NEW ISSUE

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

$790,795,000

The City of New York

General Obligation Bonds, Fiscal 1995 Series A

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

The Bonds will be issued as registered bonds. Bonds maturing after 1994 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. Purchasers of Bonds maturing after 1994 will not receive certificates representing their ownership interest in the Bonds purchased. See "SECTION II: THE BONDS—Bond Certificates".

Interest on the Bonds maturing after 1994 will be payable semiannually, beginning February 1, 1995 and on each August 1 and February 1 thereafter. The Bonds can be purchased in principal amounts of $5,000 or any integral multiple thereof. The Bonds are subject to redemption prior to maturity as described in "SECTION II: THE BONDS—Optional Redemption".

Maturity	Amount	Interest Rate	Price or Yield
1994	$51,955,000	4 %	100 %
1995	31,575,000	5	4.00
1996	33,100,000	4.40	4.50
1997	34,635,000	4.80	4.90
1998	36,415,000	5	5.10
1999	37,485,000	5¼	5.35
2000	41,360,000	5.40	5.55
2001	41,880,000	5⅝	5.75
2002	48,090,000	5¾	5.85

Maturity	Amount	Interest Rate	Yield
2003	$30,685,000	5.80%	5.95%
2003	20,000,000	7	5.95
2004	51,945,000	7	6.05
2005	58,030,000	6	6.15
2006	56,120,000	6⅛	6.25
2007	58,900,000	6.20	6.30
2008	61,890,000	6¼	6.35
2009	60,730,000	6¼	6.40
2010	36,000,000	6¼	6.45

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 July 28, 1994.

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

Bear, Stearns & Co. Inc. — **CS First Boston**
Goldman, Sachs & Co. — **Lehman Brothers** — **J.P. Morgan Securities Inc.**

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 Inc. — **Dean Witter Reynolds Inc.**

July 21, 1994

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

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

OFFICIAL STATEMENT OF THE CITY OF NEW YORK

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

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 $790,795,000 aggregate principal amount of the City's General Obligation Bonds, Fiscal 1995 Series A (the "Bonds").

INTRODUCTORY STATEMENT

The Bonds will be general obligations of the City for the payment of which the City will pledge its faith and credit. All real property subject to taxation by the City will be subject to the levy of *ad valorem* taxes, without limitation as to rate or amount, to pay the principal of, applicable redemption premium, if any, and interest on the Bonds.

The City, with a population of approximately 7.3 million, is an international center of business and culture. Its non-manufacturing economy is broadly based, with the banking and securities, life insurance, communications, publishing, fashion design, retailing and construction industries accounting for a significant portion of the City's total employment earnings. Additionally, the City is the nation's leading tourist destination. Manufacturing activity in the City is conducted primarily in apparel and printing.

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. For fiscal year 1995, the City has adopted a budget which has halted the trend in recent years of substantial increases in City spending from one year to the next. 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: 1995-1998 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 completed its 1994 fiscal year with a cash-basis General Fund (the major operating fund of the State) positive balance of $1.026 billion. The State's 1994-5 Financial Plan 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 expenditures. See "SECTION I: RECENT FINANCIAL DEVELOPMENTS—The State".

The Mayor is responsible for preparing the City's four-year financial plan, including the City's current financial plan for the 1995 through 1998 fiscal years (the "1995-1998 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 provision of State and Federal aid and mandate relief. See "SECTION VII: 1995-1998 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 1995 through 1998 contemplates the issuance of $10.4 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 and expenditures may be different from those forecast in the City's financial plans. 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 City's financial plans. It is reasonable to expect that such reports and statements will continue to be issued and to engender public comment. See "SECTION VII: 1995-1998 FINANCIAL PLAN—Certain Reports". For information concerning the City's credit rating, see "SECTION IX: OTHER INFORMATION—Ratings".

The factors affecting the City's financial condition and the Bonds described throughout this Official Statement are complex and are not intended to be summarized in this Introductory Statement. This Official Statement should be read in its entirety.

SECTION I: RECENT FINANCIAL DEVELOPMENTS

Fiscal Years 1993 and 1994

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

On July 8, 1994, the City submitted to the Control Board a fourth quarter modification to the City's financial plan for the 1994 fiscal year (the "1994 Modification") which projects a balanced budget in accordance with GAAP for the 1994 fiscal year, after taking into account a discretionary transfer of $171 million in resources to the 1995 fiscal year. For changes in forecasted revenues and expenditures since the City's financial plan submitted to the Control Board on August 30, 1993, which are reflected in the 1994 Modification, see "SECTION VI: FINANCIAL OPERATIONS—Forecast of 1994 Results".

1995-1998 Financial Plan

On July 8, 1994, the City submitted to the Control Board the Financial Plan for the 1995-1998 fiscal years, which relates to the City, the Board of Education ("BOE") and the City University of New York ("CUNY"). The Financial Plan is based on the City's expense and capital budgets for the City's 1995 fiscal year, which were adopted on June 23, 1994.

The 1995-1998 Financial Plan projects revenues and expenditures for the 1995 fiscal year balanced in accordance with GAAP. The projections for the 1995 fiscal year reflect proposed actions to close a previously projected gap of approximately $2.3 billion for the 1995 fiscal year, which include City actions aggregating $1.9 billion, a $288 million increase in State actions over the 1994 and 1995 fiscal years, and a $200 million increase in Federal assistance. The City actions include proposed agency actions aggregating $1.1 billion, including productivity savings; tax and fee enforcement initiatives; service reductions; and savings from the restructuring of City services. City actions also include savings of $45 million resulting from proposed tort reform, the projected transfer to the 1995 fiscal year of $171 million of the projected 1994 fiscal year surplus, savings of $200 million for employee health care costs, $51 million in reduced pension costs, savings of $225 million from refinancing City bonds and $65 million from the proposed sale of certain City assets. The proposed savings for employee health care costs are subject to collective bargaining negotiation with the City's unions; the proposed savings from tort reform will require the approval of the State Legislature; and the $200 million increase in Federal assistance is subject to approval by Congress and the President.

The Financial Plan also sets forth projections for the 1996 through 1998 fiscal years and outlines a proposed gap-closing program to close projected gaps of $1.5 billion, $2.0 billion and $2.4 billion for the 1996 through 1998 fiscal years, respectively, after successful implementation of the $2.3 billion gap-closing program for the 1995 fiscal year.

The projections for the 1996 through 1998 fiscal years assume the extension by the State Legislature of the 14% personal income tax surcharge beyond calendar year 1995 and extension of the 12.5% personal income tax surcharge beyond calendar year 1996, resulting in combined revenues of $159 million, $633 million and $920 million in the 1996, 1997 and 1998 fiscal years, respectively. However, as part of the tax reduction program reflected in the Financial Plan, the City is proposing the elimination of the 12.5% personal income tax surcharge when it expires at a cost of $184 million in fiscal year 1997 and $455 million in fiscal year 1998. The proposed gap-closing actions include City actions aggregating $1.2 billion, $1.5 billion and $1.7 billion in the 1996 through 1998 fiscal years, respectively; $275 million, $375 million and $525 million in proposed additional State actions in the 1996 through 1998 fiscal years, respectively, primarily from the proposed State assumption of certain Medicaid costs; and $100 million and $200 million in proposed additional Federal assistance in the 1997 and 1998 fiscal years, respectively. The proposed additional City actions, a substantial number of which are unspecified, include additional spending reductions, the reduction of City personnel through attrition, government efficiency initiatives, procurement initiatives, labor productivity initiatives, and the proposed privatization of City sewage treatment plants. Certain of these initiatives may be subject to negotiation with the City's municipal unions. Various actions proposed in the Financial Plan for the 1996-1998 fiscal years, including the proposed state actions, are subject to approval by the Governor and the State Legislature, and the proposed increase in Federal assistance is subject to approval by Congress and the President. The State Legislature has in previous legislative sessions failed to approve certain of the City's proposals for the State assumption of certain Medicaid costs and mandate relief, thereby increasing the uncertainty as to the receipt of the State assistance included in the Financial Plan. In addition, the Financial Plan assumes the continuation of the current assumption with respect to wages for City employees and the assumed 9% earnings on pension fund assets affecting the City's pension fund contributions. Actual earnings on pension fund assets for the 1994 fiscal year are expected to be substantially below the 9% assumed rate, which will increase the City's future pension contributions. In addition, a review of the pension fund earnings assumptions is currently being conducted which could further increase the City's future pension contributions by a substantial amount.

The City expects that tax revenue for the 1994 fiscal year will be approximately $65 million less than forecast in the 1994 Modification, primarily due to shortfalls in the personal income tax and sales tax, and that expenditures will be approximately $25 million greater than forecast. Accordingly, the $171 million of the projected surplus for the 1994 fiscal year, which is currently projected in the 1994 Modification and the Financial Plan to be transferred to the 1995 fiscal year, will decrease to $81 million. As a result, the City will reduce expenditures for the 1995 fiscal year to offset this decrease, which is expected to be reflected in the first quarter modification to the Financial Plan. In addition, the Financial Plan assumes that a special session of the State Legislature, which may take place in the near future, will enact, and the Governor will sign, State legislation relating to the proposed tort reform, which would save the City $45 million in payments for tort liability in fiscal year 1995, and certain anticipated improvements in fine and fee collections forecast to earn $25 million in City revenue in fiscal year 1995, and that the State Legislature will not enact proposed legislation mandating additional pension benefits for City retirees costing the City approximately $200 million annually. To address these and other possible contingencies, on July 11, 1994, the Mayor stated that he will reserve $100 million from authorized spending by City agencies in fiscal year 1995 in addition to the existing general reserves of $150 million. In addition, the City has identified a $360 million contingency program for the 1995 fiscal year, primarily consisting of layoffs and service reductions.

The City's financial plans have been the subject of extensive public comment and criticism. On July 11, 1994 the City Comptroller issued a report on the adopted budget. In the report the City Comptroller identified risks for the 1995 fiscal year in the adopted budget. The City Comptroller stated that if none of the uncertain proposals are implemented, the total risk could be as much as $1.02 billion. See "SECTION VII: 1995-1998 FINANCIAL PLAN—Certain Reports."

Collective Bargaining Agreements

In January 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. Between April 1993 and May 1994 the City announced agreements with the Uniformed Fire Officers Association (the "UFOA"), the United Federation of Teachers ("UFT"), the Housing Authority Police Benevolent Association ("HAPBA") and the Uniformed Firefighters Association ("UFA"), and recently announced tentative settlements with the Transit Police Benevolent Association ("TPBA") and the Patrolmen's Benevolent Association ("PBA"), all of which are generally consistent with the coalition agreement. The TPBA's delegate body has rejected the tentative settlement and the PBA's delegate body has ratified it. 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 $130 million for the 1995 fiscal year, $140 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: 1995-1998 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 and the State completed its 1994 fiscal year with a cash-basis positive balance of $1.026 billion in the State's General Fund (the major operating fund of the State).

The State's 1994-95 Financial Plan, which is based upon the enacted State budget, projects a balanced General Fund. The State's 1994-95 Financial Plan provided the City with savings through various actions, which include increased State education aid and State assumption of certain costs previously paid by the City and restoration of certain prior year revenue sharing reductions. However, the State Legislature failed to enact a substantial portion of the proposed state assumption of local Medicaid costs, other significant mandate relief items, and certain Medicaid cost containment items proposed by the Governor, which would have provided the City with additional savings. 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 consumer attitudes towards spending, Federal financial and monetary policies, the availability of credit and the condition of the world economy. For further information concerning the State, including the State's credit ratings, see "SECTION VII: 1995-1998 FINANCIAL PLAN—Assumptions".

SECTION II: THE BONDS

General

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

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 convenant to comply with the financial reporting requirements of the Act, as in effect from time to time.

The State pledges and agrees in the Financial Emergency Act that the State will not take any action that will impair the power of the City to comply with the covenants described in the preceding paragraph (the "City Covenants") or any right or remedy of any owner of the Bonds to enforce the City Covenants (the "State Pledge and Agreement"). 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 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 City may select amounts and maturities of Bonds for optional redemption in its sole discretion.

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

Use of Proceeds

The proceeds from the sale of the Bonds will be used for refunding purposes including certain expenses of the City incurred in connection with the issuance and sale of the Bonds. The proceeds from the sale of the Bonds are expected to be used to refund the bonds identified in Appendix C 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 Certificates

Book-Entry Only System

The Bonds will be issued as registered bonds. The Bonds maturing in 1994 will be issued in denominations of $5,000 or an integral multiple thereof and principal of and interest on such Bonds will be payable in lawful money of the United States of America at the office of the Fiscal Agent. The Bonds maturing in 1995 and thereafter will be payable as described in "*Book-Entry Only System*" below. As used in "*Book-Entry Only System*", "Bonds" means all Bonds maturing in 1995 and thereafter.

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

DTC is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds securities that its 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.

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

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

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

Payments and Transfers

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

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

Discontinuance of the Book-Entry Only System

In the event that the book-entry only system is discontinued, the City will authenticate and make available for delivery Bonds in the form of registered certificates. In addition, the following provisions would apply: principal of the Bonds and redemption premium, if any, will be payable in lawful money of the United States of America at the office of the Fiscal Agent, The Chase Manhattan Bank, N.A., if by hand, One Chase Manhattan Plaza—Level 1B, New York, New York 10081, Attn: Municipal Bond Redemption Window; if by mail, 4 Chase Metrotech Center, Brooklyn, New York 11245, Attn: Box 2020, or any successor fiscal agent designated by the City and interest on the Bonds will be payable by wire transfer or by check mailed to the respective addresses of the registered owners thereof as shown on the registration books of the City as of the close of business on the fifteenth day of the calendar month immediately preceding the applicable interest payment date.

SECTION III: GOVERNMENT AND FINANCIAL CONTROLS

Structure of City Government

The City of New York is divided into five counties, which correspond to its five boroughs. The City, however, is the only unit of local government within its territorial jurisdiction with authority to levy and collect taxes, and is the unit of local government primarily responsible for service delivery. Responsibility for governing the City is currently vested by the City Charter in the Mayor, the City Comptroller, the City Council, 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 June 1994, a proceeding was commenced by the members of the Assembly representing Staten Island against the speaker and the Assembly "home rule" counsel challenging the validity of their determination and seeking to have it rescinded. If any such enabling legislation were passed, it 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 applies 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 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: 1995-1998 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 and imminence of the occurrence of any one of certain events specified in the Act. These events are (i) failure by the City to pay principal of or interest on any of its notes or bonds when due or payable, (ii) the existence of a City operating deficit of more than $100 million, (iii) issuance by the City of notes in violation of certain restrictions on short-term borrowing imposed by the Act, (iv) any violation by the City of any provision of the Act which substantially impairs the ability of the City to pay principal of or interest on its bonds or notes when due and payable or its ability to adopt or adhere to an operating budget balanced in accordance with the Act, or (v) joint certification by the State and City

Comptrollers that they could not at that time make a joint certification that sales of securities in the public credit market by or for the benefit of the City during the immediately preceding fiscal year and the current fiscal year satisfied its capital and seasonal financing requirements during such period and that there is a substantial likelihood that such securities can be sold in the general public market from the date of the joint certification through the end of the next succeeding fiscal year in amounts that will satisfy substantially all of the capital and seasonal financing requirements of the City during such period in accordance with the financial plan then in effect.

Financial Control Board Oversight

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

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

During a Control Period, in addition to the requirements described above, the Control Board is required to establish procedures with respect to the disbursement of monies to the City and the Covered Organizations from the Control Board Fund 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. In addition, three members are 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, who has announced his resignation from such position effective as of August 12, 1994. 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 1994, while unrestricted Federal aid has been sharply reduced. The City projects that local revenues will provide approximately 67.1% of total revenues in the 1995 fiscal year while Federal aid, including categorical grants, will provide 11.3%, and State aid, including unrestricted aid and categorical grants, will provide 21.6%. 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: 1995-1998 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 43% of its total tax revenues and 24.6% of its total revenues for the 1995 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—1990-1994 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.

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)	Average Tax Rate Per $100 of Assessed Valuation
				(Dollars in Millions)				
1991(4)	$7,681.3	$6,154.7	$1,526.6	19.9%	$ 9,109.3	67.6%	$1.94	$10.14
1992	8,318.8	6,262.8	2,056.0	24.7	10,631.8	58.9	1.82	10.59
1993	8,392.5	6,469.9	1,922.6	22.9	11,945.0	54.2	1.60	10.59
1994	8,113.2	5,920.9	2,192.2	27.0	13,853.8	42.7	1.30	10.37
1995	7,889.8	5,613.9	2,275.9	28.8	13,446.5	41.7	1.14	10.37

(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 1995 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 1990 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)
1991	$76,528,438,709		0.1935		$395,495,807,282
1992	78,660,903,551		0.1722		456,799,672,189
1993	79,370,561,446		0.1517		523,207,392,525
1994	78,364,554,204		0.1258		622,929,683,657
1995	76,202,446,309		0.1103		690,865,333,717

(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 1995 fiscal year, the billable assessed value of real estate categorized by the City as exempt is $61.8 billion, or 44.8% of the $138.0 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. 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 class four includes all other real property. The total tax levy consists of four tax levies, one for each class. Once the tax levy is set for each class, the tax rate for each class is then fixed annually by the City Council by dividing the levy for such class by the billable assessed value for such class.

Assessment procedures differ for each class of property. For fiscal year 1995 class one was assessed at approximately 8% of market value and classes two, three and four were assessed at 45% of market value. In addition, 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 for most of class two and all of class four are phased in over a period of five years. There is no phase in for class one and class three property.

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 the actual or transition assessment. Increases in class one market value in excess of applicable limitations are not phased in over subsequent years.

The share of the total levy that can be borne by each class is regulated by the provisions of the Real Property Tax Law. Each class's share of the total tax levy is updated annually to reflect new construction, demolition, alterations or changes in taxable status and is subject to limited adjustment to reflect market value changes among the four classes. This market value adjustment is limited to a 5% increase in a class's share for fiscal year 1994 and, under legislation passed and awaiting signature by the Governor, will be limited to a 2¾% increase in a class's share for fiscal year 1995.

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, billable assessed values continued to grow and real property tax revenue increased through fiscal year 1993 even as market 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 fiscal year 1994 from the prior fiscal year valuation of $81.7 billion. These results reflect changes made to the assessment percentages for class three property, which resulted in a 46% increase in class three billable assessed value. After adjusting for the change in assessment percentages, billable assessed values for all classes declined by 3.6%.

For the 1995 fiscal year, billable assessed valuation for taxable property decreased by approximately 2.75% from the $78.4 billion final valuation for fiscal year 1994. Actual assessed valuation decreased approximately 2.8% in such year from the prior fiscal year valuation of $78.3 billion. 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. In June 1994, the City sold to Tax Collections Trust, a Delaware trust, the City's delinquent tax receivables outstanding as of May 31, 1994 for $201 million plus a residual interest in the receivables. The $60 million of prior year collections forecast to be received in 1995 (see the table below) represents such residual interest. Amounts shown in the table below for fiscal years 1994 and 1995 do not include the $201 million cash purchase price received by the City in June 1994 in connection with the sale of its delinquent real property tax receivables or the $215 million projected to be received in the 1995 fiscal year in connection with the proposed second sale of real property tax delinquencies. See "Section VII: 1995-1998 Financial Plan."

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

Fiscal Year	Tax Levy(1)	Current Year Tax Collections(2)	Prior Year (Delinquent Tax) Collections	Cancellations, Refunds and Abatements Net of Exempt Property Restored	Collections as a Percentage of Tax Levy	Delinquent as of end of Fiscal Year(3)	Delinquency as a Percentage of Tax Levy
1988	$5,586.0	$5,382.4	$122.3	$(195.0)	96.4%	(130.9)	2.34%
1989	6,233.0	5,942.9	108.4	(283.5)	95.3	(115.0)	1.84
1990	6,872.4	6,542.6	109.6	(262.5)	95.2	(176.9)	2.57
1991(4)	7,681.3	7,195.3	149.7	(373.1)	93.7	(262.6)	3.42
1992	8,318.8	7,817.8	193.7	(355.5)	94.0	(339.2)	4.08
1993	8,392.5	7,886.3	227.7	(382.2)	94.0	(351.7)	4.19
1994	8,113.2	7,582.0	231.8	(458.4)	93.5	(304.5)	3.75
1995(5)	7,889.8	7,205.0	60.0	(481.3)	91.3	(263.5)	3.34

(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 57% of its total tax revenues for the 1995 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; and (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).

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 taxes other than the real property tax, including Audits and Criminal Justice Fund, in the 1994 fiscal year increased by $628 million or approximately 6.4% over the 1993 fiscal year, primarily due to increases in the personal income tax, general corporation tax, banking corporation tax, and sales tax. The following table sets forth revenues from taxes, other than the real property tax, by category for each of the City's 1990 through 1994 fiscal years.

	1990	1991	1992	1993	1994(1)
			(In Millions)		
Personal Income(2)	$2,532	$2,789	$3,223	$3,465	$ 3,559
General Corporation	954	950	964	989	1,174
Banking Corporation	129	205	310	362	516
Unincorporated Business Income	332	333	340	400	374
Sales	2,407	2,306	2,262	2,372	2,487
Commercial Rent	640	670	649	630	604
Real Property Transfer	210	141	123	125	148
Mortgage Recording	154	137	121	118	134
Utility	179	177	183	190	204
All Other(3)	537	490	561	588	637
Audits	439	444	528	525	554
Total	$8,513	$8,642	$9,264	$9,764	$10,391

(1) Forecast.

(2) Personal Income Tax includes $110 million of Criminal Justice Fund revenues in the 1993 fiscal year and $200 million in fiscal year 1994.

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

Miscellaneous Revenues

Miscellaneous revenues include revenue sources such as charges collected by the City for the issuance of licenses, permits and franchises, interest earned by the City on the investment of City cash balances, tuition and fees at the Community Colleges, reimbursement to the City from the proceeds of water and sewer rates charged by the New York City Water Board (the "Water Board") for costs of delivery of water and sewer services and paid to the City by the Water Board for its lease interest in 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 1990 through 1994 fiscal years.

	1990	1991	1992	1993	1994(1)
			(In Millions)		
Licenses, Permits and Franchises	$ 189	$ 201	$ 210	$ 213	$ 221
Interest Income	194	167	133	87	74
Charges for Services	299	337	369	397	392
Water and Sewer Payments(2)	571	596	644	709	730
Rental Income	207	169	158	162	128
Fines and Forfeitures	310	366	404	380	386
Other	464	426	411	607	772
Total	$2,234	$2,262	$2,329	$2,555	$2,703

(1) Forecast.

(2) 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.

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. The increase in miscellaneous revenues for the 1994 fiscal year was primarily due to $87 million being made available to the City by the municipal labor unions from surplus funds in the Stabilization Funds to offset the cost of the January 1993 labor settlement. In addition, fire officers and superior police officers agreed to transfer $72 million to the City from the Variable Supplements Fund.

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: 1995-1998 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 1990 through 1994 fiscal years.

	1990	1991	1992	1993	1994(1)
			(In Millions)		
State Per Capita Aid	$535	$535	$534	$535	$301
State Shared Taxes(2)	47	20	27	8	27
Other(3)	105	145	265	164	334
Total	$687	$700	$826	$707	$662

(1) Forecast.

(2) 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".

(3) Included in the 1990, 1991, 1992, 1993 and 1994 fiscal years are $58 million, $69 million, $75 million, $88 million and $105 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: 1995-1998 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 1990 through 1994 fiscal years.

	1990	1991	1992	1993	1994(1)
			(In Millions)		
Federal					
JTPA	$ 74	$ 73	$ 86	$ 128	$ 118
Community Development(2)	234	227	187	193	341
Welfare	1,634	1,842	2,108	2,111	2,499
Education	611	667	744	867	721
Other	320	338	297	311	386
Total	$2,873	$3,147	$3,422	$3,610	$4,065
State					
Welfare	$1,482	$1,620	$1,773	$1,767	$1,899
Education	3,072	3,285	3,072	3,309	3,376
Higher Education	111	119	119	117	162
Health and Mental Health	244	237	201	189	226
Other	263	250	270	279	281
Total	$5,172	$5,511	$5,435	$5,661	$5,944

(1) Forecast.
(2) 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—1990-1994 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 80% 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 1994-1995 school year is estimated to be 1,042,371. Actual enrollment in fiscal years 1990 through 1994 has been 939,638, 956,658, 973,263, 995,465 and 1,016,728 respectively. Between fiscal years 1990 and 1994, the percentage of the City's total budget allocated to BOE has remained relatively stable at approximately 25.25%; in fiscal year 1995 the percentage of the City's total budget allocated to BOE is projected to be 26.81%. See "SECTION VII: 1995-1998 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 32.8% of the costs of the Community Colleges in the 1995 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, 1994, 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 1990 through 1994 fiscal years.

	1990	1991	1992	1993	1994(1)
Education	86,224	86,071	83,863	86,981	89,188
Police	32,976	34,401	34,217	35,531	38,416
Social Services	31,491	31,404	28,890	28,810	25,023
City University	3,843	3,864	3,516	3,682	4,069
Environmental Protection and Sanitation	18,300	17,366	16,560	16,714	16,515
Fire	12,769	12,679	12,571	12,537	12,570
All Other	57,487	57,423	54,491	54,184	56,228
Total	243,090	243,208	234,108	238,439	242,009

(1) As of May 31, 1994

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 1990 through 1994 fiscal years.

	1990	1991	1992	1993	1994(1)
Transit Authority	51,471	49,035	48,388	48,910	49,674
Housing Authority	15,253	15,106	15,271	16,294	16,413
HHC	46,194	45,717	45,498	47,738	48,084
Total(2)	112,918	109,858	109,157	112,942	114,171

(1) As of March 31, 1994.
(2) 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 1995-1998 Financial Plan, see "SECTION VII: 1995-1998 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: 1995-1998 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 totaled $45.8 billion, of which approximately 91% would be financed with City funds. On May 3, 1994 the City published an Updated Ten-Year Capital Plan for fiscal years 1994 through 2003 (the "Updated Ten-Year Capital Plan"). The Updated Ten-Year Capital Plan totals $45.6 billion, of which approximately 91% is to be financed with City funds. The 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 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 Updated Ten-Year Capital Plan. The Updated Ten-Year Capital Plan assumes that approximately $245 million of the City's capital contribution to the MTA for the 1995 fiscal year will be deferred until the 1998 fiscal year. Such delay requires the approval of the Governor, MAC and the Mayor.

The Updated Ten-Year Capital Plan also assumes that the debt service cost relating to approximately $1.8 billion of the capital program for HHC through the 1998 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 1998 in the amount of $1.028 billion will be financed by additional bonds issued by HHC rather than with City general obligation bonds.

The Updated Ten-Year Capital Plan includes (i) $8.9 billion to construct new schools and improve existing educational facilities; (ii) $4.5 billion for expanding and upgrading the City's housing stock; (iii) $2.0 billion for reconstruction or resurfacing more than 10,000 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 362 other bridge structures; (vi) $1.5 billion for the major reconstruction of Elmhurst General Hospital, Kings County Hospital Center and Queens Hospital Center; (vii) $416 million to expand current jail capacity; and (viii) $1.9 billion for construction and improvement of court facilities.

Those programs in the 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: 1995-1998 FINANCIAL PLAN—Long-Term Capital and Financing Program".

The City's capital expenditures, including expenditures funded by State and Federal grants, totaled $19.1 billion during the 1990 through 1994 fiscal years. City-funded expenditures, which totaled $17.4 billion during the 1990 through 1994 fiscal years, have been financed through the issuance of bonds by the City, the Water Authority and, commencing in fiscal years 1993 and 1994, respectively, HHC and the Dormitory Authority of the State of New York (the "Dormitory Authority"). The following table summarizes the major categories of capital expenditures in the past five fiscal years.

	1990	1991	1992	1993	1994(1)	Total
			(In Millions)			
Education	$ 380	$ 694	$ 681	$ 754	$ 810	$ 3,319
Environmental Protection	637	826	894	746	651	3,754
Transportation	392	399	364	341	383	1,879
Transit Authority(2)	360	381	329	250	193	1,513
Housing	572	689	639	431	557	2,888
Hospitals	148	195	155	167	171	836
Sanitation	223	172	153	188	148	884
All Other(3)	1,039	877	678	740	649	3,983
Total Expenditures(4)	$3,751	$4,233	$3,893	$3,617	$3,562	$19,056
City-funded Expenditures(5)	$3,213	$3,946	$3,582	$3,395	$3,301	$17,437

(1) Forecast.
(2) Excludes the Transit Authority's non-City portion of the MTA's Capital Program.
(3) All Other includes, among other things, parks, correction facilities, public structures and equipment.
(4) Total Expenditures for the 1990 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 1990 through 1993 fiscal years are derived from the Comprehensive Annual Financial Report of the Comptroller.
(5) 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: 1995-1998 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—1990-1994 Statement of Operations". Except as otherwise indicated, all of the financial data relating to the City's operations contained in this Official Statement, although derived from the City's books and records, are unaudited. In addition, the City's independent certified public accountants have not compiled or examined, or applied agreed upon procedures to, the forecast of 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, the City makes no representation or warranty that these estimates and projections will be realized.

1990-1994 Statement of Operations

The following table sets forth the City's results of operations for its 1990 through 1993 fiscal years and the forecasted results for the 1994 fiscal year reported in accordance with GAAP. The information contained in this table regarding the City's 1994 fiscal year is unaudited and is the current financial plan forecast for the 1994 fiscal year. See "SECTION VI: FINANCIAL OPERATIONS—Forecast of 1994 Results". For information concerning an anticipated decline in certain projected tax revenues for the 1994 fiscal year, see "SECTION I: RECENT FINANCIAL DEVELOPMENTS". The City's operating results for the fiscal year which ended June 30, 1994 will not be finalized until audited results are available at the end of October 1994. However, included in the City's forecast of expenditures for the 1994 fiscal year is an unallocated General Reserve of $40 million. The City believes that this reserve should be adequate to provide for any year-end adjustments and would form the basis for a GAAP surplus for the General Fund for the City's 1994 fiscal year. See "SECTION VI: FINANCIAL OPERATIONS—Forecast of 1994 Results".

The information regarding the 1990 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 1990 and 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)				
	Actual				(Forecast)
	1990	1991	1992	1993	1994
	(In Millions)				
Revenues and Transfers					
Real Estate Tax(2)	$ 6,543	$ 7,251	$ 7,818	$ 7,886	$ 7,782
Other Taxes(3)	8,513	8,642	9,264	9,764	10,392
Miscellaneous Revenues	2,234	2,262	2,329	2,555	2,703
Unrestricted Federal and State Aid	687	700	826	707	662
Federal Categorical Grants	2,873	3,147	3,422	3,610	4,065
State Categorical Grants	5,172	5,511	5,435	5,661	5,944
Less: Disallowances Against Categorical Grants	(85)	(32)	(72)	(26)	(15)
Total Revenues and Transfers	$25,937	$27,481	$29,022	$30,157	$31,533
Expenditures and Transfers					
Social Services	$ 5,932	$ 6,686	$ 7,108	$ 7,430	$ 8,301
Board of Education	6,377	6,694	6,626	7,213	7,364
City University	299	313	458	571	385
Public Safety and Judicial	3,523	3,494	3,586	3,759	3,866
Health Services	1,395	1,463	1,276	1,452	1,553
Pensions	1,693	1,479	1,370	1,427	1,287
Debt Service(3)	1,205	1,503	2,502	2,069	2,235
MAC Debt Service Funding(3)	522	449	540	370	354
All Other	4,986	5,395	5,552	5,861	6,188
Total Expenditures and Transfers	$25,932	$27,476	$29,018	$30,152	$31,533
Surplus(4)	$ 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, 1993 and 1994 fiscal years includes $56 million, $131 million, $127.3 million and $150 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 and $253 million, before discretionary transfers and expenditures for the 1993, 1992, 1991 and 1990 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 on July 8, 1994 (the "July 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)	July 1994 Forecast	Increase (Decrease) from August 1993 Forecast
		(In Millions)	
REVENUES			
Taxes			
General Property Tax	$ 7,520	$ 7,432	$ (88)(2)
Other Taxes	9,439	9,637	198 (3)
Tax Audit Revenue	553	554	1
Criminal Justice Fund	350	350	—
Sale of Property Tax Receivables	215	201	(14)
Miscellaneous Revenues	3,651	3,373	(278)(4)
Unrestricted Intergovernmental Aid	451	662	211 (5)
Anticipated Federal Actions	150	—	(150)
Anticipated State Actions	80	—	(80)
Inter-Fund Revenues	243	235	(8)
Less: Intra-City Revenues	(693)	(670)	23
Disallowances Against Categorical Grants	(15)	(15)	—
Total City Funds	$21,944	$21,759	$(185)
Federal Categorical Grants	3,569	4,065	496 (6)
State Categorical Grants	5,734	5,944	210 (6)
Total Revenues	$31,247	$31,768	$ 521
EXPENDITURES			
Personal Service	$15,573	$15,601	$ 28 (7)
Other Than Personal Service	13,355	14,208	853 (8)
Debt Service	2,177	2,235	58 (9)
MAC Debt Service Funding	554	354	(200)(10)
General Reserve	281	40	(241)
	$31,940	$32,438	$ 498
Less: Intra-City Expenses	$ (693)	(670)	23
Total Expenditures	$31,247	$31,768	$ 521
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 cancellations and 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 $113 million, for the sales tax of $86 million, and for the banking corporation tax of $106 million. These increases are offset by forecasted decreases for the personal income tax of $16 million, the unincorporated business tax of $64 million and for the commercial rent tax of $21 million. All other taxes are lower by $6 million.

(4) Excluding the decrease in Intra-City Revenues, Miscellaneous Revenues are projected to decrease by $255 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 $138 million in projected revenues from fines and the delay in the receipt of $62 million in revenue from certain FICA refunds currently planned for fiscal year 1995.

(5) The forecasted increase in Unrestricted Intergovernmental Aid of $211 million is in part due to claims for reimbursement of Supplemental Security Income costs totaling $36 million, $43 million resulting from New York State Medicaid audits of pharmacy billings, additional reimbursement of $20 million for highway improvement claims, prior year settlements of $86 million and other items totaling $26 million.

(6) The increase in Federal and State Categorical Grants is due in part to modifications that were processed from July 1993 to March 1994 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 severance program.

(8) The increase in Other Than Personal Service is primarily due to budget modifications that were processed from July 1993 to March 1994, 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 increase in Debt Service costs is primarily due to discretionary adjustments in payments between the 1994 and 1995 fiscal years of $171 million, offset by discretionary adjustments in payments between the 1993 and 1994 fiscal years of $90 million, the payment of debt service from $21 million of additional resources and reductions in short term interest costs of $2 million.

(10) The reduction in the MAC Debt Service Funding is due to the MAC agreement to provide $200 million to the City to fund a program to reduce City personnel.

SECTION VII: 1995-1998 FINANCIAL PLAN

The following table sets forth the City's projected operations on a basis consistent with GAAP for the 1995 through 1998 fiscal years as contained in the 1995-1998 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".

	1995-1998 Fiscal Years(1)(2)			
	1995	1996	1997	1998
	(In Millions)			
REVENUES				
Taxes				
General Property Tax	$ 7,055	$ 7,132	$ 7,471	$ 7,719
Other Taxes(3)	10,007	10,407	11,060	11,724
Tax Audit Revenue	581	571	571	571
Criminal Justice Fund(4)	317	335	—	—
Sale of Property Tax Receivables	215	207	198	192
Tax Reduction Program	—	(173)	(511)	(854)
Miscellaneous Revenues	3,618	3,360	3,330	3,319
Unrestricted Intergovernmental Aid	554	544	553	562
Anticipated Federal Actions	27	—	—	—
Inter-Fund Revenues(5)	247	247	247	247
Less: Intra-City Revenues	(787)	(789)	(789)	(789)
Disallowances Against Categorical Grants	(15)	(15)	(15)	(15)
Total City Funds	$21,819	$21,826	$22,115	$22,676
Federal Categorical Grants	3,505	3,429	3,412	3,428
State Categorical Grants	6,311	6,306	6,395	6,478
Total Revenues(6)	$31,635	$31,561	$31,922	$32,582
EXPENDITURES				
Personal Service(7)	$15,896	$16,371	$16,608	$16,864
Other Than Personal Service	14,007	14,004	14,436	15,014
Debt Service(3)	2,310	3,013	3,195	3,354
MAC Debt Service Funding(3)	59	277	313	409
General Reserve	150	150	150	150
Total Expenditures	$32,422	$33,815	$34,702	$35,791
Less: Intra-City Expenses	(787)	(789)	(789)	(789)
Net Total Expenditures(6)	$31,635	$33,026	$33,913	$35,002
GAP TO BE CLOSED	$ —	$(1,465)	$(1,991)	$(2,420)
GAP-CLOSING PROGRAM				
City Actions	$ —	$ 1,190	$ 1,516	$ 1,695
State Actions Including Mandate Relief	$ —	275	375	525
Federal Actions	$ —	$ —	100	200
TOTAL GAP-CLOSING PROGRAM	$ —	$ 1,465	$ 1,991	$ 2,420

(1) The four-year financial plan for the 1994 through 1997 years, as submitted to the Control Board on August 30, 1993, contained the following projections for the 1994-1997 fiscal years: (i) for 1994, total revenues of $31.247 billion and total expenditures of $31.247 billion; (ii) for 1995, total revenues of $31.141 billion and total expenditures of $32.416 billion, with a gap to be closed of $1.275 billion; (iii) for 1996, total revenues of $31.986 billion and total expenditures of $33.756 billion, with a gap to be closed of $1.770 billion; (iv) for 1997, total revenues of $32.831 billion and total expenditures of $34.756 billion with a gap to be closed of $2.022 billion.

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.

(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: 1995-1998 FINANCIAL PLAN—Assumptions—*Expenditure Assumptions*—2. Other Than Personal Service Costs—*Transit Authority*".

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

(4) Criminal Justice Fund revenues comprise $150 million from the general property tax receipts projected for each of the 1995 and 1996 fiscal years, and $167 million and $185 million projected to be received from personal income tax for the 1995 and 1996 fiscal years, respectively.

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

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

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

Actions to Close the Gaps

The 1995-1998 Financial Plan reflects a program of proposed actions by the City, State and Federal governments to close the gaps between projected revenues and expenditures of $1.5 billion, $2.0 billion and $2.4 billion for the 1996, 1997 and 1998 fiscal years, respectively.

City gap-closing actions total $1.2 billion in the 1996 fiscal year, $1.5 billion in the 1997 fiscal year and $1.7 billion in the 1998 fiscal year. These actions, a substantial number of which are unspecified, include additional spending reductions, aggregating $501 million, $598 million and $532 million in the 1996 through 1998 fiscal years, respectively; the reduction of City personnel through attrition, resulting in savings of $39 million, $138 million and $253 million in the 1996 through 1998 fiscal years, respectively; government efficiency initiatives aggregating $150 million, $230 million and $310 million in the 1996 through 1998 fiscal years, respectively; procurement initiatives, aggregating $50 million, $100 million and $150 million in the 1996 through 1998 fiscal years, respectively; labor productivity initiatives, aggregating $250 million in each of the 1996 through 1998 fiscal years; and a proposed privatization of City sewage treatment plants which would result in revenues of $200 million in each of the 1996 through 1998 fiscal years. Certain of these initiatives may be subject to negotiation with the City's municipal unions.

State actions proposed in the gap-closing program total $275 million, $375 million and $525 million in each of the 1996, 1997 and 1998 fiscal years, respectively. These actions include savings primarily from the proposed State assumption of certain Medicaid costs.

The Federal actions proposed in the gap-closing program are $100 million and $200 million in increased Federal assistance in fiscal years 1997 and 1998, respectively.

Various actions proposed in the Financial Plan, including 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 a substantial portion of the proposed State assumption of Medicaid costs in the last session. The Financial Plan assumes that these proposals will be approved by the State Legislature during the 1995 fiscal year and that the Federal government will increase its share of funding for the Medicaid program. If these measures cannot be implemented, the City will be required to take other actions to decrease expenditures or increase revenues to maintain a balanced financial plan. See "SECTION VII: 1995-1998 FINANCIAL PLAN—Certain Reports", "SECTION VII: 1995-1998 FINANCIAL PLAN—Assumptions" and "SECTION IX: OTHER INFORMATION—Ratings".

The City's projected budget gaps for the 1996, 1997 and 1998 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 1996 budget are not taken into account in projecting the budget gaps for the 1997 and 1998 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 1995 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 1995-1998 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 1995-1998 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 1995 through 1998 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; 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; adoption of the City's budgets by the City Council in substantially the forms submitted by the Mayor; 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 the success with which the City controls expenditures; savings for health care costs for City employees 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 real estate tax revenues of the current weakness 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: 1995-1998 FINANCIAL PLAN—Certain Reports". For further information concerning certain legislation requiring minimum levels of funding for education, see "SECTION VII: 1995-1998 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. To achieve a General Fund budgetary balance in the State's 1994 fiscal year, the State took various actions including spending reductions and continuing the freeze in personal income and corporate tax reductions. The State completed its 1994 fiscal year with a cash-basis positive balance of $1.026 billion in the State's General Fund (the major operating fund of the State).

The State's 1994-95 financial plan, which is based on the enacted State budget, projects a balanced General Fund. Total receipts are projected to be $34.321 billion, an increase of $2.092 billion over total receipts in the prior fiscal year. Total General Fund disbursements are projected to be $34.248 billion, an increase of $2.351 billion over the total amount disbursed and transferred in the prior fiscal year. The 1994-95 State Financial Plan is based on modest growth in the national and state economy. The following items are among the significant items.

Personal income tax receipts are projected at $18.356 billion, an increase of $2.522 billion over the reported results for the State's 1993-94 fiscal year. Approximately $1.5 billion of this growth is attributable to year-end transactions between the General Fund and the tax refund reserve account. Adjusted for the refund reserve transaction, the growth in personal income tax collections is projected at approximately 6%, slightly faster than forecasted growth in 1994 income tax liability, which reflects personal income growth of approximately 5%. The projections also reflect major 1994-95 statutory enactments which (i) establish a State Earned Income Tax Credit modeled on the Federal Earned Income Credit, which will be allowed at 7.5% of the federal amount for 1994, (ii) conform State estimated tax rules to recent Federal changes and (iii) make a number of other minor modifications to the statutes affecting this tax. Projected receipts reflect the deferral, for the fifth consecutive year, of a previously scheduled tax reduction.

User taxes and fees are expected to total $6.505 billion, an increase of $209 million from reported 1993-94 results. Underlying growth in the continuing sales tax base is forecast to be 4.9%, accounting for the increase in the category as whole. Receipts in 1994-95 are also affected by the repeal of the hotel occupancy tax, allowance of a vendors' credit under the sales tax and various other minor tax changes.

Total business tax receipts in the State's 1994-95 fiscal year are projected at $5.442 billion, a decline of $439 million from reported 1993-94 results. The decline results from the effects of tax reductions enacted in 1994 and the previously scheduled diversion of additional petroleum business tax receipts to dedicated transportation funds. These factors outweigh the modest growth projected in the bases of the continuing tax structure. Included in the tax reductions are a drop in the surcharge rate, restructuring of the alternative minimum tax and a variety of smaller changes to the tax on general business corporations, as well as several changes to reduce the burden of the petroleum business tax on selected industries.

Grants to local governments are projected to total $23.922 billion in the 1994-95 State Financial Plan, an increase of $1.913 billion from 1993-94 levels. Significant increases result from a $554 million increase in support for public schools for the 1994-95 school year, and additional funding for higher education programs. Medicaid costs rise at more moderate levels than in earlier years, but still grow substantially. Finally, the creation of a local aid package designed to provide local tax relief increases State costs by $143 million. Under this legislation, the State will restore a portion of revenue sharing reductions made in 1992-93, assume a portion of the local share of certain Medicaid and handicapped education costs, and return the local share of the parking-ticket surcharge.

In the State's 1995 fiscal year and in certain recent fiscal years, the State as 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 various uncertainties and other factors, including consumer attitudes toward spending, Federal financial and monetary policies, the availability of credit and the condition of the world economy, 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 June 27, 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 June 27, 1994, Moody's reconfirmed its A rating on the State's general obligation long-term indebtedness.

The projections and assumptions contained in the 1995-1998 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 May 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 assessing the impact of the recent recession and the declines in employment 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 May 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)	5,137.7	5,331.1	5,461.8	5,593.6	5,775.6	5,920.3
Percent Change	3.0	3.8	2.5	2.4	3.3	2.5
Pre-tax Corporate Profits ($ billions)	450.0	503.4	528.6	552.7	601.0	598.1
Percent Change	13.8	11.9	5.0	4.6	8.7	(0.5)
Personal Income ($ billions)	5,387.6	5,712.6	6,046.4	6,389.7	6,772.5	7,172.0
Percent Change	4.7	6.0	5.8	5.7	6.0	5.9
Non-Agricultural Employment (millions)	110.2	112.5	115.1	117.3	119.7	121.9
Change From Prior Year	1.7	2.3	2.6	2.3	2.4	2.1
Unemployment Rate	6.8	6.3	6.0	6.2	5.9	5.8
CPI-All Urban (1982-84=100)	144.6	148.8	153.6	158.9	164.0	169.5
Percent Change	3.0	2.9	3.3	3.5	3.2	3.4
3 Month T-Bill Rate	3.0	3.7	4.1	3.7	4.1	5.1
CITY ECONOMY						
Personal Income ($ billions)	186.7	197.4	207.4	217.0	228.6	241.3
Percent Change	3.3	5.7	5.1	4.6	5.4	5.6
Non-Agricultural Employment (thousands)	3,275.0	3,299.4	3,319.1	3,336.9	3,368.7	3,392.8
Change From Prior Year	(6.3)	24.4	19.8	17.8	31.8	24.1
Real Gross City Product (billions of 1987 dollars)	223.9	233.5	239.1	244.3	251.7	258.3
Percentage Change	0.3	4.3	2.4	2.2	3.0	2.6
CPI-All Urban NY-NJ Area (1982-84=100)	154.5	159.1	164.6	170.8	176.8	183.3
Percent Change	3.0	2.9	3.5	3.8	3.5	3.7

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% and is projected to be 3.75% for the 1994 fiscal year. The 1995-1998 Financial Plan projects delinquency rates of 3.34%, 3.00%, 2.85% and 2.75%, respectively, for the 1995 through 1998 fiscal years. For information concerning the delinquency rates 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 1995-1998 Financial Plan. The amounts set forth below include projected tax program revenues and excludes the Criminal Justice Fund and audit revenues.

	1995	1996	1997	1998
		(In Millions)		
Personal Income(1)	$ 3,597	$ 3,819	$ 4,259	$ 4,587
General Corporation	1,219	1,258	1,324	1,412
Banking Corporation	503	497	501	515
Unincorporated Business Income	409	421	454	488
Sales	2,632	2,744	2,864	3,011
Commercial Rent	577	567	515	542
Real Property Transfer	170	177	190	196
Mortgage Recording	143	158	175	183
Utility	211	219	227	236
All Other(2)	546	547	551	554
Total	$10,007	$10,407	$11,060	$11,724

(1) Personal Income excludes amounts to be paid to the Criminal Justice Fund of $167 million and $185 million in the 1995 and 1996 fiscal years, respectively. Personal Income includes revenues which would be generated by extension of the 14% personal income tax surcharge beyond calendar year 1995 and extension of the 12.5% personal income tax surcharge beyond calendar year 1996, resulting in revenues aggregating $159 million, $633 million and $920 million in the 1996, 1997 and 1998 fiscal years, respectively. However, the City is proposing the elimination of the 12.5% personal income tax surcharge when it expires at a cost of $184 million in fiscal year 1997 and $455 million in fiscal year 1998. See "SECTION I: RECENT FINANCIAL DEVELOPMENTS". 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 1995 through 1998 fiscal years.

The 1995-1998 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, moderate growth in the outlook for the manufacturing, trade and business service sectors; (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 1995 fiscal year 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 1995 fiscal year; (vii) with respect to the commercial rent tax, phased-in increases in the minimum taxable threshhold and elimination of such tax in the boroughs other than Manhattan; and (viii) with respect to the All Other category, the current general economic forecast and the hotel tax reduction. The Financial Plan does not reflect the impact of recent limited liability company legislation enacted by the State. This legislation will raise the unincorporated business tax forecast partially offsetting a reduction in general corporation tax revenue, resulting in a net decline in revenue of $14.5 million in fiscal year 1998. The 1995-1998 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 1995-1998 Financial Plan.

	1995	1996	1997	1998
		(In Millions)		
Licenses, Permits and Franchises	$ 205	$ 206	$ 203	$ 205
Interest Income	84	107	126	137
Charges for Services	405	399	401	401
Water and Sewer Payments(1)	758	742	763	777
Rental Income	198	190	188	188
Fines and Forfeitures	498	455	445	445
Other	683	472	415	377
Intra-City Revenues	787	789	789	789
Total	$3,618	$3,360	$3,330	$3,319

(1) Received from the Water Board. For further information regarding the Water Board, see "Section VII: 1995-1998 Financial Plan—Long-Term Capital and Financing Program".

The 1995-1998 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 $75 million in the 1995 fiscal year due to the anticipated renegotiation of the airport lease with the Port Authority. For the 1995 through 1998 fiscal years, the 1995-1998 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 1995 fiscal year include $65 million from the sale of the hotel located at the United Nations and $100 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 1995-1998 Financial Plan.

	1995	1996	1997	1998
		(In Millions)		
State Revenue Sharing	$326	$347	$347	$347
Other Aid	228	197	206	215
Total	$554	$544	$553	$562

The "Other Aid" category mainly consists of $7 million annually of the Consolidated Local Highway Assistance Program aid, approximately $105 to $132 million from aid associated with the State takeover of long-term care Medicaid costs, $27 million of recoupment for welfare clients who were originally denied disability assistance and $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: 1995-1998 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 1995-1998 Financial Plan.

	1995	1996	1997	1998
		(In Millions)		
Federal				
JTPA	$ 74	$ 74	$ 74	$ 74
Community Development(1)	292	280	280	280
Welfare	2,287	2,219	2,197	2,210
Education	677	677	677	677
Other	175	179	184	187
Total	$3,505	$3,429	$3,412	$3,428
State				
Welfare	$1,932	$1,889	$1,896	$1,904
Education	3,748	3,764	3,844	3,914
Higher Education	167	170	163	163
Health and Mental Health	198	197	197	197
Other	266	286	295	300
Total	$6,311	$6,306	$6,395	$6,478

(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 1995-1998 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: 1995-1998 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 May 31, 1994, approximately 10.56% 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 1995-1998 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 $9 million in the 1994 fiscal year. This decrease reflects improved claims control procedures and favorable experience with the level of disallowances in recent years. As of June 30, 1994, the City had an accumulated reserve of $180 million for future disallowances of categorical aid. The 1995-1998 Financial Plan contains a provision for aid disallowances of $15 million for each of the City's 1995 through 1998 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 funding for a number of programs of benefit to the City that is significantly higher than the funding for such programs in the previous year's Federal budget. 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 other programs.

Expenditure Assumptions

1. Personal Service Costs

The following table sets forth projected expenditures for personal service costs contained in the 1995-1998 Financial Plan.

	1995	1996	1997	1998
		(In Millions)		
Wages and Salaries	$11,385	$11,431	$11,514	$11,624
Pensions	1,406	1,526	1,427	1,340
Other Fringe Benefits	2,889	3,074	3,277	3,487
Reserve for Collective Bargaining(1)	216	340	390	413
Total	$15,896	$16,371	$16,608	$16,864

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

The 1995-1998 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 201,025 on June 30, 1995 to an estimated level of 194,220 by June 30, 1998, assuming the gap-closing program contained in the Financial Plan is successfully implemented.

In January 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, the UFOA which represents approximately 2,500 fire officers, the HAPBA which represents approximately 1,500 police officers and the UFA which represents approximately 9,000 employees. The PSC agreement is retroactive to November 1, 1990 and will extend through June 30, 1995. The UFOA agreement is retroactive to November 1, 1990 and will extend through April 30, 1995. The HAPBA agreement and the UFA agreement are retroactive to October 1991 and will extend to December 31, 1994. In addition, the City recently reached tentative settlements with the PBA, which represents approximately 19,000 police officers, and with the TPBA, which represents approximately 2,500 police officers. The tentative agreements would be retroactive to October 1, 1991 and would extend through March 31, 1995. On July 18, 1994, the PBA's delegate body ratified the tentative agreement, sending it to the entire membership for a ratification vote. Also on July 18, 1994, the TPBA's delegate body rejected the proposed agreement for TA police officers. The union is requesting that dates be scheduled before an impasse panel appointed by the Public Employment Relations Board ("PERB"), pursuant to New York State law. Without the mutual consent of the parties, PERB may not impose a settlement for more than a 24-month period.

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 8.47%. 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 1995-1998 Financial Plan reflects the costs associated with these settlements and provides for similar increases for all City-funded employees.

The 1995-1998 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 May 4, 1994 the BOE and the International Union of Operating Engineers, Local 891 reached a tentative agreement covering approximately 1,000 school custodians. On May 5, 1994, the City rejected the agreement. Negotiations involving the BOE, the City and the union to reach an agreement which would be retroactive to July 1, 1990 are currently in progress.

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 $140 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 1995-1998 Financial Plan.

	1995	1996	1997	1998
	(In Millions)			
Administrative OTPS	$ 6,275	$ 6,363	$ 6,599	$ 6,814
Public Assistance	3,265	3,232	3,202	3,238
Medical Assistance (Excluding City Medicaid Payments to HHC)	1,870	1,996	2,219	2,489
HHC Support	1,183	1,184	1,161	1,189
Other	1,414	1,229	1,255	1,284
Total	$14,007	$14,004	$14,436	$15,014

Administrative OTPS

The 1995-1998 Financial Plan contains estimates of the City's administrative OTPS expenditures for general supplies and materials, equipment and selected contractual services in the 1995 fiscal year. Thereafter, to account for inflation, selected OTPS expenditures are projected to rise by approximately 3.7% in fiscal year 1996, 3.6% in fiscal year 1997 and 3.6% in fiscal year 1998. 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 1995-1998 Financial Plan assumes different rates of inflation for energy costs for each of the 1995 through 1998 fiscal years. Inflation rates for each of the 1995 through 1998 fiscal years are set forth in the following table.

	1995	1996	1997	1998
Gasoline and Fuel Oil	5.0%	7.0%	8.0%	6.0%
Electricity	2.0	2.0	3.0	4.0
Natural Gas	4.0	3.0	3.0	4.0

Total energy expenditures are projected at $455 million in the 1995 fiscal year, rising to $508 million in the 1998 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 1995 adjustments, where applicable.

Public Assistance

The average number of persons receiving income benefits under public assistance is projected to be 1,140,889 per month in the 1995 fiscal year. The 1995-1998 Financial Plan projects that the average number of recipients will increase by 2.3% in the 1995 fiscal year from the average number of recipients in the 1994 fiscal year. The Financial Plan assumes that public assistance grant levels will increase by 0.4% in the 1995 fiscal year. Of total public assistance expenditures in the City for the 1995 fiscal year, the City-funded portion is projected to be $878.9 million. The City-funded portion of public assistance expenditures is projected to be $860 million in the 1996 fiscal year, a decrease of 18.9% from the 1995 fiscal year, increasing to $861 million in the 1998 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 $1.785 billion for the 1995 fiscal year and is expected to increase to $2.437 billion in the 1998 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 1995-1998 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 1995-1998 Financial Plan projects savings of $575 million in the 1995 fiscal year due to the State having assumed such costs, and projects such savings will increase to $661.6 million in the 1998 fiscal year.

Health and Hospitals Corporation

Support for HHC in the 1995-1998 Financial Plan includes City-funded Medicaid payments to HHC as well as other subsidies to HHC.

HHC operates under its own section of the 1995-1998 Financial Plan as a Covered Organization. HHC's financial plan projects City-funded expenditures of $1,182.9 million for the 1995 fiscal year (including debt service and lease payments), increasing to $1,189.0 million in the 1998 fiscal year. The City-funded expenditures in the 1995 fiscal year include $372.0 million of general City support, $657.6 million of Medicaid payments to HHC and $153.3 million for certain intra-city payments. The HHC plan projects total expenditures of $3.4 billion in the 1995 fiscal year, increasing to $3.6 billion in the 1998 fiscal year. The plan projects no gaps between revenues and expenditures in the 1995 through 1998 fiscal years. These projections assume: (i) a 2% increase in wages in 1995 and no increases in wages in the 1996 through 1998 fiscal years; (ii) a 1.6% increase in each of the 1995 through 1998 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 4.8% in fiscal year 1995, 4.8% in fiscal year 1996, 4.8% in fiscal year 1997 and 4.0% in fiscal year 1998 in other than personal service costs (excluding fuel and per diem nursing costs); and (v) a weighted Medicaid in-patient rate increase of 3.3%, in each of fiscal years 1995, 1996, 1997 and 1998. OMB has stated that HHC may have a potential gap of between approximately $60 million and $110 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 1995-1998 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 June 2, 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 $66.5 million and operating expenses of approximately $3.83 billion. City assistance to the TA is $601.4 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 each of 1992 and 1993. Due to the TA's estimated operating surplus of $66.5 million for 1994, the City has not appropriated the additional $26 million in 1994.

The Transit Authority Financial Plan forecasts cash-basis gaps of $355.2 million, $585.0 million, $623.3 million and $578.4 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 4.2% between fiscal years 1994 and 1997 while revenues are expected to decrease by 9.5% 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 March 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 Updated Ten-Year Capital Plan. In addition, approximately $245 million in funds for TA Capital purposes 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 26.81% of the City's budget is allocated to BOE for the 1995 fiscal year, exceeding the amount required by the Stavisky-Goodman Act.

The 1995-1998 Financial Plan assumes student enrollment to be 1,042,371, 1,064,456, 1,083,602 and 1,099,246 in the 1995 through 1998 fiscal years, respectively.

Judgments and Claims

In the fiscal year ended on June 30, 1994, the City expended $272.9 million for judgments and claims. The 1995-1998 Financial Plan includes provisions for judgments and claims of $218.3 million, $228.3 million, $237.3 million and $249.6 million for the 1995 through 1998 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 for the 1994 fiscal year and in the Financial Plan for estimated average refunds of $182.5 million in each of the 1994 through 1998 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 1995 through 1998 fiscal years include estimates of debt service costs on outstanding City bonds and notes and future debt issuances based on current and projected future market conditions. These estimates reflect the debt service savings which will result from the refunding to be effected with the proceeds of the Bonds.

4. MAC DEBT SERVICE FUNDING

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

5. GENERAL RESERVE

The 1995-1998 Financial Plan includes a reserve of $150 million in each of the 1995 through 1998 fiscal years.

Certain Reports

From time to time, the Control Board staff, MAC, OSDC, the City Comptroller and others issue reports and make public statements regarding the City's financial condition, commenting on, among other matters, the City's financial plans, projected revenues and expenditures and actions by the City to eliminate projected operating deficits. Some of these reports and statements have warned that the City may have underestimated certain expenditures and overestimated certain revenues and have suggested that the City may not have adequately provided for future contingencies. Certain of these reports have analyzed the City's future economic and social conditions and have questioned whether the City has the capacity to generate sufficient revenues in the future to meet the costs of its expenditure increases and to provide necessary services. It is reasonable to expect that such reports and statements will continue to be issued and to engender public comment. It is expected that the staff of the Control Board, OSDC and the City Comptroller will issue reports in the near future reviewing the 1995-1998 Financial Plan.

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.

On July 11, 1994, the City Comptroller issued a report on the City's adopted budget for the 1995 fiscal year. The City Comptroller stated that if none of the uncertain proposals are implemented, the total risk could be as much as $763 million to $1.02 billion. Risks which were identified as substantial risks include a possible $208 million to $268 million increase in overtime costs; 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 $65 million proceeds from a proposed asset sale; additional expenditures at HHC totaling $60 million; and $60 million of increased pension contributions resulting from lower than assumed pension fund earnings. Additional possible risks include obtaining the agreement of municipal unions to the proposed reduction in City expenditures for health care costs by $200 million; uncertainties concerning the assumed improvement in the collection of taxes, fines and fees totaling $50 million; renegotiation of the terms of certain Port

Authority leases totaling $75 million; and uncertainty concerning the receipt of the $200 million of increased Federal aid projected for the 1995 fiscal year. The City Comptroller noted that there are a number of additional issues, including possible larger than projected expenditures for foster care and public assistance and the receipt of $100 million from assumed FICA refunds. The City Comptroller has also stated in a report issued on June 8, 1994 that certain of the reductions in personnel and services proposed in the City's financial plan submitted to the Control Board on May 10, 1994 (the "May Financial Plan") will have long-term and, in some cases, severe consequences for City residents.

On June 2, 1994, the staff of the Control Board issued a report on the 1994 fiscal year. The report concluded that the City must emphasize introducing new management techniques to balance future budgets, including techniques to assist in cash management, control of headcount and overtime expenditures, the funding of BOE and the collection of miscellaneous revenues.

On May 5, 1994, OSDC issued a report on the local economy. The report found that the recovery from the City's prolonged recession had finally begun in calendar year 1993 as private sector employment began to increase, and that the year ended with the economic turnaround extending to stronger activity in Manhattan's office market, to a surge in sales of durable goods, and to a notable pickup in the City's travel, hotel and entertainment industries. In addition, the report found that early data for calendar year 1994 showed further strengthening in job generation, hotel occupancy rates, office leasing activity and increased residential sales. Although the report noted that recent corrections and uncertainty in the stock and bond markets were cause for concern, since Wall Street had been the engine of the City's recovery, stronger profits nationwide, together with the prospects for recovery in Japan and Europe, should benefit the City's major business service firms.

On June 7, 1994, OSDC issued a report reviewing the May Financial Plan. The report concluded that a potential budget gap of approximately $700 million exists for the 1995 fiscal year stemming primarily from $150 million of greater than anticipated overtime costs in the uniformed agencies; the minimal possibility of State approval for the tort reform initiative; the potential for $40 million of increased pension costs as a result of lower than assumed pension fund earnings; the possibility of $176 million of shortfalls in proposed expenditure reductions at BOE and HHC; and uncertainties concerning proposed increased collection efforts. The report identifies a number of additional items that pose substantial risks, including $200 million of proposed reductions in health insurance costs, which depend on negotiations with City unions; $125 million of additional Federal budget-balancing assistance; and $101 million of greater personal service costs, since the Financial Plan makes no provision for wage increases after the expiration of the existing collective bargaining agreement.

On July 11, 1994, the private members of the Control Board, Robert R. Kiley, Heather L. Ruth and Stanley S. Shuman, issued a statement which concluded that the 1995 fiscal year is not reasonably balanced and that further budget cuts are unavoidable in the next six months. In addition, the private members stated that the Financial Plan does not set forth a path to structural balance. The private members stated that, in order to achieve this goal, City managers must be given fiscal targets they can be expected to meet; solid new proposals must be developed that back up the savings the City has committed to achieve to balance future budgets; and the deferral of expenses to future years, through actions such as the sale of property tax receivables, stretching out pension contributions and delaying debt service payments through refundings, must stop. On July 11, 1994, the Control Board staff stated that the City faces risks of greater than $1 billion and $2 billion for the 1995 and 1996 fiscal years, respectively, and risks of approximately $3 billion for each of the 1997 and 1998 fiscal years.

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 Updated Ten-Year Capital Plan reduces the portion of the City's capital program to be funded from City general obligation debt by approximately 20% 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 $4.0 billion in 1995. City-funded expenditures, which more than tripled between fiscal years 1980 and 1985, are forecast at $3.8 billion in the 1995 fiscal year; total expenditures are forecast at $4.3 billion in 1995. 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 1995 through 1998 fiscal years. See "SECTION V: CITY SERVICES AND EXPENDITURES—Capital Expenditures".

1995-1998 CAPITAL COMMITMENT PLAN

	1995		1996		1997		1998	
	City Funds	All Funds	City Funds	All Funds	City Funds	All Funds	City Funds	All Funds
				(In Millions)				
Mass Transit(1)	$ 302	$ 302	$ 107	$ 107	$ 106	$ 106	$ 351	$ 351
Roadway, Bridges	515	589	585	747	349	454	543	624
Environmental Protection(2)	1,101	1,189	1,189	1,269	1,518	1,549	1,133	1,178
Education	560	560	579	579	522	522	791	791
Housing	276	450	213	371	193	358	381	502
Hospitals	388	388	371	371	348	348	416	416
Sanitation	252	292	120	570	235	235	274	274
City Operations/Facilities	1,164	1,348	710	736	844	914	748	795
Economic and Port Development	163	177	60	102	23	45	118	118
Reserve For Unattained Commitments	(765)	(765)	(120)	(120)	(427)	(427)	(444)	(444)
Total Commitments(3)(4)	$3,956	$4,530	$3,814	$4,731	$3,711	$4,104	$4,311	$4,605
Total Expenditures(4)(5)	$3,755	$4,315	$3,646	$4,255	$3,658	$4,262	$3,826	$4,317

(1) Excludes the Transit Authority's non-City portion of the MTA's five-year Capital Program.

(2) Includes water supply, water mains, water pollution control, sewer projects and related equipment.

(3) Commitments represent contracts registered with the City Comptroller, except for certain projects which are undertaken jointly by the City and State. Totals may not add due to rounding.

(4) Total Commitments do not include $524 million of commitments for court facilities which are to be managed by the Dormitory Authority during the 1995 through 1998 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, 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 1995 through 1998 fiscal years.

1995-1998 Financing Program

	1995	1996	1997	1998	Total
			(In Millions)		
SOURCES OF FUNDS:					
City General Obligation Bonds	$3,224	$2,768	$2,597	$ 2,641	$11,230
Water Authority Revenue Bonds	1,104	888	1,077	1,249	4,318
HHC Financing(1)	121	283	296	328	1,028
DASNY Courts Financing(2)	0	0	211	0	211
Other Sources(3)	767	124	(59)	159	991
Total	$5,216	$4,063	$4,122	$ 4,377	$17,778
USES OF FUNDS:					
City Capital Improvements	$3,755	$3,646	$3,658	$ 3,826	$14,885
DASNY Managed Courts Improvements(4)	56	72	110	151	389
City Refunding	812	0	0	0	812
Water Authority BAN Bonds(5)	287	0	0	0	287
Reserve Funds and Other(6)	306	345	354	400	1,405
Total	$5,216	$4,063	$4,122	$ 4,377	$17,778

(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 1995 through 1998 of $1.2 billion less $174 million remaining from the capital proceeds of a bond issuance by HHC in June 1993. The restricted balances of $174 million from such bond issuance are included in Other Sources in fiscal year 1995.

(2) The financing program assumes that the Dormitory Authority ("DASNY") will finance 100% of the City courts capital program. The $211 million does not reflect a specific borrowing schedule. It reflects the projected cash flow of City courts capital commitments in fiscal years 1995 through 1998 of $545 million less $334 million from the capital proceeds of a bond issuance by DASNY in December, 1993. The restricted balances from such bond issuance are included in Other Sources in fiscal years 1995 and 1996, respectively.

(3) 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.

(4) The amounts reflected are projected capital cash flow on DASNY managed City courts capital project commitments. The remaining $156 million of the $545 million projected courts program cash flow in fiscal years 1995 through 1998 relates to City managed courts projects and is included in City Capital Improvements.

(5) The amount shown is for the issuance of bonds to redeem Water Authority bond anticipation notes.

(6) 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 1998 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 Updated Ten-Year Capital Plan covering fiscal years 1994 through 2003 projects City-funded water and sewer investment at approximately $8.8 billion of the $41.5 billion City-funded portion of the plan. The City retains the legal authorization to fund any portion of the $9.4 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 Updated Ten-Year Capital Plan for fiscal years 1994 through 2003 totals $45.6 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 October 1993, the City issued an assessment of the asset condition and a proposed maintenance schedule for the inventoried assets including the capital investment needed from an engineering perspective to bring the assets to a state of good repair. Subsequently, in April 1994, the City issued a report that 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 reports do 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 83% of the total $4.60 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 68% of the recommended investment. In addition, the report sets forth operating maintenance recommendations for the inventoried assets totalling $189 million, $118 million, $118 million and $120 million for the 1995 through 1998 fiscal years, respectively. OMB has estimated that approximately 36% of such maintenance activities for fiscal year 1995 are included in the 1995-1998 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's current monthly cash flow forecast for fiscal year 1995 shows a need of approximately $2.1 billion in seasonal financing for fiscal year 1995. The City is developing its cash flow forecast for fiscal year 1995 on a daily basis, and is futher reviewing the effect on its cash flow requirements of recent labor settlements requiring retroactive payments. These factors may cause the City's seasonal financing requirements to be higher than currently shown in the monthly forecast. Seasonal financing requirements for the 1994 fiscal year increased to $1.75 billion from $1.4 billion in the 1993 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: 1995-1998 FINANCIAL PLAN—Assumptions".

Seasonal financing requirements were $2.25 billion, $3.65 billion and $2.45 billion in the 1992, 1991 and 1990 fiscal years, respectively.

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

SECTION VIII: INDEBTEDNESS

City Indebtedness

Outstanding Indebtedness

The following table sets forth outstanding indebtedness having an initial maturity greater than one year from the date of issuance of the City, MAC and the PBCs as of March 31, 1994.

(In Thousands)

Gross City Long-Term Indebtedness(1)	$22,459,161	
Less: Assets Held for Debt Service(2)	1,168,299	
Net City Long-Term Indebtedness		$21,290,862
Gross MAC Long-Term Indebtedness(3)	5,062,015	
Less: Assets Held for Debt Service(3)	684,829	
Net MAC Long-Term Indebtedness		4,377,186
PBC Indebtedness(4)		
Bonds Payable	571,203	
Capital Lease Obligations	380,452	
Gross PBC Indebtedness(5)	951,655	
Less: Assets Held for Debt Service	190,212	
Net PBC Indebtedness		761,442
Combined Net City, MAC and PBC Indebtedness		$26,429,490

(1) Amount does not reflect the issuance of $1,069,570,000 principal amount of Fiscal Series H and I Bonds on April 12, 1994 or the refunding of the Bonds to be refunded thereby.

(2) 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.

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

(4) "PBC Indebtedness" refers to City obligations to PBCs. For further information regarding the indebtedness of certain PBCs, see "Public Benefit Corporation Indebtedness" below and "APPENDIX B—FINANCIAL STATEMENTS—Notes to Financial Statements—Notes 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".

(5) 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 March 31, 1994, except for short-term debt information, which is as of July 14, 1994.

	City(1)		MAC(2)		Component Unit and City	
	Long-Term Net Debt(3)	Short-Term Debt	Long-Term Net Debt(4)	Short-Term Debt	Guaranteed Debt(3)	Total
			(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
March 31, 1994	21,290	—	4,377	—	761	26,428

(1) Amounts do not include debt of the City held by MAC. See "Outstanding Indebtedness—note 2". Amount does not reflect the issuance of $1,069,570,000 principal amount of Series H and I Bonds on April 12, 1994 or the refunding of the Bonds to be refunded thereby.

(2) MAC reported outstanding long-term indebtedness without reduction for reserves, as follows: $7,636 million, $7,307 million, $6,901 million, $6,471 million, $5,559 million and $5,304 million as of June 30 of each of the years 1988 through 1993 and $5,062 million as of March 31, 1994.

(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) Calculations of net MAC indebtedness include the total bonds outstanding under MAC's Second and 1991 General Bond Resolutions and accrued interest on those bonds less the amounts held by MAC in its debt service and reserve funds.

Rapidity of Principal Retirement

The following table details, as of March 31, 1994, 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	25.86%
10 years	47.89
15 years	66.35
20 years	81.72
25 years	93.39
30 years	99.96

City, MAC and City-guaranteed PBC Debt Service Requirements

The following table summarizes future debt service requirements, as of March 31, 1994, 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	$ 62,846	$ 135,723	$ 13,392	$ 595,424	$ 807,385
1995	992,036	1,365,422	93,786	521,321	2,972,565
1996	1,130,085	1,295,567	96,793	511,568	3,034,013
1997	1,137,499	1,234,623	99,166	575,664	3,046,952
1998	1,078,667	1,163,988	99,134	588,696	2,930,485
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	$21,293,122	$17,224,708	$1,689,371	$8,287,616	$48,494,817

(1) Amount does not reflect the issuance of $1,069,570,000 principal amount of Series H and I Bonds on April 12, 1994 or the refunding of the Bonds to be refunded thereby. 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	$14,474	11.73%
1984	1,695	15,801	10.73
1985	1,723	16,819	10.24
1986	1,833	17,956	10.21
1987	1,893	19,107	9.91
1988	2,041	20,636	9.89
1989	2,202	22,012	10.00
1990	2,496	23,726	10.52
1991	2,918	24,428	11.95

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 July 21, 1994, the maximum amount of additional short-term debt which the City could issue was approximately $6.47 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 March 31, 1994.

GENERAL DEBT LIMIT		
Total Debt-Incurring Power		$55,415,024,789
Gross Debt—Funded	$22,889,867,968	
Less: Excluded Debt	1,225,447,010	
	21,664,420,958	
Less: Assets of Sinking Funds and General Debt Service Fund and Balance of Appropriations for Redemption of Debt	54,055,680	
Net Debt	21,610,365,278	
Add: Net Contracts and Other Liabilities	4,226,531,792	25,836,897,070
Remaining Debt-Incurring Power Within Limit		$29,578,127,719
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 March 31, 1994, when the debt-incurring capacity under the general debt limit was $29.578 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 March 31, 1994, MAC had outstanding an aggregate of approximately $5.062 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 March 31, 1994, 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 March 31, 1994. 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 March 31, 1994.

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 New York City Educational Construction Fund ("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 March 31, 1994, approximately $137.75 million principal amount of ECF bonds to finance costs related to the school portions of combined occupancy structures was outstanding. Under ECF's leases with the City, debt service on the ECF bonds is payable by the City to the extent third party revenues are not sufficient to pay such debt service.

New York City Housing Authority

As of March 31, 1994, the City had guaranteed $35.8 million principal amount of HA bonds. The Federal government has agreed to pay debt service on $39.9 million principal amount of additional HA indebtedness guaranteed by the City. The City has also guaranteed the repayment of $231.3 million principal amount of HA indebtedness to the State, of which the Federal government has agreed to pay debt service on $113.5 million. The City also pays subsidies to the HA to cover operating expenses. Exclusive of the payment of certain labor costs, such subsidies amounted to $137.5 million in the 1994 fiscal year and are projected to amount to approximately $137.5 million in the 1995 fiscal year.

New York State Housing Finance Agency

As of March 31, 1994, $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 March 31, 1994, $690.7 million principal amount of bonds, relating to Community College facilities, of 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 applied to the payment of debt service on the Dormitory Authority's bonds issued to finance the leased projects plus related overhead and administrative expenses of the Dormitory Authority.

New York State Urban Development Corporation

As of March 31, 1994, $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 March 31, 1994, $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. 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 1995 fiscal year, no assurance can be given that such payments will not be required as a result of shortfalls in mortgage payments, subsidies or otherwise. As of March 31, 1994, HDC's combined capital reserve funds amounted to approximately $18.4 million.

SECTION IX: OTHER INFORMATION

Pension Systems

The City maintains a number of pension systems providing benefits for its employees and employees of various independent agencies (including certain Covered Organizations). The systems combine features of a defined benefit pension plan with those of a defined contribution pension plan. Membership in the City's five major actuarial systems on June 30, 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 1995 fiscal year are expected to approximate $1.4 billion. In fiscal years 1996 through 1998, these expenditures are expected to approximate $1.5 billion, $1.4 billion and $1.3 billion, respectively. For information concerning the possibility of increased pension expenditures in the 1995 through 1998 fiscal years, see "SECTION I: RECENT FINANCIAL DEVELOPMENTS". 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 1994 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 1995-1998 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: 1995-1998 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. On June 15, 1994, the Court granted the defendants' motion to dismiss and the plaintiffs filed a notice of appeal on July 1, 1994. 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 subsequently cross-moved for summary judgment. 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. Subsequently, plaintiff's motion for leave to appeal to the New York State Court of Appeals and petition for a writ of certiorari to the United States Supreme Court were denied.

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. In addition, on June 27, 1994, the United States District Court for the Southern District of New York granted a motion to add the City as a defendant in a suit in which plaintiffs are seeking certification of a class action by all tenants living in buildings owned, managed, operated or maintained by each of the defendants and ordering defendants (i) to notify their tenants regarding the lead hazards in defendants' buildings, (ii) to take steps to minimize the harmful effects of lead to the tenants, (iii) to create a fund, paid for by defendants, to medically surveil and monitor certain children in these buildings, (iv) to refrain from evicting tenants and withholding security deposits, and (v) to abate the lead hazards in the buildings. If plaintiffs succeed in obtaining class certification and prevail in all their claims, the City would incur substantial costs. Finally, 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 is pending in State Supreme Court, New York County, initiated 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 the *in rem* 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 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. On May 12, 1994, the Appellate Division denied the City's motion for leave to appeal this order to the Court of Appeals. The case is now remanded to the State Supreme Court, New York County to determine whether a final judgment should be entered requiring the City to repair the remaining plaintiffs' building rather than vacating it. In this regard, the Appellate Division has affirmed the State Supreme Court's ruling that it must consider whether the conditions of the building endanger the life, health and safety of the occupants, whether the actual cost of bringing the building into statutory compliance is economically feasible, and whether the substandard conditions in the building was caused by the neglect of the City. 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 cross-moved for summary judgment on March 17, 1994 and a hearing was held on the cross-motions on June 7, 1994. 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. On April 6, 1994, the State Supreme Court issued a new compliance schedule that the City believes is unduly onerous and imposes requirements not authorized by Local Law No. 19. On June 8, 1994, the City filed a notice of appeal from this order. 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 Bonds will not be includable in the gross income of the owners of the Bonds for purposes of Federal income taxation under existing law. Interest on the Bonds will be includable in the gross income of the owners thereof retroactive to the date of issue of the Bonds in the event of a failure by the City to comply with applicable requirements of the Internal Revenue Code of 1986, as amended (the "Code"), and covenants regarding use, expenditure and investment of bond proceeds and the timely payment of certain investment earnings to the United States Treasury, and no opinion is rendered by either firm as to the exclusion from gross income of the interest on the Bonds for Federal income tax purposes on or after the date on which any action is taken under the certificate of the Deputy Comptroller for Finance (under which the Bonds are being issued) upon the approval of counsel other than such firm.

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

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

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

The 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 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 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 Bonds with original issue discount (the "OID Bonds") will be increased by such amount. A portion of the original issue discount that accrues in each year to an owner of an OID Bond which is a corporation will be included in the calculation of the corporation's Federal alternative minimum tax liability and Federal environmental tax liability. Consequently, corporate owners of any OID Bond should be aware that the accrual of original issue discount in each year may result in an alternative minimum tax liability or an environmental tax liability although the owner of such OID Bond has not received cash attributable to such original issue discount in such year.

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

Ratings

Moody's has rated the Bonds Baa1. Standard & Poor's has rated the Bonds A–. Fitch Investors Service, Inc. ("Fitch") has rated the Bonds A–. 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 are being purchased for reoffering by the Underwriters, for whom Prudential Securities Incorporated; Merrill Lynch & Co.; Bear, Stearns & Co., Inc.; CS First Boston; Goldman, Sachs & Co.; Lehman Brothers Inc.; and J.P. Morgan Securities Inc. are acting as lead Managers.

The Bonds are being purchased at an aggregate purchase price of $785,070,873.86. The aggregate initial public offering price is $790,578,541.45. 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 D hereto for the matters covered by such opinions and the scope of Bond Counsel's engagement in relation to the issuance of the Bonds. Such firms are also acting as counsel for and against the City in certain other unrelated matters.

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

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

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

Verification

The accuracy of (i) the mathematical computations of the 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

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)	7,309,730	92.6	1,199,206	2,289,478	1,485,064	1,950,720	385,262
1992(1)	7,311,966	92.6	1,194,614	2,286,167	1,489,066	1,951,034	391,085

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

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

Economic Activity, 1969-1992

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 1992 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 1969-92

	Levels				Average Annual Percent Change		
	1969	1976	1988	1992	1969-76	1976-88	1988-92
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	3.3	(2.4)	1.0	(2.3)
Personal Income(3) (billions)	$38.8	$58.3	$151.8	$191.2	6.0	8.3	6.0
Real Per Capita Personal Income(4)	$12,842.5	$12,858.8	$16,684.9	$17,734.0	0.0	2.2	1.1
United States							
Population(1) (millions)	201.3	217.6	244.5	255.1	1.1	1.0	1.1
Employment(2) (millions)	70.4	79.4	105.2	108.6	1.7	2.4	0.8
Personal Income(3) (billions)	$773.7	$1,446.3	$4,075.9	$5,144.9	9.3	9.0	6.0
Real Per Capita Personal Income(4)	$10,477.0	$11,676.3	$14,085.8	$14,366.1	1.6	1.6	0.5

(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 191,500 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 0.3 percent. In 1993, employment in the U.S. increased by 1.9 million jobs. Employment in the City began to improve, experiencing a moderate loss of 6,000 jobs in 1993. As of May 1994, employment in the U.S. had increased by 2.7 million jobs and employment in the City increased by 19,400 jobs from May 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	3250.3	3280.7	3296.4	3302.0							

(1) For the period 1960 through 1993.

(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

Year	Civilian Labor Force			Labor Force Participation Rate(1)		Unemployment Rate(2)(3)	
	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%	9.5%	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	66.8	10.8	7.6
1993	3,290	2,956	334	55.9	66.7	10.1	7.4

RECENT MONTHLY TRENDS

Year	Unemployment											
	Jan	Feb	Mar	Apr	May	June	July	Aug	Sept	Oct	Nov	Dec
1985	8.2%	9.6%	9.0%	9.1%	8.4%	7.4%	6.9%	7.7%	8.1%	8.4%	7.3%	7.1%
1986	7.3	8.4	7.9	8.7	7.9	7.3	7.9	6.9	6.6	6.9	6.1	6.2
1987	7.4	6.0	5.8	5.2	5.4	6.0	6.0	5.1	4.5	5.8	6.6	5.0
1988(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	10.3	9.5	8.4	8.5						

(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 Current Population survey (which provides household employment and unemployment statistics) methodology was revised for September 1992 and thereafter. As a result, the methodology used for such period differs from the methodology used for the period prior to September 1992 and, consequently, the pre-September 1992 data is inconsistent with the data for September 1992 and thereafter.

(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 inflation rate in June 1994 were 2.3 percent and 2.5 percent, respectively.

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 3.2 percent. As the stock market stabilized, local wage rates increased 6.6 percent versus 4.6 percent for the nation in 1990, and in 1991 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 5.3% for the nation. Due to a shift of bonuses normally paid out in early 1993 into late 1992, the 1993 growth rates for both local and national wage rates were artificially low (1.3% locally versus 1.8% 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 June 1994 over June 1993 U.S.	% Increase June 1994 over June 1993 New York-NE. N.J.
All Items	3.7	4.5	3.0	3.0	2.5	2.3
Food and Beverages	3.5	3.9	2.1	2.1	2.2	2.2
Housing	3.5	4.6	2.7	2.7	2.4	1.9
Apparel and Upkeep	2.9	2.6	1.4	0.6	1.4	2.5
Transportation	2.7	3.3	3.0	4.7	2.7	3.3
Medical Care	7.3	7.8	6.0	4.5	4.6	4.2
Entertainment	3.9	4.2	2.5	2.3	3.0	2.5
Other Goods and Services	7.1	7.6	5.3	4.8	2.3	2.2

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 1992 (the most recent year for which local personal income data are available), New York City personal income averaged 7.2 percent growth compared to 6.6 percent for 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	$103.9	8.0%	6.4%	$14,474	6.9%	5.4%	118.2%	85.5%	96.2%
1984	114.3	10.0	10.2	15,801	9.2	9.3	118.1	84.1	95.9
1985	122.3	7.0	7.1	16,819	6.4	6.2	118.4	83.4	95.8
1986	131.4	7.4	6.2	17,956	6.8	5.3	120.1	82.7	95.7
1987	140.3	6.8	5.9	19,107	6.4	4.9	121.8	82.3	95.7
1988	151.8	8.2	7.2	20,636	8.0	6.2	123.8	83.2	95.7
1989	161.7	6.5	7.5	22,012	6.7	6.5	124.0	83.5	95.8
1990	173.7	7.5	6.7	23,726	7.8	5.9	126.3	85.2	96.2
1991	178.6	2.8	3.8	24,428	3.0	2.4	127.0	86.5	96.3
1992	191.2	7.1	6.1	26,155	7.1	4.8	129.7	89.2	96.7

(1) In current dollars. Personal Income is a place of residence measure of income which includes wages and salaries, other labor income, proprietors' income, personal dividend income, personal interest income, rental income of persons, and transfer payments.

(2) 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		1992		1977		1992	
Sector	NYC	U.S.	NYC	U.S.	NYC	U.S.	NYC	U.S.
Private Sector								
Non-Manufacturing	67.2%	57.8%	73.3%	66.2%	70.8%	57.2%	79.4%	64.5%
Services	24.6	18.6	33.3	26.7	24.9	17.9	34.0	27.3
Wholesale and Retail Trade	19.5	22.4	16.6	23.3	16.0	17.2	11.4	16.2
Finance, Insurance and Real Estate	13.0	5.4	14.4	6.1	16.0	5.8	24.7	7.3
Transportation and Public Utilities	8.1	5.7	6.2	5.3	10.9	7.7	6.3	6.7
Contract Construction	2.0	4.7	2.7	4.1	2.4	6.5	2.7	5.3
Mining	0.0	1.0	0.0	0.6	0.4	1.8	0.0	1.0
Manufacturing	16.9	23.9	8.9	16.7	14.8	25.9	7.9	18.9
Durable	5.1	14.0	2.2	9.5	4.3	16.4	1.8	11.4
Non-Durable	11.8	9.8	6.7	7.2	10.5	9.5	6.0	7.5
Government(3)	15.9	18.3	17.8	17.2	14.4	16.9	12.8	16.6
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 1992 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 Affairs, Division of Statistics.

Retail Sales

The City is a major retail trade market, and has the greatest volume of retail sales of any city in the nation. After a very large increase in 1980, retail sales growth in New York City moderated in 1981. Between 1984 and 1986, retail sales, particularly of durable goods, grew at an increased rate, outpacing the nation in 1985 and 1986. Retail sales increased slightly by 0.2% 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 16.7% as of April 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
1993	N.A.	68.9

(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.
N.A.: Not available

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)	1990	1991	1992	1993	1994	1995
Bronx (The Bronx)	$ 3,973	$ 4,330	$ 4,516	$ 4,719	$ 4,983	$ 4,831
Kings (Brooklyn)	9,023	9,723	9,896	9,950	10,440	10,390
New York (Manhattan)	42,889	47,227	48,755	49,143	46,892	44,956
Queens (Queens)	11,543	12,386	12,666	12,776	13,185	13,112
Richmond (Staten Island)	2,627	2,669	2,635	2,590	2,678	2,730
Total	$70,054	$76,334	$78,468	$79,179	$78,178	$76,019

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 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	Fiscal Year 1995 Assessed Value (In Millions)	Fiscal Year 1995 Percentage Of Taxable Real Estate
One Family Dwellings	$ 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%	$ 4,013.2	5.3%
Two Family Dwellings	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	3,104.0	4.1
Walk-Up Apartments	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	6,737.8	8.9
Elevator Apartments	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	14,429.4	19.0
Warehouses	767.1	1.1	895.5	1.2	926.8	1.2	989.8	1.3	1,031.5	1.3	1,044.4	1.4
Factory and Industrial Buildings	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	1,550.4	2.0
Garages and Gasoline Stations	883.5	1.3	1,028.6	1.3	1,107.3	1.4	1,191.3	1.5	1,248.2	1.6	1,278.8	1.7
Hotels	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	1,792.6	2.4
Hospitals and Health	374.6	0.5	391.6	0.5	402.6	0.5	425.2	0.5	481.0	0.6	438.6	0.6
Theatres	165.5	0.2	186.4	0.2	177.4	0.2	186.9	0.2	189.1	0.2	159.3	0.2
Store Buildings	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	4,349.7	5.7
Loft Buildings	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	1,916.8	2.5
Churches, Synagogues, etc.	30.5	0	54.3	0.1	41.1	0.1	53.8	0.1	68.1	0.1	52.0	0.1
Asylums and Homes	53.4	0.1	70.8	0.1	78.8	0.1	94.5	0.1	101.2	0.1	57.7	0.1
Office Buildings	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	20,342.7	26.8
Places of Public Assembly	107.9	0.2	123.1	0.2	135.3	0.2	138.3	0.2	145.2	0.2	146.0	0.2
Outdoor Recreation Facilities	85.4	0.1	80.6	0.1	82.7	0.1	84.5	0.1	108.3	0.1	88.2	0.1
Condominiums	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	4,363.2	5.7
Residence Multi-Use	267.5	0.4	318.1	0.4	1,004.5	1.3	1,034.6	1.3	1,111.1	1.4	1,137.6	1.5
Transportation Facilities	26.5	0	32.5	0	32.2	0	35.4	0	44.2	0.1	43.3	0.1
Utility Bureau Properties	0.1	0	0.0	0	0.0	0	0	0	0	0.0	0.7	0
Vacant Land	758.8	1.1	811.7	1.1	839.1	1.1	906.8	1.1	916.2	1.2	863.1	1.1
Educational Structures	119.4	0.2	138.6	0.2	142.9	0.2	170.1	0.2	175.1	0.2	214.3	0.3
Selected Government Installations	2.4	0	3.8	0	4.4	0	8.1	0	17.4	0	85.9	0.1
Miscellaneous	227.9	0.3	285.7	0.4	303.0	0.4	275.7	0.3	264.1	0.3	287.7	0.4
Real Estate of Utility Corporations and Special Franchises	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	7,522.0	9.9
Total	$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%	$76,019.3	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 1995 fiscal year, the assessed valuation of real estate of utility corporations is $6.1 billion. The following table presents the 40 non-utility, non-residential properties having the greatest assessed valuation in the 1995 fiscal year as indicated in the tax rolls.

LARGEST REAL ESTATE TAXPAYERS(1)

Property	1995 Fiscal Year Assessed Valuation	Property	1995 Fiscal Year Assessed Valuation
Met Life Building	$240,000,000	Celanese Building	$112,000,000
Empire State Building	203,880,000	Mastercard World Plaza	111,150,000
Sperry Rand Building	160,000,000	Carpet Center	108,000,000
General Motors Building	173,431,998	Simon & Schuster Building	103,500,000
Exxon Building	173,250,000	Park Avenue Plaza	103,500,000
American Brands	171,000,000	Worldwide Plaza	102,150,000
55 Water Street Building	158,850,000	Kalikow Building	101,250,000
International Building	157,500,000	595 Lexington Avenue	101,250,000
Paine Webber	155,250,000	666 Fifth Avenue	100,000,000
Whitney Museum	153,000,000	Manufacturers Hanover	99,500,000
McGraw-Hill Building	150,750,000	W.R. Grace Building	94,500,000
Bristol-Meyers	150,154,000	Waldorf Astoria	94,095,000
Time & Life Building	145,350,000	American Express Plaza	93,150,000
One Liberty Plaza	135,000,000	Shearson Lehman	92,500,000
Solow Building	132,750,000	Continental Illinois Center	92,250,000
J.C. Penney Building	132,702,498	617-35 Lexington Avenue	90,000,000
Morgan Guaranty	127,000,000	One Bankers Trust Plaza	88,650,000
Paramount Plaza	126,000,000	N.Y. Hilton	87,750,000
One Penn Plaza	119,000,000	Bank of America Plaza	87,750,000
The Chase Manhattan Building	113,580,000	Chemical Bank	85,500,000

(1) Excludes real estate of public utilities.

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

Appendix B

FINANCIAL STATEMENTS
OF
THE CITY OF NEW YORK

June 30, 1993 and 1992

INDEX

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Report of Independent Auditors

The People of the City of New York

We have audited the accompanying general purpose financial statements of The City of New York ("The City") as of and for the years ended June 30, 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	
	General	Capital Projects	Debt Service	Expendable Trust	Total (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
	General	Capital Projects	Debt Service	Expendable Trust	(Memorandum Only)
REVENUES:					
Real estate taxes	$ 7,817,785	$ —	$ —	$ —	$ 7,817,785
Sales and use taxes	2,621,186	—	—	—	2,621,186
Income taxes	5,388,953	—	—	—	5,388,953
Other taxes	1,221,019	—	—	—	1,221,019
Federal, State and other categorical aid	8,879,579	172,256	180,378	—	9,232,213
Unrestricted Federal and State aid	826,078	—	—	—	826,078
Charges for services	1,194,597	—	—	—	1,194,597
Other revenues	1,039,379	720,164	264,290	175,533	2,199,366
Total revenues	28,988,576	892,420	444,668	175,533	30,501,197
OTHER FINANCING SOURCES:					
Transfer from OTB Enterprise Fund	33,259	—	—	—	33,259
Transfers and other payments for debt service	—	—	2,968,101	—	*
Net proceeds from sale of notes and bonds	—	3,355,035	—	—	3,355,035
Refunding bond proceeds	—	—	2,031,790	—	2,031,790
Total revenues and other financing sources	29,021,835	4,247,455	5,444,559	175,533	35,921,281
EXPENDITURES:					
Current Operations:					
General government	852,888	—	—	—	852,888
Public safety and judicial	3,585,890	—	—	—	3,585,890
Board of Education	6,626,289	—	—	—	6,626,289
City University	458,490	—	—	—	458,490
Social services	7,107,722	—	—	—	7,107,722
Environmental protection	988,898	—	—	—	988,898
Transportation services	1,044,109	—	—	—	1,044,109
Parks, recreation and cultural activities	202,335	—	—	—	202,335
Housing	541,086	—	—	—	541,086
Health (including payments to HHC)	1,275,878	—	—	—	1,275,878
Libraries	129,169	—	—	—	129,169
Pensions	1,370,717	—	—	—	1,370,717
Judgments and claims	231,480	—	—	—	231,480
Fringe 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)

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* 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 General Obligations	1993 Revenue	1993 Total	1992 General Obligations	1992 Revenue	1992 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				Component Unit and City Guaranteed Debt	
	General Obligation Bonds	Interest on Bonds (1)	MAC	SFC(2)		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:

Fiscal year ending June 30:	Amount (in thousands)
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 supplementai 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	Normal cost	Amortization of actuarial accrued liability
			(in millions)		
*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	Normal cost	Amortization of actuarial accrued liability
			(in millions)		
*NYCERS	$217.0	$126.4	$ 343.4	6.4%	3.7%
*TRS	233.0	93.5	326.5	8.1	3.2
*BERS	24.6	9.7	34.3	5.8	2.3
POLICE	279.8	152.4	432.2	21.0	11.4
FIRE	114.8	126.2	241.0	19.2	21.1
OTHER	NA	NA	99.6		
Total 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	Employer-financed vested	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.

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BONDS TO BE REFUNDED

The City expects to refund City bonds through issuance by the City of its Fiscal 1995 Series A 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 Bonds and the refunded bonds.

Series	Dated Date	Tax-Exempt Maturities Being Refunded	Payment Date	Amount Being Refunded
1984B	December 1, 1983	June 1, 1995	December 1, 1994	$ 3,670,000(1)
	December 1, 1983	June 1, 1996	December 1, 1994	3,685,000(1)
1985D	May 1, 1985	August 15, 1997	August 15, 1995	7,570,000(1)
1986A	July 15, 1985	August 15, 1996	August 15, 1995	10,155,000(2)
1986B	October 1, 1985	October 1, 1996	October 1, 1995	10,095,000(2)
	October 1, 1985	October 1, 1997	October 1, 1995	10,095,000(2)
1986D	June 15, 1986	August 1, 1999	August 1, 1996	5,160,000(1)
	June 15, 1986	August 1, 2000	August 1, 1996	6,330,000(1)
	June 15, 1986	August 1, 2001	August 1, 1996	6,330,000(1)
	June 15, 1986	August 1, 2002	August 1, 1996	6,330,000(1)
1987A	August 1, 1986	August 1, 1995	August 1, 1995	10,085,000(1)
	August 1, 1986	August 1, 1996	August 1, 1996	15,265,000(1)
	August 1, 1986	August 1, 1997	August 1, 1997	12,400,000(2)
	August 1, 1986	August 1, 1998	August 1, 1998	12,400,000(2)
	August 1, 1986	August 1, 1999	August 1, 1999	1,220,000(1)
1987B	August 15, 1986	August 15, 2012	August 15, 1996	11,700,000(2)
	August 15, 1986	August 15, 2013	August 15, 1996	11,700,000(2)
1987D	May 15, 1987	August 1, 2008	August 1, 1997	15,000(1)
1989A	August 25, 1988	August 15, 1999	August 15, 1996	3,300,000(1)
	August 25, 1988	August 15, 2000	August 15, 1996	3,300,000(1)
	August 25, 1988	August 15, 2001	August 15, 1996	2,965,000(1)
	August 25, 1988	August 15, 2002	August 15, 1996	4,950,000(1)
	August 25, 1988	August 15, 2003	August 15, 1996	11,690,000(1)
	August 25, 1988	August 15, 2004	August 15, 1996	8,580,000(2)
	August 25, 1988	August 15, 2005	August 15, 1996	8,580,000(2)
1989B	December 15, 1988	December 1, 2005	December 1, 1996	6,290,000(2)
	December 15, 1988	December 1, 2006	December 1, 1996	9,430,000(2)
	December 15, 1988	December 1, 2007	December 1, 1996	9,435,000(2)
	December 15, 1988	December 1, 2008	December 1, 1996	9,435,000(2)

Series	Dated Date	Tax-Exempt Maturities Being Refunded	Payment Date	Amount Being Refunded
1989B	December 15, 1988	December 1, 2009	December 1, 1996	$ 4,935,000(2)
(Continued)	December 15, 1988	December 1, 2010	December 1, 1996	4,935,000(2)
	December 15, 1988	December 1, 2011	December 1, 1996	4,935,000(2)
	December 15, 1988	December 1, 2012	December 1, 1996	4,935,000(2)
	December 15, 1988	December 1, 2013	December 1, 1996	4,935,000(2)
	December 15, 1988	December 1, 2014	December 1, 1996	7,400,000(2)
	December 15, 1988	December 1, 2015	December 1, 1996	7,400,000(2)
	December 15, 1988	December 1, 2016	December 1, 1996	7,400,000(2)
	December 15, 1988	December 1, 2017	December 1, 1996	7,400,000(2)
	December 15, 1988	December 1, 2018	December 1, 1996	7,400,000(2)
1990A	August 1, 1989	August 1, 1994	August 1, 1994	30,255,000(1)
	August 1, 1989	August 1, 2000	August 1, 1997	2,700,000(1)
	August 1, 1989	August 1, 2001	August 1, 1997	2,200,000(1)
	August 1, 1989	August 1, 2004	August 1, 1997	1,700,000(1)
1990B	October 5, 1989	October 1, 1994	October 1, 1994	16,615,000(1)
	October 5, 1989	October 1, 1995	October 1, 1995	19,335,000(1)
1990F	February 23, 1990	August 1, 1994	August 1, 1994	11,615,000(1)
1990G	February 1, 1990	August 1, 1994	August 1, 1994	13,960,000(1)
1990I	June 1, 1990	August 15, 1994	August 15, 1994	27,575,000(1)
	June 1, 1990	August 15, 2018	August 15, 1999	10,975,000(1)
	June 1, 1990	August 15, 2019	August 15, 1999	6,110,000(1)
	June 1, 1990	August 15, 2020	August 15, 1999	3,160,000(1)
	June 1, 1990	August 15, 2021	August 15, 1999	3,160,000(1)
	June 1, 1990	August 15, 2022	August 15, 1999	3,160,000(1)
	June 1, 1990	August 15, 2023	August 15, 1999	3,160,000(1)
1991B	December 20, 1990	June 1, 1995	June 1, 1995	56,025,000(1)
1991D	February 1, 1991	August 1, 1995	August 1, 1995	4,770,000(1)
	February 1, 1991	August 1, 2015	August 1, 2001	43,120,000(1)
	February 1, 1991	August 1, 2016	August 1, 2001	17,330,000(1)
1991F	May 15, 1991	November 15, 1994	November 15, 1994	3,930,000(1)
1992A	August 15, 1991	August 15, 1996	August 15, 1996	5,625,000(1)
	August 15, 1991	August 15, 1997	August 15, 1997	6,470,000(1)
	August 15, 1991	August 15, 1998	August 15, 1998	23,500,000(1)
	August 15, 1991	August 15, 2018	August 15, 2001	29,700,000(1)
1992D	February 1, 1992	February 1, 1995	February 1, 1995	30,290,000(1)
1992H	June 1, 1992	February 1, 1999	February 1, 1999	11,785,000(1)
1993B	October 29, 1992	October 1, 1994	October 1, 1994	33,660,000(2)
	October 29, 1992	October 1, 1997 (5½%)	October 1, 1997	8,000,000(1)
1993E	May 27, 1993	May 15, 1995	May 15, 1995	22,140,000(1)

(1) A portion of the bonds of this description is being refunded.
(2) All of the bonds of this description are being refunded.

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July 28, 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 $790,795,000 General Obligation Bonds, Fiscal 1995 Series A (the "Bonds").

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

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

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

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

3. Except as provided in the following sentence, interest on the Bonds is not includable in the gross income of the owners of the Bonds for purposes of Federal income taxation under existing law. Interest on the Bonds will be includable in the gross income of the owners thereof retroactive to the date of issue of the Bonds in the event of a failure by the City to comply with the applicable requirements of the Internal Revenue Code of 1986, as amended (the "Code"), and the covenants regarding use, expenditure and investment of bond proceeds and the timely payment of certain investment earnings to the

United States Treasury; and we render no opinion as to the exclusion from gross income of interest on the Bonds for Federal income tax purposes on or after the date on which any action is taken under the Certificate upon the approval of counsel other than ourselves.

4. Interest on the Bonds is not a specific preference item for purposes of the Federal individual or corporate alternative minimum tax. The Code contains other provisions that could result in tax consequences, upon which we render no opinion, as a result of ownership of such Bonds or the inclusion in certain computations (including without limitation those related to the corporate alternative minimum tax and environmental tax) of interest that is excluded from gross income.

5. The difference between the principal amount payable at maturity of any maturity of 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 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 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

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July 28, 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 $790,795,000 General Obligation Bonds, Fiscal 1995 Series A (the "Bonds").

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

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

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

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

3. Except as provided in the following sentence, interest on the Bonds is not includable in the gross income of the owners of the Bonds for purposes of Federal income taxation under existing law. Interest on the Bonds will be includable in the gross income of the owners thereof retroactive to the date of issue of the Bonds in the event of a failure by the City to comply with the applicable requirements of the Internal Revenue Code of 1986, as amended (the "Code"), and the covenants regarding use, expenditure and investment of bond proceeds and the timely payment of certain investment earnings to the

United States Treasury; and we render no opinion as to the exclusion from gross income of interest on the Bonds for Federal income tax purposes on or after the date on which any action is taken under the Certificate upon the approval of counsel other than ourselves.

4. Interest on the Bonds is not a specific preference item for purposes of the Federal individual or corporate alternative minimum tax. The Code contains other provisions that could result in tax consequences, upon which we render no opinion, as a result of ownership of such Bonds or the inclusion in certain computations (including without limitation those related to the corporate alternative minimum tax and environmental tax) of interest that is excluded from gross income.

5. The difference between the principal amount payable at maturity of any maturity of 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 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 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,

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MSRB 47572

DO NOT STAPLE THIS FORM

FORM G-36(OS) -FOR OFFICIAL STATEMENTS

1. NAME OF ISSUE(S):(1) NEW YORK CITY, NEW YORK

(2)

2. DESCRIPTION OF ISSUE(S) (1) GENERAL OBLIGATION FISCAL 1995 SERIES A

(2)

3. STATE(S) NEW YORK

4. DATED DATE(S) (1) 07/28/94 (2)

5. DATE OF FINAL MATURITY OF OFFERING 08/01/10 6. DATE OF SALE 07/21/94

7. PAR VALUE OF OFFERING $790,795,000

8. PAR AMOUNT UNDERWRITTEN $790,795,000
(if there is no underwriting syndicate)

9. IS THIS AN AMENDED OR STICKERED OFFICIAL STATEMENT ? YES [ ] NO [X]

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 untill 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 untill 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 15c-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 belives (1) has the knowledge and expertise necessary to evaluate the merits and risks of the investments; and (2) is not purchasing for more than account, with a view toward distributing the securities.

11. MANAGING UNDERWRITER PRUDENTIAL SECURITIES INC.

16.

MATURITY DATE	CUSIP NUMBER	MATURITY DATE	CUSIP NUMBER
08/01/94	6496473J1		
08/01/95	6496485X6		
08/01/96	6496485Y4		
08/01/97	6496494B3		
08/01/98	6496494C1		
08/01/99	649650K98		
08/01/00	649650L22		
08/01/01	649651WC6		
08/01/02	649651WD4		
08/01/03	649652UK8		
08/01/03	649652UM4		
08/01/04	649652UL6		
08/01/05	649653NV0		
08/01/06	649653NW8		
08/01/07	649654QU7		
08/01/08	649654QV5		
08/01/09	649655NU7		
08/01/10	649655NV5		

17. MSRB rule G-34 requires that CUSIP numbers be assigned to each new issue of municipal securities unless the issue is ineligible for CUSIP number assignment under the eligibility criteria of the Cusip service bureau

☐ **Check here if the issue is ineligible for CUSIP number assignment**

State the reason why the issue is ineligible for CUSIP number assignment________________

18. **Submit two copies of the completed form along with two copies of the official statement to MSRB,MSIL System,1640 King Street,Suite 300,Alexandria, VA 22314 Incomplete submissions will be returned for correction.**