIABILITIES								
Accounts payable and accrued liabilities	$ 4,133,625	$1,327,410	$ 48,274	$ 684,289	$ 2,866,102	$ —	$ —	$ 9,059,700
Bonds and notes payable	—	—	—	5,924,260	—	—	24,536,048	30,460,308
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	—	—	125,365		—	—	1,104,593
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	—	—	—	26,203	444,909	—	—	471,112
Total liabilities	5,643,150	2,233,569	91,351	7,470,537	3,311,011	—	31,529,249	50,278,867
EQUITY AND OTHER CREDITS:								
Investment in general fixed assets	—	—	—	—	—	9,151,168	—	9,151,168
Contributed capital	—	—	—	6,393,521	—	—	—	6,393,521
Retained earnings:								
Reserved for capital improvement	—	—	—	52,349	—	—	—	52,349
Reserved for debt retirement	—	—	—	205,760	—	—	—	205,760
Reserved for loans	—	—	—	92,075	—	—	—	92,075
Reserved for insurance claims	—	—	—	22,396	—	—	—	22,396
Reserved for donor restriction	—	—	—	12,095	—	—	—	12,095
Unreserved:	—	—	—	553,109	—	—	—	553,109
Fund balances:								
Reserved for debt service	—	—	2,199,942	—	—	—	—	2,199,942
Reserved for non-current mortgage loans	—	—	162,786	—	—	—	—	162,786
Reserved for supplemental 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	7,331,305	48,279,687	9,151,168	—	66,844,269
Commitments and contingencies								
Total liabilities, fund equity and other credits	$ 5,726,124	$1,869,976	$ 2,454,079	$14,801,842	$ 51,590,698	$ 9,151,168	$ 31,529,249	$ 117,123,136

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, 1993
(in thousands)

	Governmental Fund Types			Fiduciary Fund Type	Total
	General	Capital Projects	Debt Service	Expendable Trust	(Memorandum Only)
REVENUES:					
Real estate taxes	$ 7,886,256	$ —	$ —	$ —	$ 7,886,256
Sales and use taxes	2,739,834	—	—	—	2,739,834
Income taxes	5,783,138	—	—	—	5,783,138
Other taxes	1,211,629	—	—	—	1,211,629
Federal, State and other categorical aid	9,535,096	172,857	182,201	—	9,890,154
Unrestricted Federal and State aid	707,109	—	—	—	707,109
Charges for services	1,304,169	—	—	—	1,304,169
Other revenues	960,973	915,971	183,165	17,522	2,077,631
Total revenues	30,128,204	1,088,828	365,366	17,522	31,599,920
OTHER FINANCING SOURCES:					
Transfer from OTB Enterprise Fund	28,796	—	—	—	28,796
Transfers and other payments for debt service	—	—	2,439,538	—	*
Net proceeds from sale of notes and bonds	—	1,929,936	—	—	1,929,936
Refunding bond proceeds	—	—	2,656,309	—	2,656,309
Total revenues and other financing sources	30,157,000	3,018,764	5,461,213	17,522	36,214,961
EXPENDITURES:					
Current Operations:					
General government	862,402	—	—	—	862,402
Public safety and judicial	3,759,343	—	—	—	3,759,343
Board of Education	7,212,682	—	—	—	7,212,682
City University	571,346	—	—	—	571,346
Social services	7,430,017	—	—	—	7,430,017
Environmental protection	1,093,792	—	—	—	1,093,792
Transportation services	1,023,460	—	—	—	1,023,460
Parks, recreation and cultural activities	229,019	—	—	—	229,019
Housing	515,821	—	—	—	515,821
Health (including payments to HHC)	1,451,697	—	—	—	1,451,697
Libraries	146,463	—	—	—	146,463
Pensions	1,426,896	—	—	—	1,426,896
Judgments and claims	230,731	—	—	—	230,731
Fringe benefits and other benefit payments	1,492,177	—	—	—	1,492,177
Other	266,519	—	33,687	—	300,206
Capital Projects	—	3,617,042	—	—	3,617,042
Debt Service:					
Interest	—	—	1,730,573	—	1,730,573
Redemptions	—	—	1,154,580	—	1,154,580
Lease payments	—	—	149,306	—	149,306
Refunding escrow	—	—	10,680	—	10,680
Total expenditures	27,712,365	3,617,042	3,078,826	—	34,408,233
OTHER FINANCING USES:					
Transfers and other payments for debt service	2,439,538	—	—	—	*
Payment to refunded bond escrow holder	—	—	2,656,309	—	2,656,309
Total expenditures and other financing uses	30,151,903	3,617,042	5,735,135	—	37,064,542
EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES AND OTHER FINANCING USES	5,097	(598,278)	(273,922)	17,522	(849,581)
FUND BALANCES (DEFICIT) AT BEGINNING OF YEAR	82,974	(363,593)	2,362,728	10,842	2,092,951
FUND BALANCES (DEFICIT) AT END OF YEAR	$ 88,071	$ (961,871)	$2,088,806	$ 28,364	$ 1,243,370

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, 1992
(in thousands)

	Governmental Fund Types			Fiduciary Fund Type	Total (Memorandum Only)
	General	Capital Projects	Debt Service	Expendable Trust	
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 benefits 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 (DEFICIENCY) 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

*Eliminated

See accompanying notes to financial statements.

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, 1993 AND 1992
(in thousands)

	1993			1992		
	Budget			Budget		
	Adopted	Modified	Actual	Adopted	Modified	Actual
REVENUES:						
Real Estate taxes	$ 7,929,000	$ 7,939,000	$ 7,886,256	$ 7,824,000	$ 7,870,000	$ 7,817,785
Sales and use taxes	2,663,200	2,711,700	2,739,834	2,664,700	2,620,700	2,621,186
Income taxes	5,453,000	5,832,000	5,783,138	4,902,700	5,312,000	5,388,953
Other taxes	1,128,600	1,204,100	1,211,629	1,132,300	1,232,800	1,221,019
Federal, State and other categorical aid	8,990,357	9,848,717	9,535,096	8,349,235	9,107,692	8,879,579
Unrestricted Federal and State aid	677,391	699,834	707,109	677,184	818,414	826,078
Charges for services	1,334,033	1,348,161	1,304,169	1,274,802	1,293,002	1,194,597
Other revenues	1,065,760	980,658	960,973	1,575,763	1,003,028	1,039,379
Total revenues	29,241,341	30,564,170	30,128,204	28,400,684	29,257,636	28,988,576
OTHER FINANCING SOURCES:						
Transfer from OTB Enterprise Fund	36,200	30,700	28,796	39,300	33,200	33,259
Total revenues and other financing sources	29,277,541	30,594,870	30,157,000	28,439,984	29,290,836	29,021,835
EXPENDITURES:						
General government	893,419	922,181	862,402	852,930	906,878	852,888
Public safety and judicial	3,557,468	3,792,595	3,759,343	3,478,649	3,624,288	3,585,890
Board of Education	6,775,432	7,235,608	7,212,682	6,484,920	6,818,341	6,626,289
City University	532,111	571,284	571,346	443,460	462,056	458,490
Social services	7,415,849	7,748,119	7,430,017	6,850,971	7,196,255	7,107,722
Environmental protection	1,197,671	1,210,640	1,093,792	1,056,402	1,112,022	988,898
Transportation services	878,096	1,039,231	1,023,460	901,536	1,048,241	1,044,109
Parks, recreation and cultural activities	219,000	230,468	229,019	182,382	203,202	202,335
Housing	544,585	589,562	515,821	526,568	606,958	541,086
Health (including payments to HHC)	1,300,255	1,497,966	1,451,697	1,182,980	1,332,182	1,275,878
Libraries	143,618	146,689	146,463	124,227	129,239	129,169
Pensions	1,423,120	1,428,320	1,426,896	1,458,927	1,401,568	1,370,717
Judgments and claims	219,255	231,255	230,731	190,350	231,500	231,480
Fringe benefits and other benefit payments	1,482,047	1,494,853	1,492,177	1,425,635	1,385,232	1,377,663
Other	429,880	289,774	266,519	728,769	358,290	256,816
Total expenditures	27,011,806	28,428,545	27,712,365	25,888,706	26,816,252	26,049,430
OTHER FINANCING USES:						
Transfers and other payments for debt service	2,265,735	2,166,325	2,439,538	2,551,278	2,474,584	2,968,101
Total expenditures and other financing uses	29,277,541	30,594,870	30,151,903	28,439,984	29,290,836	29,017,531
EXCESS OF REVENUES AND OTHER SOURCES OVER EXPENDITURES AND OTHER USES	$ —	$ —	5,097	$ —	$ —	4,304
FUND BALANCE AT BEGINNING OF YEAR			82,974			78,670
FUND BALANCE AT END OF YEAR			$ 88,071			$ 82,974

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, 1993
(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 and Similar Trust
Operating Revenues:						
Patient service revenues, net	$ 3,080,201	$ —	$ —	$ —	$ 3,080,201	$ —
Charges for services	—	—	—	1,087,369	1,087,369	—
Other revenues	387,416	193,286	277,530	—	858,232	—
Employer, employee contributions	—	—	—	—	—	1,906,948
Investment income, net	—	—	34,382	39,993	74,375	7,135,066
Total operating revenues	3,467,617	193,286	311,912	1,127,362	5,100,177	9,042,014
Operating Expenses:						
Personal services	2,115,591	72,400	20,651	—	2,208,642	—
Affiliation	471,701	—	—	—	471,701	—
Racing industry compensation	—	49,601	—	—	49,601	—
Operations and maintenance	613,912	—	—	680,780	1,294,692	—
Interest expense	—	—	139,247	281,226	420,473	—
Administrative, selling, and program	—	3,246	114,524	9,811	127,581	—
Depreciation and amortization	143,801	2,378	1,117	166,080	313,376	—
Benefit payments and withdrawals	—	—	—	—	—	3,595,987
Provision for bad debts	319,185	—	—	—	319,185	—
Other	—	19,380	49,128	—	68,508	—
Distributions to the State and other local governments	—	21,612	—	—	21,612	—
Total operating expenses	3,664,190	168,617	324,667	1,137,897	5,295,371	3,595,987
Operating income (loss)	(196,573)	24,669	(12,755)	(10,535)	(195,194)	5,446,027
Non-Operating Revenues (Expenses):						
Interest income	4,914	631	3,118	5,440	14,103	—
Interest expense	(96,679)	(15)	—	—	(96,694)	—
Amounts from other OTB communities	—	6,012	—	—	6,012	—
Other	—	—	(33,345)	—	(33,345)	(306,079)
Total non-operating revenues (expenses)	(91,765)	6,628	(30,227)	5,440	(109,924)	(306,079)
Income (loss) before transfers, extraordinary item and cumulative effect	(288,338)	31,297	(42,982)	(5,095)	(305,118)	5,139,948
Extraordinary Item: loss on advance refunding	(968)	—	—	(109,423)	(110,391)	—
Cumulative Effect: reclassification of funds	—	—	—	—	—	102,704
Income (loss) before transfers	(289,306)	31,297	(42,982)	(114,518)	(415,509)	5,242,652
Operating Transfers:						
Transfer to the General Fund	—	(28,796)	—	—	(28,796)	—
Net income (loss)	(289,306)	2,501	(42,982)	(114,518)	(444,305)	5,242,652
Fund Equity at Beginning of Year	1,265,232	8,868	454,184	5,603,021	7,331,305	48,268,845
Contributed fixed assets	169,125	—	—	64,646	233,771	—
Net decrease in donor restricted funds	(1,601)	—	—	—	(1,601)	—
Fund Equity at End of Year:						
Contributed Capital	719,018	—	—	5,204,599	5,923,617	—
Reserved	10,494	12,471	329,446	—	352,411	—
Reserved for Supplemental Benefits	—	—	—	—	—	1,506,924
Reserved for Pension Benefits	—	—	—	—	—	52,004,573
Unreserved (deficit)	413,938	(1,102)	81,756	348,550	843,142	—
Fund Equity at End of Year	$ 1,143,450	$ 11,369	$ 411,202	$ 5,553,149	$ 7,119,170	$ 53,511,497

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 Fiduciary					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	349,158	210,785	273,683	—	833,626	—
Employer, employee contributions	—	—	—	—	—	1,737,635
Investment income, net	—	—	46,607	50,874	97,481	5,641,500
Total operating revenues	3,404,353	210,785	320,290	1,132,940	5,068,368	7,379,135
OPERATING EXPENSES:						
Personal services	1,970,931	74,525	19,484	—	2,064,940	—
Affiliation	430,816	—	—	—	430,816	—
Racing industry compensation	—	53,916	—	—	53,916	—
Operations and maintenance	616,526	—	—	711,927	1,328,453	—
Interest expense	—	—	153,011	256,735	409,746	—
Administrative, selling and program	—	5,419	72,119	4,444	81,982	—
Depreciation and amortization	140,935	2,767	1,006	153,674	298,382	—
Benefit payments and withdrawals	—	—	—	—	—	3,391,663
Provision for bad debts	335,404	—	—	—	335,404	—
Other	—	20,200	39,259	—	59,459	—
Distributions to the State and other local governments	—	24,192	—	—	24,192	—
Total operating expenses	3,494,612	181,019	284,879	1,126,780	5,087,290	3,391,663
Operating income (loss)	(90,259)	29,766	35,411	6,160	(18,922)	3,987,472
NON-OPERATING REVENUES (EXPENSES):						
Interest income	4,831	1,009	3,461	2,837	12,138	—
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)	(76,810)	7,833	(16,275)	2,837	(82,415)	(91,797)
Income (loss) before transfers and extraordinary item	(167,069)	37,599	19,136	8,997	(101,337)	3,895,675
EXTRAORDINARY ITEM:						
Loss on advance refunding	—	—	—	(26,034)	(26,034)	—
Income (loss) before transfers	(167,069)	37,599	19,136	(17,037)	(127,371)	3,895,675
OPERATING TRANSFERS:						
Transfer to the General Fund	—	(33,259)	—	—	(33,259)	—
Net income (loss)	(167,069)	4,340	19,136	(17,037)	(160,630)	3,895,675
FUND EQUITY AT BEGINNING OF YEAR	1,242,972	4,528	435,048	5,534,547	7,217,095	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	363,749	5,239,175	6,778,233	—
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	$ 454,184	$5,603,021	$7,331,305	$ 47,184,343

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, 1993
(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)	$ (196,573)	$ 24,669	$ (12,755)	$ (10,535)	$ (195,194)
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:					
Depreciation and amortization	143,801	2,378	1,117	166,080	313,376
Extraordinary loss on advance refunding	(968)	—	—	(109,423)	(110,391)
Provision for bad debts	319,185	—	—	—	319,185
Increase in patient service receivables	(209,901)	—	—	—	(209,901)
Decrease (increase) in accounts and other receivables	2,639	—	6,500	(33,341)	(24,202)
Decrease in prepaid expense	—	—	—	202,808	202,808
Increase in accounts payable and accrued liabilities	70,611	720	12,797	52,321	136,449
Increase in accrued vacation and sick leave	23,608	—	—	—	23,608
Decrease in accrued pension liability	(2,595)	(70)	—	—	(2,665)
Decrease in deferred revenues	—	—	(1,212)	(18,468)	(19,680)
Distribution to the City of New York	—	(30,021)	—	—	(30,021)
Increase in program loans issued	—	—	(59,149)	—	(59,149)
Receipt from collections of program loans	—	—	19,166	—	19,166
Distributions to State and local governments	—	(22,228)	—	—	(22,228)
Decrease in payable to the City of New York	—	—	—	(179,460)	(179,460)
Other	2,716	21,411	71,827	(51,225)	44,729
Total Adjustments	349,096	(27,810)	51,046	29,292	401,624
Net cash provided by (used in) operating activities	152,523	(3,141)	38,291	18,757	206,430
NONCAPITAL FINANCING ACTIVITIES:					
Proceeds from issuing bonds, notes and other borrowings	290,000	—	—	—	290,000
Repayments of bonds, notes and other borrowings	(290,000)	—	(103,334)	—	(393,334)
Amounts from other OTB communities	—	6,012	—	—	6,012
Other	—	—	(28,130)	—	(28,130)
Net cash provided by (used in) noncapital financing activities	—	6,012	(131,464)	—	(125,452)
CAPITAL AND RELATED FINANCING ACTIVITIES:					
Additions to fixed assets	(240,504)	(8,479)	(1,502)	(720,359)	(970,844)
Proceeds from issuing bonds, notes and other borrowings	546,846	—	—	1,662,309	2,209,155
Repayment of bonds, notes and other borrowings	(33,979)	—	(7)	(1,013,084)	(1,047,070)
Payments from the City other than for operations,	169,125	—	—	—	169,125
Interest paid on bonds, notes and other borrowings	(96,679)	(15)	—	—	(96,694)
Net cash provided by (used in) capital and related financing activities	344,809	(8,494)	(1,509)	(71,134)	263,672
INVESTING ACTIVITIES:					
Excess (deficiency) of proceeds from sales of investments net of purchases	(471,453)	—	97,797	398,422	24,766
Interest on investments	4,914	631	3,118	5,440	14,103
Net cash provided by (used in) investing activities	(466,539)	631	100,915	403,862	38,869
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	30,793	(4,992)	6,233	351,485	383,519
CASH AND CASH EQUIVALENTS BEGINNING OF YEAR	119,108	21,041	68,788	453,974	662,911
CASH AND CASH EQUIVALENTS END OF YEAR	$ 149,901	$ 16,049	$ 75,021	$ 805,459	$ 1,046,430
Cash and Cash Equivalents	$135,303	$ 16,049	$ 75,021	$ 20,581	$ 246,954
Restricted cash and investments	499,633	—	—	784,878	1,284,511
Less restricted investments	485,035	—	—	—	485,035
Cash and cash equivalents, June 30, 1993	$ 149,901	$ 16,049	$ 75,021	$ 805,459	$ 1,046,430

The above is a reconcilliation of cash and cash equivalents per the statement of cash flows to the balance sheet.

The following are the noncash investing, capital and financial activities.

HHC received capital assets of $169 million for fiscal year 1993 which represents contributed capital from the City.

The Water Board received capital assets of $64.6 million for fiscal year 1993 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, 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)	$ (90,259)	$ 29,766	$ 35,411	$ 6,160	$ (18,922)
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:					
Depreciation and amortization	140,935	2,767	1,006	153,674	298,382
Extraordinary loss on advance refunding	—	—	—	(26,034)	(26,034)
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)	—	(9,027)	(64,799)	(80,008)
Increase in prepaid expenses	—	—	—	(134,306)	(134,306)
Increase (decrease) in accounts payable and accrued liabilities	(201)	(1,038)	9,168	(5,249)	2,680
Increase in accrued vacation and sick leave	12,903	—	—	—	12,903
Decrease in accrued pension liability	(2,381)	(67)	—	—	(2,448)
Increase (decrease) in deferred revenues	—	—	(670)	16,200	15,530
Distribution to The City of New York	—	(33,835)	—	—	(33,835)
Program loans issued	—	—	(63,472)	—	(63,472)
Receipt from collections of program loans	—	—	16,884	—	16,884
Distribution to State and local governments	—	(24,318)	—	—	(24,318)
Increase in payable to The City of New York	—	—	—	84,479	84,479
Other	(9,847)	25,807	(38,192)	51,735	29,503
Total Adjustments	234,321	(30,684)	(84,303)	75,700	195,034
Net cash provided by (used in) operating activities	144,062	(918)	(48,892)	81,860	176,112
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	—	—	(4,141)	—	(4,141)
Net cash provided by (used in) noncapital financing activities	—	6,868	(73,678)	—	(66,810)
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)
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 provided by (used in) used in capital and related financing activities	(108,580)	(2,474)	(1,324)	2,746	(109,632)
INVESTING ACTIVITIES:					
Excess (deficiency) of proceeds from sales of investments net of purchases	—	—	113,149	(36,282)	76,867
Interest on investments	4,831	1,009	3,461	2,837	12,138
Net cash provided by (used in) investing activities	4,831	1,009	116,610	(33,445)	89,005
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	40,313	4,485	(7,284)	51,161	88,675
CASH AND CASH EQUIVALENTS BEGINNING OF YEAR	78,795	16,556	76,072	402,813	574,236
CASH AND CASH EQUIVALENTS END OF YEAR	$ 119,108	$ 21,041	$ 68,788	$ 453,974	$ 662,911
Cash and Cash Equivalents	$ 107,013	$ 21,041	$ 68,788	$ 23,333	$ 220,175
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	$ 68,788	$ 453,974	$ 662,911

The above is a reconcilliation of cash and cash equivalents per the statement of cash flows to the balance sheet.

The following are the noncash investing, capital and financial 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
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 1993 AND 1992

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 has 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 appointment of the majority of the Boards of Directors, has special financing relationships and those whose scope of service primarily benefits 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 Samurai Funding Corporation (SFC) (This entity was incorporated in fiscal year 1993)
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 Industrial Development Agency (IDA)
- New York City Economic Development Corporation (EDC)
- Business Relocation Assistance Corporation (BRAC)
- New York City Rehabilitation Mortgage Insurance Corporation (REMIC) (This entity was dissolved in fiscal year 1993)
- Brooklyn Navy Yard Development Corporation (BNYDC)

Water and Sewer System:
- New York City Water Board (Water Board)
- New York City Municipal Water Finance Authority (Water Authority)

Expendable Trust Funds:
- Transit Police Superior Officers' Variable Supplements Fund (TPSOVSF)
- Housing Police Superior Officers' Variable Supplements Fund (HPSOVSF)

Pension and Similar 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)

* • New York Police Department Police Officers' Variable Supplements Fund (POVSF)
* • New York Police Department Police Superior Officers' Variable Supplements Fund (PSOVSF)
* • New York Fire Department Firefighters' Variable Supplements Fund (FFVSF)
* • New York Fire Department Fire Officers' Variable Supplements Fund (FOVSF)
* • Transit Police Officers' Variable Supplements Fund (TPOVSF)
* • Housing Police Officers' Variable Supplements Fund (HPOVSF)

---

* These Funds were reported as Expendable Trust Funds in fiscal year 1992 (see Note R).

Agency Funds:
- Deferred Compensation Plan for Employees of The City of New York and Related Agencies and Instrumentalities (DCP)
- Other

Significant accounting policies and other matters concerning the financial information of these organizations are described elsewhere in the Notes to Financial Statements.

The City's operations also include those normally performed at the county level and, accordingly, transactions applicable to the 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 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

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 make capital improvements. Such assets and improvements include substantially all land, buildings, equipment, water distribution and sewage collection system, 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 $962 million and $364 million at June 30, 1993 and 1992, 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 Debt Service Funds including its General Sinking Fund and the General Debt Service Fund 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 SFC; and (iv) ECF and CUCF as component units of the City.

Proprietary

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

Trust and Agency Funds

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

The Expendable Trust Funds account for the operations of TPSOVSF and HPSOVSF, and are accounted for in essentially the same manner as governmental funds.

The Pension and Similar Trust Funds account for the operations of NYCERS, TRS, BERS, POLICE, and FIRE employee retirement systems, and POVSF*, PSOVSF*, FFVSF*, FOVSF*, TPOVSF*, and HPOVSF*. 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 asterisked Funds were reported as Expendable Trust Funds in fiscal year 1992 (see Note R).

The Agency Funds account for the operations of DCP, which was created in accordance with Internal Revenue Code Section 457 and Other Agency Funds which account for miscellaneous assets held by the City for other funds, governmental units, and individuals. The Agency Funds are custodial in nature and do 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) real estate tax refunds; (iii) judgments and claims; (iv) certain unpaid deferred wages; (v) unpaid vacation and sick leave; and (vi) certain unfunded pension liabilities.

Basis of Accounting

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

The measurement focus of the Enterprise Funds and the Pension and Similar 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 Funds use the modified accrual basis of accounting and do not measure the results 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 unused appropriations 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 $1,317 million and $851 million subsequent to its original adoption in fiscal years 1993 and 1992, 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 1993 and 1992 were approximately $484 million and $368 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 and Similar 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, 1993 and 1992 (estimated at $208 million and $213 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 G).

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 K, L, and N 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 Debt Service Funds are net of an allowance for uncollectible accounts of $1,023.8 million and $997.5 million for fiscal years 1993 and 1992, 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, 1993 were due July 1, 1992 and January 1, 1993 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 1993 taxes was June 30, 1992. 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 years ended June 30, 1993 and 1992, excess amounts of $123 million and $47 million, respectively, was transferred to the Debt Service Funds.

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 R). 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.

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 effective date of the Statement has been deferred by GASB Statement No. 17, *Measurement Focus and Basis of Accounting — Governmental Fund Operating Statements: Amendment of the Effective Dates of GASB Statement No. 11 and Related Statements*, to periods beginning approximately two years after an implementation standard is issued. 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.

In November, 1992, the GASB issued Statement No. 16, *Accounting for Compensated Absences*. This Statement provides guidance for the measurement of accrued compensated absences liabilities by state and local governmental entities, regardless of the reporting model or fund type used to report the transactions. The City currently follows NCGA Statement 4 and is in the process of revising its current model for estimating the liability for time earned to comply with the standards in Statement No. 16. The Statement will be effective for the City's June 30, 1994 financial statements.

In August, 1993, the GASB issued Statement No. 18, *Accounting for Municipal Solid Waste Landfill Closure and Postclosure Care Costs*. This Statement is based on the October 9, 1991, U.S. Environmental Protection Agency (EPA) rule, "Solid Waste and Disposal Facility Criteria," which obligates Municipal Solid Waste Landfill (MSWLF) owners and operators to perform certain closing functions and postclosure monitoring and maintenance functions as a condition for the right to operate the MSWLF in the current period. For landfills that use proprietary accounting, this Statement requires a portion of the estimated total current cost of the closure and postclosure care to be recognized as an expense and as a liability in each period the landfill accepts solid waste. For governmental funds, the measurement and recognition of the accrued liability for closure and postclosure care should be consistent with the proprietary funds. Expenditures and fund liabilities should be recognized using the modified accrual basis of accounting. The remainder of the liability should be reported in the General Long-term Obligations Account Group. The City is required to implement this Statement for the fiscal year ending June 30, 1994 and is in the process of compiling the cost and statistical data needed.

B. AUDIT RESPONSIBILITY

In fiscal years 1993 and 1992, 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 1993 and 1992:

	Fund Types										Account Groups			
	General		Capital Projects		Debt Service		Enterprise		Trust and Agency		General Fixed Assets		General Long-term Obligations	
	1993	1992	1993	1992	1993	1992	1993	1992	1993	1992	1993	1992	1993	1992
					(percent)									
Total assets/liabilities .	0	0	18	9	75	73	99	99	2	1	22	16	18	20
Operating revenues and other financing sources	0	0	24	15	17	25	96	96	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, 1993 and 1992, the City has funded $615 million and $440 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 Funds in the fiscal year of such payments.

D. NEW YORK CITY SAMURAI FUNDING CORPORATION (SFC)

The City created SFC on August 25, 1992. This is a special-purpose nonprofit entity, created to issue Yen-denominated bonds. The members, directors, and officers of SFC are all elected officials or employees of the City.

SFC issued its first Yen-denominated bonds to investors on May 27, 1993 and simultaneously bought general obligation bonds from the City. Such bonds require the City to make floating rate interest and principal payments in U.S. dollars to SFC. SFC entered into currency and interest rate exchange agreements to swap the City's payments into fixed rate Yen to use to pay SFC's bondholders. SFC's bonds are included in the City's General Long-term Obligations Account Group. Proceeds from this issue will be used for housing and economic development projects that do not qualify for tax-exempt bond status.

E. DEPOSITS AND INVESTMENTS

Deposits

The City's bank depositories are designated by the Banking Commission, which consists 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, 1993 and 1992, the carrying amount of the City's cash and deposits was $563 million and $556 million, respectively, and the bank balances were $455 million and $690 million, respectively. Of the bank balances, $81 million and $235 million, respectively, were covered by federal depository insurance or collateralized with securities held by the City's agent in the City's name, and $374 million and $455 million, respectively, were uninsured and collateralized.

The uninsured, collateralized cash balances carried during the year did not fluctuate appreciably as they represent primarily the compensating balances 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 and Similar 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, Inc., and any bond that meets the qualifications of the New York State Retirement and Social Security Law, the New York State Banking Law, and the New York City Administrative Code.

(2) Equity investments may be made only in those stocks that meet the qualifications of the New York State Retirement and Social Security Law, the New York State Banking Law, and the New York City Administrative Code.

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

(a) U.S. Government securities or government agencies' securities fully guaranteed as to principal and interest 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 — time deposits are limited to banks with world-wide assets in excess of $50 billion that are rated within the highest categories of the leading bank rating services and selected regional banks also rated within the highest categories.

(5) Investments up to 7 1/2% of total pension fund assets in instruments not specifically covered by the New York

State Retirement and Social Security Law.

All securities are held by the City's custodial banks (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, 1993 and 1992 are classified as follows:

	1993				
	Category			Total Carrying Amount	Market Value
	1	2	3		
			(in millions)		
Repurchase agreements	$ 2,681	$ —	$ —	$ 2,681	$ 2,735
U.S. Government securities	15,180	—	—	15,180	16,187
Commercial paper	1,051	—	—	1,051	1,052
Corporate bonds	5,099	—	—	5,099	5,301
Corporate stocks	30,191	—	—	30,191	30,191
Other	3,402	181	—	3,583	3,598
	$57,604	$ 181	$ —	57,785	59,064
Mutual Funds (1)				228	228
International Investment Fund--Fixed Income (1)				366	539
International Investment Fund--Equity (1)				2,763	2,763
Guaranteed investment contract (1)				870	870
Management investment contract (1)				179	179
Total investments				$62,191	$63,643

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

In fiscal year 1993, the restricted cash and investments include $799.4 million of cash, of which the repayment of $769.3 million was insured and collateralized and $30.1 million was uninsured and collateralized. Restricted investments, principally in U.S. Government securities with a cost and approximate market value of $485 million are fully collateralized with securities held by the trustee in the entity's name of which none have maturities of three months or less.

	1992				
	Category			Total Carrying Amount	Market Value
	1	2	3		
			(in millions)		
Repurchase agreements	$ 3,541	$ —	$ —	$ 3,541	$ 3,541
U.S. Government securities	15,536	—	—	15,536	16,062
Commercial paper	560	—	—	560	560
Corporate bonds	4,775	—	—	4,775	4,939
Corporate stocks	26,005	—	—	26,005	26,107
Other	2,406	135	—	2,541	2,550
	$ 52,823	$ 135	$ —	52,958	53,759
Mutual Funds (1)				163	163
International Investment Fund—Fixed Income (1)				367	485
International Investment Fund—Equity (1)				1,734	1,734
Guaranteed investment contract (1)				867	867
Management investment contract (1)				79	79
Total investments				$ 56,168	$ 57,087

(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 have maturities of three months or less.

F. General Fixed Assets Account Group

The following is a summary of changes in general fixed assets for the fiscal years ended June 30, 1992 and 1993:

	Balance June 30, 1991	Additions	Deletions	Balance June 30, 1992	Additions	Deletions	Balance June 30, 1993
				(in thousands)			
Land	$ 547,419	$ 2,018	$ —	$ 549,437	$ —	$ —	$ 549,437
Buildings	5,689,500	178,683	26,034	5,842,149	337,496	31,384	6,148,261
Equipment	2,905,891	187,640	284,326	2,809,205	172,496	188,543	2,793,158
Construction work-in-progress	3,195,330	1,005,726	178,683	4,022,373	990,901	337,496	4,675,778
	12,338,140	1,374,067	489,043	13,223,164	1,500,893	557,423	14,166,634
Less accumulated depreciation and amortization	4,018,267	299,931	246,202	4,071,996	308,872	138,080	4,242,788
Total changes in net fixed assets	$8,319,873	$1,074,136	$242,841	$9,151,168	$1,192,021	$419,343	$9,923,846

The following are the sources of funding for the general fixed assets for the years ended June 30, 1993 and 1992. Sources of funding for fixed assets are not available prior to fiscal year 1987.

	1993	1992
	(in thousands)	
Capital Projects Fund:		
Prior to fiscal year 1987	$ 6,815,790	$ 6,820,286
City bonds	7,092,725	6,151,461
Federal grants	178,935	177,393
State grants	62,403	59,992
Private grants	16,781	14,032
Total funding sources	$ 14,166,634	$ 13,223,164

At June 30, 1993 and 1992, the General Fixed Assets Account Group includes approximately $1.3 billion and $1.4 billion, respectively, of City-owned assets leased for $1 per year to the New York City Transit Authority which operates and maintains the assets. In addition, 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, 1993 and 1992 are leased properties capitalized at $107 million and $135 million, respectively, with related accumulated amortization of $49 million and $68 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, 1993 and 1992 exceed the $1.501 billion and $1.374 billion increases recorded as general fixed assets by $2.116 billion and $2.519 billion, respectively.

G. 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 recorded as expenditures when payable. Total expenditures on such leases for the fiscal years ended June 30, 1993 and 1992 were approximately $316 million and $305 million, respectively.

As of June 30, 1993, the City (excluding Enterprise Funds) had future minimum payments under capital and operating leases with a remaining term in excess of one year as follows:

	Capital Leases	Operating Leases (in thousands)	Total
Fiscal year ending June 30:			
1994	$ 59,713	$ 141,212	$ 200,925
1995	57,790	121,609	179,399
1996	59,338	112,657	171,995
1997	61,382	101,029	162,411
1998	60,093	88,065	148,158
Thereafter until 2086	655,344	564,637	1,219,981
Future minimum payments	953,660	$ 1,129,209	$ 2,082,869
Less interest	439,162		
Present value of future minimum payments	$ 514,498		

The City also leases City-owned property to others, primarily for markets, ports, and terminals. Total rental revenue on these operating leases for the fiscal years ended June 30, 1993 and 1992 was approximately $162 million and $158 million, respectively. As of June 30, 1993, the following future minimum rentals are provided for by the leases:

	Amount (in thousands)
Fiscal year ending June 30:	
1994	$ 49,680
1995	46,838
1996	44,609
1997	42,267
1998	40,296
Thereafter until 2086	1,189,791
Future minimum rentals	$ 1,413,481

H. LONG-TERM OBLIGATIONS

Long-term Debt

Following is a summary of the bond transactions of the City, MAC, SFC, 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 K, L, M, and N.

	Balance June 30, 1991	Issued	Repaid or Defeased	Balance June 30, 1992 (in thousands)	Issued	Repaid or Defeased	Balance June 30, 1993
City debt:							
Term bonds	$ 80,000	$ —	$ —	$ 80,000	$ —	$ 80,000	$ —
General obligation bonds	16,732,479	5,100,451	2,420,509	19,412,421	4,484,078	2,987,525	20,908.974
	16,812,479	5,100,451	2,420,509	19,492,421	4,484,078	3,067,525	20,908,974
MAC debt:							
First general resolution bonds	994,738	—	994,738	—	—	—	—
Second general resolution bonds	5,571,570	—	233,455	5,338,115	—	380,890	4,957.225
1991 general resolution bonds	138,440	380,650	—	519,090	132,135	145,185	506,040
	6,704,748	380,650	1,228,193	5,857,205	132,135	526,075	5,463,265
Samurai debt:							
Japanese Yen bonds	—	—	—	—	200,000	—	200,000
Guaranteed debt:							
New York City Housing Authority	44,306	—	2,750	41,556	—	2,840	38,716
Component unit debt: (1)							
City University Construction Fund(2)	403,610	4,725(3)	—	408,335	2,705(3)	—	411,040
New York City Educational Construction Fund	133,425	—	3,210	130,215	—	3,585	126,630
	537,035	4,725	3,210	538,550	2,705	3,585	537,670
Total before treasury obligations	24,098,568	5,485,826	3,654,662	25,929,732	4,818,918	3,600,025	27,148,625
Less treasury obligations	1,509,229	—	115,545	1,393,684	200,000	114,769	1,478,915
Total summary of bond transactions	$22,589,339	$ 5,485,826	$3,539,117	$ 24,536,048	$ 4,618,918	$3,485,256	$25,669,710

(1) The debt of CUCF and ECF are reported as bonds outstanding as of June 30, 1992 and 1993 pursuant to their treatment as component units (See Note A).

(2) Excludes $298,051 in 1992 and $297,722 in 1993 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, 1993 and 1992 summarized by type of issue are as follows:

	1993			1992		
	General Obligations	Revenue	Total	General Obligations	Revenue	Total
			(in thousands)			
Bonds payable:						
City debt	$ 19,430,059	$ —	$ 19,430,059	$ 18,098,737	$ —	$ 18,098,737
MAC debt	5,463,265	—	5,463,265	5,857,205	—	5,857,205
SFC debt	200,000	—	200,000	—	—	—
Guaranteed debt	38,716	—	38,716	41,556	—	41,556
Component unit debt	—	537,670	537,670	—	538,550	538,550
Total bonds payable	$ 25,132,040	$ 537,670	$ 25,669,710	$ 23,997,498	$ 538,550	$ 24,536,048

The following table summarizes future debt service requirements as of June 30, 1993:

	City Debt					
	General Obligation Bonds	Interest on Bonds (1)	MAC	SFC(2)	Component Unit and City Guaranteed Debt	Total
			(in thousands)			
Fiscal year ending June 30:						
1994	$ 906,596	$ 1,300,987	$ 747,941	$ 8,000	$ 53,619	$ 3,017,143
1995	1,029,876	1,252,355	529,132	8,000	55,054	2,874,417
1996	1,058,075	1,181,387	522,230	8,000	55,562	2,825,254
1997	1,084,516	1,118,786	510,954	8,000	55,428	2,777,684
1998	988,022	1,053,570	572,583	8,000	55,406	2,677,581
Thereafter until 2147	14,362,974	10,569,134	6,010,292	224,000	769,937	31,936,337
	19,430,059	16,476,219	8,893,132	264,000	1,045,006	46,108,416
Less interest component	—	16,476,219	3,429,867	64,000	468,620	20,438,706
Total future debt service requirements	$ 19,430,059	$ —	$ 5,463,265	$ 200,000	$ 576,386	$ 25,669,710

(1) Includes interest on adjustable rate bonds estimated at 4% rate.
(2) Interest estimated at 4% rate.

The average (weighted) interest rates for outstanding City general obligation bonds as of June 30, 1993 and 1992 were 7.2% (range 3.0% to 13.6%) and 7.6% (range 2.5% to 13.6%), respectively, and the interest rates on outstanding MAC bonds as of June 30, 1993 and 1992 ranged from 2.5% to 8.5% and 3.0% to 8.5%, respectively. The last maturity of the outstanding City debt is in the year 2147.

In fiscal year 1993, the City issued $2.528 billion of general obligation bonds to advance refund general obligation bonds of $2.229 billion aggregate principal amount issued during the City's fiscal years 1971 through 1993. 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 decrease the City's aggregate debt service payments by $77 million and provide an economic gain of $98 million. At June 30, 1993, $5.122 billion of the City's outstanding general obligation bonds were considered defeased.

In fiscal year 1993, bonds issued for refunding purposes by MAC reduced debt service payments by $33.3 million during the calendar years 1993 through 2008, producing net present value savings of $15.6 million. At June 30, 1993, $1,271.8 million of MAC bonds which have been advance refunded were considered defeased.

During fiscal year 1993, the City entered into interest rate swap agreements to facilitate the issuance and sale of certain variable rate bonds by providing protection to the City against variable rate risk. The agreements effectively change the City's interest rate exposure on its obligation to pay a floating amount of interest due on: (1) $92.8 million Short RITES bonds to a fixed constant rate of 6.4% on $32.8 million to fiscal year 1998 and to constant rates ranging from 6% to 7% on $60 million to fiscal year 2000, and on (2) $63.2 million principal adjustable rate bonds to a fixed rate of 3.05% on $53.2 million to August 1, 1995 and of 2.54% on $10 million principal to August 1, 1994.

Deposits into the General Sinking Fund for the redemption of the principal of term bonds were $1.1 million and $1.2 million in fiscal years 1993 and 1992, respectively. During fiscal year 1993, the remaining term bonds to be retired from the resources of the General Sinking Fund were included among those bonds refunded. The accumulated assets of the Fund, no longer required for the purpose intended, were applied towards payment of fiscal year 1993 debt service on other City bonds.

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, 1993, the 10% general and 2% additional limitations were approximately $55.415 billion and $1.533 billion, respectively, of which the remaining debt-incurring amounts within such limits were $19.681 billion and $1.392 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, 1993, the City incurred long-term general obligation debt of $1.788 billion to finance expenditures for various capital improvements. The debt consists of $1.118 billion of fixed rate bonds bearing interest rates ranging from 3.5% to 5.8%, $440 million of adjustable rate bonds, $86 million of various inverse floating rate securities, $69 million of capital appreciation bonds, $44 million of various auction rate securities, and $31 million of residual interest bonds.

Judgments and Claims

The City is a defendant in lawsuits pertaining to material matters, including those claims asserted which are incidental to performing routine governmental and other functions. This litigation includes but is not limited to, actions commenced and claims asserted against the City arising out of alleged torts, alleged breaches of contracts, alleged violations of law and condemnation proceedings. As of June 30, 1993 and 1992, claims in excess of $343 billion and $341 billion, respectively, were outstanding against the City for which the City estimates its potential future liability to be $2.2 billion and $2.3 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 $268 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 1992 and 1993, the changes in long-term obligations other than for bonds were as follows:

	Balance June 30, 1991	**Additions**	**Deletions**	**Balance June 30, 1992**	**Additions**	**Deletions**	**Balance June 30, 1993**
				(in thousands)			
Capital lease obligations	$ 515,284	$ —	$ 13,975	$ 501,309	$ 25,238	$ 12,050	$ 514,497
Real estate tax refunds	217,574	149,202	124,290	242,486	89,278	64,000	267,764
Judgments and claims	2,074,519	446,965	231,480	2,290,004	139,076	230,731	2,198,349
Deferred wages	46,696	—	—	46,696	—	—	46,696
Vacation and sick leave (1)	1,563,318	—	278,048	1,285,270	103,752	—	1,389,022
Pension liability	2,687,431	—	59,995	2,627,436	—	64,904	2,562,532
Total changes in certain long-term obligations	$ 7,104,822	$ 596,167	$ 707,788	$6,993,201	$ 357,344	$ 371,685	$ 6,978,860

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

I. INTERFUND RECEIVABLE AND PAYABLE BALANCES

At June 30, 1993 and 1992, individual fund interfund receivable and payable balances were as follows:

	1993 Interfund receivable	1993 Interfund payable	1992 Interfund receivable	1992 Interfund payable
	(in thousands)			
General Fund	$ 895,943	$ 82,018	$ 981,020	$ 38,273
Capital Projects Fund	21,887	704,008	184,912	797,279
Debt Service Funds:				
General Debt Service Funds	103,934	14,448	58,058	43,077
Enterprise Funds:				
Off-Track Betting Corporation	825	—	—	400
Housing Development Corporation	—	206,074	—	149,460
Water Board	5,846	—	5,149	15,738
Municipal Water Finance Authority	—	21,887	—	184,912
Total interfund receivable and payable balances	$ 1,028,435	$ 1,028,435	$ 1,229,139	$ 1,229,139

J. 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, 1993 and 1992:

	1993				
	Health and Hospitals Corporation	Off-Track Betting Corporation	Housing and Economic Development Funds	Water and Sewer System	Total
			(in thousands)		
Assets:					
Current	$ 717,420	$ 16,874	$ 750,449	$ 388,477	$ 1,873,220
Mortgage and interest receivable	—	—	1,973,910	—	1,973,910
Land	38,817	—	—	—	38,817
Buildings and leasehold improvements	952,199	17,824	16,396	—	986,419
Equipment	1,862,760	11,469	—	11,689,567	13,563,796
Less accumulated depreciation	(1,575,142)	(8,318)	(4,880)	(2,622,666)	(4,211,006)
Other	553,672	3,162	22,988	850,898	1,430,720
Total assets	$ 2,549,726	$ 41,011	$ 2,758,863	$ 10,306,276	$ 15,655,876
Liabilities:					
Current	$ 750,659	$ 21,983	$ 463,113	$ 616,924	$ 1,852,679
Long-term	655,617	7,659	1,884,548	4,136,203	6,684,027
Total liabilities	1,406,276	29,642	2,347,661	4,753,127	8,536,706
Equity	1,143,450	11,369	411,202	5,553,149	7,119,170
Total liabilities and equity	$ 2,549,726	$ 41,011	$ 2,758,863	$ 10,306,276	$ 15,655,876

	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	$ 847,749	$ 559,999	$ 2,267,734
Mortgage and interest receivable	—	—	1,948,810	—	1,948,810
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	23,661	891,810	935,695
Total assets	$ 2,038,003	$ 39,012	$ 2,830,602	$ 9,894,225	$ 14,801,842
Liabilities:					
Current	$ 646,540	$ 22,415	$ 386,953	$ 241,783	$ 1,297,691
Long-term	126,231	7,729	1,989,465	4,049,421	6,172,846
Total liabilities	772,771	30,144	2,376,418	4,291,204	7,470,537
Equity	1,265,232	8,868	454,184	5,603,021	7,331,305
Total liabilities and equity	$ 2,038,003	$ 39,012	$ 2,830,602	$ 9,894,225	$ 14,801,842

K. 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., Outpatient Pharmacies, Inc., and HHC Capital Corporation. 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 1993 and 1992, the City's cash subsidy was $143 million and $112 million, respectively; the payments made by the City on behalf of HHC were $176 million and $176 million for fiscal years 1993 and 1992, 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 $49 million and $41 million in fiscal years 1993 and 1992, 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 R). The provisions for pension costs were actuarially determined and amounted to $46 million and $50 million for fiscal years 1993 and 1992, 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

In fiscal year 1993, HHC issued Series A revenue bonds in the amount of $550 million. The bonds were issued to fund HHC's capital program and to refund $19 million of fiscal year 1985 Series A bonds. The loss based upon the defeasance of these bonds was $1 million and is shown as an extraordinary item.

The following table summarizes future debt service requirements as of June 30, 1993:

	Principal	Interest (in thousands)	Total
Fiscal year ending June 30:			
1994	$ 8,590	$ 23,110	$ 31,700
1995	9,525	31,083	40,608
1996	—	30,745	30,745
1997	9,145	30,745	39,890
1998	9,530	30,356	39,886
Thereafter until 2023	513,210	483,583	996,793
Total future debt service requirements	$ 550,000	$ 629,622	$ 1,179,622

The interest rates on the bonds as of June 30, 1993 range from 3.4% to 6.3%.

The following is a summary of revenue bond transactions for HHC for the fiscal years ended June 30, 1992 and 1993:

	Balance June 30, 1991	Issued	Retired	Balance June 30, 1992	Issued	Retired	Balance June 30, 1993
			(in thousands)				
Revenue bonds	$35,550	$ —	$7,965	$27,585	$ 550,000	$27,585	$550,000

Capital Lease Obligations

HHC entered into a long-term agreement which involves the construction of a parking garage at Elmhurst Hospital Center. The future minimum lease payments under the capitalized lease are as follows:

	Amount (in thousands)
Fiscal year ending June 30:	
1994	$ 661
1995	990
1996	991
1997	991
1998	991
Thereafter until 2022	16,485
Future minimum lease payments	21,109
Less interest	8,339
Present value of future minimum lease payments	$ 12,770

Changes in Fund Equity

Presented below are the changes in Fund Equity for the fiscal years ended June 30, 1992 and 1993:

	Unreserved Retained Earnings	Contributed Capital Plant and Equipment	Reserve for Donor Restrictions	Total Fund Equity
		(in thousands)		
Balance, 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)	—	—
Balance, June 30, 1992	$ 98,791	$1,154,346	$ 12,095	$ 1,265,232
Excess of expenses over revenues	(289,306)	—	—	(289,306)
Increase in bonds payable	519,261	(519,261)	—	—
Increase in capital leases	12,770	(12,770)	—	—
Additions to plant and equipment funded by:				
The City of New York	—	169,125	—	169,125
HHC	(71,379)	71,379	—	—
Donor restricted fund activity:				
Grants and other increases	—	—	47,806	47,806
Transfers to statement of revenues and expenses to support related activities	—	—	(49,407)	(49,407)
Depreciation charged to plant and equipment leased	143,801	(143,801)	—	—
Balance, June 30, 1993	$ 413,938	$ 719,018	$ 10,494	$ 1,143,450

L. 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.

OTB had an operating deficit of $1.1 million after provision for mandatory transfers in fiscal year 1993.

Net Revenue Retained for Capital Acquisitions

For the years ended June 30, 1993 and 1992, the changes in net revenue retained for capital acquisition were as follows:

	1993	1992
	(in thousands)	
Balance, June 30	$ 8,868	$ 4,528
Capital acquisition surcharge	4,240	4,660
Depreciation of assets purchased with funds restricted for capital acquisition	(637)	(320)
Balance, June 30	$ 12,471	$ 8,868

Since inception of this surcharge at December 31, 1990, surcharges of approximately $13.4 million have been collected and approximately $12.8 million has been used to finance leasehold improvements and the acquisition of property and equipment through June 30, 1993.

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 fifteen years. Leasehold improvements are amortized principally over the term of the lease.

Rental expense for leased property for the fiscal years ended June 30, 1993 and 1992 was approximately $11.8 million and $11.4 million, respectively. As of June 30, 1993, OTB had future minimum rental obligations on noncancelable operating leases as follows:

	Amount (in thousands)
Fiscal year ending June 30:	
1994	$ 10,743
1995	9,571
1996	8,790
1997	8,708
1998	8,428
Thereafter until 2009	18,923
Total future minimum rental obligations	$ 65,163

Pensions

Substantially all full-time employees of OTB are members of NYCERS (see Note R). The provisions for pension costs were actuarially determined and amounted to $2.8 million and $3.1 million for fiscal years 1993 and 1992, respectively. These amounts were fully funded.

M. 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 Industrial Development Agency (IDA), the New York City Economic Development Corporation (EDC), the Business Relocation Assistance Corporation (BRAC), the New York City Rehabilitation Mortgage Insurance Corporation (REMIC) (This entity was dissolved in fiscal year 1993), and the Brooklyn Navy Yard Development Corporation (BNYDC), the largest of which is HDC.

On January 27, 1993, REMIC was dissolved and transferred cash and cash equivalent assets to the City. Simultaneously with the transfer of the cash assets, HDC capitalized a new public benefit corporation as one of its subsidiaries, the New York City Residential Mortgage Insurance Corporation, with an equivalent amount of funds. The new corporation is the successor to REMIC and assumed all of REMIC's obligations and liabilities and acquired its assets, except for REMIC's cash and cash equivalent assets.

BNYDC had deficit retained earnings of $1.0 million and $2.0 million, respectively, for fiscal years 1993 and 1992.

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 (see Note R). 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, 1992, its most recent fiscal year-end, were as follows:

	Principal	Interest (in thousands)	Total
Fiscal year ending October 31:			
1993	$ 27,882	$ 126,706	$ 154,588
1994	30,207	124,726	154,933
1995	32,806	122,590	155,396
1996	37,130	120,187	157,317
1997	40,142	118,449	158,591
Thereafter until 2030	1,714,578	2,100,153	3,814,731
Total future debt service requirements	$ 1,882,745	$ 2,712,811	$ 4,595,556

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, 1992 range from 1.0% to 11.125%.

HDC had $264.9 million and $285.6 million, respectively, of general obligation bonds and notes outstanding at October 31, 1992 and 1991 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, 1991 and 1992:

	Balance October 31, 1990	Issued	Retired	Balance October 31, 1991 (in thousands)	Issued	Retired	Balance October 31, 1992
General obligation	$ 288,060	$ —	$ 2,430	$ 285,630	$ —	$ 20,760	$ 264,870
Revenue	1,767,662	160,560	227,684	1,700,538	—	82,663	1,617,875
Total summary of bond transactions	$2,055,722	$160,560	$230,114	$1,986,168	$ —	$103,423	$1,882,745

N. Water and Sewer System

General

The Water and Sewer System, consisting of two legally separate and independent entities, the New York City Water Board (Water Board) and the New York City Municipal Water Finance Authority (Water Authority), 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 distribution and sewage collection system. The Water Board was established to lease the water distribution and sewage collection 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, 1993 and 1992, the Water Authority has a cumulative deficit of $1,042 million and $701 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 distribution and sewage collection system serving the City. It also sets forth the funding of the debt service costs of the Water Authority, operating costs of the water distribution and sewage collection 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 distribution and sewage collection 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, 1993 and 1992 amounted to $64.6 million and $85.5 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 system	15-50
Water distribution and sewage collection system	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 1993 and 1992, the Water Authority issued Series A revenue bonds in the aggregate principal amount of $1,142.6 million and $583.2 million, respectively, which include capital appreciation bonds at the matured value; and Series B revenue bonds in the aggregate principal amount of $125 million and $332.1 million, respectively; Series C revenue bonds were issued in the aggregate principal amount of $100 million and $200 million, respectively; and Series D in the aggregate principal amount of $40 million in fiscal year 1993. During fiscal year 1993, the Water Authority issued Series A Bond Anticipation Notes in the aggregate principal amount of $375 million. Outstanding bonds and notes at June 30, 1993 and 1992 total $5.1 billion and $4.3 billion, respectively, which include capital appreciation bonds at their matured value.

The following table summarizes future debt service requirements as of June 30, 1993:

	Principal	Interest (in thousands)	Total
Fiscal year ending June 30:			
1994	$ 458,468	$ 271,148	$ 729,616
1995	89,700	257,796	347,496
1996	95,655	252,070	347,725
1997	101,926	245,829	347,755
1998	108,716	239,026	347,742
Thereafter until 2022	4,183,486	3,330,871	7,514,357
Total future debt service requirements	$ 5,037,951	$ 4,596,740	$ 9,634,691

The interest rates on the outstanding bonds and notes as of June 30, 1993 and 1992 ranged from 2.75% to 8.9% and from 4.9% to 8.9%, respectively.

The following is a summary of bond and note transactions of the Water Authority for the fiscal years ended June 30, 1992 and 1993:

	Balance June 30, 1991	Issued	Retired	Balance June 30, 1992 (in thousands)	Issued	Retired	Balance June 30, 1993
Revenue bonds	$ 3,446,369	$ 1,115,296	$ 293,190	$4,268,475	$ 1,407,560	$1,013,084	$4,662,951
Bond anticipation notes	—	—	—	—	375,000	—	375,000
Total summary of bond and note transactions	$ 3,446,369	$ 1,115,296	$ 293,190	$4,268,475	$ 1,782,560	$1,013,084	$ 5,037,951

In fiscal year 1987, the Water Authority defeased in substance $162.2 million of revenue bonds. As of June 30, 1993 and 1992, respectively, none of the defeased bonds had been retired from the assets of the escrow account.

In fiscal year 1992, the Water 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. 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 Water Authority's long-term obligations. Although the refunding transaction resulted in an accounting loss of $26 million which is shown as an extraordinary item, the refunding transaction will decrease the Water 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.

On August 13, 1992, the Water Authority sold fiscal 1993 Series A Water and Sewer System revenue bonds in the aggregate principal amount of $1.143 billion which include capital appreciation bonds at the matured value, 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. Although the refunding transaction resulted in an accounting loss of $109 million which is shown as an extraordinary item, the refunding transaction will decrease the Water Authority's aggregate debt service payments by $176 million and provide an economic gain of $66.1 million over the life of this issue.

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.

On June 14, 1993, the Water Authority issued $40 million of Series D bonds which were repaid by the end of the fiscal year.

On June 23, 1993, the Water Authority sold fiscal 1993 Series A Water and Sewer System Bond Anticipation Notes in the aggregate principal amount of $375 million to finance a capital renovation and improvement program of the system 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 distribution and sewage collection 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, 1993 and 1992 are as follows:

	1993	1992
	(in thousands)	
Balance, June 30	$5,239,175	$5,251,968
Plant and equipment contributed	64,646	85,511
Allocation of depreciation to contributed capital	(99,222)	(98,304)
Balance, June 30	$5,204,599	$5,239,175

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 include accruals based upon estimated usage not billed during the fiscal year.

Commitments and Contingencies

Legal

The City is a defendant in a number of lawsuits pertaining to the Water and Sewer System. As of June 30, 1993, claims in excess of $2.6 billion were outstanding against the City for which the City estimates its potential future liability to be $257 million. 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, 1993, for water and sewer projects.

O. EXPENDABLE TRUST FUNDS

The New York Police Department maintains the Police Officers' Variable Supplements Fund (POVSF) and the Police Superior Officers' Variable Supplements Fund (PSOVSF). These Funds operate pursuant to the provisions of Title 13, Chapter 2, of the Administrative Code of The City of New York.

1. POVSF provides supplemental benefits to retirees who retired for service with 20 or more years 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.

2. PSOVSF 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 who retired for service with 20 or more years of the New York Police Department Pension Fund—Subchapter 1 or Subchapter 2, and who retired on or after October 1, 1968.

The New York Fire Department maintains the Firefighters' Variable Supplements Fund (FFVSF) and the Fire Officers' Variable Supplements Fund (FOVSF). These Funds operate pursuant to the provisions of Title 13, Chapter 3, of the Administrative Code of The City of New York.

3. FFVSF provides supplemental benefits to retirees who retired for service with 20 or more years as firefighters of the New York Fire Department Pension Fund—Subchapter 1 or Subchapter 2, and who retired on or after October 1, 1968.

4. FOVSF 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), and who retired for service with 20 or more years 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 (TPOVSF), the Transit Police Superior Officers' Variable Supplements Fund (TPSOVSF), the Housing Police Officers' Variable Supplements Fund (HPOVSF), and the Housing Police Superior Officers' Variable Supplements Fund (HPSOVSF). These Funds operate pursuant to the provisions of Title 13, Chapter 1, of the Administrative Code of The City of New York.

5. TPOVSF provides supplemental benefits to retirees, who retired for service with 20 or more years as transit police officers, and who retired on or after July 1, 1987. Prior to calendar year 2007, when this plan provides for a guaranteed schedule of defined supplemental benefits, total supplemental benefit payments cannot exceed the assets of the fund.

6. HPOVSF provides supplemental benefits to retirees, who retired for service with 20 or more years as Housing Police Officers on or after July 1, 1987. Prior to calendar year 2007, when this plan provides for a guaranteed schedule of defined supplemental benefits, total supplemental benefits cannot exceed the assets of the fund.

TPSOVSF and HPSOVSF provide supplemental benefits to retirees as designated by their respective Boards of Trustees. No benefits have yet been authorized. The supplemental benefits of these funds cannot exceed the assets of the funds.

Beginning in fiscal year 1993, the City is reporting POVSF, PSOVSF, FFVSF, FOVSF, TPOVSF, and HPOVSF with its Pension and Similar Trust Funds for financial reporting purposes only (see Note R), as the supplemental benefits to be provided to participants of these variable supplements funds (VSF) are based on defined schedules of benefits (with benefits prior to calendar year 2007 limited to available assets for the TPOVSF and HPOVSF).

For fiscal year 1992, the supplemental benefits payable to the participants of the POVSF, FFVSF, and TPOVSF were based on a defined schedule of benefits.

The Board of Trustees of the PSOVSF, FOVSF, and HPOVSF determined the benefit payments to provide to participants of these funds and the supplemental benefits payable from these funds could not exceed their assets in fiscal year 1992.

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 VSF an amount equal to certain excess earnings on equity investments. The excess earnings are defined as the amount by which earnings on equity investments exceed what the earnings might have been had such funds been invested in fixed income securities, less any cumulative deficiencies

The excess earnings payable from NYCERS as of June 30, 1993 to TPSOVSF and HPSOVSF were as follows:

Variable Supplements Funds	1993 (in millions)
TPSOVSF	$10.1
HPSOVSF	7.1
Total excess earnings payable	$17.2

The excess earnings payable from POLICE, FIRE, and NYCERS as of June 30, 1992 to the respective VSF were as follows:

Variable Supplements Funds	1992 (in millions)
POVSF	$ —
PSOVSF	47.1
FFVSF	1.7
FOVSF	14.2
TPOVSF	11.9
TPSOVSF	4.4
HPOVSF	5.1
HPSOVSF	3.2
Total excess earnings payable	$ 87.6

State legislation effective July 1, 1988 pertaining to the POVSF and the FFVSF provides, among other things, for a fixed annual supplemental benefit payment and a change in the way excess earnings or losses are computed, affecting the payments to the funds. The legislation initiates a City-guaranteed payment which is estimated to be offset over time by future excess earnings from POLICE and FIRE. The actuarial present value of the accumulated benefit obligation (ABO) for these funds as of June 30, 1992 is as follows:

	1992 (in millions)
POVSF	$ 571.5
FFVSF	280.3
Total actuarial present value of ABO	$ 851.8

Chapter 577 of the Laws of 1992 pertaining to the TPOVSF became effective July 24, 1992, and provides, among other things, for potential supplemental benefit payments and defines the computation of excess earnings or deficiencies. The revisions to the TPOVSF initiates a defined schedule of benefit payments beginning calendar year 1992. Prior to calendar year 2007, this defined schedule of benefits is payable only if there are sufficient assets available in the TPOVSF, or if the City guarantee comes into effect

The City guarantee of benefits comes into effect prior to calendar year 2007 if the actuarial calculations required by statute determine that the market value of assets of the TPOVSF exceeds the actuarial present value of the defined schedule of benefits payable through the year 2006 plus 15% of the TPOVSF assets at that time.

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

The ABO of the TPOVSF at June 30, 1992 is as follows:

	1992 (in millions)
TPOVSF	$ 24.1

The more significant assumptions used in the June 30, 1992 calculations of the ABO for the POVSF, FFVSF, and TPOVSF are as follows:

Assumed rate of return on investments	9.0% per annum for POVSF and FFVSF and 7.0% per annum for TPOVSF.
Post-retirement mortality	Tables based on current experience.
Active service — Withdrawal, death and disability	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.
Percent of all active pension fund members who will retire for service with twenty or more years of service as police officers or firefighters	57% for POVSF 68% for FFVSF 57% for TPOVSF
Percentage of all active police (fire) superior officers who will retire for service with twenty or more years of service as police (fire) superior officers	100%

P. AGENCY FUNDS

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 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 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 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 calendar years ended December 31, 1992 and 1991:

	1992	1991
	(in thousands)	
Fund assets, December 31	$ 563,726	$ 382,040
Deferrals of compensation	164,014	138,318
Earnings and adjustment to market value	47,063	61,985
Payments to eligible participants and beneficiaries	(21,016)	(17,130)
Administrative expenses	(2,044)	(1,487)
Fund assets, December 31	$ 751,743	$ 563,726

Other

Other Agency Funds account for miscellaneous assets held by the City for other funds, governmental units, and individuals.

Q. 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 90.9% 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 1993 and 1992 are as follows:

	1993		1992	
	Active	Retired	Active	Retired
Number of employees	331,902	160,627	333,302	156,371
Cost of health care (in thousands)	$ 958,309	$ 325,271	$ 899,722	$ 296,169

In addition, the City sponsors a supplemental (Superimposed 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 supplemental major medical benefits for fiscal years 1993 and 1992 are as follows:

	1993		1992	
	Active	Retired	Active	Retired
Number of claims	16,406	4,534	17,516	4,163
Cost of Superimposed Major Medical (in thousands)	$ 2,923	$ 433	$ 3,364	$ 420

R. Pension and Similar Trust Funds

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 employees.

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, 1993 and 1992, the pension systems membership consisted of:

	1993					
	NYCERS	**TRS**	**BERS**	**POLICE**	**FIRE**	**TOTAL**
Retirees and beneficiaries currently receiving benefits	125,462	46,379	6,181	30,342	11,757	220,121
Terminated but not receiving benefits	5,191	1,698	96	34	11	7,030
Total retirees, beneficiaries, etc.	130,653	48,077	6,277	30,376	11,768	227,151
Current employees:						
Vested	76,409	48,438	3,878	4,565	4,265	137,555
Nonvested	117,017	39,457	20,716	23,870	7,141	208,201
Total current employees	193,426	87,895	24,594	28,435	11,406	345,756

	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 retirees, beneficiaries, etc.	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 current employees	193,679	85,114	23,606	27,664	11,458	341,521

The actuarial pension systems provide pension benefits to retired employees based on salary and length of service. In addition, the actuarial 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 actuarial 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 generally required to become members of the actuarial 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 actuarial pension system at June 30, 1993 and 1992 are as follows:

	1993		1992	
	City's Annualized Covered Payroll	Total Annualized Covered Payroll	City's Annualized Covered Payroll	Total Annualized Covered Payroll
	(in millions)			
NYCERS	$ 3,420	$ 6,366	$ 3,382	$ 6,179
TRS	3,062	3,160	2,884	2,989
BERS	450	459	424	434
POLICE	1,380	1,380	1,333	1,333
FIRE	602	602	598	598
Total annualized covered payrolls	$ 8,914	$11,967	$ 8,621	$11,533

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.

The salary data reported to the Actuary upon which actuarial computations are based generally do not include contractual salary increases for employees whose unions are still negotiating collective bargaining agreements with their employers.

June 30, 1993 and 1992 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 payroll for the years ended June 30, 1993 and 1992 were approximately $11.1 billion and $10.6 billion, respectively.

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 pension systems. The latest valuation to determine the PBO was made as of June 30, 1993.

The more significant assumptions used in the June 30, 1993 and 1992 calculations of 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.
Post-retirement mortality	Tables based on current experience.
Active service withdrawal, death, and disability	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 increases plus assumed general wage increase of 5.5% per year.

These actuarial assumptions are the same as those used to determine employer contributions to the actuarial pension systems.

In particular, the investment return assumptions used for determining employer contributions to the actuarial pension systems are enacted by the New York State Legislature upon the recommendations of the Boards of Trustees and the Actuary, and the rates shown are currently in use for determining employer contributions to those actuarial pension systems for fiscal years 1991 through 1995.

All actuarial assumptions used to determine employer contributions to the actuarial pension systems, including the investment return and general wage increase assumptions, are scheduled for periodic review during fiscal year 1995. These financial statements present PBOs for the actuarial pension systems based upon the same actuarial assumptions that are used to determine employer contributions. Of course, PBOs, as well as other figures based upon PBOs (e.g., Funded Ratios), are highly dependent upon and reflective of the actuarial assumptions employed.

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, 1993 and 1992:

1993

	PBO Retirees and beneficiaries currently receiving benefits and terminated vested participants not yet receiving benefits	PBO Current Employees: Accumulated employee contributions including allocated investment income	PBO Current Employees: Employer-financed vested	PBO Current Employees: Employer-financed nonvested	Total PBO(a)	Net assets available for benefits	Unfunded (Overfunded) PBO
				(in millions)			
NYCERS	$11,437.0	$ 1,600.1	$ 4,195.7	$ 3,265.6	$ 20,498.4	$ 22,153.8	$ (1,655.4)
TRS	8,477.1	1,657.8	5,207.6	2,390.6	17,733.1	17,852.4	(119.3)
BERS	395.2	108.6	172.6	167.4	843.8	845.3	(1.5)
POLICE	5,544.7	404.4	1,205.6	2,030.5	9,185.2	7,966.8	1,218.4
FIRE	2,423.3	111.3	907.0	787.9	4,229.5	3,186.3	1,043.2
Total	$28,277.3	$ 3,882.2	$ 11,688.5	$ 8,642.0	$ 52,490.0	$ 52,004.6	$ 485.4

1992

	PBO Retirees and beneficiaries currently receiving benefits and terminated vested participants not yet receiving benefits	PBO Current Employees: Accumulated employee contributions including allocated investment income	PBO Current Employees: Employer-financed vested	PBO Current Employees: Employer-financed nonvested	Total PBO(a)	Net assets available for benefits	Unfunded (Overfunded) PBO
				(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

(a) The PBO is the actuarial present value of credited projects benefits produced by the credited projected benefit attribution approach prorated on service as required by GASB Statement No. 5, and should be considered with reference to the actuarial assumptions used.

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

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; and marketable equity securities are carried at market. Realized gains or losses on sales of securities are based on the average cost of securities.

The market value of net assets available for benefits as of June 30, 1993 and 1992 are as follows:

	1993	1992
	(in millions)	
NYCERS	$ 22,874.4	$ 20,454.7
TRS	18,218.1	16,387.4
BERS	869.9	761.5
POLICE	8,118.6	7,361.7
FIRE	3,257.7	2,985.4
Total market value of net assets available for benefits	$ 53,338.7	$ 47,950.7

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, 1993 and 1992 are approximately $302 million and $346 million, respectively, and exceeded their respective net assets of $13 million and $10 million, by $289 million and $336 million, respectively. These three pension systems are funded by the City on a pay-as-you-go basis. The City's contribution to these three pension systems for fiscal years 1993 and 1992 was $67 million and $71 million, respectively.

The net assets available for benefits shown in the City's financial statements as of June 30, 1993 and 1992 exclude the accrued pension contribution of $2.562 billion and $2.627 billion, respectively, for amortization of the two-year payment lag reported in the General Long-term Obligations Account Group, $112 million and $115 million, respectively, reported in the Enterprise Funds and $382 million and $391 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, 1993, included the third 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 1993 and 1992 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 actuarial pension systems and are funded by the employers on a current basis and amounted to $1.7 billion and $1.6 billion at June 30, 1993 and 1992, respectively.

Unfunded actuarial accrued liabilities are amortized as follows for June 30, 1993 and 1992:

> 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 for the five major actuarial pension systems.

The City's expenditures for pension costs, for the fiscal years ended June 30, 1993 and 1992 were approximately $1.5 billion, and were equal to the amounts recommended by the pension systems' Actuary.

The City's pension contributions including those recommended by the Actuary for the actuarial pension systems for the fiscal year ended June 30, 1993 were as follows:

	Contributions for			Contributions as a percentage of City's annualized payroll	
	Normal cost	Amortization of actuarial accrued liability	Total (in millions)	Normal cost	Amortization of actuarial accrued liability
*NYCERS	$ 191.1	$125.5	$ 316.6	5.6%	3.7%
*TRS	261.9	127.8	389.7	8.6	4.2
*BERS	22.1	9.6	31.7	4.9	2.1
POLICE	310.3	151.8	462.1	22.5	11.0
FIRE	111.2	126.0	237.2	18.5	20.9
OTHER	N/A	N/A	97.1		
Total pension contributions			$ 1,534.4		

* 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 61.42%, 96.02%, and 97.79%, respectively.

NA: Not Available.

The City's pension contributions including those recommended by the Actuary for the actuarial pension systems for the fiscal year ended June 30, 1992 were as follows:

	Contributions for			Contributions as a percentage of City's annualized payroll	
	Normal cost	Amortization of actuarial accrued liability	Total (in millions)	Normal cost	Amortization of actuarial accrued liability
*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 pension contributions			$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 June 30, 1993 and 1992 totals are approximately $40.0 million and $41.1 million, respectively 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 1993 and 1992 amounted to:

	1993		1992	
	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	$ 130,993	2.1%	$(12,892)	—%
TRS	69,916	2.2	69,687	2.3
BERS	12,079	2.6	5,933	1.4
POLICE	(3,647)	—	15,226	1.1
FIRE	16,795	2.8	16,302	2.7
Total employee contributions	$ 226,136		$ 94,256	

Trend Information

Trend information for the three fiscal years ended June 30, 1993, 1992, and 1991 is as follows:

	1993	1992	1991
Net assets available for benefits as a percentage of PBO (a):			
NYCERS	108.1%	102.3%	97.3%
TRS	100.7	97.4	95.7
BERS	100.2	99.6	94.8
POLICE	86.7	82.3	79.7
FIRE	75.3	72.4	68.0
Unfunded (Overfunded) PBO as a percentage of total annualized covered payroll (a):			
NYCERS	(26.0)%	(7.4)%	8.5%
TRS	(3.8)	14.6	21.6
BERS	(.3)	0.8	8.2
POLICE	88.3	117.4	130.1
FIRE	173.2	187.6	210.0

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

	1993	1992	1991
NYCERS	7.7%	8.7%	10.1%
TRS	12.8	11.3	11.9
BERS	6.9	7.9	8.0
POLICE	32.5	31.6	33.6
FIRE	38.1	39.5	42.2

(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, and should be considered with reference to the actuarial assumptions used.

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 actuarial pension systems is also presented in the statistical section of the City's Comprehensive Annual Financial Report.

The trend information included in Note R 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. As a result, the net assets available for pension benefits as a percentage of PBO as of June 30, 1993 in the pension systems financial statements for NYCERS, TRS, BERS, POLICE, and FIRE are 113.5%, 106.0%, 104.8%, 92.3%, and 86.0%, respectively.

Similar Trust Funds

Fund Descriptions

Per enabling State legislation, certain retirees of POLICE, FIRE, and NYCERS are eligible to receive fixed supplemental benefits from certain variable supplements funds (VSF).

Beginning in fiscal year 1993, the City is including these Funds with its Pension and Similar Trust Funds for financial reporting purposes only. Prior to fiscal year 1993, these Funds were reported as Expendable Trust Funds (see Note O). Under current law, these Funds are not to be construed as constituting pension or retirement system funds. Instead, they provide defined supplemental payments, other than pension or retirement system allowances, in accordance with applicable statutory provisions. While these payments are guaranteed by the City, the Legislature has reserved to itself and the State of New York the right and power to amend, modify or repeal the VSFs and the payments they provide.

The cumulative effect of this reclassification of $102.7 million resulted from changing the carrying basis of the Funds' marketable equity securities from the cost basis to the market value basis.

The New York Police Department maintains the Police Officers' Variable Supplements Fund (POVSF) and the Police Superior Officers' Variable Supplements Fund (PSOVSF). These Funds operate pursuant to the provisions of Title 13, Chapter 2, of the Administrative Code of The City of New York.

1. POVSF provides supplemental benefits to retirees who retired for service with 20 or more years 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.

2. PSOVSF 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 who retired for service with 20 or more years of the New York Police Department Pension Fund—Subchapter 1 or Subchapter 2, and who retired on or after October 1, 1968.

The New York Fire Department maintains the Firefighters' Variable Supplements Fund (FFVSF) and the Fire Officers' Variable Supplements Fund (FOVSF). These Funds operate pursuant to the provisions of Title 13, Chapter 3, of the Administrative Code of The City of New York.

3. FFVSF provides supplemental benefits to retirees who retired for service with 20 or more years as firefighters of the New York Fire Department Pension Fund—Subchapter 1 or Subchapter 2, and who retired on or after October 1, 1968.

4. FOVSF 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), and who retired for service with 20 or more years 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 (TPOVSF) and the Housing Police Officers' Variable Supplements Fund (HPOVSF). These Funds operate pursuant to the provisions of Title 13, Chapter 1, of the Administrative Code of The City of New York.

5. TPOVSF provides supplemental benefits to retirees, who retired for service with 20 or more years as transit police officers, and who retired on or after July 1, 1987. Prior to calendar year 2007, when this plan provides for a guaranteed schedule of defined supplemental benefit payments, total supplemental benefits cannot exceed the assets of the fund.

6. HPOVSF provides supplemental benefits to retirees, who retired for service with 20 or more years as housing police officers, and who retired on or after July 1, 1987. Prior to calendar year 2007, when this plan provides for a guaranteed schedule of defined supplemental benefits, total supplemental benefits cannot exceed the assets of the fund.

At June 30, 1993, membership in the defined benefit VSF consisted of:

	1993						
	POVSF	PSOVSF	FFVSF	FOVSF	TPOVSF	HPOVSF	TOTAL
Retirees currently receiving benefits	7,809	6,598	3,374	1,536	311	186	19,814
Terminated but not receiving benefits	—	—	—	—	—	—	—
Total retirees, etc.	7,809	6,598	3,374	1,536	311	186	19,814
Current employees:							
Vested	925	2,986	1,449	1,638	139	72	7,209
Nonvested	18,483	5,772	7,347	907	3,132	1,572	37,213
Total current employees	19,408	8,758	8,796	2,545	3,271	1,644	44,422

Funding Status and Progress

A calculation is performed annually as of June 30, by the actuary for certain VSFs. The latest calculation to determine the present value of the accumulated benefit obligation (ABO) was made as of June 30, 1993.

The more significant assumptions used in the June 30, 1993 calculations of the ABOs for the VSFs are as follows:

Assumed rate of return on investments	8.5% per annum for POVSF, PSOVSF, FFVSF, and FOVSF and 6.5% per annum for TPOVSF and HPOVSF.
Post-retirement mortality	Tables based on current experience.

Active service withdrawal, death and disability	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.
Percent of all active pension fund members who will retire for service with twenty or more years of service as police officers or firefighters	50% for POVSF & PSOVSF 68% for FFVSF & FOVSF 60% for TPOVSF 50% for HPOVSF
Percentage of all active police (fire) superior officers who will retire for service with twenty or more years of service as police (fire) superior officers	100%

The following is a comparison of the ABO and net assets available for supplemental benefits for the VSF's as of June 30, 1993:

	1993						
	ABO Retirees currently receiving benefits and terminated vested participants not yet receiving benefits	ABO Current Employees: Accumulated employee contributions including allocated investment income	ABO Current Employees: Employer-financed vested	ABO Current Employees: Employer-financed nonvested	Total ABO(a)	Net assets available for supplemental benefits	Unfunded ABO
	(in millions)						
POVSF	$ 524.1	$ —	$ N/A	$ 79.0	$ 603.1	$ 589.9	$ 13.2
PSOVSF . . .	452.3	—	N/A	206.5	658.8	440.9(b)	217.9
FFVSF	225.9	—	N/A	77.7	303.6	292.3	11.3
FOVSF	92.5	—	N/A	81.9	174.4	125.4(b)	49.0
TPOVSF . . .	31.9	—	N/A	26.6	58.5(c)	40.2	18.3
HPOVSF . .	19.2	—	N/A	10.3	29.5(c)	18.3	11.2
Total	$1,345.9	$ —	$ N/A	$ 482.0	$ 1,827.9	$ 1,507.0	$ 320.9

N/A = Not Applicable

(A) Total ABO have been reduced by accrued benefits payable. This basis of reporting the total ABO is consistent with that used to report net assets available for supplemental benefits in these financial statements, but may differ from the bases used for other purposes.

(B) Includes $51.75 million and $14.385 million for the PSOVSF and FOVSF, respectively, which are transferable to the City's General Fund during fiscal year 1994.

(C) Includes ABO for benefits payable prior to calendar year 2007 that are not yet guaranteed.

For these defined benefit VSFs, the ABO 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.

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; and marketable equity securities are carried at market. Realized gains or losses on sales of securities are based on the average cost of securities.

The market value of net assets available for supplemental benefits for the defined benefit VSFs as of June 30, 1993 are as follows:

	1993 (in millions)
POVSF	$ 605.9
PSOVSF	447.5
FFVSF	299.4
FOVSF	127.8
TPOVSF	40.3
HPOVSF	18.4
Total market value of net assets available for supplemental benefits	$ 1,539.3

As a result of labor negotiations, legislation effective July 1, 1988 pertaining to the POVSF and the FFVSF 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 are affected. The revisions to these VSFs initiated a City guaranteed defined schedule of benefit payments which is estimated to be offset over time by future excess earnings from POLICE and FIRE.

As a result of labor negotiations, Chapter 577 of the Laws of 1992 (Chapter 577/92) effective July 24, 1992 pertaining to the TPOVSF, provides, among other things, changes to the way excess earnings or deficiencies are computed and for potential supplemental benefit payments to transit police officers of the New York City Transit Police Department who retire for service as transit police officers on and after July 1, 1987. The revisions to the TPOVSF initiated a defined schedule of benefit payments beginning calendar year 1992. Prior to calendar year 2007, this defined schedule of benefits is payable only if there are sufficient assets available in the TPOVSF, or if the City guarantee comes into effect. The City guarantee of benefits comes into effect prior to calendar year 2007 if the actuarial calculations required by statute determine that the market value of assets of the TPOVSF exceeds the actuarial present value of the defined schedule of benefits payable through calendar year 2006 plus 15% of the assets of the TPOVSF at that time. Chapter 577/92 also provides that whenever the guarantee of the defined schedule of benefits comes into effect, the TPOVSF will then transfer 15% of the market value of its assets to the City's General Fund.

As a result of labor negotiations, legislation enacted July, 1993 pertaining to the PSOVSF and FOVSF provides, among other things, for a defined schedule of benefit payments 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 VSFs will initiate a City guaranteed payment which are estimated to be offset over time by future excess earnings from POLICE and FIRE.

As a result of labor negotiations, Chapter 375 of the Laws of 1993 (Chapter 375/93) effective July 24, 1993 pertaining to the HPOVSF, provides, among other things, changes to the way excess earnings or deficiencies are computed, and for potential supplemental benefit payments to housing police officers of the New York City Housing Authority Police Department who retire for service as housing police officers on after July 1, 1987.

The revisions to the HPOVSF initiate a defined schedule of benefit payments beginning calendar year 1992. Prior to calendar year 2007, this defined schedule of benefits is payable only if there are sufficient assets available in the HPOVSF, or if the City guarantee comes into effect. The City guarantee of benefits comes into effect prior to calendar year 2007 if the actuarial calculations required by statute determine that the market value of assets of the HPOVSF exceeds the actuarial present value of the defined schedule of benefits payable through the calendar year 2006 plus 15% of the assets of the HPOVSF at that time. Chapter 375/93 also provides that whenever the guarantee of the defined schedule of benefits comes into effect, the HPOVSF will then transfer 15% of the market value of its assets to the City's General Fund.

The excess earnings payable from NYCERS as of June 30, 1993 and 1992 to the TPSOVSF and HPSOVSF are shown in Note O.

Contributions Required and Contributions Made

The Administrative Code provides that POLICE, FIRE, and NYCERS pay to the respective VSF an amount equal to certain excess earnings on equity investments limited to the unfunded ABO for each VSF. The excess earnings are defined as the amount by which earnings on equity investments exceed what the earnings would have been had such funds been invested in fixed income securities, less any cumulative deficiencies.

The excess earnings payable from POLICE, FIRE, and NYCERS to the defined benefit VSF as of June 30, 1993 are as follows:

Variable Supplements Funds	Excess Earnings Payable as of June 30, 1993 (in millions)
POVSF	$ —
PSOVSF	111.4
FFVSF	86.2
FOVSF	33.9
TPOVSF	24.3
HPOVSF	10.7
Total excess earnings payable	$ 266.5

Trend Information

Since this is the first year the VSF are being reported with the Pension and Similar Trust Funds, including the required footnote disclosures, trend information prior to fiscal year 1993 is unavailable.

Trend information for the fiscal year ended June 30, 1993 is as follows:

	1993
Net assets available for supplemental benefits as a percentage of ABO (a):	
POVSF	97.8%
PSOVSF	66.9
FFVSF	96.3
FOVSF	71.9
TPOVSF	68.7
HPOVSF	62.0

(a) The ABO 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.

The ratios shown here are based on figures presented in a table earlier in these financial statements and should be considered with reference to the footnotes of that table.

S. CONTRACTUAL COMMITMENTS

At June 30, 1993, the outstanding contract commitments relating to projects of the Capital Projects Fund amounted to approximately $6.3 billion.

Capital Requirements

To address the need for significant infrastructure and public facility capital investments, the City has prepared a ten-year capital spending program which contemplates expenditures of $51.6 billion over fiscal years 1994 through 2003. To help meet its capital spending program, the City borrowed $1.9 billion in the public credit market in fiscal year 1993. The City plans to borrow $3.1 billion in the public credit market in fiscal year 1994.

(This page has been left blank intentionally.)

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 RATE BONDS—Definitions".

The Tax-Exempt Adjustable Rate Bonds shall bear interest at a Daily Rate from their dates of issuance as described below in "Interest on Tax-Exempt 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 payments on each Interest Payment Date for Tax-Exempt Adjustable Rate Bonds will include accrued interest from and including their dates of issuance or from and including the last date in respect of which interest has been paid, as the case may be, to, but excluding, such Interest Payment Date, except as provided below with respect to a delayed Interest Payment Date. 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 first day of each February and August, in the case of interest payable at a Fixed Rate, or in any case not otherwise specified; (f) the first Business Day following an MMMR Period, in the case of interest payable at Money Market Municipal Rates; (g) the date of any redemption or mandatory tender of Tax-Exempt Adjustable Rate Bonds for purchase and (h) the date of maturity ("Interest Payment Dates"). If any Interest Payment Date for any Tax-Exempt Adjustable Rate Bond would otherwise be a day that is not a Business Day, such Interest Payment Date shall be postponed to the next day that is a Business Day, and no additional interest shall accrue as a result of such delayed Interest Payment Date. 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.

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. The interest rate in effect for each day of any Rate Period shall be the interest rate set on the Rate Determination Date relating to such 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 promptly confirmed in writing to the City, the Subseries Bank, the Tender Agent and the Fiscal Agent, 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 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 upon the City's receipt (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 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.

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. In no event shall the rate of interest on the Tax-Exempt Adjustable Rate Bonds exceed 25% per annum.

Tender of Adjustable Rate Bonds

So long as none of the Liquidity Conditions shall exist, each Tax-Exempt Adjustable Rate Bond of a Subseries bearing interest at a Variable Rate other than a Term Rate shall be subject to tender at the option of the Bondholder for purchase by the Tender Agent or 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"). Tenders for purchase at the option of the Bondholders shall be permitted (a) on any Business Day during a Daily or Weekly Rate Period and (b) on any Interest Payment Date following a Monthly, Quarterly, or Semiannual Rate Period. All Adjustable Rate Bonds or portions thereof tendered or retained shall be in Authorized Denominations.

So long as none of the Liquidity Conditions shall exist, 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 Adjustable Rate Bond, (c) on the effective date of any Conversion of such Adjustable Rate Bond, and (d) as described below under "Mandatory Tender to Banks" and "Liquidity 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 Liquidity Facility to which it is a party to purchase tendered Tax-Exempt Adjustable Rate Bonds of the stated Subseries, subject to the Liquidity Conditions, upon timely delivery by the Tender Agent of a Notice demanding such purchase. See below "Liquidity Facilities".

The Purchase Price shall be payable, if a Tax-Exempt Adjustable Rate Bond is delivered to the Tender Agent not later than the specified 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, or upon occurrence of a Liquidity Condition, all 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 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

So long as no Liquidity Condition exists, each of the Tax-Exempt Adjustable Rate Bonds of a Subseries bearing interest at a Variable Rate or a Money Market Municipal Rate is subject to mandatory tender for purchase by the Subseries Bank pursuant to its Liquidity Facility, on the Purchase Date following a Notice from the Fiscal Agent to such Subseries Bank, at the applicable Purchase Price. If (x) on the 15th day prior to the Scheduled Termination Date of a Liquidity Facility Tax-Exempt 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 notice of mandatory tender 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 (a Business Day prior to the expiration or termination of the applicable Liquidity 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 custody 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 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 as specified above, the expiration or termination of the Liquidity Facility shall nonetheless take effect and, following such expiration or termination, 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.

Liquidity Conditions

Suspension of Obligations of Subseries Bank

Upon the occurrence of a Suspension Condition, the Subseries Bank's obligations to purchase Bonds of the maturity covered by the applicable Bond Insurance Policy **shall immediately be suspended without notice or demand** to any person and thereafter the Bank shall be under no obligation to purchase such Bonds unless and until the Subseries Bank's commitment with respect to such maturity of Bonds is reinstated as described below. Promptly upon such event, the Bank shall notify the City, the Tender Agent, the Fiscal Agent and the Remarketing Agent of such suspension in writing; provided, that the Bank shall incur no liability or responsibility whatsoever by reason of its failure to give such notice and such failure shall in no way affect the suspension of its obligation to purchase such Bonds. If the Suspension Condition shall be cured as described in the applicable Liquidity Facility, then the obligations of the Bank under the Liquidity Facility shall be reinstated (unless the Bank's obligations shall have expired or shall otherwise have been terminated or suspended as provided in the Liquidity Facility).

Termination of Obligations of Subseries Bank

Upon the occurrence of an Event of Termination, the Subseries Bank's commitment with respect to the related maturity of Bonds and the obligation of the Bank under the Liquidity Facility to purchase Bonds of such maturity **shall immediately terminate without notice or demand** to any person, and thereafter the Bank shall be under no obligation to purchase such Bonds. Promptly upon the occurrence of such Event of Termination, the Bank shall give written notice of the same to the City, the Tender Agent, the Fiscal Agent and the Remarketing Agent, provided, that the Bank shall incur no liability or responsibility whatsoever by reason if its failure to give such notice and such failure shall in no way affect the termination of its obligation to purchase such Bonds.

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 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 to Bondholders 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.

Following a Fixed Rate Conversion, the Tax-Exempt Adjustable Rate Bonds of a Subseries and 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 upon 30 days' notice to Bondholders, at a redemption price of 101½%, which price shall decline annually by ¾% 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 and will not adversely affect the exclusion of interest in the Tax-Exempt Adjustable Rate Bonds from gross income for Federal income tax purposes.

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.

Liquidity Facilities

Prior to and including the Fixed Rate Conversion Date for each Subseries and maturity of Tax-Exempt Adjustable Rate Bonds that is subject to optional or mandatory tender for purchase, the City shall, as required by law, keep in effect one or more 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. 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 Owner of a Tax-Exempt Adjustable Rate Bond bearing interest at a Variable Rate or a Money Market Municipal Rate will be entitled to the benefits and subject to the terms of the Liquidity Facility for such Bond. Under such Liquidity Facility, the Subseries Bank agrees, subject to the Liquidity Conditions, to make available to the Tender Agent or the Fiscal Agent, upon receipt of an appropriate demand for payment, the Purchase Price for Tax-Exempt Adjustable Rate Bonds of the stated Subseries. Each Bank's commitment under its Liquidity Facilities will be sufficient to pay a Purchase Price equal to the principal of and up to 35 days' interest on a Subseries of Tax-Exempt Adjustable Rate Bonds at an assumed rate of 9% as follows:

Subseries	Bond Insurer	Bank
H-2	Municipal Bond Investors Assurance Corporation	Banco Santander, New York Branch
H-3	Financial Security Assurance Inc.	Banque Paribas, New York Branch
H-4	AMBAC Indemnity Corporation	Kredietbank N.V., New York Branch
H-5	Municipal Bond Investors Assurance Corporation	Landesbank Hessen-Thüringen Girozentrale, New York Branch
H-6	Municipal Bond Investors Assurance Corporation	Rabobank Nederland, New York Branch

No Bank is responsible for any of the other Banks' performance of their obligations under the Liquidity Facilities. The Bond Insurers have not undertaken to purchase Bonds optionally or mandatorily tendered for purchase.

So long as a Liquidity Condition does not exist, mandatory purchase by the Subseries Bank of Tax-Exempt Adjustable Rate Bonds bearing interest at a Variable Rate or a Money Market Municipal Rate shall occur under the circumstances described in the Tax-Exempt Adjustable Rate Bonds, including failure to extend or replace the Liquidity Facility relating to such Subseries of Tax-Exempt Adjustable Rate Bonds, and (at the option of the Subseries Bank) other events, including the City's failure to pay amounts due to the Banks. 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.

Each Liquidity Facility will expire April 12, 1997, unless extended at the option of the Subseries Bank at the request of the City. If a Liquidity Facility is to be extended or replaced, the City shall, not later than 20 days before the effective date of such extension or replacement, deliver to the Fiscal Agent and the Tender Agent Written Notice of the extension or replacement, which shall include (i) copies of the related documentation and (ii) Rating Confirmation with respect thereto. The City shall give Written Notice to each affected Bondholder at least 15 days prior to any extension, replacement or substitution.

The obligation of each Subseries Bank to purchase Tax-Exempt Adjustable Rate Bonds pursuant and subject to the terms and conditions of the Liquidity 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 Liquidity Facility becomes effective, and the obligation of the City to repay amounts advanced by the Bank 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 Liquidity Facilities, the City shall have the right to seek a substitute bank or banks to assume the rights and obligations of a Subseries 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 Liquidity 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 Fiscal 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".

Bond Insurance

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

AMBAC Insured Bonds

AMBAC Indemnity has made a commitment to issue a municipal bond insurance policy (the "AMBAC Policy") relating to the Subseries H-4 Bonds (the "AMBAC Insured Bonds") effective as of the date of issuance of the AMBAC Insured Bonds. Under the terms of the AMBAC Policy, AMBAC Indemnity will pay to the United States Trust Company of New York, in New York, New York or any successor thereto (the "AMBAC Insurance Trustee") that portion of the principal of and interest (limited to interest calculated up to a maximum rate of twelve percent (12%) per annum) on the AMBAC Insured Bonds which shall become Due for Payment but shall be unpaid by reason of Nonpayment by the City. All references to interest set forth in the AMBAC Policy shall be interest which is subject to a maximum rate of twelve percent (12%) per annum. AMBAC Indemnity will make such payments to the AMBAC Insurance Trustee on the later of the date on which such principal and interest becomes Due for Payment or within one business day following the date on which AMBAC Indemnity shall have received notice of Nonpayment from the City's Fiscal Agent. The insurance will extend for the term of the AMBAC Insured Bonds and, once issued, cannot be canceled by AMBAC Indemnity.

The AMBAC Policy will insure payment only on stated maturity dates, in the case of principal, and on stated dates for payment, in the case of interest. If the AMBAC Insured Bonds become subject to mandatory redemption and insufficient funds are available for redemption of all outstanding AMBAC Insured Bonds, AMBAC Indemnity will remain obligated to pay principal of and interest on outstanding AMBAC Insured Bonds on the originally scheduled interest and principal payment dates. In the event of any acceleration of the principal of the Bonds, the insured payments will be made at such times and in such amounts as would have been made had there not been an acceleration.

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

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

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

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

Upon payment of the insurance benefits, AMBAC Indemnity will become the owner of the AMBAC Insured Bond or right to payment of principal or interest on such AMBAC Insured Bond and will be fully subrogated to the surrendering Bondholder's rights to payment.

The AMBAC Policy does not insure against loss relating to payments of the purchase price of AMBAC Insured Bonds upon tender by a registered owner thereof or any preferential transfer relating to payments of the purchase price of AMBAC Insured Bonds upon tender by a registered owner thereof.

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

AMBAC Indemnity is a Wisconsin-domiciled stock insurance corporation regulated by the Office of the Commissioner of Insurance of the State of Wisconsin and licensed to do business in 50 states, the District of Columbia, and the Commonwealth of Puerto Rico, with admitted assets of approximately $1,956,000,000 (audited) and statutory capital of approximately $1,122,000,000 (audited) as of December 31, 1993. Statutory capital consists of AMBAC Indemnity's policyholders' surplus and statutory contingency reserve. AMBAC Indemnity is a wholly owned subsidiary of AMBAC Inc., a 100% publicly-held company. Moody's Investors Service, Inc. ("Moody's") and Standard & Poor's Corporation ("Standard & Poor's") have both assigned a triple-A claims-paying ability rating to AMBAC Indemnity.

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

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

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

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

Financial Security Insured Bonds

Concurrently with the issuance of the Subseries H-3 Bonds (the "Financial Security Insured Bonds"), Financial Security will issue its Municipal Bond Insurance Policy for the Financial Security Insured Bonds (the "Financial Security Policy"). The Financial Security Policy unconditionally guarantees the payment of that portion of the principal of and interest (up to 12%) on the Financial Security Insured Bonds that has become due for payment, but shall be unpaid by reason of nonpayment by the City. On the later of the day on which such principal and interest is due or on the business day next following the business day on which Financial Security shall have received notice by telephone or telecopy, subsequently confirmed in a signed writing, or written notice by registered or certified mail, from an Owner of Financial Security Insured Bonds, the Trustee or the City's Fiscal Agent, of the nonpayment of such amount by the City, Financial Security will disburse such amount due on any Financial Security Insured Bonds to the City's Fiscal Agent, for the benefit of the Owners or, at the election of Financial Security, directly to each Owner, in either case upon receipt by Financial Security in form reasonably satisfactory to it of (a) evidence of the Owner's right to receive payment of the principal and interest that is due for payment and (b) evidence, including any appropriate instruments of assignment, that all of such Owner's rights to payment of such principal and interest shall be vested in Financial Security. The term "nonpayment" in respect of a Financial Security Insured Bond includes any payment of principal or interest that is insured by Financial Security made to an Owner of a Financial Security Insured Bond that has been recovered from such Owner pursuant to the United States Bankruptcy Code by a trustee in bankruptcy in accordance with a final, nonappealable order of a court having competent jurisdiction.

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

Financial Security may appoint a fiscal agent ("Financial Security's Fiscal Agent") for purposes of the Financial Security Policy by giving written notice to the City's Fiscal Agent specifying the name and notice address of Financial Security's Fiscal Agent. From and after the date of receipt of such notice by the City's Fiscal Agent, (i) copies of all notices required to be delivered to Financial Security pursuant to the Financial Security Policy shall be simultaneously delivered to Financial Security's Fiscal Agent and to Financial Security and shall not be deemed received until received by both and (ii) all payments required to be made by Financial Security under the Financial Security Policy may be made directly by Financial Security or by Financial Security's Fiscal Agent on behalf of Financial Security.

Financial Security's Fiscal Agent is the agent of Financial Security only and Financial Security's Fiscal Agent shall in no event be liable to Owners of the Financial Security Insured Bonds for any acts of Financial Security's Fiscal Agent or any failure of Financial Security to deposit or cause to be deposited sufficient funds to make payments due under the Policy.

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

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

Financial Security is a wholly owned subsidiary of Financial Security Assurance Holdings Ltd. ("Holdings"), which in turn is approximately 92.5% owned by U S WEST Capital Corporation ("U S WEST") and 7.5% owned by The Tokio Marine and Fire Insurance Co., Ltd. ("Tokio Marine"). U S WEST is a subsidiary of U S WEST, Inc., which operates businesses involved in communications, data solutions, marketing services and capital assets, including the provision of telephone services in 14 states in the Western and midWestern United States. Tokio Marine is a major Japanese property and casualty insurance company. No shareholder of Holdings is obligated to pay any debt of Financial Security or any claim under any insurance policy issued by Financial Security or to make any additional contribution to the capital of Financial Security. U S WEST has announced its intention to dispose of its interest in Holdings as part of its strategic plan to withdraw from businesses not directly involved in telecommunications. U S WEST has stated that it intends to accomplish such disposition in a manner that will maximize the value of its investment in Holdings. Holdings has filed with the Securities and Exchange Commission a registration statement on Form S-1 contemplating an initial public offering of Holdings' common shares by U S WEST, reducing U S WEST's ownership interest in Holdings below 50%. Affirmation of the triple-A ratings of the claims-paying ability of Financial Security is a condition to the closing of the public offering. In anticipation of such public offering, in December 1993, Financial Security completed a restructuring transaction which significantly reduced Financial Security's risk of loss from certain commercial real estate transactions insured by Financial Security.

Financial Security is domiciled in the State of New York and is subject to regulation by the State of New York Insurance Department. As of September 30, 1993, the total policyholders' surplus and contingency reserves and the total unearned premium reserve, respectively, of Financial Security and its consolidated subsidiaries were, in accordance with statutory accounting principles, approximately $510,262,000 and $239,639,000 ($438,651,000 and $221,939,000, respectively, giving effect to the restructuring of Financial Security completed on December 23, 1993) and the total qualified capital and the total unearned premium reserve, respectively, of Financial Security and its consolidated subsidiaries were, in accordance with generally accepted accounting principles, approximately $585,935,000 and $216,434,000 ($505,087,000 and $198,734,000, respectively, giving effect to such restructuring). Copies of Financial Security's financial statements may be obtained by writing to Financial Security at 350 Park Avenue, New York, New York 10022, Attention: Communications Department. Financial Security's telephone number is (212) 826-0100.

Financial Security's claims-paying ability is rated "Aaa" by Moody's and "AAA" by Standard & Poor's. Such ratings reflect only the views of the respective rating agencies, are not recommendations to buy, sell or hold securities and are subject to revision or withdrawal at any time by such rating agencies.

The Policy does not protect investors against changes in market value of the Financial Security Insured Bonds. The market value of the Financial Security Insured Bonds may be impaired as a result of changes in prevailing interest rates, changes in applicable ratings or other causes.

Financial Security makes no representation regarding the Financial Security Insured Bonds or the advisability of investing in the Financial Security Insured Bonds. Financial Security makes no representation regarding this Official Statement, nor has it participated in the preparation thereof, except that Financial Security has provided to the City the information presented under this caption for inclusion in this Official Statement.

MBIA Insured Bonds

The Subseries H-2, Subseries H-5 and Subseries H-6 Bonds will be insured by MBIA (the "MBIA Insured Bonds"). The following information has been furnished by MBIA for use in this Official Statement. Reference is made to Appendix L for a specimen of the MBIA's policy.

The MBIA policy unconditionally and irrevocably guarantees the full and complete payment required to be made by or on the behalf of the City to the City's Fiscal Agent or its successor of an amount equal to (i) the principal of (either at the stated maturity or by an advancement of maturity pursuant to a mandatory sinking fund payment) and interest on, the MBIA Insured Bonds as such payments shall become due but shall not be so paid (except that in the event of any acceleration of the due date of such principal by reason of mandatory or optional redemption or acceleration resulting from default or otherwise, other than any advancement of maturity pursuant to a mandatory sinking fund payment, the payments guaranteed by the MBIA policy shall be made in such amounts and at such times as such payments of principal would have been due had there not been any such acceleration); and (ii) the reimbursement of any such payment which is subsequently recovered from any owner of the MBIA Insured Bonds pursuant to a final judgment by a court of competent jurisdiction that such payment constitutes an avoidable preference to such owner within the meaning of any applicable bankruptcy law (a "Preference").

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

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

MBIA is the principal operating subsidiary of MBIA Inc., a New York Stock Exchange listed company. MBIA Inc. is not obligated to pay the debts of or claims against MBIA. MBIA is a limited liability corporation rather than a several liability association. MBIA is domiciled in the State of New York and licensed to do business in all 50 states, the District of Columbia and the Commonwealth of Puerto Rico.

As of December 31, 1992, MBIA had admitted assets of $2.6 billion (audited), total liabilities of $1.7 billion (audited), and total capital and surplus of $896 million (audited) determined in accordance with statutory accounting practices prescribed or permitted by insurance regulatory authorities. As of December 31, 1993 MBIA had admitted assets of $3.1 billion (audited), total liabilities of $2.1 billion (audited), and total capital and surplus of $978 million (audited) determined in accordance with statutory accounting practices prescribed or permitted by insurance regulatory authorities. Copies of MBIA's year end financial statements prepared in accordance with statutory accounting practices are available from MBIA. The address of MBIA is 113 King Street, Armonk, New York 10504.

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

Standard & Poor's Ratings Group, a division of McGraw Hill ("Standard & Poor's"), rates all new issues insured by the MBIA "AAA" Prime Grade.

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

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

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

(This page has been left blank intentionally.)

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.

Bond Insurer: The issuer of a bond insurance policy on Tax-Exempt Adjustable Rate Bonds of a Subseries and maturity.

Bond Insurer Event of Insolvency: The occurrence and continuance of one or more of the following events:

(a) the issuance of an order of rehabilitation, liquidation or dissolution of the applicable Bond Insurer;

(b) the commencement by the applicable Bond Insurer of 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 including, without limitation, the appointment of a trustee, receiver, liquidator, custodian or other similar official for itself or any substantial part of its property;

(c) the consent of the applicable Bond Insurer to any relief referred to in the preceding clause (b) in an involuntary case or other proceeding commenced against it;

(d) the making by the applicable Bond Insurer of an assignment for the benefit of creditors;

(e) the failure of the applicable Bond Insurer to generally pay its debts as they become due;

(f) the initiation by the applicable Bond Insurer of any actions to authorize any of the foregoing; or

(g) the commencement of an involuntary case or other proceeding against the applicable 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 remaining undismissed and unstayed for a period of 60 days.

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.

Certificate: The certificate of the Deputy Comptroller for Finance under which the Bonds are being issued.

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.

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.

Event of Termination:

(a) a Bond Insurer Event of Insolvency shall have occurred with respect to the applicable Subseries of Bonds;

(b) the Bond Insurer shall fail, wholly or partially, to make a payment as required under the applicable bond insurance policy or under any bond insurance policy with respect to bonds of the City issued simultaneously with the applicable Subseries of Bonds;

(c) the applicable bond insurance policy is surrendered, cancelled or terminated, or amended or modified in any material respect, without the Subseries Bank's prior written consent; or

(d) the ratings assigned by Moody's and S&P to any debt insured by the applicable Bond Insurer are withdrawn or reduced below "Baa3" and "BBB-", respectively.

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.

Liquidity Condition: A Suspension Condition or an Event of Termination.

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

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. The Money Market Municipal Rate shall not exceed 9% per annum.

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 Liquidity 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.

Rating Agency: Each of Moody's Investors Service ("Moody's") and Standard & Poor's Corporation ("S&P") that has a rating in effect for a Subseries of Tax-Exempt Adjustable Rate Bonds.

Rating Confirmation: Evidence from each Rating Agency that its applicable rating will not be reduced or withdrawn solely as a result of an action to be taken by the City.

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 fifteenth day of the calendar month next preceding such Interest Payment Date.

Remarketing Agent: J.P. Morgan Securities Inc.

Scheduled Termination Date: The expiration date, as provided in each Liquidity Facility.

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 Liquidity Facility for a Subseries of Bonds.

Suspension Condition:

(a) a maturity of Tax-Exempt Adjustable Rate Bonds of a Subseries shall cease for any reason whatsoever to be valid, binding and enforceable general obligations of the City and the Bond Insurer shall not have either confirmed in writing that the bond insurance policy is in full force and effect or provided an opinion of internal counsel to the Bond Insurer or external counsel experienced in such matters to the effect that the bond insurance policy is in full force and effect notwithstanding the invalidity or unenforceability of the related Bonds;

(b) the Bond Insurer shall claim that the applicable bond insurance policy is not valid and binding on the Bond Insurer, and shall repudiate the obligations of the Bond Insurer thereunder, or the Bond Insurer shall initiate any legal proceedings (including an appellate proceeding) to seek an adjudication that such bond insurance policy is not valid and binding on the Bond Insurer;

(c) any governmental authority with competent jurisdiction shall announce, find or rule that the applicable Bond Insurance Policy is not valid and binding on the Bond Insurer; or

(d) the occurrencc of an event which, with the passage of time, the giving of notice or both, would become a Bond Insurer Event of Insolvency.

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 Liquidity 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. No Variable Rate shall exceed 9% per annum.

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.

(This page has been left blank intentionally.)

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 Liquidity Facilities between the City and the Banks, see "APPENDIX C—TAX-EXEMPT ADJUSTABLE RATE BONDS—Liquidity Facilities".

Banco Santander, New York Branch

Banco Santander (under this caption, the "Bank") was established in Spain in 1857. The Bank, together with its consolidated subsidiaries (the "Group"), is a universal bank engaging in commercial and investment banking in Spain and 27 other countries, including the main financial centers. At year-end 1993, the Group was the fourth largest banking group in Spain in terms of deposits and total assets. In addition, the Group had 1,359 branches in Spain, 381 abroad, and a total of 21,472 employees worldwide.

The Group's main business areas are retail banking, corporate banking, treasury and capital markets, and investment banking. At year-end 1993 (at an exchange rate as of the statement date of 142.21 Pesetas to 1.00 U.S. dollars), the Group had assets of $73.43 billion, shareholders' equity of $2.48 billion and BIS equity of $4.65 billion.

Net income for the Group in 1992 was Pesetas 59.2 billion ($414 million) and in 1993 was Pesetas 78 billion ($548.4 million) total assets of $56.83 billion. As of December 31, 1992, the Group had total assets of Pesetas 6.98 trillion ($48.7 billion) and stockholders' equity of approximately Pesetas 341.6 billion ($2.39 billion). As of December 31, 1993, the Group had total assets of approximately Pesetas 371.6 billion ($2.60 billion). The operating results, despite a weak Spanish economy and an increase in non-performing loans, were significantly aided by cost controls and the Bank's international operations. Approximately 61.4% of the Group's assets and 58% of its net profits for the year ending December 31, 1993 pertained to and were derived from its domestic operations.

The Group's Return on Average Assets for 1993 was 0.96% and the Return on Average Shareholders Equity was 20.35%. At year-end 1993, the Group's capital adequacy ratio stood at 12.46%.

Banco Santander shares are listed on the Barcelona, Bilbao, Madrid and Valencia stock exchanges in Spain, and are also traded in London, Tokyo, Frankfurt, Paris, Zurich, Geneva and Basel. Its shares are traded in the form of ADRs on the New York stock exchange under the symbol STD.

Banco Santander has been rated A1+/AA by Standard & Poor's, P1/Aa2 by Moody's Investors Service, and AA by IBCA (the same ratings given to the Kingdom of Spain). The Bank has also been rated AA+ by the rating agency Bankwatch, and recently obtained a AAA rating from IBCA for peseta bond issues in Spain.

For additional information, or to request a copy of the Bank's 1993 annual report in English, please contact Magaly Diaz at (212) 350-3693.

The information contained in this Appendix under this caption relates to and has been obtained from the Bank. Delivery of this Appendix shall not create any implication that there has been no change in the affairs of the Bank since the date hereof, or that the information contained or referred to in this Appendix under this caption is correct as of the time subsequent to the date of such information.

Banque Paribas, New York Branch

Banque Paribas is a wholly-owned subsidiary of Compagnie Financière de Paribas (the "Parent"). As of December 31, 1992 (on which date the exchange rate was approximately U.S. $1=F.F. 5.5065), Banque Paribas had assets in the amount equivalent to approximately F.F. 719 billion and deposits in an amount equivalent to approximately F.F. 150 billion; its net income (loss) for the year ended December 31, 1992 was equivalent to approximately 1,041 (F.F.) million (F.F. 839 million excluding minority interests). The applicable Liquidity Facility is the obligation of Banque Paribas and not of the Parent.

Banque Paribas maintains offices in approximately 55 countries. Commercial banking operations in the United States of America began in 1978, and currently Banque Paribas operates Banque Paribas, New York Branch, in New York and has other offices in Houston, Chicago, Dallas, Los Angeles and San Francisco and in Toronto.

The Parent was formed in 1872 as the result of the merger between Banque de Crédit de Dépots de Paya-Bas and Banque de Paris. Headquartered in Paris, the Parent is one of France's largest corporations and also one of the largest multinational and international companies around the world. The Parent prepares its consolidated financial statements in accordance with the methods and chart of accounts adopted by the banking industry in France, and its financial reports are audited by the French Statutory Auditors. As of December 31, 1992 (on which date the exchange rate was approximately U.S. $1=F.F. 5.5065), the Parent, on a consolidated basis, had assets equivalent to approximately 1,123 (F.F.) billion. Its net income (loss) for the year ended December 31, 1992 was equivalent to 2,214 (F.F.) million, and 886 (F.F.) million excluding minority interests. The Parent is a publicly held company.

Additional information relating to the Parent and Banque Paribas, including the Parent's annual statement of condition is on file at the offices of Banque Paribas and may be obtained by contacting its Chief Financial Officer at Banque Paribas, New York Branch, 787 Seventh Avenue, New York, New York 10019, telephone (212) 841-2000. The Parent's most recent annual statement of condition is incorporated in this Official Statement by reference.

The information contained in this Appendix under this caption relates to and has been obtained from Banque Paribas. Delivery of this Appendix shall not create any implication that there has been no change in the affairs of Banque Paribas since the date hereof, or that the information contained or referred to in this Appendix under this caption is correct as of the time subsequent to the date of such information.

Kredietbank N.V.

Kredietbank N.V., New York Branch (under this caption, the "Bank"), is an unincorporated branch of Kredietbank N.V. ("Kredietbank"), a naamloze vennootschap (public company of limited liability) organized under the laws of Belgium, whose principal office is located in Brussels, Belgium. Kredietbank conducts operations through additional offices and agencies in the United States and around the world. Kredietbank is subject to regulation by the Belgian Banking Commission and to Belgian banking accounting law. Kredietbank maintains its records and prepares its financial statements in Belgian francs (BEF) and in accordance with accounting principles generally accepted in Belgium. Amounts set forth below in U.S. dollars are included solely for the convenience of readers outside Belgium. Such dollar amounts were determined based on an exchange rate, as published by *The Wall Street Journal* on March 9, 1994 of BEF 35.31 = U.S. $1.00. The reader should note that Belgian accounting principles differ in certain respects from U.S. accounting principles.

As at December 31, 1992, Kredietbank was the third largest bank in Belgium as measured by total assets. At December 31, 1992 (the latest date for which audited financial information is available), Kredietbank had assets totalling BEF 1,930.0 billion (U.S. $54.7 billion), customers' deposits of BEF 775.6 billion (U.S. $22.0 billion) and stockholder's equity of BEF 61.9 billion (U.S. $1.8 billion). Kredietbank operates as a universal bank, engaged in commercial and investment banking, and offers comprehensive financial services. As at December 31, 1992, Kredietbank employed over 10,000 people and operated a network of branches in Belgium. In contrast with the two other major Belgian banks, Kredietbank's branches in Belgium are located exclusively in Flanders and Brussels. Kredietbank is indirectly represented through Credit General S.A. de Banque, a 59% subsidiary with 80 branches in the Walloon region and Brussels.

The Bank was established in 1977 and is licensed by the Banking Department of the State of New York to provide a full range of services in New York. The following table represents certain selected financial information concerning the Bank:

	December 31 Unaudited		
	1990	1991	1992
	(millions of US$)		
Total loans	$117.0	$ 66.9	$ 59.5
Total assets	619.0	966.3	590.4
Deposits	0.2	0.3	2.3
Letters of credit (including standby letters of credit)	114.2	168.8	257.9

In addition to handling foreign exchange transactions, the Bank is active in international payment transactions and the clearing of commercial payments and professional transactions in U.S. Dollars. The Bank is also involved in providing financial services, particularly credit, for European (including Belgian) companies operating in the United States, as well as for United States corporations.

The Bank will provide, without charge, a copy of Kredietbank's Annual Report for the year ended December 31, 1992, or any more recent publicly available Annual Report or press release on the Bank's financial condition. Written requests should be directed to: Kredietbank N.V., New York Branch, 125 West 55th Street, 10th Floor, New York, New York 10019, Attention: Stephen Castellani, (212) 541-0600.

The information contained in this Appendix under this caption relates to and has been obtained from the Bank. Delivery of this Appendix shall not create any implication that there has been no change in the affairs of the Bank since the date hereof, or that the information contained or referred to in this Appendix under this caption is correct as of the time subsequent to the date of such information.

Landesbank Hessen-Thüringen Girozentrale, New York Branch

LANDESBANK HESSEN-THÜRINGEN GIROZENTRALE ("HELABA") ranks among Germany's major banks with total assets of approximately $64.74 billion, shareholders' equity of approximately $1.24 billion, total loans of approximately $47.05 billion and total deposits of approximately $27.30 billion for the year ending December 31, 1992 (at December 31, 1992, the exchange rate was US $1 = DM 1.6140). The bank is one of the largest issuers of bank bonds and notes with a total of more than $24 billion outstanding. HELABA's Eurobonds and medium term notes have been rated AAA/Aaa by Standard & Poor's Corporation, Moody's Investors Services and IBCA Banking Analysis. Its short term deposits including its US commercial paper and its CD's have been rated A-1+/P-1.

HELABA is owned by the Savings Banks and Giro Association Hesse-Thüringia. The bank acts as the central bank for these savings banks in Hesse and Thüringia and as municipal bank for the municipalities/districts in these states. Headquartered in Frankfurt and Erfurt, HELABA concentrates on wholesale financial services offering comprehensive banking facilities for multinational corporations, central banks, public sector entities, and other financial institutions. HELABA has branch offices in London, New York and Grand Cayman and wholly-owned subsidiaries in Luxembourg, Dublin and Amsterdam. Representative offices are being maintained in Warsaw, Budapest and Prague.

The New York Branch of HELABA, licensed under New York law, provides a full range of wholesale commercial banking services in the New York City metropolitan area and throughout the United States. Upon written request, HELABA will provide without charge a copy of its most recent Annual Report. Requests should be directed to: Corporate Banking Dept., Attn: Senior Vice President, Landesbank Hessen-Thüringen Girozentrale, New York Branch, 499 Park Avenue, New York, New York 10022.

The information contained in this Appendix under this caption relates to and has been obtained from HELABA. Delivery of this Appendix shall not create any implication that there has been no change in the affairs of HELABA since the date hereof, or that the information contianed or referred to in this Appendix under this caption is correct as of the time subsequent to the date of such information.

Rabobank Nederland, New York Branch

Cooperatieve Centrale Raiffeisen-Boerenleenbank B.A., generally known as "Rabobank Nederland" (under this caption, the "Bank"), is a cooperative banking organization incorporated in the Netherlands, and acts as the central coordinating bank for the "Rabobank Group." The Rabobank Group consists of the Bank and certain subsidiaries and, as of December 31, 1992, 744 local banks which are cooperative companies incorporated in the Netherlands. The Rabobank Group is covered by a mutual guarantee which, with the approval of the Dutch authorities, permits a consolidated presentation of financial results. The Bank engages in a wide variety of commercial banking and related financial services in the Netherlands and internationally.

The applicable Liquidity Facility is being issued by a branch of the Bank located in New York City, which branch is a Federal branch licensed by the Comptroller of the Currency. The Federal branch is authorized to exercise substantially the same rights and privileges that are available to national banks at the same location, subject in general to the same duties, restrictions, reporting requirements, penalties, liabilities, conditions and limitations that apply to national banks at the same location.

As of December 31, 1992, and as calculated using accounting principles generally accepted in the Netherlands (which differ from those generally accepted in the United States), the Rabobank Group had total assets of Dfls. 232.7 billion (approximately $128.00 billion at the exchange rate in effect on December 31, 1992) and total "owned funds" of Dfls. 14.0 billion (approximately $7.70 billion at the exchange rate in effect on December 31, 1992). The Bank will provide without charge to each person to whom this Appendix is delivered, on the request of any such person, a copy of the Rabobank Group's most recent Annual Report. Written requests should be directed to Rabobank Nederland, New York Branch, 245 Park Avenue, New York, New York 10167, Attention: Credit Department.

In addition, the Bank is required to file annual reports on Form F.R. Y-7 with the Federal Reserve Bank of New York that include information relating to the financial condition of the Bank as a whole and that of the United States banking activities of the Bank. The non-confidential portions of such annual reports are available to the public upon request from the Federal Reserve Bank of New York.

The information contained in this Appendix under this caption relates to and has been obtained from the Bank. Delivery of this Appendix shall not create any implication that there has been no change in the affairs of the Bank since the date hereof, or that the information contained or referred to in this Appendix under this caption is correct as of any time subsequent to the date of such information.

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 first day of each February and August (June and December for Bonds of Fiscal 1994 Series I), 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 FGIC-SPI 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 FGIC-SPI Liquidity Facility if the FGIC-SPI 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

Subject to the Bond Insurer Events, 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.

Unless a Bond Insurer Event occurs, each 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.

Unless a Bond Insurer Event occurs, each 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 "FGIC-SPI 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 FGIC-SPI 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 "FGIC-SPI 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 FGIC-SPI 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 FGIC-SPI 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 FGIC-SPI 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 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.

FGIC-SPI 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 FGIC-SPI Liquidity Facility. Under the FGIC-SPI 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, subject to the Bond Insurer Events. 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%.

Unless a Bond Insurer Event occurs, 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.

Unless a Bond Insurer Event occurs, 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 FGIC-SPI Liquidity Facility if the Liquidity Facility is not extended or replaced. The Scheduled Termination Date of the FGIC-SPI Liquidity Facility is April 7, 1999.

The obligation of the Liquidity Provider to purchase Taxable Adjustable Rate Bonds pursuant and subject to the terms and conditions of the FGIC-SPI Liquidity Facility is irrevocable and constitutes an extension of credit to the City for the benefit of the Bondholders at the time the FGIC-SPI 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 FGIC-SPI 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 FGIC-SPI 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 POLICIES".

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 State Street Bank and Trust Company, N.A., or its successor as its agent ("Financial Guaranty'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. Financial Guaranty's Fiscal Agent will disburse such amount due on any Financial Guaranty Insured Bond to its owner upon receipt by Financial Guaranty's Fiscal Agent of evidence satisfactory to Financial Guaranty'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.

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 Financial Guaranty Insured 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 Financial Guaranty Insured Bonds and references should be made to such section for a discussion of such ratings and the basis for their assignment to the Financial Guaranty Insured 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, 1993 the total capital and surplus of Financial Guaranty was approximately $777,000,000. 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.

FGIC-SPI Liquidity Facility: The Standby Bond Purchase Agreement with the Liquidity Provider, dated as of April 7, 1994, as it 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 FGIC-SPI 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 FGIC-SPI 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
(Taxable Adjustable Rate Bonds)

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 FGIC-SPI 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 Holdings, Inc., 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 7 World Trade Center, New York, New York 10048 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 Financial Guaranty Insured Adjustable Rate Bonds an annual report or other report containing financial information.

A Prospectus Supplement 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 Financial Guaranty Insured 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 Financial Guaranty Insured 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 Financial Guaranty Insured 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 7 World Trade Center, New York, New York 10048 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					Nine Months Ended
1988	**1989**	**1990**	**1991**	**1992**	**September 25, 1993**
1.30	1.30	1.31	1.34	1.44	1.66

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

The City expects to refund City bonds by providing for the payment of the principal of, redemption premiums, if any, and interest on such bonds to the payment dates set forth below. The refunding is contingent upon delivery of the Bonds.

The bonds to be refunded are being refunded in whole or in part as indicated in the notes.

Refunded bonds that are to be paid at maturity, if redeemable by their terms, may be called for redemption at the option of the City if the escrow account is hereafter restructured to provide for their redemption. Any such restructuring must preserve (a) the sufficiency of the escrow account to pay the principal, interest to maturity or redemption, and any redemption premium on all the refunded bonds and (b) the exclusion from gross income for Federal income tax purposes of interest on the Tax-Exempt Bonds and the tax-exempt refunded bonds.

Series	Dated Date	Tax-Exempt Maturities Being Refunded	Credit Enhancer of Bonds	Payment Date	Amount Being Refunded
1986C	03/01/1986	09/01/2002	FGIC	09/01/2002	$ 2,960,000(1)
1986C	03/01/1986	09/01/2003	FGIC	09/01/2003	3,325,000(1)
1987C	12/01/1986	02/01/1997	FGIC	02/01/1997	8,160,000(1)
1987C	12/01/1986	02/01/2004	FGIC	02/01/2004	8,700,000(1)
1987C	12/01/1986	02/01/2008	FGIC	02/01/2008	4,000,000(1)
1987C	12/01/1986	02/01/2009	FGIC	02/01/2009	2,000,000(1)
1987C	12/01/1986	02/01/2013	FGIC	02/01/2013	3,390,000(1)
1987D	05/15/1987	08/01/1999	FGIC	08/01/1999	18,255,000(1)
1987D	05/15/1987	08/01/2004	BIG	08/01/1997	18,235,000(1)
1987D	05/15/1987	08/01/2005	BIG	08/01/1997	18,235,000(1)
1987D	05/15/1987	08/01/2006	BIG	08/01/1997	18,235,000(1)
1988A	11/12/1987	11/01/1995	MBIA	11/01/1995	1,110,000(1)
1988A	11/12/1987	11/01/1997	MBIA	11/01/1997	7,055,000(1)
1988A	11/12/1987	11/01/2001	AMBAC	11/01/2001	15,000,000(1)
1988A	11/12/1987	11/01/2002	BIG	11/01/2002	700,000(1)
1988A	11/12/1987	11/01/2004	FGIC	11/01/1997	16,655,000(2)
1988A	11/12/1987	11/01/2005	FGIC	11/01/1997	16,655,000(2)
1988A	11/12/1987	11/01/2006	FGIC	11/01/1997	16,655,000(2)
1988B	02/18/1988	08/01/1995	MBIA	08/01/1995	4,075,000(1)
1988B	02/18/1988	08/01/2003	FGIC	08/01/2003	2,000,000(1)
1988B	02/18/1988	08/01/2004	FGIC	08/01/2004	1,000,000(1)
1989A	08/25/1988	08/15/2001	FGIC	08/15/1996	1,000,000(1)
1989B	12/15/1988	12/01/1997	FGIC	12/01/1996	5,990,000(1)
1989E	06/14/1989	12/01/2000	FGIC	12/01/1997	12,040,000(2)
1990F	02/23/1990	08/01/1999	FGIC	08/01/1998	3,185,000(3)
1990H	04/09/1990	08/01/1998	FGIC	08/01/1998	15,500,000(1)
1990H	04/09/1990	08/01/1999	FGIC	08/01/1999	15,500,000(1)
1991B	12/20/1990	06/01/2004	AMBAC	06/01/2001	16,000,000(3)
1992C	01/07/1992	08/01/1995	MBIA	08/01/1995	$12,620,000(1)

Series	Dated Date	Tax-Exempt Maturities Being Refunded	Credit Enhancer of Bonds	Payment Date	Amount Being Refunded
1992C	01/07/1992	08/01/1996	MBIA	08/01/1996	20,340,000(1)
1992C	01/07/1992	08/01/1997	MBIA	08/01/1997	3,035,000(1)
1992C	01/07/1992	08/01/1999	MBIA	08/01/1999	5,610,000(1)
1992C	01/07/1992	08/01/2006	MBIA	08/01/2002	26,400,000(1)
1992C	01/07/1992	08/01/2007	MBIA	08/01/2002	26,400,000(1)
1992C	01/07/1992	08/01/2008	MBIA	08/01/2002	26,400,000(1)
1992C	01/07/1992	08/01/2009	FSA	08/01/2002	26,400,000(1)
1992C	01/07/1992	08/01/2010	FSA	08/01/2002	31,800,000(1)
1992C	01/07/1992	08/01/2011	FSA	08/01/2002	31,800,000(1)
1992C	01/07/1992	08/01/2012	MBIA	08/01/2002	38,000,000(1)
1992C	01/07/1992	08/01/2013	MBIA	08/01/2002	38,000,000(1)
1992C	01/07/1992	08/01/2014	MBIA	08/01/2002	38,000,000(1)
1992C	01/07/1992	08/01/2015	AMBAC	08/01/2002	39,600,000(1)
		Taxable Maturities Being Refunded			
1990E	12/14/1989	06/01/1994	None	06/01/1994	32,145,000(2)

(1) A portion of the bonds of this maturity that are enhanced by this credit enhancer is being refunded.
(2) All of the bonds of this maturity are being refunded.
(3) All of the bonds of this maturity are being refunded, except those bonds that have previously been refunded.

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 5AB
TELEPHONE: 071-606-1888
FACSIMILE: 071-796-1807

April 12, 1994

HONORABLE ALAN G. HEVESI
Comptroller
The City of New York
Municipal Building
New York, New York 10007

Dear Comptroller Hevesi:

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 $1,035,365,000 General Obligation Bonds, Fiscal 1994 Series H, and $34,205,000 General Obligation Bonds, Fiscal 1994 Series I (together, the "Bonds").

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

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

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

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

3. Except as provided in the following sentence, interest on the Bonds 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 Bonds in the event of a failure by the City to comply with the applicable requirements of the Internal Revenue Code of 1986, as amended (the "Code"), and the covenants regarding use, expenditure and investment of bond proceeds and the timely payment of certain investment earnings to the United States Treasury;

and we render no opinion as to the exclusion from gross income of interest on the 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 ourselves.

All Fiscal 1994 Series H Bonds are Tax-Exempt Bonds except the Bonds of Subseries H-7.

All Fiscal 1994 Series I Bonds are Tax-Exempt Bonds except those issued with adjustable rates of interest.

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 any maturity of Tax-Exempt Bonds and the initial offering price of such Bonds to the public at which price a substantial amount of such maturity is sold 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 Tax-Exempt Bonds with original issue discount 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, POSTON & SEGUE
1114 AVENUE OF THE AMERICAS
16TH FLOOR
NEW YORK, NEW YORK 10036
(212) 944-1095 FAX: (212) 944-9212

JOSEPH N. BARNES
JOHN P. DeMAIO
DARWYN P. FAIR*
JANIS P. FARRELL
PERLESTA A. HOLLINGSWORTH****
VINCENT P. McGHEE***
RAYFIELD M. McGHEE***
MICHAEL B. McKENZIE
SHEREA A. McKENZIE**
RICHARD L. MAYS****
CARL C. POSTON**
EARL L. SCOTT
TAYLOR C. SEGUE, III*
THOMAS E. WORRELL

ROBERT L. BERMAN
VALERIE A. MOLINARO
OF COUNSEL

MEMBERS OF THE NEW YORK BAR
*MEMBER OF THE MICHIGAN BAR
** MEMBER OF THE TEXAS BAR
***MEMBER OF THE FLORIDA BAR
****MEMBER OF THE ARKANSAS BAR

FLORIDA OFFICE
10800 BISCAYNE BOULEVARD
SUITE 320
MIAMI, FLORIDA 33181
(305) 892-4536
FAX: (305) 893 7499

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

MICHIGAN OFFICE
100 RENAISSANCE CENTER
SUITE 1850
DETROIT, MICHIGAN 48434
(313) 259-6344
FAX: (313) 259-8378

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

April 12, 1994

HONORABLE ALAN G. HEVESI
Comptroller
The City of New York
Municipal Building
New York, New York 10007

Dear Comptroller Hevesi:

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 $1,035,365,000 General Obligation Bonds, Fiscal 1994 Series H, and $34,205,000 General Obligation Bonds, Fiscal 1994 Series I (together, the "Bonds").

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

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

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

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

3. Except as provided in the following sentence, interest on the Bonds 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 Bonds in the event of a failure by the City to comply with the applicable requirements of the Internal Revenue Code of 1986, as amended (the "Code"), and the covenants regarding use, expenditure and investment of bond proceeds and the timely payment of certain investment earnings to the United States Treasury;

and we render no opinion as to the exclusion from gross income of interest on the 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 ourselves.

All Fiscal 1994 Series H Bonds are Tax-Exempt Bonds except the Bonds of Subseries H-7.

All Fiscal 1994 Series I Bonds are Tax-Exempt Bonds except those issued with adjustable rates of interest.

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 any maturity of Tax-Exempt Bonds and the initial offering price of such Bonds to the public at which price a substantial amount of such maturity is sold 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 Tax-Exempt Bonds with original issue discount 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,

AMBAC Municipal Bond Insurance Policy

AMBAC Indemnity Corporation
c/o CT Corporation Systems
44 East Mifflin St., Madison, Wisconsin 53703
Administrative Office:
One State Street Plaza, New York, NY 10004
Telephone: (212) 668-0340

Issuer: Policy Number:

Bonds: Premium:

AMBAC Indemnity Corporation (AMBAC) A Wisconsin Stock Insurance Company

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

AMBAC will make such payments to the Insurance Trustee within one (1) business day following notification to AMBAC of Nonpayment. Upon a Bondholder's presentation and surrender to the Insurance Trustee of such unpaid Bonds or appurtenant coupons, uncanceled and in bearer form and free of any adverse claim, the Insurance Trustee will disburse to the Bondholder the face amount of principal and interest which is then Due for Payment but is unpaid. Upon such disbursement, AMBAC shall become the owner of the surrendered Bonds and coupons and shall be fully subrogated to all of the Bondholder's rights to payment.

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

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

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

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

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

President

AMBAC INDEMNITY CORPORATION CORPORATE SEAL WISCONSIN

Secretary

Effective Date:

Authorized Representative

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

Cynthia Chaney
Authorized Officer

Form # 566-0003 (8/92)

AMBAC®

AMBAC Indemnity Corporation
c/o CT Corporation Systems
44 East Mifflin Street
Madison, Wisconsin 53703
Administrative Office:
One State Street Plaza
New York, NY 10004
Telephone: (212) 668-0340

Endorsement

Policy issued to:

Attached to and forming part of

Effective Date of Endorsement:

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

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

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

AMBAC Indemnity Corporation

President

Secretary

Authorized Representative

FINANCIAL SECURITY ASSURANCE

MUNICIPAL BOND INSURANCE POLICY

ISSUER:

Policy No.:

Effective Date:

BONDS:

Premium:

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

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

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

Policy No.

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

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

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

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

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

FINANCIAL SECURITY ASSURANCE INC.

By______________________________

Authorized Officer

A subsidiary of Financial Security Assurance Holdings Ltd.
350 Park Avenue, New York, N.Y. 10022-6022 (212) 826-0100

Form 500NY (5/90)

ENDORSEMENT NO. TO MUNICIPAL BOND INSURANCE POLICY (Maximum Insured Rate)

ISSUER: Policy No.:

Effective Date:

BONDS:

Notwithstanding the terms and provisions contained in this Policy, it is further understood that the term "interest" shall include the interest payable on the Bonds accruing at a rate not in excess of [ ]% per annum [the maximum insured rate].

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

FINANCIAL SECURITY ASSURANCE INC.

By______________________________

Authorized Officer

A subsidiary of Financial Security Assurance Holdings Ltd.
350 Park Avenue, New York, N.Y. 10022-6022
(212) 826-0100

Form No. 550NY (6/90)

FINANCIAL GUARANTY INSURANCE POLICY

Municipal Bond Investors Assurance Corporation
Armonk, New York 10504

Policy No. [NUMBER]

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

[PAR]
[LEGAL NAME OF ISSUE]

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

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

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

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

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

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

MUNICIPAL BOND INVESTORS ASSURANCE CORPORATION

____
President

Attest: ______________________
Assistant Secretary

STD-R-NY-5
1/1/94

ENDORSEMENT

Attached to Policy No. ____________ issued by Municipal Bond Investors Assurance Corporation (the "Insurer") with respect to ____________________________________ (the "Obligations").

Notwithstanding the terms and conditions contained in the Policy, it is further understood that the term "Insured Amounts" shall not include amounts payable as interest on the Obligations which are in excess of 12%.

IN WITNESS WHEREOF, the Insurer has caused this endorsement to be executed on its behalf by its duly authorized officers, this ____ day of ______________, 1994.

MUNICIPAL BOND INVESTORS ASSURANCE CORPORATION

By ________________________________
President

Attest:

By ________________________________
Assistant Secretary

01/83172.1

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

FGIC.

A GE Capital Company

Municipal Bond
New Issue Insurance Policy

Issuer:

Policy Number:

Control Number:

Bonds:

Premium:

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

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

FGIC

A GE Capital Company

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**

SPECIMEN

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

Authorized Officer

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

A GE Capital Company

FGIC.

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.

SPECIMEN

President

Effective Date: **Authorized Representative**

Acknowledged as of the Effective Date written above:

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

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

FGIC

A GE Capital Company

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 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

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

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

(This page has been left blank intentionally.)

(This page has been left blank intentionally.)

(This page has been left blank intentionally.)

MSRB

44278

DO NOT STAPLE THIS FORM

FORM G-36(OS) — FOR OFFICIAL STATEMENTS

1. NAME OF ISSUER(S): (1) THE CITY OF NEW YORK GENERAL OBLIGATION

(2) ______

2. DESCRIPTION OF ISSUE(S): (1) BONDS, FISCAL 1994 SERIES H AND I

(2) ______

3. STATE(S) NEW YORK

4. DATED DATE(S): (1) 4.12-94 (2) ______

5. DATE OF FINAL MATURITY OF OFFERING 6.1.2023 6. DATE OF SALE 3.24.94

7. PAR VALUE OF OFFERING $ 1,069,570,000

8. PAR AMOUNT UNDERWRITTEN (if there is no underwriting syndicate) $ ______

9. IS THIS AN AMENDED OR STICKERED OFFICIAL STATEMENT? ☐ Yes ☒ No

10. CHECK ALL THAT APPLY:

a. ☐ At the option of the holder thereof, all securities in this offering may be tendered to the issuer of such securities or its designated agent for redemption or purchase at par value or more at least as frequently as every nine months until maturity, earlier redemption, or purchase by the issuer or its designated agent.

b. ☐ At the option of the holder thereof, all securities in this offering may be tendered to the issuer of such securities or its designated agent for redemption or purchase at par value or more at least as frequently as every two years until maturity, earlier redemption, or purchase by the issuer or its designated agent.

c. ☐ This offering is exempt from SEC rule 15c2-12 under section (c)(1) of that rule. Section (c)(1) of SEC rule 15c2-12 states that an offering is exempt from the requirements of the rule if the securities offered have authorized denominations of $100,000 or more and are sold to no more than 35 persons each of whom the participating underwriter believes: (1) has the knowledge and expertise necessary to evaluate the merits and risks of the investment; and (2) is not purchasing for more than one account, with a view toward distributing the securities.

11. MANAGING UNDERWRITER J P MORGAN SECURITIES, INC

16. MATURITY DATE	CUSIP NUMBER	MATURITY DATE	CUSIP NUMBER
6-1-94	6496473F9	8-1-06	649653NG
8-1-95	6496485D0	6-1-05	649653NA1
8-1-96	6496485E8	6-1-06	649653NT7
6-1-95	6496485F5	8-1-07	649654PY0
6-1-96	6496485G3	8-1-08	649654PZ
8-1-97	6496492X7	8-1-09	649655NA
8-1-98	6496492Y5	8-1-10	649655NB9
6-1-97	6496493R4	8-1-11	649655NE7
8-1-99	649650H76	6-1-19	649660Q 3
8-1-00	649650H84	6-1-20	649660QR1
6-1-99	649650H92	6-1-21	649660QS9
6-1-00	649650J25	6-1-22	649660QT
8-1-01	649651UX2	6-1-23	649660QU4
8-1-02	649651UY0		
6-1-01	649651UZ7		
6-1-02	649651VA		
8-1-03	649652TA2		
8-1-04	649652TB0		
6-1-04	649652TE4		
8-1-05	649653NF5		

RECEIVED
APR - 4 1994

17. MS rule G-34 requires that CUSIP numbers be assigned to each new issue of municipal securities unless the issue is inel ble 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 Rulem Board, 1818 N Street, NW, Suite 800, Washington, DC 20036-2491. Incomplete submissions will be returned for corre