

NEW ISSUE

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

The City of New York
General Obligation Bonds, Fiscal 1995 Series B

\$703,000,000 FIXED RATE TAX-EXEMPT BONDS
\$247,000,000 INSURED TAX-EXEMPT ADJUSTABLE RATE BONDS
\$150,000,000 TAX-EXEMPT ADJUSTABLE RATE BONDS
\$100,000,000 INSURED TAXABLE ADJUSTABLE RATE BONDS
\$80,000,000 TAXABLE ADJUSTABLE RATE BONDS
\$20,000,000 TAXABLE LIBOR BONDS

Dated: Date of Delivery

Due: August 15, as shown inside this cover page

The Bonds will be issued as registered bonds and will be registered in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York, which will act as securities depository for the Bonds.

Interest on the Fixed Rate Tax-Exempt Bonds will be payable semi-annually, beginning August 15, 1995 and on each February 15 and August 15 thereafter. The Fixed Rate Tax-Exempt Bonds can be purchased in principal amounts of \$5,000 or any integral multiple thereof. Interest on the Taxable LIBOR Bonds will be payable semi-annually, beginning February 15, 1995 and on each August 15 and February 15 thereafter. Other terms of the Bonds including interest rates, interest payment dates, mandatory and optional redemption and tender provisions and authorized denominations are described herein. *A detailed schedule of the Bonds is set forth inside this cover page.*

The Insured Tax-Exempt Adjustable Rate Bonds may be tendered for purchase as specified herein pursuant to the terms of the Liquidity Facilities described herein provided severally by the following Banks, representing separate obligations of the respective Banks in respect of the separate Subseries:

Bank Austria Aktiengesellschaft, New York Branch
National Westminster Bank Plc, New York Branch

The Bank of Nova Scotia, New York Agency
Rabobank Nederland, New York Branch

Westdeutsche Landesbank Girozentrale, New York Branch

As described herein, the Subseries B-1 Bonds due in 2012, Subseries B-2, Subseries B-3, Subseries B-4, Subseries B-5 and Subseries B-6 Bonds will be insured by **Municipal Bond Investors Assurance Corporation**, the Subseries B-7 Bonds will be insured by **AMBAC Indemnity Corporation** and the Insured Taxable Adjustable Rate Bonds will be insured by **Financial Guaranty Insurance Company**.

Insured Taxable Adjustable Rate Bonds may be tendered to the Tender Agent for purchase at the option of the owner thereof under the circumstances described herein. Payment of the Purchase Price on the Insured Taxable Adjustable Rate Bonds tendered for purchase as described herein will be made pursuant and subject to the terms of the FGIC-SPI Liquidity Facility described herein provided by **FGIC Securities Purchase, Inc.** Delivery of this Official Statement in conjunction with the offering of Insured Taxable Adjustable Rate Bonds may only be made in conjunction with delivery of the prospectus relating to the FGIC-SPI Liquidity Facility.

Taxable Adjustable Rate Bonds and Tax-Exempt Adjustable Rate Bonds may be tendered to the Tender Agent for purchase at the option of the owner thereof under the circumstances described herein. Payment of the Purchase Price of the Taxable Adjustable Rate Bonds and Subseries B-8 Bonds tendered for purchase as described herein will be made pursuant and subject to the terms of the applicable Credit Facility described herein provided by **The Mitsubishi Bank, Limited, New York Branch**. Payment of the Purchase Price of the Subseries B-9 Bonds tendered for purchase as described herein will be made pursuant and subject to the terms of the applicable Credit Facility described herein provided by **Chemical Bank**. Payment of the Purchase Price of the Subseries B-10 Bonds tendered for purchase as described herein will be made pursuant and subject to the terms of the applicable Credit Facility described herein provided by **Union Bank of Switzerland, New York Branch**.

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, Segue & Harper, 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 Morgan, Lewis & Bockius, 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 November 16, 1994.

Merrill Lynch & Co.

Goldman, Sachs & Co. **J.P. Morgan Securities Inc.** **Prudential Securities Incorporated**
Artemis Capital Group, Inc. **Bear, Stearns & Co. Inc.**
Chemical Securities Inc. **CS First Boston**
Donaldson, Lufkin & Jenrette Securities Corporation **First Albany Corporation**
Grigsby Brandford & Co., Inc. **Morgan Stanley & Co. Incorporated**
Pryor, McClendon, Counts & Co., Inc. **Smith Barney Inc.**
Advest, Inc. **Asensio & Company, Inc.** **George K. Baum & Co.**
Glickenhous & Co. **Lazard Frères & Co.** **Lebenthal & Co., Inc.**
Lehman Brothers **The Nikko Securities Co. International, Inc.**
PaineWebber Incorporated **Samuel A. Ramirez & Co., Inc.**
Roosevelt & Cross Incorporated **Muriel Siebert & Co., Inc.**

General Obligation Bonds, Fiscal 1995 Series B

August 15	Subseries B-1 \$703,000,000 Tax-Exempt Bonds			Subseries B-2 \$25,000,000 Tax-Exempt Bonds		Subseries B-3 \$25,000,000 Tax-Exempt Bonds		Subseries B-4 \$50,000,000 Tax-Exempt Bonds		Subseries B-5 \$66,000,000 Tax-Exempt Bonds		Subseries B-6 \$60,000,000 Tax-Exempt Bonds	
	Principal Amount	Interest Rate	Price or Yield	Principal Amount(1)	Price	Principal Amount(2)	Price	Principal Amount(3)	Price	Principal Amount(4)	Price	Principal Amount(5)	Price
		%		\$	%	\$	%	\$	%	\$	%	\$	%
1996	\$30,380,000	5 %	100%										
1997	31,895,000	5.40	100										
1998	38,225,000	5.80	100										
1999	21,720,000	6	100										
2000	26,150,000	6.20	100										
2001	14,285,000	6.40	100										
2002	15,195,000	6½	6.60										
2003	16,185,000	6.70	6.75	25,000,000	100								
2004	15,580,000	6.80	6.85			25,000,000	100						
2005	11,415,000	6.90	7.00									60,000,000	100
2006	19,755,000	7	7.10										
2007	30,510,000	7.10	7.20										
2008	22,645,000	7.20	7.30										
2009	4,220,000	7¼	7.35										
2010	26,385,000	7.30	7.40										
2011	32,440,000	7.30	7.45										
2012	34,810,000†	6.95	7.10										
2013	37,230,000	7¾	7.48										
2014													
2015													
2016	120,865,000	7	7.52										
2017													
2018													
2019	136,930,000	7¼	7.55										
2020	16,180,000	7½	7.55										
2021													
2022								50,000,000	100		66,000,000	100	
2023													
2024													

August 15	Subseries B-7 \$21,000,000 Tax-Exempt Bonds		Subseries B-8 \$50,000,000 Tax-Exempt Bonds		Subseries B-9 \$50,000,000 Tax-Exempt Bonds		Subseries B-10 \$50,000,000 Tax-Exempt Bonds		Subseries B-11 \$100,000,000 Taxable Bonds		Subseries B-12 \$80,000,000 Taxable Bonds		Subseries B-13 \$20,000,000 Taxable Bonds	
	Principal Amount(6)	Price	Principal Amount(7)	Price	Principal Amount(8)	Price	Principal Amount(9)	Price	Principal Amount(10)	Price	Principal Amount(11)	Price	Principal Amount (12)	Price
		%	\$	%	\$	%	\$	%	\$	%	\$	%	\$	%
1996														
1997														
1998														
1999													20,000,000	100
2000														
2001														
2002														
2003														
2004														
2005														
2006														
2007														
2008														
2009														
2010														
2011														
2012														
2013														
2014														
2015														
2016														
2017														
2018	21,000,000	100												
2019														
2020											80,000,000	100		
2021														
2022									100,000,000	100				
2023					50,000,000	100								
2024								50,000,000	100					

- (1) Insured Tax-Exempt Adjustable Rate Bonds. Insured by Municipal Bond Investors Assurance Corporation ("MBIA") and supported by a Liquidity Facility provided by Bank Austria Aktiengesellschaft, New York Branch. See "APPENDIX C—INSURED TAX-EXEMPT ADJUSTABLE RATE BONDS".
 - (2) Insured Tax-Exempt Adjustable Rate Bonds. Insured by MBIA and supported by a Liquidity Facility provided by The Bank of Nova Scotia, New York Agency. See "APPENDIX C—INSURED TAX-EXEMPT ADJUSTABLE RATE BONDS".
 - (3) Insured Tax-Exempt Adjustable Rate Bonds. Insured by MBIA and supported by a Liquidity Facility provided by National Westminster Bank Plc, New York Branch. See "APPENDIX C—INSURED TAX-EXEMPT ADJUSTABLE RATE BONDS".
 - (4) Insured Tax-Exempt Adjustable Rate Bonds. Insured by MBIA and supported by a Liquidity Facility provided by Rabobank Nederland, New York Branch. See "APPENDIX C—INSURED TAX-EXEMPT ADJUSTABLE RATE BONDS".
 - (5) Insured Tax-Exempt Adjustable Rate Bonds. Insured by MBIA and supported by a Liquidity Facility provided by Westdeutsche Landesbank Girozentrale, New York Branch. See "APPENDIX C—INSURED TAX-EXEMPT ADJUSTABLE RATE BONDS".
 - (6) Insured Tax-Exempt Adjustable Rate Bonds. Insured by AMBAC Indemnity Corporation and supported by a Liquidity Facility provided by Rabobank Nederland, New York Branch. See "APPENDIX C—INSURED TAX-EXEMPT ADJUSTABLE RATE BONDS".
 - (7) Tax-Exempt Adjustable Rate Bonds. Supported by a Credit Facility provided by The Mitsubishi Bank, Limited, New York Branch. See "APPENDIX F—TAX-EXEMPT ADJUSTABLE RATE BONDS".
 - (8) Tax-Exempt Adjustable Rate Bonds. Supported by a Credit Facility provided by Chemical Bank. See "APPENDIX F—TAX-EXEMPT ADJUSTABLE RATE BONDS".
 - (9) Tax-Exempt Adjustable Rate Bonds. Supported by a Credit Facility provided by Union Bank of Switzerland, New York Branch. See "APPENDIX F—TAX-EXEMPT ADJUSTABLE RATE BONDS".
 - (10) Insured Taxable Adjustable Rate Bonds. Insured by Financial Guaranty Insurance Company and supported by the FGIC-SPI Liquidity Facility provided by FGIC Securities Purchase, Inc. See "APPENDIX I—INSURED TAXABLE ADJUSTABLE RATE BONDS".
 - (11) Taxable Adjustable Rate Bonds. Supported by a Credit Facility provided by The Mitsubishi Bank, Limited, New York Branch. See "APPENDIX L—TAXABLE ADJUSTABLE RATE BONDS".
 - (12) Taxable LIBOR Bonds. See "SECTION II: THE BONDS—LIBOR BONDS".
- † Fixed Rate Tax-Exempt Bonds. Insured by MBIA. For information pertaining to insurance on the Subseries B-1 Bonds due in 2012, see "APPENDIX C—INSURED TAX-EXEMPT ADJUSTABLE RATE BONDS—Bond Insurance".

**RATE PERIOD TABLE
FOR INSURED TAX-EXEMPT ADJUSTABLE RATE BONDS**

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

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

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

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

RATE PERIOD TABLE
FOR TAX-EXEMPT ADJUSTABLE RATE BONDS, SUBSERIES B-8 AND B-10

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

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

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

* Interest on the Subseries B-8 and Subseries B-10 Bonds is also payable on the first day of the sixth month in an MMMR Period exceeding six months; the Record Date therefor is the fifteenth day of the next preceding calendar month.

**RATE PERIOD TABLE
FOR TAX-EXEMPT ADJUSTABLE RATE BONDS, SUBSERIES B-9**

	DAILY RATE	WEEKLY RATE	MONTHLY RATE	QUARTERLY RATE	SEMIANNUAL RATE	TERM RATE	MONEY MARKET MUNICIPAL RATE
Interest Payment Date	First day of each calendar month	First day of each calendar month	First day of each calendar month	First day of the third calendar month following Conversion to a Quarterly Rate Period and the first day of each third calendar month thereafter	First day of the sixth calendar month following Conversion to the Semiannual Rate Period and the first day of each sixth calendar month thereafter	First day of the sixth calendar month following Conversion to the Term Rate Period and the first day of each sixth calendar month thereafter	First Business Day following a Money Market Municipal Rate Period
Record Date	Last day of the calendar month next preceding the Interest Payment Date	Last day of the calendar month next preceding the Interest Payment Date	Last day of the calendar month next preceding the Interest Payment Date	Fifteenth day of the calendar month next preceding the Interest Payment Date	Fifteenth day of the calendar month next preceding the Interest Payment Date	Fifteenth day of the calendar month next preceding the Interest Payment Date	Interest on presentment*
Date of Interest Rate Determination	Not later than 9:30 a.m. on each Business Day, but not less than two Business Days prior to each Interest Payment Date	Not later than 9:00 a.m. on the commencement date of the Weekly Rate Period or if such day is not a Business Day, the next succeeding Business Day	Not later than 4:00 p.m. on the Business Day immediately preceding the commencement of the Monthly Rate Period	Not later than 4:00 p.m. on the Business Day immediately preceding the commencement of the Quarterly Rate Period	Not later than 4:00 p.m. on the Business Day immediately preceding the commencement of the Semiannual Rate Period	Not later than 4:00 p.m. on the Business Day immediately preceding the commencement of the Term Rate Period	Not later than 12:00 noon on the first Business Day of a Money Market Municipal Rate Period
Commencement of Rate Period	Each Business Day	On Conversion to a Weekly Rate and on each Wednesday thereafter	On Conversion to a Monthly Rate and on the first day of each month thereafter	On Conversion to a Quarterly Rate and thereafter on the next succeeding Interest Payment Date	On Conversion to a Semiannual Rate and thereafter on the next succeeding Interest Payment Date	On Conversion to a Term Rate and thereafter on the first Business Day of any subsequent period of twelve months or any integral multiple thereof	Interest Rate Determination Date
Purchase Date	Any Business Day	Any Business Day	Any Interest Payment Date	Any Interest Payment Date	Any Interest Payment Date	Mandatory Tender	Mandatory Tender
Notice Period for Tender	Telephone notice by 11:00 a.m. on Purchase Date	Written notice not later than 5:00 p.m. on any Business Day not less than seven days prior to the Purchase Date	Written notice not later than 5:00 p.m. on any Business Day not less than seven days prior to the Purchase Date	Written notice not later than 5:00 p.m. on any Business Day not less than 15 days prior to the Purchase Date	Written notice not later than 5:00 p.m. on any Business Day not less than 15 days prior to the Purchase Date	Mandatory Tender	Mandatory Tender
Tender Date for Tendered Bonds	Not later than 12:00 noon on the Purchase Date	Not later than 10:00 a.m. on the Purchase Date	Not later than 10:00 a.m. on the Purchase Date	Not later than 10:00 a.m. on the Purchase Date	Not later than 10:00 a.m. on the Purchase Date	Not later than 10:00 a.m. on the commencement of the Term Rate Period or the next succeeding Business Day	Not later than 10:00 a.m. on the commencement of a Money Market Municipal Rate Period
Payment Date for Tendered Bonds	Not later than 5:00 p.m. on the Purchase Date	Not later than 5:00 p.m. on the Purchase Date	Not later than 5:00 p.m. on the Purchase Date	Not later than 5:00 p.m. on the Purchase Date	Not later than 5:00 p.m. on the Purchase Date	Not later than 5:00 p.m. on the commencement of the Term Rate Period or the next succeeding Business Day	Not later than 5:00 p.m. on the commencement of a Money Market Municipal Rate Period

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

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

* Interest on the Subseries B-9 Bonds is also payable on the first day of the sixth month in an MMR Period exceeding six months; the Record Date therefor is the fifteenth day of the next preceding calendar month.

**RATE PERIOD TABLE
FOR INSURED TAXABLE ADJUSTABLE RATE BONDS**

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

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

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

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

**RATE PERIOD TABLE
FOR TAXABLE ADJUSTABLE RATE BONDS**

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

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

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

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

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

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

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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 \$1,300,000,000 aggregate principal amount of the City's General Obligation Bonds, Fiscal 1995 Series B (the "Bonds") consisting of \$703,000,000 of fixed rate tax-exempt bonds (the "Fixed Rate Bonds"); \$247,000,000 of insured tax-exempt adjustable rate bonds (the "Insured Tax-Exempt Adjustable Rate Bonds"); \$150,000,000 of tax-exempt adjustable rate bonds (the "Tax-Exempt Adjustable Rate Bonds" and together with the Fixed Rate Bonds and the Insured Tax-Exempt Adjustable Rate Bonds, the "Tax-Exempt Bonds"); \$100,000,000 of insured taxable adjustable rate bonds (the "Insured Taxable Adjustable Rate Bonds"); \$80,000,000 of taxable adjustable rate bonds (the "Taxable Adjustable Rate Bonds"); and \$20,000,000 of taxable LIBOR bonds (the "Taxable LIBOR Bonds" and together with the Insured Taxable Adjustable Rate Bonds and the Taxable Adjustable Rate Bonds, the "Taxable Bonds").

INTRODUCTORY STATEMENT

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

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

The national economic downturn which began in July 1990 adversely affected the local economy, which had been declining since late 1989. As a result, the City experienced job losses in 1990 and 1991 and real Gross City Product (GCP) fell in those two years. In order to achieve a balanced budget as required by the laws of the State of New York (the "State") for the 1992 fiscal year, the City increased taxes and reduced services during the 1991 fiscal year to close a then projected gap of \$3.3 billion in the 1992 fiscal year which resulted from, among other things, lower than projected tax revenue of approximately \$1.4 billion, reduced State aid for the City and greater than projected increases in legally mandated expenditures, including public assistance and Medicaid expenditures. Beginning in calendar year 1992, the improvement in the national economy helped stabilize conditions in the City. Employment losses moderated toward year-end and real GCP increased, boosted by strong wage gains. The City now projects, and its current four-year financial plan assumes, that the City's economy will continue to improve and that a modest employment recovery will occur during calendar year 1994.

For each of the 1981 through 1994 fiscal years, the City achieved balanced operating results as reported in accordance with then applicable generally accepted accounting principles ("GAAP"). See "SECTION VI: FINANCIAL OPERATIONS—1990-1994 Statement of Operations". 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 adopted a budget which 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 balanced budget in its General Fund (the major operating fund of the State), after depositing \$1.5 billion in various reserve funds. The State’s 1994-95 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 real estate market, wage increases for City employees consistent with those assumed in the Financial Plan, employment growth, the results of a pending actuarial audit of the City’s pension system which is expected to significantly increase the City’s annual pension costs, 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 \$11.3 billion of general obligation bonds primarily to reconstruct and rehabilitate the City’s infrastructure and physical assets and to make other 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 Year 1994

The City achieved balanced operating results as reported in accordance with GAAP for the 1994 fiscal year. For further information, see "SECTION VI: FINANCIAL OPERATIONS".

1995-1998 Financial Plan

On October 25, 1994, the City published the Financial Plan for the 1995-1998 fiscal years, which is a proposed modification to a financial plan submitted to the Control Board on July 8, 1994 (the "July Financial Plan") and which relates to the City, the Board of Education ("BOE") and the City University of New York ("CUNY").

The City's July Financial Plan set forth proposed actions for the 1995 fiscal year to close a previously projected gap of approximately \$2.3 billion for the 1995 fiscal year, which included 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 included 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 included 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 1995-1998 Financial Plan published on October 25, 1994 reflects actual receipts and expenditures and changes in forecast revenues and expenditures since the July Financial Plan and projects revenues and expenditures for the 1995 fiscal year balanced in accordance with GAAP. For the 1995 fiscal year, the Financial Plan includes actions to offset an additional potential \$1.1 billion budget gap, resulting principally from a \$104 million decrease in the \$171 million projected surplus from the 1994 fiscal year to be transferred to the 1995 fiscal year, due primarily to lower projected tax revenues for the 1994 fiscal year; reductions in projected tax revenues for the 1995 fiscal year totalling \$170 million; \$60 million of increased City pension contributions resulting from lower than expected earnings on pension fund assets for the 1994 fiscal year; a \$166 million shortfall in projected increased Federal assistance due primarily to the failure to enact national health care reform; the failure of the State Legislature to approve tort reform; the failure to achieve the projected savings of \$200 million for employee health care costs; a \$165 million increase in projected overtime expenditures; and additional agency spending requirements, primarily for increased costs for foster care and homeless services, and other decreased projected revenues.

The gap closing measures for the 1995 fiscal year include additional proposed agency actions aggregating \$851 million, including \$342 million of reduced personal services costs resulting from a reduction in the number of city employees, additional expenditure reductions and \$42 million of greater than forecast miscellaneous revenues. Additional proposed gap-closing actions include the availability of \$200 million, primarily from reserves held for unreported health insurance claims. The \$851 million of agency actions proposed in the Financial Plan for the 1995 fiscal year, together with the \$1.1 billion of agency actions proposed in the July Financial Plan, are substantial and may be difficult to implement. Agency actions proposed in the Financial Plan for the 1995 fiscal year include reduced expenditures for the Police Department totalling \$67 million, a \$107 million reduction in the City's subsidy to the New York City Health and Hospitals Corporation ("HHC"), reduced allocations to BOE totalling \$190 million, expenditure reductions totalling \$102 million for the Human Resources Administration, expenditure reductions totalling \$32 million for the Department of Corrections, a portion of which are subject to modification of a court consent decree, and a \$113 million reduction in the City's subsidy to the Metropolitan Transportation Authority (the "MTA"). The Financial Plan is subject to the ability of the City to implement proposed reductions in City personnel and other cost reduction initiatives. In addition, legislation has been adopted by the State Legislature that would impose a maintenance of effort requirement on the level of funding required of the City for the BOE. This legislation has not been forwarded to the Governor for signature. If enacted into law, this legislation would require the City to increase its fiscal year 1995 funding for the BOE by approximately \$500 million over the amount included in the 1995-1998 Financial Plan, and could also result in increased

funding for the BOE in subsequent years. For additional information concerning changes since the July Financial Plan, which are reflected in the Financial Plan, see "SECTION VI: FINANCIAL OPERATIONS—Forecast of 1995 Results".

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 \$1.0 billion, \$1.5 billion and \$2.0 billion for the 1996 through 1998 fiscal years, respectively, after successful implementation of the \$1.1 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 projections for the 1996 through 1998 fiscal years also assume agreement with the City's unions with respect to \$200 million of savings to be derived from efficiencies in management of employee health insurance programs and other health benefit related savings for each of the 1996 through 1998 fiscal years; savings of \$45 million in each of the 1996 through 1998 fiscal years resulting from proposed tort reform, which requires approval of the State Legislature; and an increase in Federal assistance of \$220 million in the 1996 fiscal year, increasing to \$258 million in the 1998 fiscal year, which is subject to approval by Congress and the President. The projections for the 1996 through 1998 fiscal years assume that the State Legislature will not enact proposed legislation mandating additional pension benefits for City retirees which, if enacted as proposed, would cost the City approximately \$200 million annually. 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. An actuarial audit of the City's pension system is currently being conducted, which is expected to significantly increase the City's annual pension costs.

The proposed gap-closing actions for the 1996 through 1998 fiscal years include City actions aggregating \$705 million, \$1.072 billion and \$1.299 billion in the 1996 through 1998 fiscal years, respectively; \$200 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 \$50 million, \$100 million and \$200 million in proposed additional Federal assistance in the 1996 through 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 and labor productivity initiatives. 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.

The City's capital plan for fiscal years 1995 through 1998 contemplates the issuance of \$11.3 billion of general obligation bonds to make capital investments. See "Section V: CITY SERVICES AND EXPENDITURES—Capital Expenditures" and "Section VII: 1995-1998 FINANCIAL PLAN—Long-Term Capital and Financing Program" for a discussion of certain events, including limitations imposed by the general debt limit applicable to the City which could result in the reduction of the size of the City's capital plan.

The City's financial plans have been the subject of extensive public comment and criticism. On October 14, 1994, the City Comptroller issued a report concluding that the budget gap for the 1995 fiscal year had increased to \$1.4 billion, due, in part, to continuing shortfalls in tax revenues. 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. Subsequently 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"), the Uniformed Firefighters Association ("UFA"), the Sergeants' Benevolent Association ("SBA") and the United Sanitationmen's Association ("USA"), and recently announced tentative settlements with the Transit Police Benevolent Association ("TPBA"), the Patrolmen's Benevolent Association ("PBA") and the Lieutenants' Benevolent Association ("LBA"), all of which are generally consistent with the coalition agreement. The TPBA's delegate body has rejected the tentative settlement and the membership of the PBA has approved the settlement. 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 \$28 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, which was deposited into a tax refund reserve account. 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 balanced budget in the State's General Fund (the major operating fund of the State), after depositing \$1.5 billion in various reserve funds.

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 the proposed tort reform legislation, which would have provided the City with additional savings. The State's second quarterly update was released on October 28, 1994. It projects a year-end surplus in the General Fund of \$14 million. The update revises the projected General Fund receipts and disbursements contained in the 1994-95 State Financial Plan as revised by the first quarterly update issued on July 29, 1994. Receipts are now projected at \$34.054 billion, a decrease of \$267 million from the State's first quarterly update, reflecting primarily recent weakness in the financial services sector. The State's estimated disbursements are projected at \$33.967 billion, a decrease of \$281 million from July, attributable largely to anticipated decreases in social services spending. However, the State Division of the Budget cautioned that its projections were subject to the risk that increases in interest rates could impede economic growth. It has been reported that the State will face a potential budget gap for its 1995-96 fiscal year which could approximate \$4 billion. As a result, the State would be required to take actions to increase receipts and/or reduce disbursements from projected levels when it proposes its budget for the 1995-96 fiscal year, which could result in reductions in State aid to localities. 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 inside cover pages of this Official Statement and will contain a pledge of the City's faith and credit for the payment of the principal of, redemption premium, if any, and interest on the Bonds. All real property subject to taxation by the City will be subject to the levy of *ad valorem* taxes, without limitation as to rate or amount, to pay the principal of, redemption premium, if any, and interest on the Bonds.

The terms of the Bonds provide for their defeasance prior to maturity by the deposit in trust with a bank or trust company of sufficient cash or cash equivalents to pay when due all principal of, applicable redemption premium, if any, and interest on the Bonds to be defeased.

Fixed Rate Bonds

The Fixed Rate bonds will bear interest at the rates shown on the inside cover page, payable on each February 15 and August 15, beginning August 15, 1995, and may be purchased in denominations of \$5,000 and any integral multiple thereof.

Insured Tax-Exempt Adjustable Rate Bonds

Certain of the Bonds are being issued as Insured Tax-Exempt Adjustable Rate Bonds. For a discussion of the terms of the Insured Tax-Exempt Adjustable Rate Bonds, see "APPENDIX C—INSURED TAX-EXEMPT ADJUSTABLE RATE BONDS".

Tax-Exempt Adjustable Rate Bonds

Certain of the Bonds are being issued as Tax-Exempt Adjustable Rate Bonds. For a discussion of the terms of the Tax-Exempt Adjustable Rate Bonds, see "APPENDIX F—TAX-EXEMPT ADJUSTABLE RATE BONDS".

Insured Taxable Adjustable Rate Bonds

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

Taxable Adjustable Rate Bonds

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

Taxable LIBOR Bonds

Interest Payment Dates. Each Taxable LIBOR Bond will bear interest, payable in same-day funds, from its date of issue at the rates determined as described below until the principal thereof is paid or made available for payment. Interest will be payable on Taxable LIBOR Bonds on the fifteenth day of each February and August of each year beginning February 15, 1995 (each an "Interest Payment Date"). If any Interest Payment Date for any Taxable LIBOR Bond would otherwise be a day that is not a London Banking Day (as defined below), the Interest Payment Date for such Taxable LIBOR Bond shall be postponed to the next day that is a London Banking Day, except that if such London Banking Day is in the next succeeding calendar month, such Interest Payment Date shall be the immediately preceding London Banking Day.

The period beginning on the date of issue and ending on the first Interest Payment Date for a Taxable LIBOR Bond and each successive period beginning on an Interest Payment Date for such Taxable LIBOR Bond and ending on the next succeeding Interest Payment Date for such Taxable LIBOR Bond or the maturity date for such Taxable LIBOR Bond, with respect to the final Interest Period for such Taxable LIBOR Bond, are herein called "Interest Periods". As used herein, "London Banking Day" means any day, other than a Saturday or Sunday, on which banks in the City of London are open for business and on which banks in the City are not required or authorized by law to close.

Determination of Interest. The City will appoint a Calculation Agent (which initially will be the City Comptroller) to calculate the rate of interest per annum payable on each Taxable LIBOR Bond for each Interest Period (the "Interest Rate").

The Interest Rate for each Interest Period for each Taxable LIBOR Bond will be determined by the Calculation Agent as follows:

(i) On the second London Banking Day prior to the commencement of such Interest Period (an "Interest Determination Date"), the Calculation Agent will determine the arithmetic mean of the offered rates for U.S. Dollar deposits for a period of six months (three months for the first Interest Period) which appear on Telerate Page 3875 at approximately 11:00 a.m. (London time) on such Interest Determination Date. If at least two such offered rates appear on Telerate Page 3875, the Interest Rate for such Interest Period shall be 0.43% per annum (the "Spread"), plus such arithmetic mean.

(ii) If fewer than two offered rates appear on Telerate Page 3875 or if Telerate Page 3875 does not display offered rates for U.S. Dollar deposits, the Calculation Agent will request the principal London office of each of the Reference Banks appointed by the City to provide the Calculation Agent with its offered quotation for U.S. Dollar deposits for a period of six months (three months for the first Interest Period) to prime banks in the London interbank market at approximately 11:00 a.m. (London time) on such Interest Determination Date. If on any Interest Determination Date at least two Reference Banks provide the Calculation Agent with such offered quotations, the Interest Rate for such Interest Period shall be the Spread plus the arithmetic mean of such offered quotations, as determined by the Calculation Agent.

(iii) If on any Interest Determination Date only one or none of the Reference Banks provides the Calculation Agent with such an offered quotation, the Interest Rate for the relevant Interest Period shall be the rate that the Calculation Agent determines to be the Spread plus the arithmetic mean of the offered rates which leading banks in The City of New York selected by the Calculation Agent (after consultation with the City, if the Calculation Agent is not at the time a City official) are quoting at approximately 11:00 a.m. (local time) on such Interest Determination Date to leading European banks for U.S. Dollar deposits for a period of six months (three months for the first Interest Period).

(iv) The Interest Rate shall never exceed 25% per annum.

Interest on each Taxable LIBOR Bond for each Interest Period shall be calculated on the basis of a 360-day year of twelve 30-day months. The first Interest Period will be 89 days and each subsequent Interest Period will be 180 days.

The City will cause the Fiscal Agent to be notified of the Interest Rate determined for each Interest Period for a Taxable LIBOR Bond and the amount payable as interest on such Taxable LIBOR Bond during such Interest Period. An Interest Payment Date and amount of interest payable on a Taxable LIBOR Bond on such Interest Payment Date may subsequently be changed without notice in the event of an extension or shortening of the Interest Period ending on such Interest Payment Date in the circumstances described above under "Interest Payment Dates".

Reference Banks and Calculation Agent. The City covenants that, until all the Taxable LIBOR Bonds are paid or payment thereof is provided for, there shall at all times be at least three Reference Banks and a Calculation Agent for the purpose of determining the Interest Rate on the Taxable LIBOR Bonds. If any such Reference Bank or Calculation Agent shall be unwilling or unable to act as such Reference Bank or Calculation Agent or if such Calculation Agent shall fail duly to determine the Interest Rate and the amount of interest payable for any Interest Period, the City will promptly appoint a leading bank engaged in transactions in Eurodollar deposits in the international Eurocurrency market to act as such in its place.

Upon the request of any holder of a Taxable LIBOR Bond, the Calculation Agent will provide the Interest Rate then in effect and, if different, the Interest Rate that will become effective as a result of a determination made on the most recent Interest Determination Date with respect to such Taxable LIBOR Bond.

The preceding is a summary of certain provisions expected to be included in the Taxable LIBOR Bonds and the proceedings under which they are to be issued, and is subject in all respects to be the underlying documents, copies of which will be available for inspection during business hours at the office of the Fiscal Agent.

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 and the State Covenant (in each case, as defined in “SECTION II: THE BONDS—Certain Covenants and Agreements”) may be within the discretion of a court. For further information concerning certain rights of owners of Bonds against the City, see “SECTION VIII: INDEBTEDNESS—City Indebtedness”.

Enforceability of City Obligations

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

Certain Covenants and Agreements

The City will covenant that: (i) a separate fund or funds for the purpose of paying principal of and interest on bonds and interest on notes of the City (including required payments into, but not from, City sinking funds) shall be maintained by an officer or agency of the State or by a bank or trust company; and (ii) not later than the last day of each month, there shall be on deposit in a separate fund or funds an amount sufficient to pay principal of and interest on bonds and interest on notes of the City due and payable in the next succeeding month. The City currently uses the debt service payment mechanism described above to perform these covenants. The City will further covenant to comply with the financial reporting requirements of the Act, as in effect from time to time. The City will also covenant to include as terms of the Taxable LIBOR Bonds, the Insured Tax-Exempt Adjustable Rate Bonds, the Tax-Exempt Adjustable Rate Bonds, the Insured Taxable Adjustable Rate Bonds and the Taxable Adjustable Rate Bonds certain provisions described above, in "APPENDIX C—INSURED TAX-EXEMPT ADJUSTABLE RATE BONDS", "APPENDIX F—TAX-EXEMPT ADJUSTABLE RATE BONDS", "APPENDIX I—INSURED TAXABLE ADJUSTABLE RATE BONDS" and "APPENDIX L—TAXABLE ADJUSTABLE RATE BONDS", respectively.

The State pledges and agrees in the Financial Emergency Act that the State will not take any action that will impair the power of the City to comply with the covenants described in the preceding paragraph (the "City Covenants") or any right or remedy of any owner of the Bonds to enforce the City Covenants (the "State Pledge and Agreement"). The City will include in the Fixed Rate Bonds and the Taxable LIBOR Bonds, the covenant of the State (the "State Covenant") to the effect, among other things, that the State will not substantially impair the authority of the Control Board in specified respects. In the opinion of Bond Counsel, the enforceability of the City Covenants, the State Pledge and Agreement and the State Covenant may be subject to bankruptcy, insolvency, reorganization, moratorium and other similar laws affecting creditors' rights heretofore or hereafter enacted and may also be subject to the exercise of the State's police powers and of judicial discretion in appropriate cases.

Redemption

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

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

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

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

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

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

Mandatory Redemption of Fixed Rate Bonds

The Term Bonds maturing on August 15, 2016 and August 15, 2019 are subject to mandatory redemption upon 30 days' notice to Bondholders, by lot within each stated maturity, on each August 15, at a redemption price equal to the principal amount thereof, plus accrued interest, without premium, in the amounts set forth below:

<u>Year</u>	<u>Principal Amount to be Redeemed</u>	
	<u>2016 Maturity</u>	<u>2019 Maturity</u>
2014	\$31,970,000	
2015	42,945,000	
2016	45,950,000*	
2017		\$49,160,000
2018		31,730,000
2019		56,040,000*

* Stated Maturity

At the option of the City, there shall be applied to or credited against the required amounts the principal amount of any such Term Bonds that have been defeased, purchased or redeemed and not previously so applied or credited.

Defeased Term Bonds shall at the option of the City no longer be entitled, but may be subject, to the provisions thereof for mandatory redemption.

Optional Redemption of Fixed Rate Bonds

The Fixed Rate Bonds will be subject to redemption at the option of the City on or after August 15, 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:

<u>Redemption Dates</u>	<u>Redemption Price as Percentage of Par</u>
August 15, 2004 through August 14, 2005	101%
August 15, 2005 through August 14, 2006	100½
August 15, 2006 and thereafter	100

Use of Proceeds

The proceeds from the sale of the Bonds will be used for various municipal capital purposes. For further information concerning the City's capital projects, see "SECTION V: CITY SERVICES AND EXPENDITURES—Capital Expenditures" and "SECTION VII: 1995-1998 FINANCIAL PLAN—Long-Term Capital and Financing Program". Certain expenses of the City incurred in connection with the issuance and sale of the Bonds, preliminary costs of surveys, maps, plans, estimates and hearings in connection with capital improvements and costs incidental to such improvements may be included in the above purposes.

Bond Insurance

For information pertaining to insurance on the Subseries B-1 Bonds due in 2012, Subseries B-2, Subseries B-3, Subseries B-4, Subseries B-5 and Subseries B-6 Bonds, to be provided by Municipal Bond Investors Assurance Corporation ("MBIA") and on the Subseries B-7 Bonds to be provided by AMBAC Indemnity Corporation ("AMBAC Indemnity"), see "APPENDIX C—INSURED TAX-EXEMPT ADJUSTABLE RATE BONDS—Bond Insurance" and "APPENDIX O—SPECIMEN INSURANCE POLICIES", and for information pertaining to insurance on the Insured Taxable Adjustable Rate Bonds to be provided by Financial Guaranty Insurance Company ("Financial Guaranty"), see "APPENDIX I—INSURED TAXABLE ADJUSTABLE RATE BONDS—Bond Insurance" and "APPENDIX O—SPECIMEN INSURANCE POLICIES".

Bond Certificates

Book-Entry Only System

The Depository Trust Company ("DTC"), New York, New York, will act as securities depository for the Bonds, with the possible exception of the Subseries B-9 Bonds and the Taxable Adjustable Rate Bonds.

However, it is anticipated that DTC will act in such capacity with respect to the Subseries B-9 Bonds and the Taxable Adjustable Rate Bonds. If such event occurs after delivery of the Bonds, holders of the Subseries B-9 Bonds and the Taxable Adjustable Rate Bonds may be required, upon notice, to present their certificates so that they may be deposited with DTC in accordance with the procedures described below. Reference to the Bonds under the caption "Bond Certificates" shall mean all Bonds that are deposited with DTC from time to time. The Bonds will be issued as one fully-registered Bond certificate for each maturity, type and Subseries, each in the aggregate principal amount thereof, and will be registered in the name of Cede & Co. (DTC's partnership nominee) and 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 the Bonds, except in the event that use of the book-entry system for the Bonds is discontinued.

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

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

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

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

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

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

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

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

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

Payments and Transfers

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

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

Discontinuance of the Book-Entry Only System

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

SECTION III: GOVERNMENT AND FINANCIAL CONTROLS

Structure of City Government

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

- The Mayor.* Rudolph W. Giuliani, the Mayor of the City, took office on January 1, 1994. The Mayor is elected in a general election for a four-year term and is the chief executive officer of the City. The Mayor has the power to appoint the commissioners of the City's various departments. The Mayor is responsible for preparing and administering the City's annual Expense and Capital Budgets (as defined below) and financial plan. The Mayor has the power to veto local laws enacted by the City Council, but such a veto may be overridden by a two-thirds vote of the Council. The Mayor has powers and responsibilities relating to land use and City contracts and all residual powers of the City government not otherwise delegated by law to some other public official or body. The Mayor is also a member of the Control Board.
- The City Comptroller.* Alan G. Hevesi, the Comptroller of the City, took office on January 1, 1994. The City Comptroller is elected in a general election for a four-year term and is the chief fiscal officer of the City. The City Comptroller has extensive investigative and audit powers and responsibilities which include keeping the financial books and records of the City. The City Comptroller's audit responsibilities include a program of performance audits of City agencies in connection with the City's management, planning and control of operations. In addition, the City Comptroller is required to evaluate the Mayor's budget, including the assumptions and methodology used in the budget. The City Comptroller is also a member of the Control Board and is a trustee, the custodian and the delegated investment manager of the City's five pension systems.
- The City Council.* The City Council is the legislative body of the City and consists of the Public Advocate and 51 members elected for four-year terms who represent various geographic districts of the City. Under the Charter, the City Council must annually adopt a resolution fixing the amount of the real estate tax and approve the City's annual Expense Budget and Capital Budget (as defined below). The City Council does not, however, have the power to enact local laws imposing other taxes, unless such taxes have been authorized by State legislation. The City Council has powers and responsibilities relating to franchises and land use and as provided by State law.
- The Public Advocate.* Mark Green, the Public Advocate, took office on January 1, 1994. The Public Advocate is elected in a general election for a four-year term. The Public Advocate may preside at meetings of the City Council without voting power, except in the case of a tie vote. The Public Advocate is first in the line of succession to the Mayor in the event of the disability of the Mayor or a vacancy in the office. The Public Advocate appoints a member of the City Planning Commission and has various responsibilities relating to, among other things, monitoring the activities of City agencies, the investigation and resolution of certain complaints made by members of the public concerning City agencies and ensuring appropriate public access to government information and meetings.
- The Borough Presidents.* Each of the City's five boroughs elects a Borough President who serves for a four-year term concurrent with other City elected officials. The Borough Presidents consult with the Mayor in the preparation of the City's annual Expense Budget and Capital Budget. Five percent of discretionary increases proposed by the Mayor in the Expense Budget and, with certain exceptions, five percent of the appropriations supported by funds over which the City has substantial discretion proposed by the Mayor in the Capital Budget, must be based on appropriations proposed by the Borough Presidents. Each Borough President also appoints one member to BOE and has various responsibilities relating to, among other things, reviewing and making recommendations regarding

applications for the use, development or improvement of land located within the borough, monitoring and making recommendations regarding the performance of contracts providing for the delivery of services in the borough, and overseeing the coordination of a borough-wide public service complaint program.

On November 6, 1990, the voters of the borough of Staten Island voted to establish a charter commission for the purpose of proposing a charter under which Staten Island would secede from The City of New York to become a separate city of Staten Island. A referendum approving the charter proposed by such commission was approved by the voters of the borough of Staten Island on November 2, 1993. On March 1, 1994, the charter commission submitted to the State Legislature proposed legislation enabling Staten Island to separate from the City. The charter would take effect upon approval of such enabling legislation. Based upon the advice of the State Assembly's "home rule" counsel, the Speaker of the Assembly has determined that the City must issue a "home rule message", which requires a formal request of action by the State Legislature by either (i) the Mayor and a majority of the City Council or (ii) two-thirds of the City Council, before the proposed legislation may be voted upon by the Assembly. In 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. However, 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, and the Mayor has the power to implement expenditure reductions subsequent to adoption of the Expense Budget in order to maintain a balanced budget. 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 1993 fiscal year, which includes, among other things, the City's financial statements for the 1993 fiscal year, has received the GFOA award of the Certificate of Achievement for Excellence in Financial Reporting, the fourteenth 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 then applicable 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, "New York City Transit" or "NYCT"), 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 is appointed jointly by the Governor and the Mayor and Jeffrey Sommer is currently serving as Acting Executive Director of the Control Board. 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 66.0% of total revenues in the 1995 fiscal year while Federal aid, including categorical grants, will provide 12.3%, 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 41.1% of its total tax revenues and 22.0% 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)

<u>Fiscal Year</u>	<u>Billable Assessed Valuation of Taxable Real Estate(2)</u>	<u>÷</u>	<u>Special Equalization Ratio</u>	<u>=</u>	<u>Full Valuation(2)</u>
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. Fiscal year 1995 tax rates were set on June 22, 1994 reflecting the provision of State law that limited the market value adjustment to a 5% increase in any class's share compared to its share in the prior fiscal year. Under legislation recently passed, the market value adjustment will be limited to a 2¾% increase in a class's share for fiscal year 1995. As a result, new tax rates for fiscal year

1995 were adopted by the City Council on August 24, 1994. The City will send out amended real property tax bills, which will reflect a decrease in tax levy for classes one, two and three and an equivalent and offsetting increase in the class four tax levy.

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 1 and January 1, 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 on July 1, October 1, January 1 and April 1. Since July 1, 1991, an annual interest rate of 9% compounded daily is imposed upon late payments on properties for which the annual tax bill does not exceed \$2,750 except in the case of (i) any parcel with respect of which the real property taxes are held in escrow and paid by a mortgage escrow agent and (ii) parcels consisting of vacant or unimproved land. Since July 1, 1991, an interest rate of 18% compounded daily is imposed upon late payments on all other properties. These interest rates are set annually.

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 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 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 (the "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. 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. In addition, \$191 million of tax collections for fiscal year 1995, as shown in the table below, will be transferred to the Trust as a result of such sale of delinquent tax receivables. 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	7,572.0	223.1	(455.4)	93.3	(308.2)	3.80
1995(5).....	7,889.8	7,368.9	223.9	(481.4)	93.4	(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. Amounts for fiscal year 1995 are adjusted to eliminate the effects of the May 31, 1994 sale of delinquent tax receivables.
- (3) These figures include taxes due on certain publicly owned property.
- (4) Does not include supplemental levy of \$61.7 million raised in mid-year for the Criminal Justice Fund.
- (5) Forecast.

Other Taxes

The City expects to derive approximately 58.9% 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 \$642 million or approximately 6.6% 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.

	<u>1990</u>	<u>1991</u>	<u>1992</u>	<u>1993(1)</u>	<u>1994</u>
	(In Millions)				
Personal Income(2)	\$2,532	\$2,789	\$3,223	\$ 3,451	\$ 3,530
General Corporation	954	950	964	978	1,193
Banking Corporation	129	205	310	362	497
Unincorporated Business Income	332	333	340	389	382
Sales	2,407	2,306	2,262	2,379	2,451
Commercial Rent	640	670	649	624	629
Real Property Transfer	210	141	123	125	149
Mortgage Recording	154	137	121	118	134
Utility	179	177	183	190	208
All Other(3)	537	490	561	588	622
Audits	439	444	528	519	570
Total	<u>\$8,513</u>	<u>\$8,642</u>	<u>\$9,264</u>	<u>\$ 9,723</u>	<u>\$10,365</u>

(1) A change in certain accounting standards issued by the Government Accounting Standards Board applicable to the City resulted in a restatement of the figures for the 1993 fiscal year and the results of operations for the 1993 fiscal year. Such restatement is reflected in the City's audited financial statements for the 1993 fiscal year. For further information concerning such change in accounting standards, see "SECTION VI: FINANCIAL OPERATIONS—1990-1994 Statement of Operations".

(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.

	<u>1990</u>	<u>1991</u>	<u>1992</u>	<u>1993</u>	<u>1994</u>
	(In Millions)				
Licenses, Permits and Franchises	\$ 189	\$ 201	\$ 210	\$ 213	\$ 225
Interest Income	194	167	133	87	82
Charges for Services	299	337	369	397	389
Water and Sewer Payments(1)	571	596	644	709	718
Rental Income	207	169	158	162	133
Fines and Forfeitures.....	310	366	404	380	369
Other.....	464	426	411	607	787
Total	<u>\$2,234</u>	<u>\$2,262</u>	<u>\$2,329</u>	<u>\$2,555</u>	<u>\$2,703</u>

(1) Beginning July 1, 1985, fees and charges collected from the users of the water and sewer system of the City became revenues of the 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 \$81 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.

	<u>1990</u>	<u>1991</u>	<u>1992</u>	<u>1993</u>	<u>1994</u>
	(In Millions)				
State Per Capita Aid	\$535	\$535	\$534	\$535	\$300
State Shared Taxes(1)	47	20	27	8	27
Other(2)	105	145	265	164	340
Total	<u>\$687</u>	<u>\$700</u>	<u>\$826</u>	<u>\$707</u>	<u>\$667</u>

- (1) State Shared Taxes are taxes which are levied by the State, collected by the State and which, pursuant to aid formulas determined by the State Legislature, are returned to various communities in the State. Beginning on April 1, 1982, these payments were replaced by funds appropriated pursuant to the Consolidated Local Highway Assistance Program, known as "CHIPS".
- (2) Included in the 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.

	<u>1990</u>	<u>1991</u>	<u>1992</u>	<u>1993</u>	<u>1994</u>
	(In Millions)				
Federal					
JTPA.....	\$ 74	\$ 73	\$ 86	\$ 128	\$ 106
Community Development(1)	234	227	187	193	264
Welfare	1,634	1,842	2,108	2,111	2,321
Education	611	667	744	867	882
Other	320	338	297	311	387
Total	<u>\$2,873</u>	<u>\$3,147</u>	<u>\$3,422</u>	<u>\$3,610</u>	<u>\$3,960</u>
State					
Welfare	\$1,482	\$1,620	\$1,773	\$1,767	\$1,897
Education	3,072	3,285	3,072	3,309	3,380
Higher Education	111	119	119	117	134
Health and Mental Health	244	237	201	189	207
Other	263	250	270	279	285
Total	<u>\$5,172</u>	<u>\$5,511</u>	<u>\$5,435</u>	<u>\$5,661</u>	<u>\$5,903</u>

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

SECTION V: CITY SERVICES AND EXPENDITURES

Expenditures for City Services

Three types of governmental agencies provide public services within the City's borders and receive financial support from the City. One category is the mayoral agencies established by the City Charter which include, among others, the Police, Fire and Sanitation Departments. Another is the independent agencies which are funded in whole or in part through the City Budgets but which have greater independence in the use of appropriated funds than the mayoral agencies. Included in this category are certain Covered Organizations such as HHC, the Transit Authority and BOE. A third category consists of certain PBCs which were created to finance the construction of housing, hospitals, dormitories and other facilities and to provide other governmental services in the City. The legislation establishing this type of agency contemplates that annual payments from the City, appropriated through its Expense Budget, may or will constitute a substantial part of the revenues of the agency. Included in this category are, among others, the HFA and the City University Construction Fund ("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 74% 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 25.76%. 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 29.1% 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.

	<u>1990</u>	<u>1991</u>	<u>1992</u>	<u>1993</u>	<u>1994</u>
Education	86,224	86,071	83,863	86,981	88,639
Police	32,976	34,401	34,217	35,531	38,008
Social Services and Homeless Services.....	31,491	31,404	28,890	28,810	26,013
City University	3,843	3,864	3,516	3,682	4,071
Environmental Protection and Sanitation ...	18,300	17,366	16,560	16,714	16,046
Fire	12,769	12,679	12,571	12,537	12,484
All Other	57,487	57,423	54,491	54,184	50,491
Total	<u>243,090</u>	<u>243,208</u>	<u>234,108</u>	<u>238,439</u>	<u>235,752</u>

The following table presents the number of full-time employees of certain Covered Organizations, as reported by such Organizations, at the end of each of the City's 1990 through 1994 fiscal years.

	<u>1990</u>	<u>1991</u>	<u>1992</u>	<u>1993</u>	<u>1994</u>
Transit Authority	51,471	49,035	48,388	48,910	49,790
Housing Authority	15,253	15,106	15,271	16,294	16,640
HHC.....	46,194	45,717	45,498	47,738	47,582
Total(1)	<u>112,918</u>	<u>109,858</u>	<u>109,157</u>	<u>112,942</u>	<u>114,012</u>

(1) The definition of "full-time employees" varies among the Covered Organizations and the City.

The foregoing tables include persons whose salaries or wages are paid by certain public employment programs, principally programs funded under JTPA, which support employees in non-profit and State agencies as well as in the mayoral agencies and the Covered Organizations.

Labor Relations

Substantially all of the City's full-time employees are members of labor unions. The Financial Emergency Act requires that all collective bargaining agreements entered into by the City and the Covered Organizations be consistent with the City's current financial plan, except for certain awards arrived at through impasse procedures. During a Control Period, and subject to the foregoing exception, the Control Board would be required to disapprove collective bargaining agreements that are inconsistent with the City's current financial plan.

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 Strategy (previously, the Ten-Year Capital Plan), the Four-Year Capital Program and the current-year Capital Budget. The Ten-Year Capital Strategy, which is published 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 \$45.6 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 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. However, it is currently expected that such deferred capital contribution will be made in the 1997 fiscal year. Such delay requires the approval of the Governor, MAC and the Mayor. The Updated Ten-Year Capital Plan also assumes that the Wicks Law will be repealed by the State legislature, and that the City will achieve savings of \$1.46 billion over the ten-year period due to increased capital program efficiency once the law is repealed. In a recent session of the State legislature, an attempt to change the Wicks Law to provide municipalities with alternative contracting methods was not successful.

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 \$1.177 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. 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. In addition, the City's current projections of total debt subject to the general debt limit that would be required to be issued to fund the current Updated Ten-Year Capital Plan indicate that, if no action were taken, projected debt issuance would exceed the general debt limit by a substantial amount starting in fiscal year 1998. See "SECTION VIII: INDEBTEDNESS—City Indebtedness—*Limitations on the City's Authority to Contract Indebtedness.*" Accordingly, in the absence of any other action, the City would be required to substantially reduce the capital plan. However, the City is examining various other actions that may be taken to address this issue. 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 \$18.8 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. The following table summarizes the major categories of capital expenditures in the past five fiscal years.

	1990	1991	1992	1993	1994	Total
	(In Millions)					
Education.....	\$ 380	\$ 694	\$ 681	\$ 754	\$ 722	\$ 3,231
Environmental Protection	637	826	894	746	616	3,719
Transportation	392	399	364	341	423	1,919
Transit Authority(1)	360	381	329	250	221	1,541
Housing	572	689	639	431	387	2,718
Hospitals	148	195	155	167	163	828
Sanitation.....	223	172	153	188	151	887
All Other(2)	1,039	877	678	740	660	3,994
Total Expenditures(3)	<u>\$3,751</u>	<u>\$4,233</u>	<u>\$3,893</u>	<u>\$3,617</u>	<u>\$3,343</u>	<u>\$18,837</u>
City-funded Expenditures(4)	<u>\$3,213</u>	<u>\$3,946</u>	<u>\$3,582</u>	<u>\$3,395</u>	<u>\$3,301</u>	<u>\$17,437</u>

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

(2) All Other includes, among other things, parks, correction facilities, public structures and equipment.

(3) Total Expenditures for the 1990 through 1994 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 1994 fiscal years are derived from the Comprehensive Annual Financial Report of the Comptroller.

(4) City-funded Expenditures do not include an accrual and represent actual cash expenditures occurring during the fiscal year.

In October 1989, the City completed an inventory of the major portion of its assets and asset systems which have a replacement cost of \$10 million or more and a useful life of at least ten years, as required by the City Charter. In May 1993, the City issued an assessment of the asset condition and a proposed maintenance schedule for the inventoried assets. For information concerning a report which sets forth the recommended capital investment to bring certain identified assets of the City to a state of good repair, see "SECTION VII: 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, 1994, 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 1995 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 1994 fiscal years reported in accordance with GAAP. The financial statements for the 1993 fiscal year have been restated to reflect a change in the method of recognizing certain tax receipts. See Note (2) below. The information regarding the 1990 through 1994 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 1993 and 1994 financial statements included in "APPENDIX B—FINANCIAL STATEMENTS". The 1990 through 1992 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)				
	1990	1991	1992	1993(2)	1994
	(In Millions)				
Revenues and Transfers					
Real Estate Tax(3)	\$ 6,543	\$ 7,251	\$ 7,818	\$ 7,886	\$ 7,773
Other Taxes(4)	8,513	8,642	9,264	9,723	10,365
Miscellaneous Revenues	2,234	2,262	2,329	2,555	2,703
Unrestricted Federal and State Aid	687	700	826	707	667
Federal Categorical Grants	2,873	3,147	3,422	3,610	3,960
State Categorical Grants	5,172	5,511	5,435	5,661	5,903
Less: Disallowances Against Categorical Grants	(85)	(32)	(72)	(26)	(19)
Total Revenues and Transfers	<u>\$25,937</u>	<u>\$27,481</u>	<u>\$29,022</u>	<u>\$30,116</u>	<u>\$31,352</u>
Expenditures and Transfers					
Social Services	\$ 5,932	\$ 6,686	\$ 7,108	\$ 7,430	\$ 8,030
Board of Education	6,377	6,694	6,626	7,213	7,561
City University	299	313	458	571	353
Public Safety and Judicial	3,523	3,494	3,586	3,759	3,846
Health Services	1,395	1,463	1,276	1,452	1,620
Pensions	1,693	1,479	1,370	1,427	1,274
Debt Service(4)	1,205	1,503	2,502	2,069	2,136
MAC Debt Service Funding(4)	522	449	540	370	354
All Other	4,986	5,395	5,552	5,861	6,173
Total Expenditures and Transfers	<u>\$25,932</u>	<u>\$27,476</u>	<u>\$29,018</u>	<u>\$30,152</u>	<u>\$31,347</u>
Surplus(5)	<u>\$ 5</u>	<u>\$ 5</u>	<u>\$ 4</u>	<u>\$ (36)</u>	<u>\$ 5</u>

- (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) In October, 1993, the City reported a General Fund operating surplus of \$5,079,000 for the 1993 fiscal year as reported in accordance with then applicable GAAP. The City has been required to restate its fiscal year 1993 financial statements because the City has implemented for the 1994 fiscal year Governmental Accounting Standards Board Statement ("GASB") Number 22, which provides for a change in the method of recognizing certain tax receipts. For purposes of presenting comparative financial statements for the 1993 fiscal year, the City was required to restate the fiscal year 1993 financial statements as if the Statement were adopted in fiscal year 1993. Accordingly, for purposes of presenting fiscal year 1993 financial statements on a comparative basis, the opening fund balance of fiscal year 1993 was restated from \$82,974,000 to \$311,435,000 and the surplus for the 1993 fiscal year was restated from \$5,079,000 to \$(36,025,000).
- (3) 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. Real Estate Tax for fiscal year 1994 also includes \$201 million from the sale to Tax Collections Trust of the City's delinquent tax receivables outstanding as of May 31, 1994.
- (4) 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".
- (5) The General Fund surplus is the surplus after discretionary transfers and expenditures. The City had General Fund operating surpluses of \$72 million, \$412 million, \$570 million, \$27 million and \$253 million, before discretionary transfers and expenditures for the 1994, 1993, 1992, 1991 and 1990 fiscal years, respectively.

Forecast of 1995 Results

The following table compares the forecast for the 1995 fiscal year contained in the financial plan submitted to the Control Board on July 8, 1994 (the "July 1994 Forecast") with the Financial Plan expected to be submitted to the Control Board in the near future (the "October 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.

	July 1994 Forecast (1)	October 1994 Forecast (In Millions)	Increase (Decrease) from July 1994 Forecast
REVENUES			
Taxes			
General Property Tax	\$ 7,055	\$ 7,028	\$ (27)
Other Taxes	10,007	9,864	(143)(1)
Tax Audit Revenue	581	559	(22)(2)
Criminal Justice Fund	317	317	—
Sale of Property Tax Receivables	215	215	—
Miscellaneous Revenues	3,618	3,579	(39)
Unrestricted Intergovernmental Aid	554	564	10
Anticipated Federal Actions	27	27	—
Inter-Fund Revenues	247	247	—
Less: Intra-City Revenues	(787)	(751)	36
Disallowances Against Categorical Grants	(15)	(15)	—
Total City Funds	\$21,819	\$21,634	\$ (185)
Federal Categorical Grants	3,505	3,894	389(3)
State Categorical Grants	6,311	6,335	24(3)
Total Revenues	\$31,635	\$31,863	\$ 228
EXPENDITURES			
Personal Service	\$15,896	\$15,619	\$ (277)(4)
Other Than Personal Service	14,007	14,249	242(5)
Debt Service	2,310	2,397	87(6)
MAC Debt Service Funding	59	59	—
General Reserve	150	290	140(7)
	<u>\$32,422</u>	<u>\$32,614</u>	<u>\$ 192</u>
Less: Intra-City Expenses	\$ (787)	(751)	36
Total Expenditures	\$31,635	\$31,863	\$ 228
GAP TO BE CLOSED	\$ —	\$ —	\$ —

(1) The forecasted decrease in Other Taxes is due to a projected \$135 million reduction in personal income tax, a projected \$82 million reduction in bank tax, a projected \$25 million reduction in sales tax, primarily as a result of the downturn in securities industry profitability in 1994 and a \$27 million reduction in general property tax, as a result of a change to the forecast of payments transferred to the Tax Collection Trust, partially offset by a projected \$12 million increase in the hotel tax, a projected \$14 million increase in commercial rent tax, a projected \$46 million increase in the real estate transaction taxes and a \$27 million increase in penalty and interest on real estate taxes.

(2) The forecasted reduction of Tax Audit Revenue results from the implementation of GASB Statement Number 22 regarding the accounting treatment for audits.

(3) The increase in Federal and State Categorical Grants is due in part to modifications to such grants that were processed from July 1994 to September 1994 as well as adjustments to the expenditure forecast.

(4) The reduction in the Personal Service forecast is due to head count reductions resulting from the severance program and attrition, offset in part by the recognition of \$165 million in additional overtime costs.

(5) The increase in the Other Than Personal Service forecast is due in part to budget modifications that were processed from July 1994 to September 1994, adjustments to the expenditure forecast, as well as reclassifications of certain costs. These increases are offset by the reduction program detailed in the Financial Plan.

(6) The increase in Debt Service costs represents discretionary adjustments in Debt Service payments between the 1994 and 1995 fiscal years totalling \$104 million primarily due to a reduction in tax collections in fiscal year 1994. This increase is offset by savings from other adjustments in the debt service forecast of \$17 million.

(7) The City has reduced the funding for the New York City Transit Police Department ("NYCTPD") from January 24, 1995 to June 30, 1995 until the merger of that force with the New York Police Department can be finalized. The reduction of the City's contribution to the NYCT by \$140 million for the cost of 4,500 officers and 450 civilians on the NYCTPD has been placed in the City's General Reserve.

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	\$ 7,028	\$ 7,132	\$ 7,471	\$ 7,719
Other Taxes(3)	9,864	10,239	10,891	11,562
Tax Audit Revenue	559	579	579	579
Criminal Justice Fund(4)	317	335	—	—
Sale of Property Tax Receivables	215	207	198	192
Tax Reduction Program(5)	—	(173)	(511)	(854)
Miscellaneous Revenues	3,579	3,368	3,338	3,318
Unrestricted Intergovernmental Aid	564	544	553	562
Anticipated Federal Actions	27	—	—	—
Inter-Fund Revenues(6)	247	248	248	248
Less: Intra-City Revenues	(751)	(789)	(789)	(789)
Disallowances Against Categorical Grants	(15)	(15)	(15)	(15)
Total City Funds	\$21,634	\$21,675	\$21,963	\$22,522
Federal Categorical Grants	3,894	3,505	3,469	3,479
State Categorical Grants	6,335	6,222	6,302	6,373
Total Revenues(7)	\$31,863	\$31,402	\$31,734	\$32,374
EXPENDITURES				
Personal Service(8)	\$15,619	\$16,152	\$16,488	\$16,802
Other Than Personal Service	14,249	13,552	13,928	14,487
Debt Service(3)	2,397	3,015	3,191	3,339
MAC Debt Service Funding(3)	59	277	313	409
General Reserve	290	150	150	150
Total Expenditures	\$32,614	\$33,146	\$34,070	\$35,187
Less: Intra-City Expenses	(751)	(789)	(789)	(789)
Net Total Expenditures(7)	\$31,863	\$32,357	\$33,281	\$34,398
GAP TO BE CLOSED	\$ —	\$ (955)	\$ (1,547)	\$ (2,024)
GAP-CLOSING PROGRAM				
City Actions	\$ —	\$ 705	\$ 1,072	\$ 1,299
State Actions Including Mandate Relief	—	200	375	525
Federal Actions	—	50	100	200
TOTAL GAP-CLOSING PROGRAM	\$ —	\$ 955	\$ 1,547	\$ 2,024

(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)

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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) Tax Reduction Program includes (i) the elimination of the 12.5% personal income tax surcharge when it expires, at a cost of \$184 million in the 1997 fiscal year and \$455 million in the 1998 fiscal year, (ii) the elimination of the City sales tax on items of clothing under \$100, at a cost of \$98 million in the 1996 fiscal year, \$195 million in the 1997 fiscal year and \$200 million in the 1998 fiscal year, (iii) reductions in the property tax as applied to cooperative apartments and condominiums totaling \$70 million, \$120 million and \$175 million in the 1996 through 1998 fiscal years, respectively, and (iv) reductions in the unincorporated business tax totaling \$5 million and \$17 million in the 1997 and 1998 fiscal years, respectively.
- (6) 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.
- (7) The City's operations refer to the City's General Fund revenues reduced by expenditures. The revenues and assets of PBCs included in the City's audited financial statements do not constitute revenues and assets of the City's General Fund, and, accordingly, the revenues of such PBCs, other than net OTB revenues, are not included in the City's operations. Expenditures required to be made by the City with respect to such PBCs are included in the City's operations. For further information regarding the particular PBCs included in the City's financial statements, see "APPENDIX B—FINANCIAL STATEMENTS—Notes to Financial Statements—Note A".
- (8) For an explanation of projected expenditures for personal service costs, see "SECTION V: CITY SERVICES AND EXPENDITURES—Employees and Labor Relations".

Actions to Close the Gaps

The 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 \$955 million, \$1.547 billion and \$2.024 billion for the 1996, 1997 and 1998 fiscal years, respectively.

City gap-closing actions total \$705 million in the 1996 fiscal year, \$1.072 billion in the 1997 fiscal year and \$1.299 billion in the 1998 fiscal year. These actions, a substantial number of which are unspecified, include additional spending reductions, the reduction of City personnel through attrition, government efficiency initiatives, procurement initiatives and labor productivity initiatives. Certain of these initiatives may be subject to negotiation with the City's municipal unions.

State actions proposed in the gap-closing program total \$200 million, \$375 million and \$525 million in 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 \$50 million, \$100 million and \$200 million in increased Federal assistance in fiscal years 1996 through 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 1996 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 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 wage costs 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; 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 balanced budget in the State's General Fund (the major operating fund of the State), after depositing \$1.5 billion in various reserve funds.

The State's 1994-95 Financial Plan, as updated in October 1994, projects a balanced General Fund. Total receipts are projected to be \$34.054 billion, an increase of \$1.825 billion over total receipts in the prior fiscal year. Total General Fund disbursements are projected to be \$33.967 billion, an increase of \$2.070 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 \$18.222 billion, an increase of \$2.188 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 4%, about the same as the forecasted growth in 1994 income tax liability, which reflects personal income growth of approximately 4.5%. 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 \$6.555 billion, an increase of \$259 million from reported 1993-94 results. Underlying growth in the continuing sales tax base is forecast to be 5.2%, 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 \$485 million from reported 1993-94 results. The decline results from the effects of tax reductions enacted in 1994, court decisions 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 \$23.676 billion in the 1994-95 State Financial Plan, an increase of \$1.667 billion from 1993-94 levels. Significant increases result from a \$512 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 its October 28, 1994 update to the 1994-95 State Financial Plan, the State cautioned that its projections were subject to the risks that increases in interest rates could impede economic growth. A copy of the Second Quarterly Update to the 1994-95 State Financial Plan may be obtained by contacting the Division of the Budget, State Capitol, Albany, NY 12224, Tel: (518) 473-3732. It has been reported that the State will face a potential budget gap for its 1995-96 fiscal year which could approximate \$4 billion. As a result, the State would be required to take actions to increase receipts and/or reduce disbursements from projected levels when it proposes its budget for the 1995-96 fiscal year, which could result in reductions in State aid to localities.

In the State's 1995 fiscal year and in certain recent fiscal years, the State has failed to enact a budget prior to the beginning of the State's fiscal year. A delay in the adoption of the State's budget beyond the statutory April 1 deadline could delay the projected receipt by the City of State aid, and there can be no assurance that State budgets in future fiscal years will be adopted by the April 1 statutory deadline.

As a result of 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 October 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 October 1994.

FORECAST OF KEY ECONOMIC INDICATORS

<u>U.S. ECONOMY</u>	Calendar Years					
	<u>1993</u>	<u>1994</u>	<u>1995</u>	<u>1996</u>	<u>1997</u>	<u>1998</u>
<i>Economic Activity and Income</i>						
Real GDP (billions of 1987 dollars)	5,134.5	5,323.2	5,453.7	5,607.7	5,776.1	5,909.4
Percent Change	3.1	3.7	2.5	2.8	3.0	2.3
Pre-tax Corporate Profits (\$ billions)	462.4	511.9	549.3	577.8	603.3	600.3
Percent Change	16.8	10.7	7.3	5.2	4.4	(0.5)
Personal Income (\$ billions).....	5,375.1	5,687.0	6,005.7	6,357.0	6,744.7	7,141.6
Percent Change	4.3	5.8	5.6	5.8	6.1	5.9
Non-Agricultural Employment (millions).....	110.5	113.3	115.9	118.1	120.4	122.4
Change From Prior Year.....	1.9	2.8	2.6	2.2	2.3	2.0
Unemployment Rate	7.4	6.2	5.9	6.0	5.9	5.9
CPI-All Urban (1982-84=100).....	144.6	148.5	153.3	158.2	163.5	169.5
Percent Change	3.0	2.7	3.2	3.2	3.3	3.6
3 Month T-Bill Rate	3.0	4.1	4.8	4.3	4.6	5.0
<u>CITY ECONOMY</u>						
Personal Income (\$ billions).....	198.6	206.5	216.6	228.3	241.6	255.0
Percent Change	3.9	4.0	4.9	5.4	5.8	5.6
Non-Agricultural Employment (thousands)....	3,275.0	3,300.1	3,317.3	3,334.9	3,359.5	3,381.7
Change From Prior Year.....	(6.3)	25.1	17.2	17.6	24.5	22.2
Real Gross City Product (billions of 1987 dollars).....	225.0	227.0	233.2	239.7	247.4	253.5
Percentage Change	1.0	0.9	2.7	2.8	3.2	2.5
CPI-All Urban NY-NJ Area (1982-84=100)	154.5	158.5	163.8	169.6	175.6	182.3
Percent Change	3.0	2.6	3.4	3.5	3.5	3.8

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 1994 fiscal year was 3.8%. The 1995-1998 Financial Plan projects delinquency rates of 3.34%, 2.82%, 2.69% and 2.59%, 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.

	<u>1995</u>	<u>1996</u>	<u>1997</u>	<u>1998</u>
	(In Millions)			
Personal Income(1)	\$3,462	\$ 3,698	\$ 4,113	\$ 4,431
General Corporation	1,219	1,211	1,225	1,252
Banking Corporation	421	421	435	464
Unincorporated Business Income	409	460	535	618
Sales	2,607	2,727	2,871	3,030
Commercial Rent	591	581	529	557
Real Property Transfer	181	188	201	208
Mortgage Recording	178	173	190	198
Utility	211	219	227	236
All Other(2)	585	561	565	568
Total	<u>\$9,864</u>	<u>\$10,239</u>	<u>\$10,891</u>	<u>\$11,562</u>

- (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, and the Personal Income projections assume renewal of both surcharges, which requires enactment of State legislation. 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".
- (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, a reduction in bonuses and capital gains in fiscal year 1995 due to a downturn on Wall Street; (ii) with respect to the general corporation tax, moderate growth in the outlook for the manufacturing, trade and business service sectors, and a weakness in securities industry payments in fiscal year 1995, and the impact of limited liability company legislation which will reduce the number of corporate entities over time; (iii) with respect to the banking corporation tax, a decline in liability estimates by banks and modest growth after the 1995 fiscal year as interest rate spreads narrow; (iv) with respect to the unincorporated business tax, continued growth in net income of unincorporated businesses and an increase in the number of business entities subject to this tax as a result of the impact of limited liability companies; (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 strong recovery in the 1995 fiscal year; (vii) with respect to the commercial rent tax, phased-in increases in the minimum taxable threshold 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 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 enacted.

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.

	<u>1995</u>	<u>1996</u>	<u>1997</u>	<u>1998</u>
	(In Millions)			
Licenses, Permits and Franchises	\$ 208	\$ 212	\$ 208	\$ 210
Interest Income	70	89	104	111
Charges for Services	403	403	404	403
Water and Sewer Payments(1)	764	748	770	784
Rental Income	193	185	183	183
Fines and Forfeitures	493	462	459	459
Other	697	480	421	379
Intra-City Revenues	751	789	789	789
Total	<u>\$3,579</u>	<u>\$3,368</u>	<u>\$3,338</u>	<u>\$3,318</u>

(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.

	<u>1995</u>	<u>1996</u>	<u>1997</u>	<u>1998</u>
	(In Millions)			
State Revenue Sharing	\$326	\$347	\$347	\$347
Other Aid	238	197	206	215
Total	<u>\$564</u>	<u>\$544</u>	<u>\$553</u>	<u>\$562</u>

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 \$35 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.

	<u>1995</u>	<u>1996</u>	<u>1997</u>	<u>1998</u>
	(In Millions)			
Federal				
JTPA	\$ 104	\$ 74	\$ 74	\$ 74
Community Development(1)	364	280	280	280
Welfare	2,400	2,293	2,252	2,261
Education	676	677	677	677
Other	350	181	186	187
Total	<u>\$3,894</u>	<u>\$3,505</u>	<u>\$3,469</u>	<u>\$3,479</u>
State				
Welfare	\$1,909	\$1,826	\$1,802	\$1,804
Education	3,758	3,764	3,844	3,914
Higher Education	167	170	164	163
Health and Mental Health	227	196	196	196
Other	274	266	296	296
Total	<u>\$6,335</u>	<u>\$6,222</u>	<u>\$6,302</u>	<u>\$6,373</u>

(1) This amount represents the projected annual level of new funds. Unspent Community Development grants from prior fiscal years could increase the amount actually received.

The 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 August 31, 1994, approximately 11.12% 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 September 30, 1994, the last of 14 appropriations bills for Federal fiscal year 1995 was signed into law by the President. The appropriations, with a few exceptions, contain funding for programs of benefit to the City which has not changed significantly from such funding in the previous year's Federal budget.

Programs allocated by formula that will have higher funding than the funding for such programs in the previous year's Federal budget include funding for education as well as transportation funds for capital construction through the Intermodal Surface Transportation Efficiency Act Program. Increases in several grant programs could also yield more Federal aid for the City. In addition, the Omnibus Anti-Crime Bill, passed by Congress and signed into law by the President on September 13, 1994, authorized new Federal spending on local law enforcement officers, as well as various grant programs to assist localities in preventing crime, from which the City expects to benefit. For example, the City will receive funding contained in the Department of Justice 1995 appropriations bill for community policing, to be allocated to localities on a formula basis.

Expenditure Assumptions

1. PERSONAL SERVICE COSTS

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

	<u>1995</u>	<u>1996</u>	<u>1997</u>	<u>1998</u>
	(In Millions)			
Wages and Salaries	\$11,120	\$11,154	\$11,270	\$11,381
Pensions	1,447	1,652	1,613	1,585
Other Fringe Benefits	2,636	2,806	3,015	3,223
Reserve for Collective Bargaining(1)	416	540	590	613
Total	<u>\$15,619</u>	<u>\$16,152</u>	<u>\$16,488</u>	<u>\$16,802</u>

(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 has revised the projected number of City-funded employees whose salaries are paid directly from City funds, as opposed to Federal or State funds, on June 30, 1995, from 200,903, as projected in the July Financial Plan, to 195,872.

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. 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, the Professional Staff Congress which represents professors at the community colleges of City University, the UFT, the UFOA, the HAPBA, the UFA, the SBA, the PBA and the USA. Taken together, those unions and the coalition of 19 unions referred to above represent approximately 90% of the City's current workforce. Such agreements generally are retroactive to the 1991 and 1992 fiscal years and extend into the 1995 fiscal year. In addition, the City recently reached similar tentative settlements with the International Union of Operating Engineers which represents school custodians, the Council of Supervisors and Administrators which represents principals, assistant principals and other pedagogical supervisors and administrators in the BOE, the LBA and the TPBA. On July 18, 1994, the TPBA's delegate body rejected the proposed agreement for TA police officers. An impasse panel was appointed by the Public Employment Relations Board ("PERB") to resolve the contract dispute, pursuant to New York State law. Arbitration hearings are currently in progress; and following the hearings, a binding decision will be rendered. The PERB may not impose a settlement for more than a 24-month period without the mutual consent of the affected parties.

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

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 \$28 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 S".

2. OTHER THAN PERSONAL SERVICE COSTS

The following table sets forth projected OTPS expenditures contained in the 1995-1998 Financial Plan.

	<u>1995</u>	<u>1996</u>	<u>1997</u>	<u>1998</u>
	(In Millions)			
Administrative OTPS	\$ 6,398	\$ 6,237	\$ 6,471	\$ 6,683
Public Assistance	3,262	3,176	3,081	3,099
Medical Assistance (Excluding City Medicaid Payments to HHC)	2,031	1,968	2,220	2,492
HHC Support	1,031	1,077	1,054	1,082
Other	1,527	1,094	1,102	1,131
Total	<u>\$14,249</u>	<u>\$13,552</u>	<u>\$13,928</u>	<u>\$14,487</u>

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.

	<u>1995</u>	<u>1996</u>	<u>1997</u>	<u>1998</u>
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 1,149,128 per month in the 1995 fiscal year. The 1995-1998 Financial Plan projects that the average number of recipients will increase by 2.97% 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 0.6% 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 \$849.6 million. The City-funded portion of public assistance expenditures is projected to be \$778.2 million in the 1996 fiscal year, a decrease of 8.4% from the 1995 fiscal year, and decreasing to \$731.2 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 \$1.953 billion for the 1995 fiscal year and is expected to increase to \$2.441 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 \$563.1 million in the 1995 fiscal year due to the State having assumed such costs, and projects such savings will increase to \$665.3 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 and reflects a reduction of \$107 million for the 1995 fiscal year from the amount in the July Financial Plan.

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 \$1,031.3 million for the 1995 fiscal year (including debt service and lease payments), increasing to \$1,082.1 million in the 1998 fiscal year. The City-funded expenditures in the 1995 fiscal year include \$265.3 million of general City support, \$657.6 million of Medicaid payments to HHC and \$108.4 million for certain intra-city payments. The HHC plan projects total expenditures of \$3.3 billion in the 1995 fiscal year, increasing to \$3.5 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 and others have proposed comprehensive changes to the current health care system encompassing the delivery and financing of health care and related services. If enacted, such changes could 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.

New York City Transit

The City is expected to submit to the Control Board in the near future a financial plan for New York City Transit covering its 1994 through 1998 fiscal years (the "NYCT Financial Plan"). NYCT's fiscal year is the calendar year. The NYCT Financial Plan projects for its 1994 fiscal year, among other things, a cash-basis

surplus of \$70.9 million, which reflects the \$113 million reduction in City funding for the City's 1995 fiscal year set forth in the Financial Plan, and operating expenses of approximately \$3.85 billion. City assistance to NYCT is \$559.9 million for NYCT's 1994 fiscal year. The City provided an additional \$26 million in operating assistance to NYCT for closing its operating budget gap in each of 1992 and 1993. Due to NYCT's estimated operating surplus of \$70.9 million for 1994, the City has not appropriated the additional \$26 million in 1994.

The NYCT Financial Plan forecasts cash-basis gaps of \$261.2 million, \$537.9 million, \$679.6 million and \$756.8 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 NYCT Financial Plan occur, in part, because expenditures are expected to increase by 3.8% between fiscal years 1994 and 1997 while revenues are expected to decrease by 12% 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 NYCT, 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 NYCT 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 1997 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 NYCT capital projects.

Board of Education

The Stavisky-Goodman Act requires the City to allocate to BOE an amount of funds from the total budget either equal to the average proportion of the total budget appropriated for BOE in the three preceding fiscal years or an amount agreed upon by the City and BOE. In the Financial Plan 25.76% of the City's budget is allocated to BOE for the 1995 fiscal year, exceeding the amount required by the Stavisky-Goodman Act. In addition, legislation has been adopted by the State Legislature that would impose a maintenance of effort requirement on the level of funding required of the City for the BOE. This legislation has not been forwarded to the Governor for signature. If enacted into law, this legislation would require the City to increase its fiscal year 1995 funding for the BOE by approximately \$500 million over the amount involved in the 1995-1998 Financial Plan, and could also result in increased funding for the BOE in subsequent years. The Financial Plan reduces the amount provided to BOE by \$190 million for the 1995 fiscal year from the amount provided in the July Financial Plan. Such reduction, which may include OTPS reductions, must be implemented in the remainder of the current school year.

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 \$270.9 million for judgments and claims. The 1995-1998 Financial Plan includes provisions for judgments and claims of \$298.3 million, \$241.0 million, \$237.5 million and \$250.1 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, 1994 amounted to approximately \$2.6 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 1994 Financial Statements estimate that the potential exposure to the City in the *certiorari* proceedings, as of June 30, 1994, could amount to approximately \$296.8 million. Provision has been made for the 1995 fiscal year and in the Financial Plan for estimated average refunds of \$186.2 million in each of the 1995 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 \$290 million in the 1995 fiscal year and a reserve of \$150 million in each of the 1996 through 1998 fiscal years. The reserve for the 1995 fiscal year includes \$140 million for the cost of merging the NYCTPD with the New York City Police Department. For further information, see "SECTION VI: FINANCIAL OPERATIONS—Forecast of 1995 Results—Note (7)".

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.

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 August 2, 1994, the City Comptroller issued a report on the City's July Financial Plan. With respect to the 1995 fiscal year, the City Comptroller stated that, after adjusting for the recently announced \$250 million increased reserve and \$90 million decrease in the projected surplus for the 1994 fiscal year, the total risk

could be as much as \$768 million to \$968 million. Risks which were identified as substantial risks included a possible \$263 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; possible additional expenditures at HHC totaling \$60 million; \$60 million of possible increased pension contributions resulting from lower than assumed pension fund earnings; 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; the receipt of the \$200 million of increased Federal aid; and \$41 million of possible increased expenditures for judgments and claims. Additional possible risks included obtaining the agreement of municipal unions to the proposed reduction in City expenditures for health care costs by \$200 million; \$27 million of possible increased expenditures for public assistance; and submission to and approval by the Governor of legislation approved by the State Legislature, which would require the City to increase its funding for BOE by \$49 million in the 1995 fiscal year.

With respect to the 1996 through 1998 fiscal years, the City Comptroller identified substantial risks of \$1.2 billion, \$1.3 billion and \$1.6 billion, and additional possible risks of up to \$1.1 billion, \$1.3 billion and \$1.6 billion, in the 1996 through 1998 fiscal years, respectively. The substantial risks for the 1996 through 1998 fiscal years included lower than projected tax revenues and projected revenues from privatizing certain sewage treatment plants, in addition to a number of the uncertain proposals identified as substantial risks for the 1995 fiscal year. Additional possible risks for the 1996 through 1998 fiscal years included the possibility of wage increases, commencing in the 1996 fiscal year; proposed legislation to supplement retired State and City employees' pension payments; and uncertainties concerning increased State and Federal aid, in addition to the uncertain proposals identified as possible risks for the 1995 fiscal year. The City Comptroller also noted that \$990 million, \$1.3 billion and \$1.5 billion of the City's gap-closing actions for the 1996 through 1998 fiscal years, respectively, were unspecified. The City Comptroller has 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 will have long-term and, in some cases, severe consequences for City residents.

On October 14, 1994, the City Comptroller issued a report concluding that the budget gap for the 1995 fiscal year had increased to \$1.4 billion, due, in part, to continuing shortfalls in tax revenues. The Comptroller also noted that the gaps for the 1996 through 1998 fiscal years will increase significantly as a result of an actuarial audit of the City's pension system, to be completed in the near future. The City Comptroller has previously noted that HHC is projecting an increase in Medicaid reimbursement, which could result in approximately \$40 million of additional Medicaid payments by the City to HHC in the 1995 fiscal year.

On July 27, 1994, OSDC issued a report reviewing the July Financial Plan. The report concluded that a potential budget gap of \$616 million existed for the 1995 fiscal year, resulting 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 \$50 million of increased pension costs as a result of lower than assumed pension fund earnings; the possibility of \$110 million of additional City assistance to HHC; and uncertainties concerning the receipt of \$50 million resulting from the proposed increased collection efforts. The report identified additional risks for the 1995 fiscal year totaling \$152 million. The risks identified in the report include proposed savings in health insurance costs (which depend on negotiations with City unions); additional Federal assistance; and a \$90 million reduction in the projected surplus to be transferred from the 1994 fiscal year to the 1995 fiscal year caused by possible shortfalls in projected personal income and sales taxes and greater than anticipated expenditures. The report also noted that since the July Financial Plan made no provision for wage increases after the expiration of the existing collective bargaining agreements, the City could incur an additional \$101 million of personal service costs in the 1995 fiscal year.

With respect to the 1996 through 1998 fiscal years, the staff of the OSDC identified adjustments of almost \$600 million for each year, which would result in budget gaps totalling \$2.1 billion, \$2.6 billion and \$3.0 billion for the 1996 fiscal year, 1997 fiscal year and 1998 fiscal year, respectively, assuming successful implementation by the City of the gap closing program for the 1995 fiscal year. The increase in projected gaps resulted primarily from possible increases in projected expenditures, including BOE expenditures, overtime costs and pension costs. The report noted additional issues exceeding \$600 million in each of the

1996 through 1998 fiscal years, which included uncertainties concerning projected federal assistance, proposed savings in health insurance costs, proposed legislation to supplement retired State and City employees' pension payments and anticipated revenues from renegotiation of the terms of certain Port Authority leases. The report also noted that the City would face increased costs of \$571 million, \$1.1 billion and \$1.7 billion for the 1996 fiscal year, 1997 fiscal year and 1998 fiscal year, respectively, if wages were increased at the projected rate of inflation.

On October 14, 1994, OSDC issued a report on the local economy. The report concluded that the expansion in the City's economy broadened and strengthened in 1994 and is expected to continue. However, the report noted that if national growth slows as some forecasts now indicate, it could dampen prospects for key sectors in the local economy, especially professional services, manufacturing, culture and media. The delayed recovery in the international economies most closely tied to New York, particularly Continental Europe and Japan, may slow the further recovery of the City's professional business services until later in 1995. In addition, the extremely poor second quarter profits in the securities industry have yet to fully reverberate throughout the City's economy. Wall Street has announced job cutbacks and is expected to lower its year-end bonuses, which the report found would slow the growth in wages and personal income. This would dampen the near-term outlook and constrain the growth in City tax revenues, notably the personal income, sales and general corporation tax, in the coming months. Finally, local government will continue to shed jobs and the rate of growth of local government expenditures will abate.

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 July Financial Plan did 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 28, 1994, the staff of the Control Board issued a report on the July Financial Plan. In its report the staff concluded that the City faced risks of more than \$1 billion in the 1995 fiscal year, as well as an additional risk of greater than \$165 million annually from increased pension costs if the State Legislature enacts a pension supplementation bill increasing pension benefits. The staff noted that the amount of risk involved this early in the fiscal year is unprecedented and very worrisome. In addition, the staff indicated that the risks for the 1996 fiscal year exceeded \$2 billion and that the risks for each of the 1997 and 1998 fiscal years approximated \$3 billion. Risks for the 1995 through 1998 fiscal years included the potential for increased overtime and pension costs and uncertainties concerning the proposed reduction in City expenditures for health care costs, the anticipated revenues from renegotiation of the terms of certain Port Authority leases, savings resulting from the proposed tort reform program to limit damage claims against the City, and increased Federal aid. Additional risks for the 1996 through 1998 fiscal years included risks associated with the City gap-closing actions for such years, which, according to the staff, involved nonrecurring, vague or undefined initiatives totaling 76% of the program by the 1998 fiscal year. In its report the staff noted that the City has not yet fundamentally changed the way its finances are structured, that revenue growth will remain sluggish and that expenditure growth will annually outpace revenue growth. The report also noted that the lack of sufficient funding for maintenance in the operating budget will result in increased and substantial capital costs in the future, and finds a lack of substantive and useful financial controls, management reporting systems, and general oversight mechanisms for contracts within the OTPS budget.

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. In addition, the City's current projections of total debt subject to the general debt limit that would be required to be issued to fund the current Updated Ten-Year Capital Plan indicate that, if no action were taken, projected debt issuance would exceed the general debt limit by a substantial amount starting in fiscal year 1998. See "SECTION VIII; INDEBTEDNESS—City Indebtedness—*Limitations on the City's Authority to Contract Indebtedness.*" Accordingly, in the absence of any other action, the City would be required to substantially reduce the capital plan. However, the City is examining various other actions that may be taken to address this issue. For additional information regarding the City's infrastructure and physical assets, see "APPENDIX A—ECONOMIC AND SOCIAL FACTORS".

The City utilizes a three-tiered capital planning process consisting of the Ten-Year Capital Strategy, the Four-Year Capital Program and the current-year Capital Budget. The Ten-Year Capital Strategy is a long-term planning tool designed to reflect fundamental allocation choices and basic policy objectives. The Four-Year Capital Program translates mid-range policy goals into specific projects. The Capital Budget defines specific projects and the timing of their initiation, design, construction and completion.

City-funded commitments, which were \$344 million in 1979, are projected to reach \$3.7 billion in 1995. City-funded expenditures, which more than tripled between fiscal years 1980 and 1985, are forecast at \$3.7 billion in the 1995 fiscal year; total expenditures are forecast at \$4.2 billion in 1995. For additional information concerning the City's capital expenditures and the 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)	\$ 338	\$ 338	\$ 113	\$ 113	\$ 113	\$ 113	\$ 351	\$ 351
Roadway, Bridges	543	640	593	732	386	532	528	609
Environmental Protection(2)	1,017	1,086	1,202	1,298	1,534	1,564	1,197	1,248
Education	587	587	579	579	522	522	791	791
Housing	255	418	251	423	195	360	381	502
Hospitals	368	369	376	376	293	293	345	345
Sanitation	196	235	173	623	235	235	274	274
City Operations/Facilities	1,444	1,660	882	961	802	873	854	904
Economic and Port Development	287	329	122	166	19	41	72	72
Reserve For Unattained Commitments	(1,316)	(1,316)	(472)	(472)	(173)	(173)	(402)	(402)
Total Commitments(3)	<u>\$3,719</u>	<u>\$4,345</u>	<u>\$3,820</u>	<u>\$4,799</u>	<u>\$3,924</u>	<u>\$4,360</u>	<u>\$4,390</u>	<u>\$4,693</u>
Total Expenditures(4)	<u>\$3,657</u>	<u>\$4,165</u>	<u>\$3,907</u>	<u>\$4,582</u>	<u>\$3,721</u>	<u>\$4,366</u>	<u>\$3,822</u>	<u>\$4,317</u>

- (1) Excludes the Transit Authority's non-City portion of the MTA's five-year Capital Program.
- (2) Includes water supply, water mains, water pollution control, sewer projects and related equipment.
- (3) Commitments represent contracts registered with the City Comptroller, except for certain projects which are undertaken jointly by the City and State. Totals may not add due to rounding.
- (4) Expenditures represent cash payments and appropriations planned to be expended for financing costs, excluding amounts for original issue discount.

The following table 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

	<u>1995</u>	<u>1996</u>	<u>1997</u>	<u>1998</u>	<u>Total</u>
	(In Millions)				
SOURCES OF FUNDS:					
City General Obligation Bonds	\$3,250	\$2,969	\$2,599	\$ 2,533	\$11,351
Water Authority Revenue Bonds	495	846	1,030	1,158	3,528
HHC Financing(1)	21	291	303	314	929
DASNY Courts Financing(2)	0	0	0	67	67
Other Sources(3)	1,199	465	547	572	2,783
Total	<u>\$4,965</u>	<u>\$4,571</u>	<u>\$4,478</u>	<u>\$ 4,644</u>	<u>\$18,659</u>
USES OF FUNDS:					
City Capital Improvements	\$3,657	\$3,907	\$3,721	\$ 3,822	\$15,107
City Refunding	812	0	0	0	812
Water Authority Take-Out Revenue Bonds(4)	265	355	470	521	1,611
Reserve Funds and Other(5)	231	309	288	301	1,129
Total	<u>\$4,965</u>	<u>\$4,571</u>	<u>\$4,478</u>	<u>\$ 4,644</u>	<u>\$18,659</u>

- (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 \$1.1 billion less \$205 million remaining from the capital proceeds of a bond issuance by HHC in June 1993. The restricted balances of \$205 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. Amounts do not reflect a specific borrowing schedule. The amounts reflected are the projected capital cash flow of City courts capital commitments in fiscal years 1995 through 1998 of \$407 million and allocations for reserve funds and other costs of securities of \$9 million less \$349 million remaining 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 1997.
- (3) Other Sources consists primarily of changes in restricted cash balances and the amount of funds advanced from the general fund which have not been reimbursed from the proceeds of long-term debt.
- (4) The amount shown is for the issuance of bonds to redeem Water Authority bond anticipation notes and commercial paper.
- (5) Reserve Funds and Other comprises amounts necessary to fund certain reserves and provide for the costs of issuance of Water Authority revenue bonds, DASNY revenue bonds 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 has issued \$2.2 billion of short-term obligations in fiscal year 1995 to finance the City's current estimate of its seasonal cash flow needs for the 1995 fiscal year. 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 September 30, 1994.

(In Thousands)

Gross City Long-Term Indebtedness	\$22,844,896	
Less: Assets Held for Debt Service(1)	1,171,559	
Net City Long-Term Indebtedness		\$21,673,337
Gross MAC Long-Term Indebtedness(2)	4,884,975	
Less: Assets Held for Debt Service(2)	739,268	
Net MAC Long-Term Indebtedness		4,145,707
PBC Indebtedness(3)		
Bonds Payable	583,507	
Capital Lease Obligations	376,622	
Gross PBC Indebtedness(4)	960,129	
Less: Assets Held for Debt Service	189,373	
Net PBC Indebtedness		770,756
Combined Net City, MAC and PBC Indebtedness ...		\$26,589,800

- (1) With respect to City long-term indebtedness, "Assets Held for Debt Service" consists of General Debt Service Fund assets, and \$1,043.1 million principal amount of City serial bonds held by MAC.
- (2) With respect to MAC indebtedness, "Assets Held for Debt Service" consists of assets held in MAC's debt service funds less accrued liabilities for interest payable on MAC long-term indebtedness plus amounts held in reserve funds for payment of principal of and interest on MAC bonds. Other MAC funds, while not specifically pledged for the payment of principal of and interest on MAC bonds, are also available for these purposes. For further information regarding MAC indebtedness and assets held for debt service, see "Municipal Assistance Corporation Indebtedness" below and "APPENDIX B—FINANCIAL STATEMENTS—Notes to Financial Statements—Notes C and H".
- (3) "PBC Indebtedness" refers to City obligations to PBCs. For further information regarding the indebtedness of certain PBCs, see "Public Benefit Corporation Indebtedness" below and "APPENDIX B—FINANCIAL STATEMENTS—Notes to Financial Statements—Notes G and H". "PBC Indebtedness" does not include the indebtedness of individual PBCs which are Enterprise Funds. For further information regarding the indebtedness of Enterprise Funds PBCs, see "APPENDIX B—FINANCIAL STATEMENTS—Notes to Financial Statements—Notes J, K, L, M and N".
- (4) Amount does not include \$230.7 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 1989 through 1994 and as of September 30, 1994, except for short-term debt information, which is as of November 9, 1994.

	City(1)		MAC(2)		Component Unit and City	Total
	Long-Term Net Debt(3)	Short-Term Debt	Long-Term Net Debt(4)	Short-Term Debt	Guaranteed Debt(3)	
	(In Millions)					
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
1994	21,731	—	4,215	—	1,114	28,677
September 30, 1994	21,218	2,200	4,146	—	1,113	28,746

- (1) Amounts do not include debt of the City held by MAC. See "Outstanding Indebtedness—note 2".
- (2) MAC reported outstanding long-term indebtedness without reduction for reserves, as follows: \$7,636 million, \$7,307 million, \$6,901 million, \$6,471 million, \$5,559 million, \$5,304 million and \$4,891 million as of June 30 of each of the years 1988 through 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 September 30, 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	24.80%
10 years	47.47
15 years	66.89
20 years	82.43
25 years	93.48
30 years	99.96

City, MAC and City-guaranteed PBC Debt Service Requirements

The following table summarizes future debt service requirements, as of September 30, 1994, on City and MAC term and serial bonds outstanding and City-guaranteed debt of and capital lease obligations to certain PBCs.

<u>Fiscal Years</u>	<u>City Long-Term Debt</u>		<u>Component Unit and City Guaranteed Debt(2)</u>	<u>MAC Funding Requirements</u>	<u>Total</u>
	<u>Principal Serial Bonds(1)</u>	<u>Interest(1)</u>			
(In Thousands)					
1995	\$ 273,096	\$ 849,328	\$ 83,732	\$ 521,321	\$ 1,727,477
1996	1,141,810	1,328,715	114,656	511,568	3,096,749
1997	1,146,294	1,268,819	117,033	575,664	3,107,810
1998	1,088,882	1,203,824	117,003	588,696	2,998,405
1999	1,046,291	1,135,477	125,755	607,226	2,914,749
2000	944,797	1,084,248	125,755	542,653	2,697,453
2001	945,762	1,036,311	125,642	542,751	2,650,466
2002 through 2147	14,682,774	9,129,167	1,644,551	3,802,313(3)	29,258,805
Total	\$21,269,706	\$17,035,889	\$2,454,127	\$7,692,192	\$48,451,914

- (1) Excludes debt service payments on \$1,743.1 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 2002 through 2009.

Certain Debt Ratios

The following table sets forth information, as of December 31, for each of the fiscal years 1988 through 1994, with respect to the approximate ratio of the City's debt to certain economic factors. As used in this table, debt includes net City, MAC and PBC debt.

<u>Fiscal Year</u>	<u>Debt Per Capita</u>	<u>Debt as % of Total Taxable Real Property By</u>	
		<u>Assessed Valuation</u>	<u>Estimated Full Valuation</u>
1988	\$2,041	25.3	6.0
1989	2,202	25.4	4.6
1990	2,490	26.0	4.5
1991	2,917	28.0	4.5
1992	3,189	28.5	4.1
1993	3,395	31.3	3.9
1994	3,701	35.2	4.4

Source: Comprehensive Annual Financial Report of the Comptroller for the Fiscal Year Ended June 30, 1994.

Ratio of Debt to Personal Income

The following table sets forth, for each of fiscal years 1983 through 1992, debt per capita as a percentage of personal income per capita in current dollars. As used in this table, debt includes net City, MAC and PBC debt.

<u>Fiscal Year</u>	<u>Debt per Capita</u>	<u>Personal Income per Capita(1)</u>	<u>Debt per Capita as % of Personal Income per Capita</u>
1983	\$1,698	\$14,537	11.68%
1984	1,695	15,881	10.67
1985	1,723	16,919	10.18
1986	1,833	18,060	10.15
1987	1,893	19,238	9.84
1988	2,041	20,817	9.80
1989	2,202	22,013	10.00
1990	2,496	23,727	10.49
1991	2,918	24,428	11.94
1992	3,189	26,155	12.19

Source: Comprehensive Annual Financial Report of the Comptroller for the Fiscal Year Ended June 30, 1994.

(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 November 9, 1994, the maximum amount of additional short-term debt which the City could issue was approximately \$4.3 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 September 30, 1994.

GENERAL DEBT LIMIT		
Total Debt-Incurring Power		\$53,785,957,787
Gross Debt—Funded	\$22,175,116,324	
Less: Excluded Debt	<u>1,183,695,822</u>	
	20,991,420,502	
Less: Assets of Sinking Funds and General Debt Service Fund and Balance of Appropriations for Redemption of Debt	<u>627,679,469</u>	
Net Debt	20,363,741,033	
Add: Net Contracts and Other Liabilities	<u>5,046,935,114</u>	25,410,676,147
Remaining Debt-Incurring Power Within Limit		<u>\$28,375,281,640</u>
TWO PERCENT DEBT LIMIT		
Total Debt-Incurring Power		\$ 1,556,507,617
Charges:		
Housing Authority Indebtedness	\$ 676,000	
Limited Profit Housing Program	15,451,691	
Housing and Industrial Urban Renewal Programs	<u>114,947,295</u>	131,074,986
Remaining Debt-Incurring Power Within Limit		<u>\$ 1,425,432,631</u>

The City's current projections of total debt subject to the general debt limit that would be required to be issued to fund the current Updated Ten-Year Capital Plan indicate that, if no action were taken, projected debt issuance would exceed the general debt limit by a substantial amount starting in fiscal year 1998. Accordingly, in the absence of any other action, the City would be required to substantially reduce the capital plan. However, the City is examining various other actions that may be taken to address this issue. If this issue were addressed by reducing the City's capital plan, substantial reductions in the capital plan would be required.

The Comptroller's "Unencumbered Margin" Analysis

The City Comptroller traditionally reports not only on the general debt limit, but also on the "unencumbered margin". The unencumbered margin equals the general debt limit minus certain "reserves" of debt-incurring capacity for certain items, such as Capital Budget appropriations and commitments to certain PBCs which are not required to be charged against the general debt limit. At September 30, 1994, when the debt-incurring capacity under the general debt limit was \$28.375 billion, the unencumbered margin was \$13.6 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 September 30, 1994, MAC had outstanding an aggregate of approximately \$4.885 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 September 30, 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 \$963.4 million was held by MAC as of September 30, 1994. MAC has also exchanged \$1.839 billion principal amount of MAC bonds for City debt, of which approximately \$79.6 million was held by MAC on September 30, 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 1995 through 1997, the amounts that the City is scheduled to receive for operating purposes under the agreements as amended are \$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 September 30, 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 September 30, 1994, the City had guaranteed \$34.7 million principal amount of HA bonds. The Federal government has agreed to pay debt service on \$37 million principal amount of additional HA indebtedness guaranteed by the City. The City has also guaranteed the repayment of \$222.4 million principal amount of HA indebtedness to the State, of which the Federal government has agreed to pay debt service on \$108.5 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 \$146.9 million in the 1994 fiscal year and are projected to amount to approximately \$146.9 million in the 1995 fiscal year.

New York State Housing Finance Agency

As of September 30, 1994, \$311.0 million principal amount of HFA refunding bonds relating to hospital and family care facilities leased to the City was outstanding. HFA does not receive third party revenues to offset the City's capital lease obligations with respect to these bonds. Lease payments, which are made by the City seven months in advance of payment dates of the bonds, are intended to cover development and construction costs, including debt service, of each facility plus a share of HFA's overhead and administrative expenses.

City University Construction Fund

As of September 30, 1994, \$671.3 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 September 30, 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 (\$70.6 million) because UDC has included certain interest costs relating to Public School 50 and Intermediate School 229 in Manhattan in its calculation. The City leases schools and certain other facilities from UDC.

New York City Housing Development Corporation

As of September 30, 1994, \$230.7 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, \$230.7 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 September 30, 1994, HDC's combined capital reserve funds amounted to approximately \$18.9 million.

SECTION IX: OTHER INFORMATION

Pension Systems

The City maintains a number of pension systems providing benefits for its employees and employees of various independent agencies (including certain Covered Organizations). The systems combine features of a defined benefit pension plan with those of a defined contribution pension plan. Membership in the City's five major actuarial systems on June 30, 1994 consisted of approximately 312,000 current employees, of whom approximately 86,000 were employees of certain independent agencies whose pension costs in some cases are provided by City appropriations. In addition, there are approximately 215,000 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 9,000 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 \$1.5 billion. In fiscal years 1996 through 1998, these expenditures are expected to approximate \$1.7 billion, \$1.6 billion and \$1.6 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 approximately 19% 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.

<u>June 30</u>	<u>Amount(1)</u> <u>(In Billions)</u>
1989.....	\$ 6.51
1990.....	6.10
1991.....	4.16
1992.....	2.67
1993.....	0.49
1994.....	1.85

(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, 1994, there was approximately \$253 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 S".

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, 1994 amounted to approximately \$2.6 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 \$296.8 million at June 30, 1994. 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, 1992 and 1993 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, 1993 and 1994 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. Similar actions relating to the real estate tax levies for fiscal years 1993 and 1994 have been commenced by other groups of taxpayers and are 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 which motion was granted on August 29, 1994. The plaintiffs have filed a notice of appeal and if the taxpayers' positions are upheld on appeal, 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. 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.

3. 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.

4. 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.

5. 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. There are concurrent motions pending for class certification by the plaintiffs and for dismissal by the defendants. 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.

6. 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, and the Supreme Court ruled on remand that HHC must monitor the status of such patients for 90 days after discharge. It is unclear at present what costs the City may incur as a result of these rulings. Adverse determinations in the other actions could also result in substantial costs to the City.

7. 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 is unable to vacate and close such buildings as unsafe, the City could incur substantial costs.

8. 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.

9. 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 which motion was granted on September 23, 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.

10. 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.

11. 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.

12. 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.

13. On or about August 2, 1994, various plaintiffs served summonses (without complaints) against the City in seven separate actions in the Supreme Courts for Westchester County and Putnam County seeking damages in the amount of approximately \$16.5 billion in the aggregate for alleged injury to property caused by regulations enacted for the protection of the water supply of the City. On August 5, 1994, the City served the plaintiffs with demands for the complaints.

Tax Exemption

In the opinion of Brown & Wood, New York, New York, and Barnes, McGhee, Segue & Harper, New York, New York, as Bond Counsel, except as provided in the following sentence, interest on the Tax-Exempt Bonds will not be includable in the gross income of the owners of the Bonds for purposes of Federal income taxation under existing law. Interest on the Tax-Exempt Bonds will be includable in the gross income of the owners thereof retroactive to the date of issue of the Bonds in the event of a failure by the City to comply with applicable requirements of the Internal Revenue Code of 1986, as amended (the "Code"), and covenants regarding use, expenditure and investment of bond proceeds and the timely payment of certain investment earnings to the United States Treasury, and no opinion is rendered by either firm as to the exclusion from gross income of the interest on the Tax-Exempt Bonds for Federal income tax purposes on or after the date on which any action is taken under the certificate of the Deputy Comptroller for Finance (under which the Tax-Exempt Bonds are being issued) upon the approval of counsel other than such firm.

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

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

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

The difference, if any, between the initial public offering price to the public (excluding bond houses, brokers or similar persons acting in the capacity of underwriters or wholesalers) of a maturity of the Tax-Exempt Bonds at which price a substantial amount of such maturity is sold and the amount payable at

maturity constitutes original issue discount, which will be excludable from gross income to the same extent as interest on the Tax-Exempt Bonds for Federal, New York State and New York City income tax purposes. The Code provides that the amount of original issue discount accrues in accordance with a constant interest method based on the compounding of interest, and that a holder's adjusted basis for purposes of determining a holder's gain or loss on disposition of Tax-Exempt Bonds with original issue discount (the "Tax-Exempt OID Bonds") will be increased by such amount. A portion of the original issue discount that accrues in each year to an owner of a Tax-Exempt OID Bond which is a corporation will be included in the calculation of the corporation's Federal alternative minimum tax liability and Federal environmental tax liability. Consequently, corporate owners of any Tax-Exempt OID Bond should be aware that the accrual of original issue discount in each year may result in an alternative minimum tax liability or an environmental tax liability although the owner of such Tax-Exempt OID Bond has not received cash attributable to such original issue discount in such year.

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

Legislation affecting municipal bonds is constantly being considered by the United States Congress. There can be no assurance that legislation enacted or proposed after the date of issuance of the Bonds will not have an adverse effect on the tax-exempt status or market price of the Bonds.

Taxable Bonds

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

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

Ratings

Moody's has rated the Fixed Rate Bonds (other than those due in 2012) Baa1; and the Taxable LIBOR Bonds and the Fixed Rate Bonds due in 2012 are expected to be rated Baa1 and Aaa, respectively, by Moody's. Standard & Poor's has rated the Fixed Rate Bonds (other than those due in 2012) A-; and the Taxable LIBOR Bonds and the Fixed Rate Bonds due in 2012 are expected to be rated A- and AAA, respectively, by Standard & Poor's. Fitch Investors Service, Inc. ("Fitch") has rated the Fixed Rate Bonds (other than those due in 2012) A-; and the Taxable LIBOR Bonds are expected to be rated A- by Fitch. The City expects that the ratings on the Insured Tax-Exempt Adjustable Rate Bonds, the Tax-Exempt Adjustable Rate Bonds, the Insured Taxable Adjustable Rate Bonds and the Taxable Adjustable Rate Bonds will be received prior to November 16, 1994. The Insured Tax-Exempt Adjustable Rate Bonds, Subseries B-2, Subseries B-3, Subseries B-4, Subseries B-5, Subseries B-6 and Subseries B-7 are expected to be rated Aaa/VMIG1, Aaa/VMIG1, Aaa/VMIG1, Aaa/VMIG1, Aaa/VMIG1 and Aaa/VMIG1, respectively, by Moody's, and AAA/A-1+c, AAA/A-1+c, AAA/A-1+c, AAA/A-1+c, AAA/A-1+c and AAA/A-1+c by Standard & Poor's, respectively, and the Insured Tax-Exempt Adjustable Rate Bonds, Subseries B-7, are expected to be rated AAA/F-1+ by Fitch, respectively, based upon the understanding that, with respect to such ratings for a Subseries, upon delivery of such Insured Tax-Exempt Adjustable Rate Bonds of a Subseries, such Insured Tax-Exempt Adjustable Rate Bonds of a Subseries will be entitled to the benefits of the applicable insurance policy to be issued by AMBAC Indemnity or MBIA and the applicable Liquidity Facility. The Tax-Exempt Adjustable Rate Bonds Subseries B-8, Subseries B-9 and Subseries B-10 are expected to be rated Aa3/VMIG1, Aa3/VMIG1 and Aaa/VMIG1 by Moody's, respectively, AA-/A-1+, A+/A-1 and AAA/A-1+ by Standard & Poor's, respectively, and AA/F-1+, A+/F-1 and AAA/F-1 by Fitch, respectively, based upon the understanding that, upon delivery of such Tax-Exempt Adjustable Rate Bonds, such Tax-Exempt Adjustable Rate Bonds will be entitled to the benefits of the applicable Credit Facility. The Insured Taxable Adjustable Rate Bonds are expected to be rated Aaa/VMIG1 and AAA/A-1+ by Moody's and Standard & Poor's, respectively, based upon the understanding that, upon delivery of such Insured

Taxable Adjustable Rate Bonds, such Insured Taxable Adjustable Rate Bonds will be entitled to the benefits of the Financial Guarantee Policy and the FGIC-SPI Liquidity Facility. The Taxable Adjustable Rate Bonds are expected to be rated Aa3/VMIG1 and AA-/A-1+ by Moody's and Standard & Poor's, respectively, based upon the understanding that, upon delivery of such Taxable Adjustable Rate Bonds, such Taxable Adjustable Rate Bonds will be entitled to the benefits of the applicable Credit Facility. Such ratings reflect only the views of Moody's, Standard & Poor's and Fitch, from which an explanation of the significance of such ratings may be obtained. There is no assurance that such ratings will continue for any given period of time or that they will be revised downward or withdrawn entirely. Any such downward revision or withdrawal could have an adverse effect on the market prices of the Bonds.

In 1975, Standard & Poor's suspended its A rating of City bonds. This suspension remained in effect until March 1981, at which time the City received an investment grade rating of BBB from Standard & Poor's. On July 2, 1985, Standard & Poor's revised its rating of City bonds upward to BBB+ and on November 19, 1987, to A-. On July 2, 1993 Standard & Poor's reconfirmed its A- rating of City bonds, continued its negative rating outlook assessment and stated that maintenance of such rating depended upon the City's making further progress towards reducing budget gaps in the outlying years. Moody's ratings of City bonds were revised in November 1981 from B (in effect since 1977) to Ba1, in November 1983 to Baa, in December 1985 to Baa1, in May 1988 to A and again in February 1991 to Baa1. Since July 15, 1993, Fitch has rated City bonds A-.

Underwriting

The Bonds are being purchased for reoffering by the Underwriters, for whom Merrill Lynch, Pierce, Fenner & Smith Incorporated; Goldman, Sachs & Co.; J.P. Morgan Securities Inc.; and Prudential Securities Incorporated are acting as lead Managers.

The Bonds are being purchased at an aggregate purchase price of \$1,280,335,670.03 less issuance costs to be paid by the Underwriters. The aggregate initial public offering price is \$1,286,027,426.10. 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, Segue & Harper, New York, New York, Bond Counsel to the City. Reference should be made to the forms of such opinions set forth in Appendix O 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.

Morgan, Lewis & Bockius, 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.

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

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ECONOMIC AND SOCIAL FACTORS

This section presents information regarding certain of the major economic and social factors affecting the City. All information is presented on a calendar year basis unless otherwise indicated. The data set forth are the latest available. Sources of information are indicated in the text or immediately following the charts and tables. Although the City considers the sources to be reliable, the City has made no independent verification of the information presented herein and does not warrant its accuracy.

Population Characteristics

New York City has been the most populous city in the United States since 1810. The City's population is almost as large as the combined population of the next three most populous cities in the United States.

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

POPULATION OF NEW YORK CITY

Distribution of Population By County (Borough)

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
<u>NYC</u>							
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)	\$12,861.0	\$12,858.8	\$16,684.9	\$17,434.0	0.0	2.2	1.1
<u>United States</u>							
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	\$5,154.4	9.3	9.0	6.0
Real Per Capita Personal Income(4)	\$10,473.1	\$11,676.3	\$14,085.8	\$14,392.4	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 September 1994, employment in the U.S. had increased by 3.2 million jobs and employment in the City increased by 23,300 jobs from September 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)**

<u>Sector</u>	<u>Peak Employment(1)</u>		<u>Average Annual Employment</u>								
	<u>Year</u>	<u>Level</u>	<u>1985</u>	<u>1986</u>	<u>1987</u>	<u>1988</u>	<u>1989</u>	<u>1990</u>	<u>1991</u>	<u>1992</u>	<u>1993</u>
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)**

<u>Year</u>	<u>Jan</u>	<u>Feb</u>	<u>Mar</u>	<u>Apr</u>	<u>May</u>	<u>June</u>	<u>July</u>	<u>Aug</u>	<u>Sept</u>	<u>Oct</u>	<u>Nov</u>	<u>Dec</u>
1985	3427.3	3439.6	3462.5	3464.1	3485.6	3483.9	3487.4	3495.0	3491.7	3512.8	3547.6	3559.1
1986	3480.5	3492.2	3524.0	3525.0	3536.9	3552.5	3543.9	3535.3	3544.0	3566.5	3585.2	3600.7
1987	3523.3	3537.8	3568.5	3577.9	3588.6	3610.6	3582.0	3584.5	3588.7	3615.3	3641.1	3661.8
1988	3557.8	3575.3	3609.4	3603.9	3603.8	3625.1	3578.3	3583.0	3595.4	3611.2	3651.4	3665.0
1989	3566.9	3584.6	3611.2	3617.5	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	3306.2	3319.8	3299.6	3294.0	3289.3			

(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	8.8	8.5	7.2	8.2		

- (1) Percentage of civilian non-institutional population, age 16 and over, in labor force, employed or seeking employment.
- (2) Percentage of civilian labor force unemployed: excludes those persons unable to work and discouraged workers (i.e., persons not actively seeking work because they believe no suitable work is available).
- (3) 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 September 1994 were 2.4 percent and 3.0 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

Area(1)	All Items—Urban Areas															
	Percent Increase Over Prior Year															
	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		% Increase 1993		% Increase September 1994 over September 1993	
	U.S.	New York-NE. N.J.	U.S.	New York-NE. N.J.	U.S.	New York-NE. N.J.
All Items	3.7	4.5	3.0	3.0	3.0	2.4
Food and Beverages	3.5	3.9	2.1	2.1	2.7	2.6
Housing	3.5	4.6	2.7	2.7	2.5	2.9
Apparel and Upkeep	2.9	2.6	1.4	0.6	(0.3)	(4.5)
Transportation	2.7	3.3	3.0	4.7	4.5	3.8
Medical Care	7.3	7.8	6.0	4.5	4.7	3.6
Entertainment	3.9	4.2	2.5	2.3	2.8	1.8
Other Goods and Services	7.1	7.6	5.3	4.8	4.3	2.5

Note: Monthly data are not seasonally adjusted.
Source: U.S. Department of Labor, BLS.

Personal Income

While per capita personal income for City residents, unadjusted for the effects of inflation and the differential in living costs, has increased in recent years and remains higher than the average for the United States, it fell from 1950 through 1979 as a proportion of both the national and New York metropolitan area levels. This relative decline in per capita income of City residents was partially because the incomes of households moving into the City were substantially lower than those of departing households, which relocated mostly to the City's suburbs. As a result of the surge in wage rates and employment, growth in personal income in New York City also increased in the mid-1980s. From 1971 to 1981, income growth in the City was below the U.S. rate by nearly four percentage points, as U.S. employment grew and City employment for most of that period declined. From 1982 to 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			Per Capita Personal Income					
	NYC Total (In Billions)	Average Annual % Change		NYC	Average Annual % Change		New York City as a Percent of		
		NYC	U.S.		NYC	U.S.	U.S.	Suburban Counties(2)	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	5.6	126.6	85.2	96.2
1991..	178.6	2.8	4.0	24,428	3.0	2.9	126.7	86.5	96.3
1992..	191.2	7.1	6.1	26,155	7.1	4.8	129.4	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 disproportionately 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)

Sector	Employment				Earnings(2)			
	1977		1992		1977		1992	
	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)

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

<u>Year</u>	<u>Jan.</u>	<u>Feb.</u>	<u>Mar.</u>	<u>Apr.</u>	<u>May</u>	<u>June</u>	<u>July</u>	<u>Aug.</u>	<u>Sept.</u>	<u>Oct.</u>	<u>Nov.</u>	<u>Dec.</u>
1985.....	923.9	921.0	931.2	935.7	924.5	925.1	925.8	930.5	922.6	927.6	922.0	922.9
1986.....	920.2	917.8	918.9	919.7	916.5	913.0	915.6	906.8	904.9	907.8	897.6	898.9
1987.....	894.8	890.1	893.9	894.0	889.5	885.9	873.5	859.3	854.0	845.2	831.2	847.0
1988.....	839.4	852.2	856.3	865.1	852.6	846.3	838.9	836.3	826.2	825.9	820.1	822.3
1989.....	813.4	816.2	821.1	816.7	815.3	815.0	813.0	820.7	817.8	825.1	824.3	823.0
1990.....	823.6	827.6	839.0	841.7	849.7	859.6	859.8	871.4	871.7	880.2	883.1	892.3
1991.....	895.9	899.9	914.0	923.2	929.2	936.8	945.1	953.8	955.2	969.5	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
1994.....	1,111.3	1,115.2	1,136.4	1,137.6	1,139.8	1,140.6	1,146.0	1,147.4	1,149.4			

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

Year	Total Retail Sales (In Billions)		Annual Percent Change					
	NYC	U.S.	Total Retail Sales		Non-Durable(1)		Durable(2)	
			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)									
		<u>1984</u>	<u>1985</u>	<u>1986</u>	<u>1987</u>	<u>1988</u>	<u>1989</u>	<u>1990</u>	<u>1991</u>	<u>1992</u>	<u>1993(1)</u>
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 September 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

<u>Year</u>	<u>Visitors(1) (In Millions)</u>	<u>Hotel Occupancy Rate(2) Annual Average of Monthly Rates</u>
1980	17.1	78.4%
1981	17.0	72.9
1982	16.9	69.7
1983	17.1	71.9
1984	17.2	74.7
1985	17.1	72.2
1986	17.4	76.0
1987	19.8	76.7
1988	25.0*	76.7
1989	24.7*	74.8
1990	24.8*	72.2
1991	24.4*	67.6
1992	24.8*	68.9
1993	N.A.	70.3

(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 on behalf of the New York City Water Board 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 Updated Ten-Year Capital Plan, for fiscal years 1994-2003 which projects available capital funds over this period of \$45.6 billion, of which approximately 91% 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)

<u>Ownership/Occupancy Status</u>	<u>1981</u>	<u>1984</u>	<u>1987</u>	<u>1991</u>
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)**

County (Borough)	Fiscal Year					
	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	<u>\$70,054</u>	<u>\$76,334</u>	<u>\$78,468</u>	<u>\$79,179</u>	<u>\$78,178</u>	<u>\$76,019</u>

Note: Details may not add up to totals due to rounding. Totals do not include the value of certain property eligible for the veterans' real property tax exemption.

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

ASSESSED VALUATION OF TOTAL TAXABLE REAL ESTATE BY COMPONENTS FOR NEW YORK CITY

Type of Property	Fiscal Year 1990		Fiscal Year 1991		Fiscal Year 1992		Fiscal Year 1993		Fiscal Year 1994		Fiscal Year 1995	
	Assessed Value (In Millions)	Percentage Of Taxable Real Estate	Assessed Value (In Millions)	Percentage Of Taxable Real Estate	Assessed Value (In Millions)	Percentage Of Taxable Real Estate	Assessed Value (In Millions)	Percentage Of Taxable Real Estate	Assessed Value (In Millions)	Percentage Of Taxable Real Estate	Assessed Value (In Millions)	Percentage Of Taxable Real Estate
One Family Dwellings	\$ 3,911.4	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)

<u>Property</u>	<u>1995 Fiscal Year Assessed Valuation</u>	<u>Property</u>	<u>1995 Fiscal Year Assessed Valuation</u>
Met Life Building	\$240,000,000	Celanese Building	\$112,000,000
Empire State Building	203,880,000	Mastercard World Plaza	111,150,000
General Motors Building	173,431,998	Carpet Center	108,000,000
Exxon Building	173,250,000	Simon & Schuster Building	103,500,000
American Brands	171,000,000	Park Avenue Plaza	103,500,000
Sperry Rand Building	160,000,000	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.

FINANCIAL STATEMENTS
OF
THE CITY OF NEW YORK

June 30, 1994 and 1993

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Report of Independent Auditors

The People of The City of New York

We have audited the general purpose financial statements of The City of New York ("The City") as of and for the year ended June 30, 1994, as listed in the index. These financial statements are the responsibility of The City's management. Our responsibility is to express an opinion on these financial statements based on our audit. 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. The accompanying general purpose financial statements for the year ended June 30, 1993 were audited by other auditors, whose report dated October 29, 1993 expressed an unqualified opinion on those statements, before the restatement described in Note A to the financial statements.

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

In our opinion, based on our audit 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 at June 30, 1994, and the results of its operations and cash flows of its discretely presented component units for the year then ended in conformity with generally accepted accounting principles.

As described in Notes A and H to the general purpose financial statements, in fiscal year 1994 The City adopted GASB Statement No. 14, *The Financial Reporting Entity*; GASB Statement No. 16, *Accounting for Compensated Absences*; GASB Statement No. 18, *Accounting for Municipal Solid Waste Landfill Closure and Postclosure Care Costs*; and GASB Statement No. 22, *Accounting for Taxpayer-Assessed Tax Revenues in Governmental Funds*. Also, as described in Note N, the New York Water and Sewer System adopted GASB Statement No. 23, *Accounting and Financial Reporting for Refundings of Debt Reported by Proprietary Activities* in fiscal year 1994.

We also audited the adjustments described in Note A that were applied to restate the 1993 general purpose financial statements. In our opinion, such adjustments are appropriate and have been properly applied.

KPMG Peat Marwick LLP Watson Rice & Co., P.C. Frye Williams & Co., PC

October 28, 1994
New York, New York

THE CITY OF NEW YORK
COMBINED BALANCE SHEET—ALL FUND TYPES, ACCOUNT GROUPS AND DISCRETELY PRESENTED COMPONENT UNITS

JUNE 30, 1994
(in thousands)

	Governmental Fund Types		Fiduciary Fund Type	Account Groups		Total (Memorandum only) Primary Government	Discretely Presented Component Units	Total (Memorandum only) Reporting Entity
	General	Capital Projects		Trust and Agency	General Fixed Assets			
ASSETS:								
Cash and cash equivalents	\$ 297,789	\$ 1,454	\$ 83,987	\$ —	\$ —	\$ 734,586	\$ 200,259	\$ 934,845
Investments, including accrued interest	1,481,318	560,654	1,473,455	—	—	62,161,851	1,005,430	63,167,281
Accounts receivable:								
Real estate taxes	80,377	—	—	—	—	80,377	—	80,377
Federal, State and other aid	3,280,895	269,363	—	—	—	3,550,258	—	3,550,258
Patient service, net	—	—	—	—	—	—	547,686	547,686
Other, net	699,261	—	—	—	—	1,781,009	523,996	2,305,005
Mortgage loans and interest receivable, net	—	—	157,729	—	—	157,729	1,997,845	2,155,574
Due from other funds and Discretely Presented Component Units	1,379,213	925,591	77,524	—	—	2,382,328	5,487	2,387,815
Property, plant and equipment	—	—	—	15,231,622	—	15,231,622	21,050,693	36,282,315
Accumulated depreciation and amortization	—	—	—	(4,481,215)	—	(4,481,215)	(6,996,506)	(11,477,721)
Restricted cash and investments	—	—	—	—	—	—	1,389,355	1,389,355
Other assets	79,583	145,788	374	—	—	242,794	251,031	493,825
Amounts available in Debt Service Funds	—	—	—	—	1,570,670	1,570,670	—	1,570,670
Amounts to be provided for general long-term obligations	—	—	—	—	33,936,188	33,936,188	—	33,936,188
Total assets	\$ 7,298,436	\$ 1,902,850	\$ 1,793,069	\$ 10,750,407	\$ 35,506,858	\$ 117,348,197	\$ 19,975,276	\$ 137,323,473

See accompanying notes to financial statements.

THE CITY OF NEW YORK

COMBINED BALANCE SHEET—ALL FUND TYPES, ACCOUNT GROUPS AND DISCRETELY PRESENTED COMPONENT UNITS

JUNE 30, 1994
(in thousands)

	Governmental Fund Types		Fiduciary Fund Type	Account Groups		Total (Memorandum Primary Government)	Discretely Presented Component Units	Total (Memorandum only) Reporting Entity
	General	Capital Projects		Debt Service	Trust and Agency			
LIABILITIES:								
Accounts payable and accrued liabilities	\$5,104,450	\$ 751,702	\$ 51,539	\$ 5,240,102	\$ —	\$11,147,793	\$ 1,330,140	\$ 12,477,933
Bonds and notes payable	—	—	—	—	27,354,810	27,354,810	10,213,037	37,567,847
Capital lease obligations	—	—	—	—	918,200	918,200	—	918,200
Accrued real estate tax refunds	16,227	—	—	—	296,882	313,109	—	313,109
Accrued tax refunds—other	83,792	—	—	—	—	83,792	—	83,792
Accrued judgments and claims	125,827	114,804	—	—	2,632,133	2,872,764	—	2,872,764
Accrued vacation and sick leave	—	—	—	—	1,250,194	1,250,194	320,515	1,570,709
Deferred wages	—	—	—	—	46,696	46,696	—	46,696
Accrued pension liability	—	—	—	—	2,542,959	2,542,959	111,150	2,654,109
Landfill closure and post-closure care costs	—	—	—	—	464,984	464,984	—	464,984
Accrued interest payable	—	—	—	—	—	—	670,784	670,784
Deferred revenues	603,063	418,337	—	—	—	1,021,400	116,961	1,138,361
Due to other funds and Discretely Presented Component Units	803,325	1,173,294	20,167	—	—	1,996,786	391,029	2,387,815
Estimated disallowances of Federal, State and other aid	198,687	—	—	—	—	198,687	—	198,687
Other	—	—	—	563,353	—	563,353	72,679	636,032
Total liabilities	<u>6,935,371</u>	<u>2,458,137</u>	<u>71,706</u>	<u>5,803,455</u>	<u>35,506,858</u>	<u>50,775,527</u>	<u>13,226,295</u>	<u>64,001,822</u>
EQUITY AND OTHER CREDITS:								
Investment in general fixed assets	—	—	—	—	10,750,407	10,750,407	—	10,750,407
Contributed capital	—	—	—	—	—	—	7,749,521	7,749,521
Retained earnings:								
Reserved for capital improvement	—	—	—	—	—	—	72,748	72,748
Reserved for loans	—	—	—	—	—	—	62,713	62,713
Reserved for donor restrictions	—	—	—	—	—	—	10,141	10,141
Reserved for debt retirement	—	—	—	—	—	—	295,651	295,651
Unreserved	—	—	—	—	—	—	(1,441,793)	(1,441,793)
Fund balances:								
Reserved for debt service	—	—	1,570,670	—	—	1,570,670	—	1,570,670
Reserved for non-current mortgage loans	—	—	150,693	—	—	150,693	—	150,693
Reserved for supplemental benefit payments	—	—	—	1,409,949	—	1,409,949	—	1,409,949
Reserved for pension benefits	—	—	—	52,883,173	—	52,883,173	—	52,883,173
Unreserved, undesignated	363,065	(555,287)	—	—	—	(192,222)	—	(192,222)
Total fund equity (deficit) and other credits	<u>363,065</u>	<u>(555,287)</u>	<u>1,721,363</u>	<u>54,293,122</u>	<u>10,750,407</u>	<u>66,572,670</u>	<u>6,748,981</u>	<u>73,321,651</u>
Commitments and contingencies								
Total liabilities, fund equity and other credits	<u>\$7,298,436</u>	<u>\$1,902,850</u>	<u>\$1,793,069</u>	<u>\$60,096,577</u>	<u>\$10,750,407</u>	<u>\$117,348,197</u>	<u>\$19,975,276</u>	<u>\$137,323,473</u>

See accompanying notes to financial statements.

THE CITY OF NEW YORK
COMBINED BALANCE SHEET—ALL FUND TYPES, ACCOUNT GROUPS AND DISCRETELY PRESENTED COMPONENT UNITS

JUNE 30, 1993
 Restated
 (in thousands)

	Governmental Fund Types		Fiduciary Fund Type	Account Groups		(Total Memorandum only) Primary Government	Discretely Presented Component Units	(Total Memorandum only) Reporting Entity
	General	Capital Projects		Debt Service	Trust and Agency			
ASSETS:								
Cash and cash equivalents	\$ 95,687	\$ 5,314	\$ 65,973	\$ 148,836	\$ —	\$ 315,810	\$ 245,062	\$ 560,872
Investments, including accrued interest	1,670,948	633,879	1,850,384	57,364,272	—	61,519,483	1,053,313	62,572,796
Accounts receivable:								
Real estate taxes (less allowance for uncollectible amounts of \$289,965)	382,694	—	—	—	—	382,694	—	382,694
Federal, State and other aid	2,912,689	213,847	—	—	—	3,126,536	—	3,126,536
Patient service, net	—	—	—	—	—	—	538,708	538,708
Other, net	590,054	—	—	1,301,222	—	1,891,276	503,197	2,394,473
Mortgage loans and interest receivable, net	—	—	153,946	—	—	153,946	1,978,633	2,132,579
Due from other funds and Discretely Presented Component Units	1,223,274	335,138	103,934	—	—	1,662,346	6,671	1,669,017
Property, plant and equipment	—	—	—	—	14,166,634	14,166,634	19,838,189	34,004,823
Accumulated depreciation and amortization	—	—	—	—	(4,242,788)	(4,242,788)	(6,487,396)	(10,730,184)
Restricted cash and investments	—	—	—	—	—	—	1,342,091	1,342,091
Other assets	—	56,317	320	309,647	—	366,284	224,398	590,682
Amounts available in Debt Service Funds	—	—	—	—	1,935,985	1,935,985	—	1,935,985
Amounts to be provided for general long-term obligations	—	—	—	—	30,673,869	30,673,869	—	30,673,869
Total assets	\$ 6,875,346	\$ 1,244,495	\$ 2,174,557	\$ 59,123,977	\$ 9,923,846	\$ 111,952,075	\$ 19,242,866	\$ 131,194,941

See accompanying notes to financial statements.

THE CITY OF NEW YORK

COMBINED BALANCE SHEET—ALL FUND TYPES, ACCOUNT GROUPS AND DISCRETELY PRESENTED COMPONENT UNITS

JUNE 30, 1993

Restated
(in thousands)

	Governmental Fund Types		Fiduciary Fund Type	Account Groups		(Total Memorandum only) Primary Government	Discretely Presented Component Units	(Total Memorandum only) Reporting Entity
	General	Capital Projects		Debt Service	Trust and Agency			
LIABILITIES:								
Accounts payable and accrued liabilities	\$4,545,337	\$1,061,827	\$ 75,345	\$ 4,860,819	\$ —	\$10,543,328	\$ 1,295,344	\$ 11,838,672
Bonds and notes payable	—	—	—	—	25,630,994	25,630,994	9,659,147	35,290,141
Capital lease obligations	—	—	—	—	514,497	514,497	—	514,497
Accrued real estate tax refunds	78,956	—	—	—	267,764	346,720	—	346,720
Accrued tax refunds—other	71,767	—	—	—	—	71,767	—	71,767
Accrued judgments and claims	106,457	127,280	—	—	2,198,349	2,432,086	—	2,432,086
Accrued vacation and sick leave	—	—	—	—	1,389,022	1,389,022	298,066	1,687,088
Deferred wages	—	—	—	—	46,696	46,696	—	46,696
Accrued pension liability	—	—	—	—	2,562,532	2,562,532	112,250	2,674,782
Accrued interest payable	—	—	—	—	—	—	656,387	656,387
Deferred revenues	1,116,160	—	—	—	—	1,116,160	114,730	1,230,890
Due to other funds and Discretely Presented Component Units	409,348	1,017,259	14,448	—	—	1,441,055	227,962	1,669,017
Estimated disallowances of Federal, State and other aid	188,937	—	—	—	—	188,937	—	188,937
Other	—	—	—	723,297	—	723,297	70,502	793,799
Total liabilities	6,516,962	2,206,366	89,793	5,584,116	32,609,854	47,007,091	12,434,388	59,441,479
EQUITY AND OTHER CREDITS:								
Investment in general fixed assets	—	—	—	—	9,923,846	9,923,846	—	9,923,846
Contributed capital	—	—	—	—	—	—	7,573,266	7,573,266
Retained earnings:								
Reserved for capital improvement	—	—	—	—	—	—	54,422	54,422
Reserved for loans	—	—	—	—	—	—	54,198	54,198
Reserved for donor restrictions	—	—	—	—	—	—	10,494	10,494
Reserved for debt retirement	—	—	—	—	—	—	235,369	235,369
Unreserved	—	—	—	—	—	—	(1,119,271)	(1,119,271)
Fund balances:								
Reserved for debt service	—	—	1,935,985	—	—	1,935,985	—	1,935,985
Reserved for non-current mortgage loans	—	—	148,779	—	—	148,779	—	148,779
Reserved for supplemental benefit payments	—	—	—	1,535,288	—	1,535,288	—	1,535,288
Reserved for pension benefits	—	—	—	52,004,573	—	52,004,573	—	52,004,573
Unreserved, undesignated	358,384	(961,871)	—	—	—	(603,487)	—	(603,487)
Total fund equity (deficit) and other credits	358,384	(961,871)	2,084,764	53,539,861	9,923,846	64,944,984	6,808,478	71,753,462
Commitments and contingencies	—	—	—	—	—	—	—	—
Total liabilities, fund equity and other credits	\$6,875,346	\$1,244,495	\$2,174,557	\$59,123,977	\$9,923,846	\$111,952,075	\$19,242,866	\$131,194,941

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

FOR THE YEAR ENDED JUNE 30, 1994
(in thousands)

	Governmental Fund Types			Total (Memorandum Only)
	General	Capital Projects	Debt Service	Primary Government
REVENUES:				
Real estate taxes	\$ 7,773,322	\$ —	\$ —	\$ 7,773,322
Sales and use taxes	2,854,994	—	—	2,854,994
Income taxes	6,280,572	—	—	6,280,572
Other taxes	1,205,691	—	—	1,205,691
Federal, State and other categorical aid	10,143,347	211,267	186,926	10,541,540
Unrestricted Federal and State aid	666,888	—	—	666,888
Charges for services	1,276,672	—	—	1,276,672
Other revenues	1,054,615	784,584	206,460	2,045,659
Total revenues	31,256,101	995,851	393,386	32,645,338
OTHER FINANCING SOURCES:				
Transfer from OTB	24,073	—	—	24,073
Transfers and other payments for debt service	—	—	2,449,438	2,449,438
Transfer from pension and similar trust funds	72,216	—	—	72,216
Net proceeds from sale of notes and bonds	—	2,753,515	30,586	2,784,101
Refunding bond proceeds	—	—	1,775,015	1,775,015
Total revenues and other financing sources	31,352,390	3,749,366	4,648,425	39,750,181
EXPENDITURES:				
Current Operations:				
General government	874,772	—	—	874,772
Public safety and judicial	3,846,147	—	—	3,846,147
Board of Education	7,560,989	—	—	7,560,989
City University	353,076	—	—	353,076
Social services	8,030,189	—	—	8,030,189
Environmental protection	1,155,871	—	—	1,155,871
Transportation services	980,909	—	—	980,909
Parks, recreation and cultural activities	238,510	—	—	238,510
Housing	589,979	—	—	589,979
Health (including payments to HHC)	1,620,018	—	—	1,620,018
Libraries	172,572	—	—	172,572
Pensions	1,273,817	—	—	1,273,817
Judgments and claims	270,916	—	—	270,916
Fringe benefit and other benefit payments	1,551,629	—	—	1,551,629
Other	374,579	—	24,519	399,098
Capital Projects	—	3,342,782	—	3,342,782
Debt Service:				
Interest	—	—	1,792,687	1,792,687
Redemptions	—	—	1,260,628	1,260,628
Lease payments	—	—	158,977	158,977
Total expenditures	28,893,973	3,342,782	3,236,811	35,473,566
OTHER FINANCING USES:				
Transfers and other payments for debt service	2,453,736	—	—	2,453,736
Payment to refunded bond escrow holder	—	—	1,775,015	1,775,015
Total expenditures and other financing uses	31,347,709	3,342,782	5,011,826	39,702,317
EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES AND OTHER FINANCING USES				
	4,681	406,584	(363,401)	47,864
FUND BALANCES (DEFICIT) AT BEGINNING OF YEAR				
	358,384	(961,871)	2,084,764	1,481,277
FUND BALANCES (DEFICIT) AT END OF YEAR				
	\$ 363,065	\$ (555,287)	\$ 1,721,363	\$ 1,529,141

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—RESTATED
(in thousands)

	Governmental Fund Types			Fiduciary Fund Type	Total (Memorandum Only) Primary Government
	General	Capital Projects	Debt Service	Expensible Trust	
REVENUES:					
Real estate taxes	\$ 7,886,256	\$ —	\$ —	\$ —	\$ 7,886,256
Sales and use taxes	2,738,833	—	—	—	2,738,833
Income taxes	5,750,879	—	—	—	5,750,879
Other taxes	1,203,767	—	—	—	1,203,767
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	<u>30,087,082</u>	<u>1,088,828</u>	<u>365,366</u>	<u>17,522</u>	<u>31,558,798</u>
OTHER FINANCING SOURCES:					
Transfer from OTB	28,796	—	—	—	28,796
Transfers and other payments for debt service	—	—	2,435,240	—	2,435,240
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	<u>30,115,878</u>	<u>3,018,764</u>	<u>5,456,915</u>	<u>17,522</u>	<u>38,609,079</u>
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 benefit 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	—	—	1,729,130	—	1,729,130
Redemptions	—	—	1,151,740	—	1,151,740
Lease payments	—	—	149,306	—	149,306
Refunded escrow	—	—	10,680	—	10,680
Total expenditures	<u>27,712,365</u>	<u>3,617,042</u>	<u>3,074,543</u>	<u>—</u>	<u>34,403,950</u>
OTHER FINANCING USES:					
Transfers and other payments for debt service	2,439,538	—	—	—	2,439,538
Payment to refunded bond escrow holder	—	—	2,656,309	—	2,656,309
Total expenditures and other financing uses	<u>30,151,903</u>	<u>3,617,042</u>	<u>5,730,852</u>	<u>—</u>	<u>39,499,797</u>
EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES AND OTHER FINANCING USES					
	(36,025)	(598,278)	(273,937)	17,522	(890,718)
FUND BALANCES (DEFICIT) AT BEGINNING OF YEAR					
	82,974	(363,593)	2,358,701	10,842	2,088,924
Cumulative effect of Change in Accounting Principle (See Note A)					
	311,435	—	—	—	311,435
FUND BALANCE BEGINNING OF YEAR, AS RESTATED					
	394,409	(363,593)	2,358,701	10,842	2,400,359
FUND BALANCES (DEFICIT) AT END OF YEAR					
	<u>\$ 358,384</u>	<u>\$ (961,871)</u>	<u>\$2,084,764</u>	<u>\$28,364</u>	<u>\$ 1,509,641</u>

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, 1994 AND 1993
(in thousands)

	1994			1993		
	Budget		Actual	Budget		Actual Restated
	Adopted	Modified		Adopted	Modified	
REVENUES:						
Real estate taxes	\$ 7,885,000	\$ 7,823,000	\$ 7,773,322	\$ 7,929,000	\$ 7,939,000	\$ 7,886,256
Sales and use taxes	2,750,200	2,834,985	2,854,994	2,663,200	2,711,700	2,738,833
Income taxes	6,275,400	6,293,800	6,280,572	5,453,000	5,832,000	5,750,879
Other taxes	1,132,200	1,214,315	1,205,691	1,128,600	1,204,100	1,203,767
Federal, State and other categorical aid	9,560,824	10,703,421	10,143,347	8,990,357	9,848,717	9,535,096
Unrestricted Federal and State aid	450,757	662,108	666,888	677,391	699,834	707,109
Charges for services	1,340,829	1,360,583	1,276,672	1,334,033	1,348,161	1,304,169
Other revenues	1,596,525	1,119,127	1,054,615	1,065,760	980,658	960,973
Total revenues	30,991,735	32,011,339	31,256,101	29,241,341	30,564,170	30,087,082
OTHER FINANCING SOURCES:						
Transfer from OTB	34,800	26,800	24,073	36,200	30,700	28,796
Transfer from pension and similar trust funds	—	72,216	72,216	—	—	—
Total revenues and other financing sources	31,026,535	32,110,355	31,352,390	29,277,541	30,594,870	30,115,878
EXPENDITURES:						
General government	904,383	929,267	874,772	893,419	922,181	862,402
Public safety and judicial	3,634,000	3,870,664	3,846,147	3,557,468	3,792,595	3,759,343
Board of Education	7,223,761	7,591,839	7,560,989	6,775,432	7,235,608	7,212,682
City University	334,966	387,284	353,076	532,111	571,284	571,346
Social services	7,898,654	8,325,941	8,030,189	7,415,849	7,748,119	7,430,017
Environmental protection	1,128,204	1,205,920	1,155,871	1,197,671	1,210,640	1,093,792
Transportation services	967,581	1,002,495	980,909	878,096	1,039,231	1,023,460
Parks, recreation and cultural activities	230,565	239,355	238,510	219,000	230,468	229,019
Housing	565,735	612,183	589,979	544,585	589,562	515,821
Health (including payments to HHC) ..	1,362,288	1,612,341	1,620,018	1,300,255	1,497,966	1,451,697
Libraries	172,352	172,591	172,572	143,618	146,689	146,463
Pensions	1,436,003	1,363,620	1,273,817	1,423,120	1,428,320	1,426,896
Judgments and claims	222,255	271,045	270,916	219,255	231,255	230,731
Fringe benefits and other benefit payments	1,649,477	1,597,823	1,551,629	1,482,047	1,494,853	1,492,177
Other	587,125	470,038	374,579	429,880	289,774	266,519
Total expenditures	28,317,349	29,652,406	28,893,973	27,011,806	28,428,545	27,712,365
OTHER FINANCING USES:						
Transfers and other payments for debt service	2,709,186	2,457,949	2,453,736	2,265,735	2,166,325	2,439,538
Total expenditures and other financing uses	31,026,535	32,110,355	31,347,709	29,277,541	30,594,870	30,151,903
EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES AND OTHER FINANCING USES	\$ —	\$ —	4,681	\$ —	\$ —	(36,025)
FUND BALANCE AT BEGINNING OF YEAR ...			358,384			82,974
Cumulative effect of change in accounting principle (See note A)			—			311,435
FUND BALANCE AT BEGINNING OF YEAR, AS RESTATED			—			394,409
FUND BALANCE AT END OF YEAR			\$ 363,065			\$ 358,384

See accompanying notes to financial statements.

THE CITY OF NEW YORK
COMBINED STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN FUND EQUITY—FIDUCIARY FUND TYPE
AND DISCRETELY PRESENTED COMPONENT UNITS
FOR THE YEAR ENDED JUNE 30, 1994
(in thousands)

	Fiduciary	Discretely Presented Component Units				Total	Total
	Fund Type	Health and	Off-Track	Housing and	Water		
	Pension	Hospitals	Betting	Economic	and	Units	only)
	and	Corporation	Corporation	Development	Sewer		Reporting
	Similar			Entities	System		Entity
	Trust						
OPERATING REVENUES:							
Patient service revenues, net	\$ —	\$3,539,766	\$ —	\$ —	\$ —	\$3,539,766	\$ 3,539,766
Charges for services	—	—	—	—	1,204,423	1,204,423	1,204,423
Rent income	—	—	—	563,008	—	563,008	563,008
Other revenues	—	409,347	178,023	1,161,413	—	1,748,783	1,748,783
Employer, employee contributions	1,877,882	—	—	—	—	—	1,877,882
Investment income, net	2,782,319	—	—	23,513	28,479	51,992	2,834,311
Total operating revenues	4,660,201	3,949,113	178,023	1,747,934	1,232,902	7,107,972	11,768,173
OPERATING EXPENSES:							
Personal services	—	2,215,592	66,238	675,926	—	2,957,756	2,957,756
Affiliated institutions	—	511,920	—	—	—	511,920	511,920
Racing industry compensation	—	—	46,710	—	—	46,710	46,710
Operations and maintenance	—	—	—	—	718,650	718,650	718,650
Interest expense	—	—	—	220,137	290,790	510,927	510,927
Administrative and program	—	—	7,236	860,740	17,290	885,266	885,266
Depreciation and amortization	—	154,685	2,951	163,665	213,371	534,672	534,672
Benefit payments and withdrawals	3,813,877	—	—	—	—	—	3,813,877
Provision for bad debts	—	456,397	—	—	51,586	507,983	507,983
Other	—	653,397	20,934	80,633	—	754,964	754,964
Distributions to the State and other local governments	—	—	20,278	—	—	20,278	20,278
Total operating expenses	3,813,877	3,991,991	164,347	2,001,101	1,291,687	7,449,126	11,263,003
Operating income (loss)	846,324	(42,878)	13,676	(253,167)	(58,785)	(341,154)	505,170
NON-OPERATING REVENUES (EXPENSES):							
Interest income	—	2,987	465	16,964	4,476	24,892	24,892
Interest expense	—	(102,683)	—	—	—	(102,683)	(102,683)
Amounts from other OTB communities	—	—	4,657	—	—	4,657	4,657
Other	(20,847)	—	—	(7,273)	—	(7,273)	(28,120)
Total non-operating revenues (expense)	(20,847)	(99,696)	5,122	9,691	4,476	(80,407)	(101,254)
Income (loss) before transfers	825,477	(142,574)	18,798	(243,476)	(54,309)	(421,561)	403,916
OPERATING TRANSFERS:							
Transfer to the General Fund	(72,216)	—	(24,073)	—	—	(24,073)	(96,289)
Net income (loss)	753,261	(142,574)	(5,275)	(243,476)	(54,309)	(445,634)	307,627
FUND EQUITY AT BEGINNING OF YEAR							
Contributed fixed assets and debt service	—	8,965	—	339,791	37,734	386,490	386,490
Net decrease in donor restricted funds	—	(353)	—	—	—	(353)	(353)
FUND EQUITY AT END OF YEAR							
Reserved	—	781,988	14,574	2,244,052	5,150,160	8,190,774	8,190,774
Reserved for Supplemental Benefits	1,409,949	—	—	—	—	—	1,409,949
Reserved for Pension Benefits	52,883,173	—	—	—	—	—	52,883,173
Unreserved (deficit)	—	227,500	(8,480)	(2,047,227)	386,414	(1,441,793)	(1,441,793)
FUND EQUITY AT END OF YEAR	\$54,293,122	\$1,009,488	\$ 6,094	\$ 196,825	\$5,536,574	\$6,748,981	\$61,042,103

See accompanying notes to financial statements.

THE CITY OF NEW YORK
COMBINED STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN FUND EQUITY—FIDUCIARY FUND TYPE
AND DISCRETELY PRESENTED COMPONENT UNITS

FOR THE YEAR ENDED JUNE 30, 1993

Restated
(in thousands)

	Fiduciary	Discretely Presented Component Units				Total Component Units	Total (Memorandum only) Reporting Entity
	Fund Type	Health and Hospitals Corporation	Off-Track Betting Corporation	Housing and Economic Development Entities	Water and Sewer System		
OPERATING REVENUES:							
Patient service revenues, net	\$ —	\$3,080,201	\$ —	\$ —	\$ —	\$3,080,201	\$ 3,080,201
Charges for services	—	—	—	—	1,087,369	1,087,369	1,087,369
Other revenues	—	387,416	193,286	1,598,185	—	2,178,887	2,178,887
Employer, employee contributions	1,906,948	—	—	—	—	—	1,906,948
Investment income, net	7,131,585	—	—	34,382	39,993	74,375	7,205,960
Total operating revenues	9,038,533	3,467,617	193,286	1,632,567	1,127,362	6,420,832	15,459,365
OPERATING EXPENSES:							
Personal services	—	2,115,591	72,400	636,343	—	2,824,334	2,824,334
Affiliated institutions	—	471,701	—	—	—	471,701	471,701
Racing industry compensation	—	—	49,601	—	—	49,601	49,601
Operations and maintenance	—	613,912	—	—	709,386	1,323,298	1,323,298
Interest expense	—	—	—	235,644	281,226	516,870	516,870
Administrative and program	—	—	3,246	801,914	9,811	814,971	814,971
Depreciation and amortization	—	143,801	2,378	147,481	166,080	459,740	459,740
Benefit payments and withdrawals	3,592,506	—	—	—	—	—	3,592,506
Provision for bad debts	—	319,185	—	—	(28,606)	290,579	290,579
Other	—	—	19,380	125,097	—	144,477	144,477
Distributions to the State and other local governments	—	—	21,612	—	—	21,612	21,612
Total operating expenses	3,592,506	3,664,190	168,617	1,946,479	1,137,897	6,917,183	10,509,689
Operating income (loss)	5,446,027	(196,573)	24,669	(313,912)	(10,535)	(496,351)	4,949,676
NON-OPERATING REVENUES (EXPENSES):							
Interest income	—	4,914	631	13,820	5,440	24,805	24,805
Interest expense	—	(96,679)	(15)	—	—	(96,694)	(96,694)
Amounts from other OTB communities	—	—	6,012	—	—	6,012	6,012
Other	(306,079)	—	—	(33,345)	—	(33,345)	(339,424)
Total non-operating revenues (expense)	(306,079)	(91,765)	6,628	(19,525)	5,440	(99,222)	(405,301)
Income (loss) before transfers, extraordinary item and cumulative effect	5,139,948	(288,338)	31,297	(333,437)	(5,095)	(595,573)	4,544,375
EXTRAORDINARY ITEM: loss on advance refunding	—	(968)	—	—	(109,423)	(110,391)	(110,391)
CUMULATIVE EFFECT: reclassification of funds	102,704	—	—	—	—	—	102,704
Income (loss) before transfers	5,242,652	(289,306)	31,297	(333,437)	(114,518)	(705,964)	4,536,688
OPERATING TRANSFERS:							
Transfer to the General Fund	—	—	(28,796)	—	—	(28,796)	(28,796)
Net income (loss)	5,242,652	(289,306)	2,501	(333,437)	(114,518)	(734,760)	4,507,892
FUND EQUITY AT BEGINNING OF YEAR	48,268,845	1,265,232	8,868	115,399	5,603,021	6,992,520	55,261,365
Contributed fixed assets	—	169,125	—	318,548	64,646	552,319	552,319
Net decrease in donor restricted funds	—	(1,601)	—	—	—	(1,601)	(1,601)
FUND EQUITY AT END OF YEAR	—	729,512	12,471	1,981,167	5,204,599	7,927,749	7,927,749
Reserved	1,506,924	—	—	—	—	—	1,506,924
Reserved for Supplemental Benefits	52,004,573	—	—	—	—	—	52,004,573
Reserved for Pension Benefits	—	413,938	(1,102)	(1,880,657)	348,550	(1,119,271)	(1,119,271)
Unreserved (deficit)	—	—	—	—	—	—	—
FUND EQUITY AT END OF YEAR	\$53,511,497	\$1,143,450	\$ 11,369	\$ 100,510	\$5,553,149	\$6,808,478	\$60,319,975

See accompanying notes to financial statements.

THE CITY OF NEW YORK
COMBINED STATEMENT OF CASH FLOWS
DISCRETELY PRESENTED COMPONENT UNITS
FOR THE YEAR ENDED JUNE 30, 1994
(in thousands)

	Health and Hospitals Corporation	Off-Track Betting Corporation	Housing and Economic Development Entities	Water and Sewer System	Total
OPERATING ACTIVITIES:					
Operating income (loss)	\$ (42,878)	\$ 13,676	\$ (253,167)	\$ (58,785)	\$ (341,154)
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:					
Depreciation and amortization	154,685	2,951	163,665	213,371	534,672
Interest accretion on capital appreciation bonds	—	—	—	13,545	13,545
Provision for bad debts	456,397	—	—	51,586	507,983
Increase in patient service receivables	(511,475)	—	—	—	(511,475)
Decrease (increase) in accounts and other receivables	(1,352)	,563	(29,966)	(76,148)	(105,903)
Increase in prepaid expense	—	—	—	(16,708)	(16,708)
Increase (decrease) in accounts payable and accrued liabilities	40,691	691	102,368	(24,434)	119,316
Increase (decrease) in accrued vacation and sick leave	—	(239)	9,568	—	22,210
Decrease in accrued pension liability	41)	(359)	—	—	(1,100)
Increase in deferred revenues	—	—	1,613	10,608	12,221
Distribution to City of New York	—	(22,806)	—	—	(22,806)
Increase in program loans issued	—	—	(54,193)	—	(54,193)
Receipt from collections of program loans	—	—	51,616	—	51,616
Distribution to State and local governments	—	(96)	—	—	(96)
Increase in payable to the City of New York	—	—	—	56,977	56,977
Other	160,281	1,203	(56,391)	(3,002)	102,091
Total Adjustments	311,367	(17,092)	188,280	225,795	708,350
Net cash provided by (used in) operating activities	268,489	(3,416)	(64,887)	167,010	367,196
NONCAPITAL FINANCING ACTIVITIES:					
Proceeds from issuing bonds, notes and other borrowings	259,000	—	367,245	—	626,245
Repayments of bonds, notes and other borrowings	(259,000)	—	(438,936)	—	(697,936)
Amounts from other OTB communities	—	4,657	—	—	4,657
Other	—	—	2,474	—	2,474
Net cash provided by (used in) noncapital financing activities	—	4,657	(69,217)	—	(64,560)
CAPITAL AND RELATED FINANCING ACTIVITIES:					
Additions to fixed assets	(199,106)	(3,634)	(244,399)	(622,915)	(1,070,054)
Proceeds from issuing bonds, notes and other borrowings	—	—	15,057	2,349,764	2,364,821
Repayments of bonds, notes and other borrowings	(8,408)	—	(61,428)	(1,669,253)	(1,739,089)
Cash paid in excess of face value of defeased bonds	—	—	—	(43,633)	(43,633)
Contributions for capital and payment of debt	—	—	375,782	—	375,782
Contributed capital other than for operations	8,965	—	—	—	8,965
Interest paid on bonds, notes and other borrowings	(102,683)	—	—	—	(102,683)
Net cash provided by (used in) capital and related financing activities	(301,232)	(3,634)	85,012	13,963	(205,891)
INVESTING ACTIVITIES:					
Excess (deficiency) of proceeds from sales of investments net of purchases	—	—	35,024	(361,392)	(326,368)
Interest on investments	2,987	465	16,964	4,185	24,601
Net cash provided by (used in) investing activities	2,987	465	51,988	(357,207)	(301,767)
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(29,756)	(1,928)	2,896	(176,234)	(205,022)
CASH AND CASH EQUIVALENTS BEGINNING OF YEAR	149,901	16,049	108,526	184,792	459,268
CASH AND CASH EQUIVALENTS END OF YEAR	\$ 120,145	\$ 14,121	\$ 111,422	\$ 8,558	\$ 254,246
Cash and cash equivalents	\$ 109,368	\$ 14,121	\$ 68,633	\$ 8,137	\$ 200,259
Restricted cash and investments	337,720	—	76,520	975,115	1,389,355
Less restricted investments	326,943	—	33,731	974,694	1,335,368
Cash and cash equivalents, June 30, 1994	<u>\$ 120,145</u>	<u>\$ 14,121</u>	<u>\$ 111,422</u>	<u>\$ 8,558</u>	<u>\$ 254,246</u>

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

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

HHC received capital assets of \$8.2 million for fiscal year 1994 which represent contributed capital from the City.

The Water Board received capital assets of \$37.7 million for fiscal year 1994 which represents contributed capital from the City.

See accompanying notes to financial statements.

THE CITY OF NEW YORK
COMBINED STATEMENT OF CASH FLOWS
DISCRETELY PRESENTED COMPONENT UNITS
FOR THE YEAR ENDED JUNE 30, 1993
(in thousands)

	Health and Hospitals Corporation	Off-Track Betting Corporation	Housing and Economic Development Entities	Water and Sewer System	Total
OPERATING ACTIVITIES:					
Operating income (loss)	\$(196,573)	\$ 24,669	\$(313,912)	\$(10,535)	\$(496,351)
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:					
Depreciation and amortization	143,801	2,378	147,481	166,080	459,740
Interest accretion on capital appreciation bonds	—	—	—	17,919	17,919
Increase (decrease) provision for bad debts	319,185	—	—	(28,606)	290,579
Increase in patient service receivables	(209,901)	—	—	—	(209,901)
Decrease (increase) in accounts and other receivables	2,639	—	(493)	(3,900)	(1,754)
Decrease in prepaid expense	—	—	—	202,808	202,808
Increase in accounts payable and accrued liabilities	70,611	720	88,926	52,321	212,578
Increase in accrued vacation and sick leave	23,608	—	4,311	—	27,919
Decrease in accrued pension liability	(2,595)	(70)	—	—	(2,665)
Decrease in deferred revenues	—	—	(1,840)	(18,468)	(20,308)
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
Distribution to State and local governments	—	(22,228)	—	—	(22,228)
Decrease in payable to The City of New York	—	—	—	(179,460)	(179,460)
Other	1,748	22,011	97,633	(51,226)	70,166
Total Adjustments	349,096	(27,210)	296,035	157,468	775,389
Net cash provided by (used in) operating activities	152,523	(2,541)	(17,877)	146,933	279,038
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)	(9,079)	(221,009)	(719,725)	(1,190,317)
Proceeds from issuing bonds, notes and other borrowings	546,846	—	2,899	1,618,249	2,167,994
Repayments of bonds, notes and other borrowings	(33,979)	—	(59,881)	(1,013,084)	(1,106,944)
Cash paid in excess of face value of defeased bonds	—	—	—	(83,282)	(83,282)
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)
Contributed capital other than for operations	—	—	306,926	—	306,926
Net cash provided by (used in) capital and related financing activities	344,809	(9,094)	28,935	(197,842)	166,808
INVESTING ACTIVITIES:					
Excess (deficiency) of proceeds from sales of investments net of purchase ..	(471,453)	—	96,100	(223,713)	(599,066)
Interest on investments	4,914	631	15,706	5,440	26,691
Net cash provided by (used in) investing activities	(466,539)	631	111,806	(218,273)	(572,375)
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	30,793	(4,992)	(8,600)	(269,182)	(251,981)
CASH AND CASH EQUIVALENTS BEGINNING OF YEAR	119,108	21,041	117,126	453,974	711,249
CASH AND CASH EQUIVALENTS END OF YEAR	\$149,901	\$ 16,049	\$ 108,526	\$ 184,792	\$ 459,268
Cash and cash equivalents	\$135,303	\$ 16,049	\$ 82,433	\$ 11,277	\$ 245,062
Restricted cash and investments	499,633	—	57,580	784,878	1,342,091
Less restricted investments	485,035	—	31,487	611,363	1,127,885
Cash and cash equivalents, June 30, 1993	<u>\$149,901</u>	<u>\$ 16,049</u>	<u>\$108,526</u>	<u>\$ 184,792</u>	<u>\$ 459,268</u>

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

The following are the noncash investing, capital and financing 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
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 1994 AND 1993

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 "Totals—(Memorandum Only) Primary Government" and "Totals—(Memorandum Only) Reporting Entity" columns of the accompanying combined financial statements are only presented to facilitate financial analysis and are not the equivalent of consolidated financial statements.

The following is a summary of the significant accounting policies and reporting practices of the City:

Reporting Entity

The City of New York is a municipal corporation governed by the Mayor and the City Council. In June, 1991, GASB issued Statement No. 14, *The Financial Reporting Entity*. This Statement establishes standards for defining and reporting on the financial reporting entity. It became effective in fiscal year 1994 and has been adopted, resulting in the inclusion of the New York City Housing Authority as a discretely presented component unit of the City's financial reporting entity and the change in the display of discretely presented component units in the City's financial statements.

The financial reporting entity consists of the primary government including the Board of Education and the community colleges of the City University of New York, organizations for which the primary government is financially accountable, and other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete.

The definition of the reporting entity is based primarily on the notion of financial accountability. A primary government is financially accountable for the organizations that make up its legal entity. It is also financially accountable for legally separate organizations if its officials appoint a voting majority of an organization's governing body and either it is able to impose its will on that organization or there is a potential for the organization to provide specific financial benefits to, or to impose specific financial burdens on, the primary government. A primary government may also be financially accountable for governmental organizations that are fiscally dependent on it.

Most component units are included in the financial reporting entity by discrete presentation. Some component units, despite being legally separate from the primary government, are so intertwined with the primary government, that they are in substance the same as the primary government. These component units are blended with the primary government.

Blended Component Units

These component units, although legally separate, provide services exclusively to the City and are reported as if they were part of the primary government:

Municipal Assistance Corporation For The City of New York (MAC)
New York City Samurai Funding Corporation (SFC)
New York City Educational Construction Fund (ECF)
City University Construction Fund (CUCF)
New York City School Construction Authority (SCA)

Discretely Presented Component Units

All discretely presented component units are legally separate from the primary government. The City appoints a majority of *these organizations'* boards and is either able to impose its will on them or a financial benefit/burden situation exists.

The component unit column in the combined financial statements includes the financial data of these entities, which are reported in a separate column to emphasize that they are legally separate from the City:

New York City Health and Hospitals Corporation (HHC)
New York City Off-Track Betting Corporation (OTB)
Housing and Economic Development Entities:

- New York City Housing Development Corporation (HDC)
- New York City Housing Authority (HA)

- New York City Industrial Development Agency (IDA)
- New York City Economic Development Corporation (EDC)
- Business Relocation Assistance Corporation (BRAC)
- 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)

Note: These organizations publish separate annual financial statements which may be obtained from: Office of the Comptroller, Bureau of Accountancy, Financial Services Division-Room 800, 1 Centre Street, New York, New York 10007.

Fiduciary Funds

These Funds are used to account for assets when a governmental unit is functioning either as a trustee or an agent for another party. They include the following:

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)
- * Transit Police Superior Officers' Variable Supplements Fund (TPSOVSF)
- Housing Police Officers' Variable Supplements Fund (HPOVSF)
- * Housing Police Superior Officers' Variable Supplements Fund (HPSOVSF)

* These Funds were reported as Expendable Trust Funds in fiscal year 1993 (see Note S).

Agency Funds:

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

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 financial 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, fiduciary, and proprietary. Except for proprietary, 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 \$555 million and \$962 million at June 30, 1994 and 1993, 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.

Fiduciary

Trust and Agency Funds

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

The Pension and Similar Trust Funds account for the operations of NYCERS, TRS, BERS, POLICE, and FIRE employee retirement systems, and POVSF, PSOVSF, FFVVSF, FOVSF, TPOVSF, TPSOVSF*, HPOVSF, and HPSOVSF*. These activities use the accrual basis of accounting and a measurement focus 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 1993 (see Note S).

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 component unit financial statements 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; (vi) certain unfunded pension liabilities; and (vii) landfill closure and postclosure care costs.

Discretely Presented Component Units

The discretely presented component units consist of HHC, OTB, HDC, HA and other component units comprising the Housing and Economic Development Entities, 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.

Basis of Accounting

The accounting and financial reporting applied to a fund is determined by its measurement focus. Governmental fund types use the flow of current financial resources measurement focus. This focus is on the determination of, and changes in financial position, and generally only current assets and current liabilities 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 Pension and Similar Trust Funds and the discretely presented component units 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 and discretely presented component units are included on the balance sheet. These funds and discretely presented component units 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 uses 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 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 \$1,084 million and \$1,317 million subsequent to its original adoption in fiscal years 1994 and 1993, 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 GAAP. 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 1994 and 1993 were approximately \$360 million and \$484 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. 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. Accordingly, inventories on hand at June 30, 1994 and 1993 (estimated at \$203 million and \$208 million, respectively, based on average cost) have not been reported on the Governmental Funds balance sheets.

Restricted Cash and Investments

Certain proceeds of component unit bonds, as well as certain resources set aside for bond 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, M, and N for fixed asset accounting policies used by HHC, OTB, HA, 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 \$1,028.7 million and \$1,023.8 million for fiscal years 1994 and 1993, 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

According to GASB Statement No. 16, *Accounting for Compensated Absences* which was issued in November, 1992, 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 vacation leave earned by employees which may be used in subsequent years or earned vacation and sick leave 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 discretely presented component units which is accounted for in those component unit financial statements.

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 discretely presented component unit operations are accounted for in those component unit financial statements.

Real Estate Tax

Real estate tax payments for the fiscal year ended June 30, 1994 were due July 1, 1993 and January 1, 1994 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 1994 taxes was June 14, 1993. The lien date is the date taxes are due.

Real estate tax revenue represents payments received during the year and payments received (against the current fiscal year and prior years' levies) within the first two months of the following fiscal year reduced by tax refunds. On June 22, 1994 the City sold without recourse its interest in its outstanding real estate tax receivables as of May 31, 1994. The tax receivable balance as of May 31, 1994 was \$1.5 billion, including interest of \$484 million. The City received at the time of the sale, \$200.6 million.

Under the terms of the sale the purchaser would receive all payments against the outstanding balance except that:

(1) The first \$24 million of delinquent collections will be placed in a reserve account, established to provide the purchaser security that the actual levy year 1994 net delinquency amount is equal to or greater than the estimate made at the time of the sale. Should the levy exceed the estimate, the \$24 million would return to the City. The actual levy met the estimate and the \$24 million was returned to the City in September, 1994.

(2) The next \$78.6 million of delinquent collections, made from the closing day up to and including August 31, 1994 would be retained by the City. The City collected the \$78.6 million by August 31, 1994.

After August 31, 1994, all payments would go to the purchaser until \$208 million plus 5.45 percent interest on the remaining monthly balance is satisfied or until June 15, 1997. Once the \$208 million is received or June 15, 1997, whichever is earlier, the balance of the receivables would return to the City.

In fiscal year 1993, 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, 1994 and 1993, excess amounts of \$67 million and \$123 million, respectively, were transferred to the Debt Service Funds.

Other Taxes and Other Revenues

In December, 1993, the GASB issued Statement No. 22, *Accounting for Taxpayer-Assessed Tax Revenues in Governmental Funds*. This Statement requires revenue from taxpayer-assessed taxes, such as sales and income taxes, net of estimated refunds, to be recognized in the accounting period in which they become susceptible to accrual. The GASB encouraged early application of the Statement, which the City has elected to do. The Statement requires the City, if practical, to restate the financial statements of

all periods presented. The cumulative effect of the Statement, if any, should be reported as a restatement of beginning fund balance for the earliest period restated. The beginning fund balance for fiscal year 1993, which was \$82.974 million, has been restated as \$394.409 million in order to reflect application of GASB Statement No. 22.

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 recognized 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 discretely presented component units 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 or discretely presented component unit receiving revenue to a fund or discretely presented component unit through which the revenue is to be expended are reported as operating transfers. Such payments include transfers for debt service and OTB net revenues.

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 S). The provision includes normal costs, interest on pension costs previously accrued but not funded, and amortization of past service costs as determined by the Actuary employed by the Boards of Trustees of the City's major actuarial pension systems.

Comparative Data

Comparative total data for the prior year have been presented in the accompanying combining and individual fund, account group, and discretely presented component unit financial statements in order to provide an understanding of changes in the City's financial position and operations. Reclassification of certain prior year amounts has been made to conform with the current year presentation and taxpayer assessed revenue has been restated to comply with GASB Statement No. 22.

Pronouncements Issued But Not Yet Effective

In May, 1990, 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.

B. AUDIT RESPONSIBILITY

In fiscal year 1994, the separately administered organizations included in the financial statements of the City audited by auditors other than KPMG Peat Marwick LLP, are the Municipal Assistance Corporation For The City of New York, New York City Housing Authority, New York City Economic Development Corporation, New York City Educational Construction Fund, New York City Industrial Development Agency, New York City Off-Track Betting Corporation, New York City School Construction Authority, Brooklyn Navy Yard Development Corporation, Business Relocation Assistance Corporation, City University Construction Fund, and the Deferred Compensation Plan.

The following describes the proportion of certain key financial information that is audited by other auditors in fiscal year 1994:

	Fund Types				Account Groups		
	General 1994	Capital Projects 1994	Debt Service 1994	Trust and Agency 1994 (percent)	General Fixed Assets 1994	General Long-term Obligations 1994	Component Units 1994
Total assets/liabilities	0	18	83	2	29	17	20
Operating revenues and other financing sources	0	24	21	0	NA	NA	25

NA: Not Applicable

In fiscal year 1993, the most significant separately administered organizations included in the financial statements of the City audited by auditors other than Ernst & Young and Mitchell, Titus & Co., the City's auditors, were the Municipal Assistance Corporation For The City of New York, the New York City Health and Hospitals Corporation, the major entities comprising the Housing and Economic Development Entities, 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 was audited by other auditors in fiscal year 1993 (prior to the GASB14 restatement):

	Fund Types				Account Groups		
	General 1993	Capital Projects 1993	Debt Service 1993	Enterprise 1993 (percent)	Trust and Agency 1993	General Fixed Assets 1993	General Long-term Obligations 1993
Total assets/liabilities	0	18	75	99	2	22	18
Operating revenues and other financing sources	0	24	17	96	0	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, 1994 and 1993, the City has funded \$800 million and \$615 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 H). 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 which are used to pay SFC's bondholders. These agreements limit the City's currency and exchange rate change exposure. SFC's bonds are included in the City's General Long-term Obligations Account Group. Proceeds from this issue were 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, 1994 and 1993, the carrying amount of the City's cash and deposits was \$935 million and \$570 million, respectively, and the bank balances were \$682 million and \$483 million, respectively. Of the bank balances, \$139 million and \$109 million, respectively, were covered by federal depository insurance or collateralized with securities held by the City's agent in the City's name, and \$543 million and \$374 million, respectively, were uninsured and collateralized.

The uninsured, collateralized cash balances carried during the year 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 7½% 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, 1994 and 1993 are classified as follows:

	1994			Total Carrying Amount	Market Value
	1	Category 2	3		
	(in millions)				
Repurchase agreements	\$ 2,428	\$ —	\$ —	\$ 2,428	\$ 2,472
U.S. Government securities	14,468	—	—	14,468	14,577
Commercial paper	1,105	—	—	1,105	1,105
Corporate bonds	5,440	—	—	5,440	5,270
Corporate stocks	30,495	—	—	30,495	30,495
Other	4,035	—	—	4,035	4,008
	<u>\$57,971</u>	<u>\$ —</u>	<u>\$ —</u>	<u>57,971</u>	<u>57,927</u>
Mutual funds (1)				328	328
International investment fund—fixed income (1)				365	591
International investment fund—equity (1)				3,382	3,382
Guaranteed investment contracts (1)				865	865
Management investment contracts (1)				256	256
Total investments				<u>\$63,167</u>	<u>\$63,349</u>

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

NOTES TO FINANCIAL STATEMENTS, Continued

In fiscal year 1994, the restricted cash and investments include \$54.0 million of cash, of which the repayment of \$17.5 million was insured and collateralized and \$36.5 million was uninsured and collateralized. Restricted investments, principally in U.S. Government securities with a cost and approximate market value of \$1,335.3 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.

	1993			Total Carrying Amount	Market Value
	Category				
	1	2	3		
	(in millions)				
Repurchase agreements	\$ 2,692	\$ —	\$ —	\$ 2,692	\$ 2,746
U.S. Government securities	15,518	—	—	15,518	16,526
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	3,428	181	—	3,609	3,624
	<u>\$57,979</u>	<u>\$ 181</u>	<u>\$ —</u>	<u>58,160</u>	<u>59,440</u>
Mutual funds (1)				228	228
International investment fund—fixed income (1)				366	539
International investment fund—equity (1)				2,763	2,763
Guaranteed investment contracts (1)				870	870
Management investment contracts (1)				179	179
Total investments				<u>\$ 62,566</u>	<u>\$64,019</u>

(1) These investments 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 \$188.1 million of cash, of which the repayment of \$158 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 \$1,096.4 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.

F. GENERAL FIXED ASSETS ACCOUNT GROUP

The following is a summary of changes in general fixed assets for the fiscal years ended June 30, 1993 and 1994:

	Balance	Additions	Deletions	Balance	Additions	Deletions	Balance
	June 30, 1992			June 30, 1993			June 30, 1994
				(in thousands)			
Land	\$ 549,437	\$ —	\$ —	\$ 549,437	\$ 3,813	\$ 165	\$ 553,085
Buildings	5,842,149	337,496	31,384	6,148,261	511,695	5,188	6,654,768
Equipment	2,809,205	172,496	188,543	2,793,158	143,289	113,812	2,822,635
Construction work-in-progress	4,022,373	990,901	337,496	4,675,778	1,037,051	511,695	5,201,134
	<u>13,223,164</u>	<u>1,500,893</u>	<u>557,423</u>	<u>14,166,634</u>	<u>1,695,848</u>	<u>630,860</u>	<u>15,231,622</u>
Less accumulated depreciation and amortization	<u>4,071,996</u>	<u>308,872</u>	<u>138,080</u>	<u>4,242,788</u>	<u>331,944</u>	<u>93,517</u>	<u>4,481,215</u>
Total changes in net fixed assets	<u>\$9,151,168</u>	<u>\$1,192,021</u>	<u>\$419,343</u>	<u>\$9,923,846</u>	<u>\$1,363,904</u>	<u>\$537,343</u>	<u>\$10,750,407</u>

The following are the sources of funding for the general fixed assets for the years ended June 30, 1994 and 1993. Sources of funding for fixed assets are not available prior to fiscal year 1987.

	<u>1994</u>	<u>1993</u>
	(in thousands)	
Capital Projects Fund:		
Prior to fiscal year 1987	\$ 6,817,992	\$ 6,815,790
City bonds	8,109,171	7,092,725
Federal grants	199,632	178,935
State grants	66,105	62,403
Private grants	38,722	16,781
Total funding sources	<u>\$15,231,622</u>	<u>\$14,166,634</u>

At June 30, 1994 and 1993, the General Fixed Assets Account Group includes approximately \$1.3 billion 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 component unit financial statements.

Included in land and buildings at June 30, 1994 and 1993 are leased properties capitalized at \$103 million and \$107 million, respectively, with related accumulated amortization of \$47 million and \$49 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, 1994 and 1993 exceed the \$1.696 billion and \$1.501 billion increases recorded as general fixed assets by \$1.647 billion and \$2.116 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, 1994 and 1993 were approximately \$335 million and \$316 million, respectively.

As of June 30, 1994, the City (excluding discretely presented component units) had future minimum payments under capital and operating leases with a remaining term in excess of one year as follows:

	<u>Capital Leases</u>	<u>Operating Leases</u>	<u>Total</u>
	(in thousands)		
Fiscal year ending June 30:			
1995	\$ 81,328	\$ 150,178	\$ 231,506
1996	82,874	136,207	219,081
1997	84,927	124,040	208,967
1998	83,616	111,884	195,500
1999	90,167	99,133	189,300
Thereafter until 2023	1,329,968	654,225	1,984,193
Future minimum payments	<u>1,752,880</u>	<u>\$1,275,667</u>	<u>\$3,028,547</u>
Less interest	834,680		
Present value of future minimum payments	<u>\$ 918,200</u>		

NOTES TO FINANCIAL STATEMENTS, Continued

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, 1994 and 1993 was approximately \$133 million and \$162 million, respectively. As of June 30, 1994, the following future minimum rentals are provided for by the leases:

	<u>Amount</u> (in thousands)
Fiscal year ending June 30:	
1995	\$ 52,708
1996	48,368
1997	45,064
1998	42,426
1999	40,283
Thereafter until 2086	<u>1,126,763</u>
Future minimum rentals	<u>\$1,355,612</u>

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 discretely presented component units, see Notes K, L, M, and N.

	Balance June 30, 1992	Issued	Repaid or Defeased	Balance June 30, 1993	Issued	Repaid or Defeased	Balance June 30, 1994
	(in thousands)						
City debt:							
Term bonds	\$ 80,000	\$ —	\$ 80,000	\$ —	\$ —	\$ —	\$ —
General obligation bonds	19,412,421	4,484,078	2,987,525	20,908,974	4,450,308	2,456,342	22,902,940
	<u>19,492,421</u>	<u>4,484,078</u>	<u>3,067,525</u>	<u>20,908,974</u>	<u>4,450,308</u>	<u>2,456,342</u>	<u>22,902,940</u>
MAC debt:(4)							
Second general resolution bonds	5,338,115	—	380,890	4,957,225	—	158,335	4,798,890
1991 general resolution bonds	519,090	132,135	145,185	506,040	—	229,440	276,600
	<u>5,857,205</u>	<u>132,135</u>	<u>526,075</u>	<u>5,463,265</u>	<u>—</u>	<u>387,775</u>	<u>5,075,490</u>
SFC debt:							
Japanese Yen bonds	—	200,000	—	200,000	—	—	200,000
Component unit debt: (1)							
City University Construction Fund(2) .	408,335	2,705(3)	—	411,040	—	6,371(3)	404,669
New York City Educational Construction Fund	130,215	—	3,585	126,630	137,750	126,630	137,750
	<u>538,550</u>	<u>2,705</u>	<u>3,585</u>	<u>537,670</u>	<u>137,750</u>	<u>133,001</u>	<u>542,419</u>
Total before treasury obligations	25,888,176	4,818,918	3,597,185	27,109,909	4,588,058	2,977,118	28,720,849
Less treasury obligations . .	1,393,684	200,000	114,769	1,478,915	—	112,876	1,366,039
Total summary of bond transactions . .	<u>\$24,494,492</u>	<u>\$4,618,918</u>	<u>\$3,482,416</u>	<u>\$25,630,994</u>	<u>\$4,588,058</u>	<u>\$2,864,242</u>	<u>\$27,354,810</u>

- (1) The debt of CUCF and ECF are reported as bonds outstanding as of June 30, 1993 and 1994 pursuant to their treatment as component units (see Note A).
- (2) Excludes \$297,722 in 1993 and \$286,070 in 1994 to be provided by the State.
- (3) Net adjustment based on allocation of debt between New York State and New York City.
- (4) Includes \$184,965 of principal debt due July 1, 1994 which MAC reports as redeemed as of June 30, 1994.

The bonds payable, net of treasury obligations, at June 30, 1994 and 1993 summarized by type of issue are as follows:

	1994			1993		
	General Obligations	Revenue	Total	General Obligations	Revenue	Total
	(in thousands)					
Bonds payable:						
City debt	\$21,536,901	\$ —	\$21,536,901	\$19,430,059	\$ —	\$19,430,059
MAC debt	5,075,490	—	5,075,490	5,463,265	—	5,463,265
SFC debt	200,000	—	200,000	200,000	—	200,000
Component unit debt	—	542,419	542,419	—	537,670	537,670
Total bonds payable	<u>\$26,812,391</u>	<u>\$542,419</u>	<u>\$27,354,810</u>	<u>\$25,093,324</u>	<u>\$537,670</u>	<u>\$25,630,994</u>

The following table summarizes future debt service requirements as of June 30, 1994:

	City Debt				Component Unit Debt	Total
	General Obligation Bonds	Interest on Bonds (1)	MAC	SFC (2)		
	(in thousands)					
Fiscal year ending June 30:						
1995	\$ 993,006	\$ 1,369,080	\$ 521,978	\$ 8,000	\$ 51,135	\$ 2,943,199
1996	1,148,110	1,306,370	518,204	8,000	51,651	3,032,335
1997	1,158,271	1,240,797	508,385	8,000	51,520	2,966,973
1998	1,102,686	1,173,974	571,263	8,000	51,500	2,907,423
1999	1,021,467	1,104,592	583,651	8,000	51,846	2,769,556
Thereafter until 2147	16,113,361	10,987,967	5,426,631	216,000	696,315	33,440,274
	21,536,901	17,182,780	8,130,112	256,000	953,967	48,059,760
Less interest component	—	17,182,780	3,054,622	56,000	411,548	20,704,950
Total future debt service requirements	<u>\$21,536,901</u>	<u>\$ —</u>	<u>\$5,075,490</u>	<u>\$200,000</u>	<u>\$542,419</u>	<u>\$27,354,810</u>

(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, 1994 and 1993 were 6.9% (range 2.5% to 13.6%) and 7.2% (range 3.0% to 13.6%), respectively, and the interest rates on outstanding MAC bonds as of June 30, 1994 and 1993 ranged from 3.1% to 7.75% and 2.5% to 8.5%, respectively. The last maturity of the outstanding City debt is in the year 2147.

In fiscal year 1994, the City issued \$1.497 billion of general obligation bonds to advance refund general obligation bonds of \$1.335 billion aggregate principal amount issued during the City's fiscal years 1986 through 1992. 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 \$160 million and provide an economic gain of \$43 million. At June 30, 1994, \$5.644 billion of the City's outstanding general obligation bonds were considered defeased.

MAC issued no bonds for refunding purposes in fiscal year 1994. At June 30, 1994, \$819.7 million of MAC bonds outstanding which had been advance refunded were considered defeased.

The City utilizes derivative financial instruments in connection with certain bond issues in order to reduce debt service costs. The City minimizes the interest rate risk of these instruments through hedging transactions and minimizes counterparty credit risk by dealing with high-quality counterparties.

The City has entered into a number of 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 fluctuating amounts of interest on floating rate debt instruments to fixed rate interest payments.

At June 30, 1994, debt instruments subject to interest rate swap agreements were: \$92.8 million Short RITES bonds, \$53.2 million adjustable rate bonds, \$67.1 million indexed inverse floaters, \$14.6 million inverse floating rate notes, \$5.0 million deferred fixed rate bonds, and \$22.5 million LIBOR notes.

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, 1994, the 10% general and 2% additional limitations were approximately \$53.786 billion and \$1.557 billion, respectively, of which the remaining debt-incurring amounts within such limits were \$13.558 billion and \$1.425 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, 1994, the City completed the following long-term financing:

City Debt: On July 21, 1994, the City sold in the public credit market \$791 million of general obligation bonds for refunding purposes bearing interest rates of 4% to 6 ¼%.

Judgments and Claims

The City is a defendant in lawsuits pertaining to material matters, including 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, 1994 and 1993, claims in excess of \$286 billion and \$343 billion, respectively, were outstanding against the City for which the City estimates its potential future liability to be \$2.6 billion and \$2.2 billion, respectively.

As explained in Note A, the estimate of the liability for unsettled claims has been reported in the General Long-term Obligations Account Group. The liability was estimated by categorizing the various claims and applying a historical average percentage, based primarily on actual settlements by type of claim during the preceding ten fiscal years, and 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 \$297 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 of \$46.7 million 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.

Landfill Closure and Postclosure Care Costs

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 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's only active landfill available for waste disposal is the Fresh Kills landfill. Upon the landfill becoming inactive, the City is required by Federal and State law to close the landfill, including final cover, stormwater management and landfill gas control, and to provide postclosure care for a period of 30 years following closure. The City is also required under Consent Order with the New York State Department of Environmental Conservation to conduct certain corrective measures associated with the landfill. The corrective measures include construction and operation of a leachate mitigation system for the active portions of the landfill; and closure, postclosure, and groundwater monitoring activities for the sections no longer accepting solid waste.

The liability for these activities as of June 30, 1994 is \$251.3 million based on the cumulative landfill capacity used to date. The total estimated current cost is \$449.9 million; therefore, the costs remaining to be recognized are \$198.6 million. The cumulative landfill capacity used to date is approximately 50%. The remaining life of the landfill is projected to be 23 years. Cost estimates are based on current data including contracts awarded by the City, contract bids, and engineering studies. These estimates are subject to adjustment for inflation and to account for any changes in landfill conditions, regulatory requirements, technologies, or cost estimates.

Financial assurance requirements of the Resource Conservation and Recovery Act Subtitle D Part 258 become effective April, 1995. These requirements provide several alternative mechanisms by which the City can provide financial assurance for closure, postclosure, and corrective measure costs. The City is in the process of evaluating alternative financial assurance mechanisms for use prior to that time.

The City has five inactive hazardous waste sites not covered by the EPA rule. The City has elected to include the long-term portion of these postclosure care costs in the General Long-term Obligations Account Group.

The following represents the City's total landfill and hazardous waste sites liability which is recorded in the General Long-term Obligations Account Group:

<u>Landfill</u>	<u>Amount</u> (in thousands)
Landfill	\$251,313
Hazardous waste sites	213,671
Total landfill and hazardous waste sites liability	<u>\$464,984</u>

Changes In Certain Long-term Obligations

In fiscal years 1993 and 1994, the changes in long-term obligations other than for bonds were as follows:

	<u>Balance</u> <u>June 30,</u> <u>1992</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>June 30,</u> <u>1993</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>June 30,</u> <u>1994</u>
				(in thousands)			
Capital lease obligations ..	\$ 501,309	\$ 25,238	\$ 12,050	\$ 514,497	\$ 427,387	\$ 23,684	\$ 918,200
Real estate tax refunds	242,486	89,278	64,000	267,764	86,819	57,701	296,882
Judgments and claims	2,290,004	139,076	230,731	2,198,349	704,700	270,916	2,632,133
Deferred wages	46,696	—	—	46,696	—	—	46,696
Vacation and sick leave (1)	1,285,270	103,752	—	1,389,022	—	138,828	1,250,194
Pension liability	2,627,436	—	64,904	2,562,532	—	19,573	2,542,959
Landfill closure and post- closure care costs	—	—	—	—	464,984	—	464,984
Total changes in certain long-term obligations ..	<u>\$6,993,201</u>	<u>\$357,344</u>	<u>\$371,685</u>	<u>\$6,978,860</u>	<u>\$1,683,890</u>	<u>\$510,702</u>	<u>\$8,152,048</u>

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

NOTES TO FINANCIAL STATEMENTS, Continued

I. INTERFUND/DISCRETELY PRESENTED COMPONENT UNIT RECEIVABLE AND PAYABLE BALANCES

At June 30, 1994 and 1993, individual fund and discretely presented component unit interfund/discretely presented component unit receivable and payable balances were as follows:

	1994		1993	
	<u>Receivable</u>	<u>Payable</u>	<u>Receivable</u>	<u>Payable</u>
	(in thousands)			
General Fund:				
Capital Projects Fund	\$1,173,294	\$ 729,148	\$1,017,259	\$ 313,251
Housing Development Corporation	185,310	—	191,567	—
Debt Service Funds	20,167	68,690	14,448	89,426
Off-Track Betting Corporation	442	—	—	825
Water Board	—	5,487	—	5,846
Capital Projects Fund:				
Municipal Water Finance Authority	196,443	—	21,887	—
General Fund	729,148	1,173,294	313,251	1,017,259
Debt Service Funds:				
General Fund	68,690	20,167	89,426	14,448
Housing Development Corporation	8,834	—	14,508	—
Discretely Presented Component Units:				
Off-Track Betting Corporation	—	442	825	—
Water Board	5,487	—	5,846	—
Municipal Water Finance Authority	—	196,443	—	21,887
Housing Development Corporation	—	194,144	—	206,075
	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>
	<u>—</u>	<u>196,443</u>	<u>—</u>	<u>21,887</u>
	<u>—</u>	<u>194,144</u>	<u>—</u>	<u>206,075</u>
	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>
	<u>—</u>	<u>196,443</u>	<u>—</u>	<u>21,887</u>
	<u>—</u>	<u>194,144</u>	<u>—</u>	<u>206,075</u>
	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>
	<u>—</u>	<u>196,443</u>	<u>—</u>	<u>21,887</u>
	<u>—</u>	<u>194,144</u>	<u>—</u>	<u>206,075</u>
	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>
	<u>—</u>	<u>196,443</u>	<u>—</u>	<u>21,887</u>
	<u>—</u>	<u>194,144</u>	<u>—</u>	<u>206,075</u>
	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>
	<u>—</u>	<u>196,443</u>	<u>—</u>	<u>21,887</u>
	<u>—</u>	<u>194,144</u>	<u>—</u>	<u>206,075</u>
	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>
	<u>—</u>	<u>196,443</u>	<u>—</u>	<u>21,887</u>
	<u>—</u>	<u>194,144</u>	<u>—</u>	<u>206,075</u>
	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>
	<u>—</u>	<u>196,443</u>	<u>—</u>	<u>21,887</u>
	<u>—</u>	<u>194,144</u>	<u>—</u>	<u>206,075</u>
	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>
	<u>—</u>	<u>196,443</u>	<u>—</u>	<u>21,887</u>
	<u>—</u>	<u>194,144</u>	<u>—</u>	<u>206,075</u>
	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>
	<u>—</u>	<u>196,443</u>	<u>—</u>	<u>21,887</u>
	<u>—</u>	<u>194,144</u>	<u>—</u>	<u>206,075</u>
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	<u>—</u>	<u>196,443</u>	<u>—</u>	<u>21,887</u>
	<u>—</u>	<u>194,144</u>	<u>—</u>	<u>206,075</u>
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	<u>—</u>	<u>196,443</u>	<u>—</u>	<u>21,887</u>
	<u>—</u>	<u>194,144</u>	<u>—</u>	<u>206,075</u>
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	<u>—</u>	<u>196,443</u>	<u>—</u>	<u>21,887</u>
	<u>—</u>	<u>194,144</u>	<u>—</u>	<u>206,075</u>
	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>
	<u>—</u>	<u>196,443</u>	<u>—</u>	<u>21,887</u>
	<u>—</u>	<u>194,144</u>	<u>—</u>	<u>206,075</u>
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	<u>—</u>	<u>196,443</u>	<u>—</u>	<u>21,887</u>
	<u>—</u>	<u>194,144</u>	<u>—</u>	<u>206,075</u>
	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>
	<u>—</u>	<u>196,443</u>	<u>—</u>	<u>21,887</u>
	<u>—</u>	<u>194,144</u>	<u>—</u>	<u>206,075</u>
	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>
	<u>—</u>	<u>196,443</u>	<u>—</u>	<u>21,887</u>
	<u>—</u>	<u>194,144</u>	<u>—</u>	<u>206,075</u>
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	<u>—</u>	<u>196,443</u>	<u>—</u>	<u>21,887</u>
	<u>—</u>	<u>194,144</u>	<u>—</u>	<u>206,075</u>
	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>
	<u>—</u>	<u>196,443</u>	<u>—</u>	<u>21,887</u>
	<u>—</u>	<u>194,144</u>	<u>—</u>	<u>206,075</u>
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	<u>—</u>	<u>196,443</u>	<u>—</u>	<u>21,887</u>
	<u>—</u>	<u>194,144</u>	<u>—</u>	<u>206,075</u>
	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>
	<u>—</u>	<u>196,443</u>	<u>—</u>	<u>21,887</u>
	<u>—</u>	<u>194,144</u>	<u>—</u>	<u>206,075</u>
	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>
	<u>—</u>	<u>196,443</u>	<u>—</u>	<u>21,887</u>
	<u>—</u>	<u>194,144</u>	<u>—</u>	<u>206,075</u>
	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>
	<u>—</u>	<u>196,443</u>	<u>—</u>	<u>21,887</u>
	<u>—</u>	<u>194,144</u>	<u>—</u>	<u>206,075</u>
	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>
	<u>—</u>	<u>196,443</u>	<u>—</u>	<u>21,887</u>
	<u>—</u>	<u>194,144</u>	<u>—</u>	<u>206,075</u>
	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>
	<u>—</u>	<u>196,443</u>	<u>—</u>	<u>21,887</u>
	<u>—</u>	<u>194,144</u>	<u>—</u>	<u>206,075</u>
	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>
	<u>—</u>	<u>196,443</u>	<u>—</u>	<u>21,887</u>
	<u>—</u>	<u>194,144</u>	<u>—</u>	<u>206,075</u>
	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>
	<u>—</u>	<u>196,443</u>	<u>—</u>	<u>21,887</u>
	<u>—</u>	<u>194,144</u>	<u>—</u>	<u>206,075</u>
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	<u>—</u>	<u>194,144</u>	<u>—</u>	<u>206,075</u>
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	<u>—</u>	<u>194,144</u>	<u>—</u>	<u>206,075</u>
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	<u>—</u>	<u>194,144</u>	<u>—</u>	<u>206,075</u>
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	<u>—</u>	<u>194,144</u>	<u>—</u>	<u>206,075</u>
	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>
	<u>—</u>	<u>196,443</u>	<u>—</u>	<u>21,887</u>
	<u>—</u>	<u>194,144</u>	<u>—</u>	<u>206,075</u>
	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>
	<u>—</u>	<u>196,443</u>	<u>—</u>	<u>21,887</u>
	<u>—</u>	<u>194,144</u>	<u>—</u>	<u>206,075</u>
	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>
	<u>—</u>	<u>196,443</u>	<u>—</u>	<u>21,887</u>
	<u>—</u>	<u>194,144</u>	<u>—</u>	<u>206,075</u>
	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>
	<u>—</u>	<u>196,443</u>	<u>—</u>	<u>21,887</u>
	<u>—</u>	<u>194,144</u>	<u>—</u>	<u>206,075</u>
	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>
	<u>—</u>	<u>196,443</u>	<u>—</u>	<u>21,887</u>
	<u>—</u>	<u>194,144</u>	<u>—</u>	<u>206,075</u>
	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>
	<u>—</u>	<u>196,443</u>	<u>—</u>	<u>21,887</u>
	<u>—</u>	<u>194,144</u>	<u>—</u>	<u>206,075</u>
	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>
	<u>—</u>	<u>196,443</u>	<u>—</u>	<u>21,887</u>
	<u>—</u>	<u>194,144</u>	<u>—</u>	<u>206,075</u>
	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>
	<u>—</u>	<u>196,443</u>	<u>—</u>	<u>21,887</u>
	<u>—</u>	<u>194,144</u>	<u>—</u>	<u>206,075</u>
	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>
	<u>—</u>			

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 not covered by other payors. The City's Annual Expense Budget determines the support to HHC on a cash-flow basis. In addition, the City has paid HHC's costs for settlements of claims for medical malpractice, negligence, and other miscellaneous torts and contracts, as well as other HHC costs including interest expense on City debt funding HHC capital acquisitions, and interest expense on those assets acquired through New York State Housing Finance Agency (HFA) lease purchase arrangements. These amounts total approximately \$185 million and \$175 million for fiscal years 1994 and 1993, respectively. HHC records both a revenue and an expense in an amount equal to expenditures made on its behalf by the City. For fiscal years 1994 and 1993, the City's cash subsidy was \$158 million and \$143 million, 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 \$50 million and \$49 million in fiscal years 1994 and 1993, 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 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. 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 S). The provisions for pension costs were actuarially determined and amounted to \$41 million and \$46 million for fiscal years 1994 and 1993, respectively. These amounts were fully funded.

Affiliated Institution Expenses

Affiliated institution expenses represent contractual expenses incurred by affiliated institutions and charged to HHC for participation in patient service programs at HHC's facilities.

NOTES TO FINANCIAL STATEMENTS, Continued

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 revenue 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, 1994:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
	(in thousands)		
Fiscal year ending June 30:			
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
1999	9,960	29,927	39,887
Thereafter until 2023	503,250	453,656	956,906
Total future debt service requirements	<u>\$541,410</u>	<u>\$606,512</u>	<u>\$1,147,922</u>

The interest rates on the bonds as of June 30, 1994 range from 3.55% to 6.30%.

The following is a summary of revenue bond transactions for HHC for the fiscal years ended June 30, 1993 and 1994:

	<u>Balance June 30, 1992</u>	<u>Issued</u>	<u>Retired</u>	<u>Balance June 30, 1993</u>	<u>Issued</u>	<u>Retired</u>	<u>Balance June 30, 1994</u>
	(in thousands)						
Revenue bonds	\$27,585	\$550,000	\$27,585	\$550,000	\$ —	\$8,590	\$541,410

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:

	<u>Amount</u>
	(in thousands)
Fiscal year ending June 30:	
1995	\$ 990
1996	991
1997	991
1998	991
1999	991
Thereafter until 2022	15,494
Future minimum lease payments	20,448
Less interest	7,678
Present value of future minimum lease payments	<u>\$12,770</u>

Changes in Fund Equity

Presented below are the changes in Fund Equity for the fiscal years ended June 30, 1993 and 1994:

	Unreserved Retained Earnings	Contributed Capital Plant and Equipment	Reserve for Donor Restrictions	Total Fund Equity
	(in thousands)			
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
Excess of expenses over revenues	(142,574)	—	—	(142,574)
Decrease in bonds payable	(8,408)	8,408	—	—
Additions to plant and equipment funded by:				
Donations	—	758	—	758
The City of New York	—	8,207	—	8,207
HHC	(190,141)	190,141	—	—
Donor restricted fund activity:				
Grants and other increases	—	—	49,883	49,883
Transfers to statement of revenues and expenses to support related activities	—	—	(50,236)	(50,236)
Depreciation charged to plant and equipment leased	154,685	(154,685)	—	—
Balance, June 30, 1994	<u>\$227,500</u>	<u>\$ 771,847</u>	<u>\$10,141</u>	<u>\$1,009,488</u>

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 has cumulative deficits of \$8.5 million and \$1.1 million after providing for mandatory transfers in fiscal years 1994 and 1993, respectively.

Net Revenue Retained for Capital Acquisitions

For the years ended June 30, 1994 and 1993, the changes in net revenue retained for capital acquisition were as follows:

	<u>1994</u>	<u>1993</u>
	(In thousands)	
Balance, June 30	\$12,471	\$8,868
Capital acquisition surcharge	3,775	4,240
Depreciation of assets purchased with funds restricted for capital acquisition	(1,672)	(637)
Balance, June 30	<u>\$14,574</u>	<u>\$12,471</u>

Since inception of this surcharge at December 31, 1990, surcharges of approximately \$17.2 million have been collected and approximately \$16.6 million has been used to finance leasehold improvements and the acquisition of property and equipment through June 30, 1994.

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, 1994 and 1993 was approximately \$12.3 million and \$11.9 million, respectively. As of June 30, 1994, OTB had future minimum rental obligations on noncancelable operating leases as follows:

Fiscal year ending June 30:	<u>Amount</u>
	(In thousands)
1995	\$10,473
1996	9,563
1997	9,438
1998	9,048
1999	6,093
Thereafter until 2009	17,426
Total future minimum rental obligations	<u>\$62,041</u>

Pensions

Substantially all full-time employees of OTB are members of NYCERS (see Note S). The provisions for pension costs were actuarially determined and amounted to \$2.4 million and \$2.8 million for fiscal years 1994 and 1993, respectively. These amounts were fully funded.

M. HOUSING AND ECONOMIC DEVELOPMENT ENTITIES

General

The Housing and Economic Development Entities are comprised of the New York City Housing Development Corporation (HDC), the New York City Housing Authority (HA), the New York City Industrial Development Agency (IDA), the New York City Economic Development Corporation (EDC), the Business Relocation Assistance Corporation (BRAC), and the Brooklyn Navy Yard Development Corporation (BNYDC), the largest of which are HDC and HA.

On January 27, 1993, the New York City Rehabilitation Mortgage Insurance Corporation (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 surplus (deficit) retained earnings of \$12.8 million and \$(1.0) million, respectively, for fiscal years 1994 and 1993. BNYDC and The City of New York reached a final settlement on existing claims and counterclaims in the Supreme Court of

the State of New York. The settlement released BNYDC of various liabilities to the City in the net amount of \$12.3 million which has been reflected in fiscal year 1994 financial statements.

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 S). 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, 1993, its most recent fiscal year-end, were as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
		(in thousands)	
Fiscal year ending October 31:			
1994	\$ 66,292	\$ 106,758	\$ 173,050
1995	26,061	105,439	131,500
1996	29,760	103,754	133,514
1997	33,827	101,736	135,563
1998	35,510	100,475	135,985
Thereafter until 2030	<u>1,619,611</u>	<u>1,486,734</u>	<u>3,106,345</u>
Total future debt service requirements	<u>\$1,811,061</u>	<u>\$2,004,896</u>	<u>\$3,815,957</u>

The bonds and notes will be repaid from assets and future earnings of the assets. The interest rates on the bonds and notes as of October 31, 1993 range from 1.00% to 11.125%.

HDC had \$262.8 million and \$264.9 million, respectively, of general obligation bonds and notes outstanding at October 31, 1993 and 1992 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, 1992 and 1993:

	<u>Balance October 31, 1991</u>	<u>Issued</u>	<u>Retired</u>	<u>Balance October 31, 1992</u>	<u>Issued</u>	<u>Retired</u>	<u>Balance October 31, 1993</u>
	(in thousands)						
General obligation	\$ 285,630	\$ —	\$ 20,760	\$ 264,870	\$ —	\$ 2,095	\$ 262,775
Revenue	<u>1,700,538</u>	<u>—</u>	<u>82,663</u>	<u>1,617,875</u>	<u>367,245</u>	<u>436,834</u>	<u>1,548,286</u>
Total summary of bond transactions	<u>\$1,986,168</u>	<u>\$ —</u>	<u>\$103,423</u>	<u>\$1,882,745</u>	<u>\$367,245</u>	<u>\$438,929</u>	<u>\$1,811,061</u>

HA

HA, created in 1934, is a public benefit corporation chartered under the New York State Public Housing Law. HA develops, constructs, manages and maintains low cost housing for eligible low income families in the boroughs of New York City. At

December 31, 1993, HA maintained 326 developments encompassing approximately 180,000 units. HA also maintains a leased housing program which provides housing assistance payments to approximately 63,000 families.

Substantial operating deficits (the difference between operating revenues and expenses) result from the essential services that HA provides, and such operating deficits will continue in the foreseeable future. To meet the funding requirements of these operating deficits, HA receives subsidies from: (a) the Federal government (primarily the U.S. Department of Housing and Urban Development "HUD") in the form of annual grants for operating assistance, debt service payments, contributions for capital and reimbursement of expenditures incurred for certain federal housing programs; (b) New York State in the form of operating assistance, reimbursement of certain expenses and debt service payments; and (c) New York City in the form of operating assistance, reimbursement of certain housing police costs and debt service payments. Subsidies are established through budgetary procedures which establish amounts to be funded by the grantor agencies. Projected operating surplus or deficit amounts are budgeted on an annual basis and approved by the grantor agency. Expected variances from budgeted amounts are communicated to the agency during periodic budget revisions, as any revisions to previously approved budgets must be agreed to by the grantor. Capital project budgets are submitted at various times during the year. HA has a calendar year-end.

Revenue

Rents are received from tenants on the first day of each month. As a result, receivable balances primarily consist of rents past due and vacated tenants. An allowance for doubtful accounts is established to provide for all accounts which may not be collected in the future for any reason. At December 31, 1993 and 1992, tenant accounts receivable approximated \$30.2 million and \$29.0 million, respectively, with related allowances of \$26.2 million and \$25.3 million, respectively.

HA receives federal financial assistance from HUD in the form of annual contributions for debt service and operating subsidies for public housing projects, as well as rent subsidies for the Section 8 housing assistance payments program ("HAP"). In addition, assistance is also received under HUD's Public Housing Development Programs, Comprehensive Improvement Assistance Program and other programs.

HA also receives financial assistance from the Department of Housing Preservation and Development ("HPD"), a City of New York agency. HPD receives these funds from HUD based on certain criteria (e.g., population, poverty, and extent of overcrowded housing in the area applying for funds).

HA receives assistance from New York State and The City of New York in the form of operating subsidies for public housing projects and annual contributions for debt service and capital.

HA receives federal assistance from (i) the U.S. Department of Agriculture for child care feeding and summer food service programs, and (ii) the U.S. Department of Health and Human Services for special programs for the aging.

Land, Structures, and Equipment

Land, structures, and equipment are recorded at cost which is comprised of initial project development costs, property betterments and additions, and modernization program costs. HA depreciates these assets over their estimated useful lives (buildings—40 years, capital improvements—10 to 30 years, and equipment—5 to 15 years) using the straight-line method of depreciation. Land, structures, and equipment, including modernization costs, are generally funded through grant awards (for Federal, State and City programs). A summary of costs at December 31, 1993 and 1992 is as follows:

	1993	1992
	(in thousands)	
Land	\$ 738,494	\$ 716,535
Buildings	3,078,949	3,057,993
Capital improvements	1,383,479	1,215,395
Equipment	290,696	259,234
	<u>5,491,618</u>	<u>5,249,157</u>
Accumulated depreciation	(2,438,316)	(2,276,390)
Land, structures, and equipment—net	<u>\$ 3,053,302</u>	<u>\$ 2,972,767</u>

Interest costs related to debt reflected on the books of HA of \$631,000 and \$532,000 were capitalized as part of development costs in 1993 and 1992, respectively.

Debt Service

The future debt service requirements on HA bonds and notes at December 31, 1993, its most recent calendar year-end, were as follows:

NOTES TO FINANCIAL STATEMENTS, Continued

	<u>Principal</u>	<u>Interest</u> (in thousands)	<u>Total</u>
Calendar Year Ending December 31:			
1994	\$ 61,822	\$ 35,546	\$ 97,368
1995	61,282	33,341	94,623
1996	60,812	31,126	91,938
1997	60,016	28,899	88,915
1998	57,989	26,689	84,678
1999—2003	246,642	102,093	348,735
Thereafter until 2008	<u>325,965</u>	<u>80,177</u>	<u>406,142</u>
Total future debt service requirements	<u>\$874,528</u>	<u>\$337,871</u>	<u>\$1,212,399</u>

Interest rates on outstanding bonds and notes range from 1% to 8.875%. During calendar years 1993 and 1992, principal repayments totaled \$61.4 million and \$59.9 million, respectively.

Advance Notes—HUD

Advance Notes—HUD at December 31, 1993 and 1992 consist of the following:

	<u>1993</u>	<u>1992</u>
	(in thousands)	
Unsubsidized improvement notes	\$ 60,285	\$ 68,412
Modernization and development notes	<u>1,673,785</u>	<u>1,650,601</u>
Total advance notes—HUD	<u>\$1,734,070</u>	<u>\$1,719,013</u>

Through 1985, HA funded development projects by issuing Advance Notes which generally matured in less than one year and were refinanced at market rates upon maturity. Principal and interest payments were financed by funds provided by HUD through accruing annual contributions.

In 1985, the U.S. treasury purchased all then-outstanding Advance Notes. Subsequently, additional Advance Notes were issued by HUD to fund development and modernization projects.

In April 1986, HUD ceased funding the debt service on all Advance Notes, therefore, principal and interest have not been paid since that date. Subsequently, HUD issued notice PIH 87-12 which covered the forgiveness of Advance Notes held by the Treasury. Three months after issuance of PIH 87-12, HUD temporarily suspended this notice. HA did not file the appropriate paperwork before the suspension of the notice. This notice, if complied with by HA before suspension of the notice, would have allowed HA to remove this debt and accrued interest payable from its balance sheet and reflect these amounts as contributed equity.

HA has continued to accrue interest for a portion of the Advance Notes at the contractual rates in accordance with HUD guidelines. Through December 31, 1993, HUD has given HA permission to discontinue accruing interest on a total of \$1.04 billion of notes. Interest expense of \$50.2 million and \$53.04 million are included in the statements of operations for the years ended December 31, 1993 and 1992, respectively, but no subsidies are reflected since HUD does not fund and HA has not been required to pay the interest on the Advance Notes. Accrued interest relating to these notes at December 31, 1993 and 1992, was \$616.7 million and \$566.5 million, respectively. Interest rates on Advance Notes issued ranged from 3.375% to 10.0% for both calendar years 1993 and 1992.

Accrued interest includes interest of \$.8 million and \$2.9 million relating to Unsubsidized Improvement Notes at December 31, 1993 and 1992, respectively. The Notes, which are currently held by HUD, were used to finance capital improvements and rehabilitations at various projects and are being repaid from commercial rents and state maximum subsidy funds. Related interest expense of \$3.7 million and \$4.6 million was included in the statements of operations for the years ended December 31, 1993 and 1992, respectively.

Pensions

HA employees are members of NYCERS (See Note S). The calendar years 1993 and 1992 pension cost reported in the financial statements amounted to \$20.6 million and \$23.8 million, respectively, net of \$8.7 million and \$9.6 million, respectively, reimbursable by the City for its share of the Housing Police pension costs.

Changes in Fund Equity

Presented below are the changes in Fund Equity for the calendar years ended December 31, 1993 and 1992:

	Unreserved Surplus (Deficit)	Unfunded Section 8 Operating Reserve	Cumulative Contributions	Total
	(in thousands)			
Balance, January 1, 1992	\$ (7,797,955)	\$(1,730,177)	\$ 9,187,486	\$ (340,646)
Operating deficit	(939,959)	—	—	(939,959)
Interest expense	(96,397)	—	—	(96,397)
Operating subsidy	—	—	745,690	745,690
Net deficit transferred to operating reserve	290,666	(290,666)	—	—
Contributions for payment of debt	—	—	63,431	63,431
Contributions for capital	—	—	255,117	255,117
Contributions for Section 8 HAP	(295,825)	(13,519)	309,344	—
Balance, December 31, 1992	(8,839,470)	(2,034,362)	10,561,068	(312,764)
Operating deficit	(1,046,194)	—	—	(1,046,194)
Interest expense	(89,994)	—	—	(89,994)
Operating subsidy	—	—	852,902	852,902
Net deficit transferred to operating reserve	283,286	(283,286)	—	—
Contributions for payment of debt	—	—	72,132	72,132
Contributions for capital	—	—	267,659	267,659
Contributions for Section 8 HAP	(317,856)	(11,158)	329,014	—
Balance, December 31, 1993	<u>\$ (10,010,228)</u>	<u>\$(2,328,806)</u>	<u>\$12,082,775</u>	<u>\$ (256,259)</u>

Unreserved Surplus (Deficit)

The balance in this account represents the cumulative operating deficit for the federal program, up to the amount of the operating subsidy and the interest on the debt service.

Unfunded Section 8 and Operating Reserves

Includes approximately \$515 million of the cumulative unused Section 8 Housing Assistance Payments Program (HAP) contributions retained by HUD and approximately \$2.8 billion and \$2.6 billion at December 31, 1993 and 1992, respectively, of deficits from prior years. These deficits are primarily due to the treatment of Advance Notes.

Cumulative HUD Contributions

This account represents the cumulative amount of subsidies received to fund annual operating deficits and interest expense, and contributions made available to HA for capital expenditures associated with modernization and improvements of public housing and the payment of the debt.

Commitments and Contingencies

HA rents office space under operating leases which expire at various dates. Future minimum lease commitments under these leases as of December 31, 1993 are as follows:

	Amount (in thousands)
Calendar year ending December 31:	
1994	\$ 9,907
1995	10,014
1996	4,908
1997	4,545
1998	4,666
1999 and thereafter until 2004	18,416
Future minimum lease commitments	<u>\$52,456</u>

Rental expense approximated \$10.0 million and \$9.5 million, for the years ended December 31, 1993 and 1992, respectively.

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, 1994 and 1993, the Water Authority has a cumulative deficit of \$1,302 million and \$1,042 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, 1994 and 1993 amounted to \$37.7 million and \$64.6 million, respectively, and are recorded by the Water Board as contributed capital.

Utility Plant-in-Service

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

	<u>Years</u>
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 1994 and 1993, the Water Authority issued: Series A revenue bonds in the aggregate principal amount of \$703 million and \$1,142.6 million, respectively, which include capital appreciation bonds at the matured value; Series B revenue bonds in the aggregate principal amount of \$659 million and \$125 million, respectively; Series C revenue bonds in the aggregate principal amount of \$200 million and \$100 million, respectively; Series D revenue bonds in the aggregate principal amount of \$83 million and \$40 million, respectively; and Series A Bond Anticipation Notes in the aggregate principal amount of \$250 million and \$375 million, respectively. During fiscal year 1994, the Water Authority issued: Series E revenue bonds in the aggregate principal amount of \$83 million; Series F revenue bonds in the aggregate principal amount of \$223 million; Series G revenue bonds in the aggregate principal amount of \$205 million and Series B Bond Anticipation Notes in the aggregate principal amount

NOTES TO FINANCIAL STATEMENTS, Continued

of \$5.7 million. Outstanding bonds and notes at June 30, 1994 and 1993 total \$5.7 billion and \$5.1 billion, respectively, which include capital appreciation bonds at their matured value.

The following table summarizes future debt service requirements as of June 30, 1994:

Fiscal year ending June 30:	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
	(in thousands)		
1995	\$ 349,747	\$ 280,393	\$ 630,140
1996	100,493	267,357	367,850
1997	102,949	261,022	363,971
1998	109,447	254,521	363,968
1999	108,750	247,533	356,283
Thereafter until 2022	4,895,243	3,311,222	8,206,465
Total future debt service requirements	<u>\$5,666,629</u>	<u>\$4,622,048</u>	<u>\$10,288,677</u>

The interest rates on the outstanding bonds and notes as of June 30, 1994 and 1993 ranged from 2.78% to 7.6% and from 2.75% 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, 1993 and 1994:

	<u>Balance June 30, 1992</u>	<u>Issued</u>	<u>Retired</u>	<u>Balance June 30, 1993</u>	<u>Issued</u>	<u>Retired</u>	<u>Balance June 30, 1994</u>
	(in thousands)						
Revenue bonds	\$4,268,475	\$1,407,560	\$1,013,084	\$4,662,951	\$2,157,230	\$1,409,228	\$5,410,953
Bond anticipation notes	—	375,000	—	375,000	255,676	375,000	255,676
Total summary of bond and note transactions	<u>\$4,268,475</u>	<u>\$1,782,560</u>	<u>\$1,013,084</u>	<u>\$5,037,951</u>	<u>\$2,412,906</u>	<u>\$1,784,228</u>	<u>\$5,666,629</u>

On October 19, 1994, the Water Authority issued \$200 million in commercial paper maturing in December, 1994.

In fiscal year 1987, the Water Authority defeased in substance \$162.2 million of revenue bonds. As of June 30, 1994 and 1993, respectively, none of the defeased bonds had been retired from the assets of the escrow account.

In fiscal year 1992, the Water Authority defeased in substance \$276.9 million of revenue bonds. As of June 30, 1994 and 1993, respectively, none of the defeased bonds had been retired from the assets of the escrow account.

On August 13, 1992, the Water Authority defeased in substance \$1.143 billion revenue bonds. As of June 30, 1994 and 1993, respectively, none of the defeased bonds had been retired from the assets of the escrow account.

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.

On November 10, 1993, the Water Authority issued: \$659 million revenue bonds fiscal year 1994 Series B; \$200 million revenue bonds fiscal year 1994 Series C; \$83.5 million revenue bonds fiscal 1994 Series D; and \$83.5 million revenue bonds fiscal year 1994 Series E revenue bonds to pay the costs of issuance and to advance refund revenue bonds of \$750.2 million aggregate principal amount. The refunded revenue bonds are as follows: \$19.0 million of fiscal year 1986 Series A maturing on and after June 15, 1995; \$22.5 million fiscal year 1986 Series B maturing on and after June 15, 1997; \$258.1 million fiscal year 1987 Series A maturing on and after June 15, 2004; \$30.3 million fiscal year 1987 Series B maturing on and after June 15, 2000; \$48.2 million

fiscal year 1988 Series A maturing on and after June 15, 1999; \$46.9 million fiscal year 1988 Series B maturing on and after June 15, 2001; \$101.0 million fiscal year 1989 Series A maturing on and after June 15, 2002; \$43.7 million fiscal year 1989 Series B maturing on and after June 15, 2019; \$39.9 million fiscal year 1990 Series A maturing on and after June 15, 2009; \$87.9 million fiscal year 1991 Series A maturing on and after June 15, 2003; and \$52.8 million fiscal year 1991 Series C maturing on and after June 15, 2004. The refunding transaction resulted in an accounting loss of \$101.4 million which is being amortized through 2019. Fiscal year 1994 amortization was \$4.9 million. However, the refunding transaction will decrease the Water Authority's aggregate debt service payments by \$56.7 million and provide an economic gain of \$46.2 million over the life of this issue. Series C proceeds of \$200 million will be used to finance a capital renovation and improvement program of the system and to fund certain reserves.

On March 10, 1994, the Water Authority issued \$223.2 million revenue bonds fixed rate fiscal year 1994 Series F and \$205 million revenue bonds fiscal year 1994 Series G revenue bonds to finance a capital renovation and improvement program of the System, to fund certain reserves, to pay the costs of issuance, to pay the principal and interest on approximately \$71 million of the outstanding Bond Anticipation Notes, and to advance refund revenue bonds of \$89.5 million aggregate principal amount. The refunded revenue bonds are as follows: \$11.9 million fiscal year 1990 Series A bonds maturing on June 15, 2011; \$39.2 million fiscal year 1992 Series A maturing on June 15, 2012; and \$38.4 million fiscal year 1992 Series A bonds maturing on June 15, 2015. The refunding transaction resulted in an accounting loss of \$8.0 million which is being amortized through 2015. Fiscal year 1994 amortization was .1 million. However, the refunding transaction will decrease the Water Authority's aggregate debt service payments by \$5.3 million and provide an economic gain of \$4.9 million over the life of this issue.

On March 16, 1994, the Water Authority issued fiscal year 1994 Series A Water and Sewer System Bond Anticipation Notes in the aggregate principal amount of \$250 million to finance a capital renovation and improvement program of the system, to pay a portion of the interest on the fiscal year 1993 Series A Bond Anticipation Notes, and to pay the costs of issuance.

On March 30, 1994, the Water Authority issued 1994 Series A revenue bonds in the aggregate principal amount of \$703.0 million to finance and refinance a portion of the cost of certain wastewater treatment facilities and sewer projects for the system, including an advance refunding. The refunded revenue bonds are as follows: \$3.0 million fiscal year 1986 Series A maturing June 15, 1994; \$10.2 million fiscal year 1986 Series B maturing on and after June 15, 1994; \$19.9 million fiscal year 1987 Series A maturing on and after June 15, 1998; \$17.3 million fiscal year 1987 Series B maturing on and after June 15, 1995; \$25.3 million 1988 Series A maturing on June 15, 1995; \$40.5 million fiscal year 1988 Series B maturing on and after June 15, 1995; \$27.8 million fiscal year 1989 Series A maturing on and after June 15, 1998; \$38.9 million fiscal year 1989 Series B maturing on and after June 15, 2011; \$42.4 million fiscal year 1990 Series A maturing on and after June 15, 2011; \$47.9 million fiscal year 1991 Series A maturing on and after June 15, 2000; \$4.4 million 1991 Series C maturing on June 15, 1994; \$22.0 million fiscal year 1992 Series A maturing on and after June 15, 2012; \$15.1 million fiscal year 1992 Series C maturing on June 15, 2021; and \$32.0 million fiscal year 1993 Series B maturing on June 15, 2022. The refunding transaction resulted in an accounting loss of \$34.6 million which is being amortized through 2015. Fiscal year 1994 amortization was \$.3 million. However, the refunding transaction will decrease the Water Authority's aggregate debt service payments by \$14.9 million and resulted in an economic loss of \$3.6 million over the life of this issue. As of June 30, 1994, \$6.5 million has been retired from the assets of the escrow account.

On April 14, 1994, the Water Authority issued fiscal year 1994 Series B Water and Sewer Bond Anticipation Notes in the aggregate principal amount of \$5.7 million to pay the costs of issuance and to refund a portion of fiscal year 1993 Series A Bond Anticipation Notes.

The Water Authority has elected to adopt GASB Statement No. 23, *Accounting and Financial Reporting of Debt Reported by Proprietary Activities* for fiscal year 1994. This Statement requires that gains or losses arising from debt refundings be deferred and amortized over the lesser of the remaining life of the old debt or the life of the new debt. Prior to this election, the gain or loss on defeasance was treated as an extraordinary item. In fiscal year 1994, the Water Authority had three refundings resulting in a total accounting loss of \$143.9 million. This loss will be amortized using the straight-line method through 2019. Fiscal year 1994 amortization expense was \$5.3 million. For fiscal year 1993, the Water Authority incurred a loss on refunding of \$109.4 million which was shown as an extraordinary item.

The Authority has issued obligations involving the concurrent issuance of long-term variable rate securities that are matched with long-term floating rate securities. These obligations when taken together as a whole, yield a fixed rate of interest at all times. These securities have been issued to achieve a lower prevailing fixed rate of interest in relation to traditional fixed rate bonds.

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, 1994 and 1993 are as follows:

	<u>1994</u>	<u>1993</u>
	(in thousands)	
Balance, June 30	\$5,204,599	\$5,239,175
Plant and equipment contributed	37,734	64,646
Allocation of depreciation to contributed capital ..	<u>(92,173)</u>	<u>(99,222)</u>
Balance, June 30	<u>\$5,150,160</u>	<u>\$5,204,599</u>

Operating Revenues

Revenues from metered customers, who represent 61% 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

Construction

The Water and Sewer System has commitments of approximately \$1.6 billion at June 30, 1994, for water and sewer projects.

Legal

The City is a defendant in a number of lawsuits pertaining to the Water and Sewer System. As of June 30, 1994, the City estimates its potential future liability for these claims to be \$68.3 million. This amount is included in the City's General Long-term Obligations Account Group.

O. EXPENDABLE TRUST FUNDS

The New York City Employees' Retirement System (NYCERS) maintains the Transit Police Superior Officers' Variable Supplements Fund (TPSOVSF) 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 (ACNY).

Beginning in fiscal year 1994, the City is reporting the TPSOVSF and HPSOVSF with its Pension and Similar Trust Funds for financial reporting purposes (see Note S), as the supplemental benefits to be provided to participants of these variable supplements funds (VSF) are now to be based on defined schedules of benefits (with benefits prior to calendar year 2007 limited to available assets).

For fiscal year 1993, the Boards of Trustees of TPSOVSF and HPSOVSF were authorized to provide supplemental benefits to retirees. No benefits had been authorized.

The ACNY also provides that 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 from NYCERS as of June 30, 1993 to TPSOVSF and HPSOVSF were as follows:

<u>Variable Supplements Fund</u>	<u>Excess earnings as of June 30, 1993</u> (in millions)
TPSOVSF	\$10.1
HPSOVSF	<u>7.1</u>
Total excess earnings payable	<u>\$17.2</u>

Chapters 719 and 720 of the Laws of 1994 pertaining to the HPSOVSF and TPSOVSF were enacted August 2, 1994 and provide, among other things, for potential supplemental benefit payments and revise the methodology used to compute excess

earnings or deficiencies. The revisions to the HPSOVSF and TPSOVSF initiate defined schedules of benefit payments beginning in calendar year 1994 but including a special payment for calendar year 1993. Prior to calendar year 2007, these defined schedules of benefits are payable only if there are sufficient assets available in the HPSOVSF and TPSOVSF, respectively, 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 HPSOVSF and TPSOVSF exceeds the actuarial present value of the defined schedules of benefits payable through calendar year 2006 plus 15% of the HPSOVSF and TPSOVSF assets, respectively, at that time.

Chapters 719 and 720 also provide that whenever the guarantee of the defined schedules of benefits come into effect, the HPSOVSF and TPSOVSF, respectively, will then transfer 15% of the market value of their assets to the City's General Fund.

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, 1993 and 1992:

	<u>1993</u>	<u>1992</u>
	(in thousands)	
Fund assets, December 31	\$751,743	\$563,726
Deferrals of compensation	182,430	164,014
Earnings and adjustment to market value	60,542	47,063
Payments to eligible participants and beneficiaries .	(26,429)	(21,016)
Administrative expenses	(2,314)	(2,044)
Fund assets, December 31	<u>\$965,972</u>	<u>\$751,743</u>

Other Agency Funds

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

Q. VOLUNTARY SEVERANCE INCENTIVE PROGRAM

The City, after concluding an agreement with the affected municipal unions during the second half of FY'94, implemented a severance incentive program (April 1 to May 9 "window" period) to full-time, nonuniformed employees in active pay status in most mayoral agencies and most titles in the mayoral agencies, as part of its Workforce-Reduction Program. The severance incentive program was financed with \$200 million in surplus funds of the Municipal Assistance Corporation For The City of New York (MAC) to facilitate the permanent reduction in the City's workforce. The severance benefits included a cash payment of between \$3,500 and \$15,000, depending on length of service. Approximately 6,100 employees participated in the severance incentive program with lump-sum severance payments and fringe benefits totaling \$123 million. The balance of \$77 million is recorded as a liability as of June 30, 1994.

MAC funding is to be used solely for direct expenditures incurred for separation of service of employees on the City-funded payroll during the period April 1, 1994 through July 31, 1995 limited to the following expenditure categories: severance payments, health insurance premiums, terminal leave, and mandatory unemployment insurance. The City is required to account for its severance incentive program expenditures by October 31, 1995 and submit to MAC a statement of the number of City-funded employees on the payroll at June 30, 1995. If actual expenditures are less than \$200 million or if the targeted number (15,000 employees) for workforce reduction is not attained, MAC will increase its certifications to the State Comptroller and the Mayor per the Public Authorities Law for the unexpended monies plus 'adjusted' expenditure amounts relating to the excess employee headcount on June 30, 1995.

R. 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 89.9% 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 1994 and 1993 are as follows:

	1994		1993	
	Active	Retired	Active	Retired
Number of employees	339,288	164,319	331,902	160,627
Cost of health care (in thousands)	\$1,059,697	\$346,599	\$958,309	\$325,271

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 benefits for fiscal years 1994 and 1993 are as follows:

	1994		1993	
	Active	Retired	Active	Retired
Number of claims	16,098	4,645	16,406	4,534
Cost of Superimposed Major Medical (in thousands) . . .	\$ 2,938	\$ 519	\$ 2,923	\$ 433

S. 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.

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.

Plan Membership

At June 30, 1994 and 1993, the membership of the actuarial pension systems consisted of:

	1994					
	NYCERS	TRS	BERS	POLICE	FIRE	TOTAL
Retirees and beneficiaries currently receiving benefits	114,267	43,387	7,371	30,974	12,148	208,147
Terminated but not receiving benefits	5,939	1,333	36	4	3	7,315
Total retirees, beneficiaries, etc.	<u>120,206</u>	<u>44,720</u>	<u>7,407</u>	<u>30,978</u>	<u>12,151</u>	<u>215,462</u>
Current active employees:						
Vested	72,947	47,315	3,781	3,975	4,471	132,489
Nonvested	100,736	28,719	16,216	27,084	6,879	179,634
Total current active employees	<u>173,683</u>	<u>76,034</u>	<u>19,997</u>	<u>31,059</u>	<u>11,350</u>	<u>312,123</u>

Note: Effective June 30, 1994 these figures exclude retirees and beneficiaries no longer receiving benefits who have not yet been cancelled from the retirement registers, and includes only current active members receiving salary.

NOTES TO FINANCIAL STATEMENTS, Continued

	1993					
	NYCERS	TRS	BERS	POLICE	FIRE	TOTAL
Retirees and beneficiaries currently receiving benefits	112,467	43,143	5,810	30,278	11,725	203,423
Terminated but not receiving benefits	4,669	1,382	40	29	10	6,130
Total retirees, beneficiaries, etc.	<u>117,136</u>	<u>44,525</u>	<u>5,850</u>	<u>30,307</u>	<u>11,735</u>	<u>209,553</u>
Current active employees:						
Vested	71,884	46,128	3,730	4,544	4,255	130,541
Nonvested	100,721	28,407	16,507	23,622	7,086	176,343
Total current active employees	<u>172,605</u>	<u>74,535</u>	<u>20,237</u>	<u>28,166</u>	<u>11,341</u>	<u>306,884</u>

Note: Membership figures as of June 30, 1993 have been restated to be consistent with those presented as of June 30, 1994.

The City's annualized covered and total annualized covered payroll for each actuarial pension system at June 30, 1994 and 1993 are as follows:

	1994		1993	
	City's Annualized Covered Payroll	Total Annualized Covered Payroll	City's Annualized Covered Payroll	Total Annualized Covered Payroll
	(in millions)			
NYCERS	\$3,438	\$6,547	\$3,420	\$ 6,366
TRS	3,202	3,306	3,062	3,160
BERS	461	473	450	459
POLICE	1,478	1,478	1,380	1,380
FIRE	606	606	602	602
Total annualized covered payroll	<u>\$9,185</u>	<u>\$12,410</u>	<u>\$8,914</u>	<u>\$11,967</u>

The annualized covered payrolls were reduced by excluding all pending withdrawals (five year outs, *et al*). In addition, salaries were increased for some members to reflect overtime earnings.

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, 1994 and 1993 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 payrolls for the years ended June 30, 1994 and June 30, 1993 were approximately \$11.6 billion and \$11.1 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 actuarial valuations to determine the PBOs were made as of June 30, 1994.

The more significant assumptions used in the June 30, 1994 and 1993 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, 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 increases 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 tables present a comparison of the PBO and net assets available for benefits for the five major actuarial pension systems as of June 30, 1994 and 1993:

	1994						
	PBO Retirees and beneficiaries currently receiving benefits and terminated vested participants not yet receiving benefits	PBO Current Employees			Total PBO(a)	Net assets available for benefits	Unfunded (Overfunded) PBO
		Accumulated employee contributions including allocated investment income	Employer- financed vested(b)	Employer- financed nonvested			
				(in millions)			
NYCERS	\$12,246.8	\$1,779.7	\$ 4,364.8	\$3,109.4	\$21,500.7	\$22,788.6	\$(1,287.9)
TRS	8,578.3	1,738.9	5,376.6	2,496.8	18,190.6	17,862.0	328.6
BERS	454.0	121.0	182.1	158.6	915.7	855.8	59.9
POLICE	5,837.4	484.3	962.9	2,373.7	9,658.3	8,096.6	1,561.7
FIRE	2,608.9	152.7	776.4	925.6	4,463.6	3,280.1	1,183.5
Total	<u>\$29,725.4</u>	<u>\$4,276.6</u>	<u>\$11,662.8</u>	<u>\$9,064.1</u>	<u>\$54,728.9</u>	<u>\$52,883.1</u>	<u>\$ 1,845.8</u>

1993

	PBO Retirees and beneficiaries currently receiving benefits and terminated vested participants not yet receiving benefits	PBO Current Employees			Total PBO(a)	Net assets available for benefits	Unfunded (Overfunded) PBO
		Accumulated employee contributions including allocated investment income	Employer- financed vested(c)	Employer- financed nonvested (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	<u>\$28,277.3</u>	<u>\$3,882.2</u>	<u>\$11,688.5</u>	<u>\$8,642.0</u>	<u>\$52,490.0</u>	<u>\$52,004.6</u>	<u>\$ 485.4</u>

- (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.
- (b) The employer-financed vested portion of the PBO for current employees is based on current service, current salaries and only that portion of benefits subject to vesting that have been accrued to date.
- (c) The employer-financed vested portion of the PBO for current employees is based on current service, current salaries and that portion of all benefits accrued to date.

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 values of net assets available for benefits as of June 30, 1994 and 1993 are as follows:

Actuarial Pension System	Market value of assets available for benefits as of June 30	
	1994	1993
	(in millions)	
NYCERS	\$23,037.2	\$22,874.4
TRS	17,803.9	18,218.1
BERS	857.2	869.9
POLICE	8,070.3	8,118.6
FIRE	3,261.4	3,257.7
Total market value of net assets available for benefits	<u>\$53,030.0</u>	<u>\$53,338.7</u>

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 total PBO for these three pension systems as of June 30, 1994 and 1993 are approximately \$269 million and \$302 million, respectively, and exceed their net assets available for benefits of \$16 million and \$13 million by \$253 million and \$289 million, respectively. These three pension systems are funded by the City on a pay-as-you-go basis. The City's expenditures to these three pension systems for fiscal years ended June 30, 1994 and 1993 were \$61.3 million and \$66.7 million, respectively.

The net assets available for benefits shown in the City's financial statements as of June 30, 1994 and 1993 exclude the accrued pension contribution receivable of \$2.543 billion and \$2.562 billion, respectively, for amortization of the two-year

payment lag reported in the General Long-term Obligations Account Group; \$111 million and \$112 million, respectively, reported in the discretely presented components units; and \$380 million and \$382 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. As of June 30, 1993, legislation modified the methodology and schedule for amortizing this liability. The City's expenditure for pension costs for the fiscal year ended June 30, 1994 includes the first contribution on the revised schedule to amortize this liability over a 17-year period from June 30, 1993 (See Contributions Required and Contributions Made).

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 1994 and 1993 pension expense and the employer contributions to the five major actuarial pension 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 approximately \$1.5 billion and \$1.7 billion for all employers for fiscal years ended June 30, 1994 and 1993, respectively.

Fiscal year 1994 employer contributions by all employers to the actuarial pension systems decreased by approximately \$84.7 million on account of Chapter 633 of the Laws of 1994 which amended the Administrative Code of the City of New York by revising the method and schedule for amortizing unfunded actuarial accrued liabilities from a level payment method to an escalating payment method as more fully described below.

The decrease in the fiscal year 1994 employer contribution requirements for each actuarial pension system follows:

	<u>Amount</u> (in millions)
NYCERS	\$14.9
TRS	11.0
BERS	2.5
POLICE	29.8
FIRE	26.5
Total	<u>\$84.7</u>

Unfunded actuarial accrued liabilities are amortized as follows as of June 30, 1994 and 1993:

For fiscal year 1994 Unfunded Actuarial Accrued Liabilities (UAL) and the Balance Sheet Liabilities (BSL) as of June 30, 1993 are being amortized over 17 years from that date, where the amount of each annual payment after the first equals one hundred three percent of the preceding annual payment.

For fiscal year 1993, Unfunded Actuarial Accrued Liabilities (UAL) and the Balance Sheet Liabilities (BSL) as of June 30, 1990 were being amortized over 20 years from that date using schedules of payments for the UAL and BSL components combined, comparable in pattern to the schedules of payments for the first five years that were in effect under the amortization schedules immediately prior to the change in funding provisions, 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 were being amortized using level payments over 20 years from June 30, 1990. Additional UAL established subsequent to June 30, 1990 on account of various benefit improvements were being amortized over periods of three to seventeen years from establishment date.

Actuarial assumptions used to compute PBOs are the same as those used to compute the employer contribution requirements for the five major actuarial pension systems.

The City's expenditures for pension costs for the fiscal years ended June 30, 1994 and 1993 were approximately \$1.4 billion and \$1.5 billion, respectively, and were equal to the amounts computed by the pension systems' Actuary.

NOTES TO FINANCIAL STATEMENTS, Continued

The City's pension contributions, including those computed by the Actuary for the actuarial pension systems for the fiscal year ended June 30, 1994, were as follows:

	Expenditures for			Expenditures as a percentage of City's annualized payroll	
	Normal cost	Amortization of actuarial accrued liability	Total	Normal cost	Amortization of actuarial accrued liability
		(in millions)			
*NYCERS	\$163.6	\$113.4	\$ 277.0	4.8%	3.3%
*TRS	254.9	115.5	370.4	8.0	3.6
*BERS	25.8	7.3	33.1	5.6	1.6
POLICE	299.8	118.3	418.1	20.3	8.0
FIRE	105.9	98.2	204.1	17.5	16.2
OTHER	N/A	N/A	91.6		
Total pension expenditures			<u>\$1,394.3</u>		

* NYCERS, TRS and BERS are cost-sharing multiple-employer public employee retirement systems. The City's total actuarial determined contributions as a percent of expenditures for all employers to NYCERS, TRS and BERS were 61.25%, 96.40%, and 97.90%, respectively.

NA: Not Applicable.

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:

	Expenditures for			Expenditures as a percentage of City's annualized payroll	
	Normal cost	Amortization of actuarial accrued liability	Total	Normal cost	Amortization of actuarial accrued liability
		(in millions)			
*NYCERS	\$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	NA	NA	97.1		
Total pension expenditures			<u>\$1,534.4</u>		

* 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 Applicable.

Included in the above June 30, 1994 and 1993 totals are approximately \$38.4 million and \$40.0 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.

NOTES TO FINANCIAL STATEMENTS, Continued

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 to the actuarial pension systems for fiscal years ended June 30, 1994 and 1993 amounted to:

	1994		1993	
	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	\$179,190	2.7%	\$130,993	2.1%
TRS	74,824	2.3	69,916	2.2
BERS	13,493	2.9	12,079	2.6
POLICE	53,295	3.6	(3,647)	—
FIRE	22,093	3.6	16,795	2.8
Total employee contributions	<u>\$342,895</u>		<u>\$226,136</u>	

Trend Information

Trend information for the three fiscal years ended June 30, 1994, 1993 and 1992 is as follows:

	1994	1993	1992
Net assets available for benefits as a percentage of PBO (a):			
NYCERS	106.0%	108.1%	102.3%
TRS	98.2	100.7	97.4
BERS	93.5	100.2	99.6
POLICE	83.8	86.7	82.3
FIRE	73.5	75.3	72.4
Unfunded (Overfunded) PBO as a percentage of total annualized covered payroll (a):			
NYCERS	(19.7)%	(26.0)%	(7.4)%
TRS	9.9	(3.8)	14.6
BERS	12.7	(.3)	0.8
POLICE	105.6	88.3	117.4
FIRE	195.2	173.2	187.6
Employer contributions (all made in accordance with actuarial determined requirements) as a percentage of total annualized covered payroll:			
NYCERS	6.9%	7.7%	8.7%
TRS	12.0	12.8	11.3
BERS	7.1	6.9	7.9
POLICE	28.0	32.5	31.6
FIRE	36.0	38.1	39.5

(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 S and the statistical section of the City's Comprehensive Annual Financial Report differs from the trend information for those years shown in the actuarial 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.

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 1994, the City is including the TPSOVSF and HPSOVSF with its Pension and Similar Trust Funds for financial reporting purposes. Prior to fiscal year 1994, the TPSOVSF and HPSOVSF were reported as Expendable Trust Funds (see Note O). All VSFs included herein are also being included with the Pension and Similar Trust Funds for financial reporting purposes.

Under current law, VSFs 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 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 retire 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 who retire for service with 20 or more years holding the rank of sergeant or higher, or detective, of the New York Police Department Pension Fund—Subchapter 1 or Subchapter 2, and who retired on or after October 1, 1968.

As a result of labor negotiations, the PSOVSF transferred \$51.8 million to the City during fiscal year 1994.

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 retire 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 who retire for service with 20 or more years holding the rank of lieutenant or higher and all pilots and marine engineers (uniformed) of the New York Fire Department Pension Fund—Subchapter 1 or Subchapter 2, and who retired on or after October 1, 1968.

As a result of labor negotiations, the FOVSF transferred \$14.4 million to the City during fiscal year 1994.

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 retire for service with 20 or more years as Transit 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 benefit payments cannot exceed the assets of the Fund unless the City guarantee becomes effective.

As of December 1993 the City guarantee became effective for the TPOVSF and approximately \$6.1 million was transferred to the City during fiscal year 1994.

6. TPSOVSF provides supplemental benefits to retirees who retire for service with 20 or more years as Transit Police Superior 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 benefit payments cannot exceed the assets of the Fund.

7. HPOVSF provides supplemental benefits to retirees who retire 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. Chapter 719 of the Laws of 1994 amended the defined schedule of benefits for certain Housing Police Officers.
8. HPSOVSF provides supplemental benefits to retirees who retire for service with 20 or more years as Housing Police Superior 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.

At June 30, 1994 and 1993, membership in the defined benefit VSF consisted of:

	1994								TOTAL
	POVSF	PSOVSF	FFVSF	FOVSF	TPOVSF	TPSOVSF	HPOVSF	HPSOVSF	
Retirees currently receiving benefits . . .	7,870	6,782	3,348	1,576	345	237	201	181	20,540
Terminated but not receiving benefits.	—	—	—	—	—	—	—	—	—
Total retirees, etc.	<u>7,870</u>	<u>6,782</u>	<u>3,348</u>	<u>1,576</u>	<u>345</u>	<u>237</u>	<u>201</u>	<u>181</u>	<u>20,540</u>
Current employees:									
Vested	NA	NA	NA	NA	NA	NA	NA	NA	NA
Nonvested	22,398	8,661	8,839	2,510	3,271	895	1,816	709	49,099
Total current employees	<u>22,398</u>	<u>8,661</u>	<u>8,839</u>	<u>2,510</u>	<u>3,271</u>	<u>895</u>	<u>1,816</u>	<u>709</u>	<u>49,099</u>
	1993(b)								
	POVSF	PSOVSF	FFVSF	FOVSF	TPOVSF	TPSOVSF	HPOVSF	HPSOVSF	TOTAL
Retirees currently receiving benefits . . .	7,809	6,598	3,374	1,536	311	NA	186	NA	19,814
Terminated but not receiving benefits . .	—	—	—	—	—	NA	—	NA	—
Total retirees, etc.	<u>7,809</u>	<u>6,598</u>	<u>3,374</u>	<u>1,536</u>	<u>311</u>	<u>NA</u>	<u>186</u>	<u>NA</u>	<u>19,814</u>
Current employees:(a)									
Vested	NA	NA	NA	NA	NA	NA	NA	NA	NA
Nonvested	19,408	8,758	8,796	2,545	3,271	NA	1,644	NA	44,422
Total current employees	<u>19,408</u>	<u>8,758</u>	<u>8,796</u>	<u>2,545</u>	<u>3,271</u>	<u>NA</u>	<u>1,644</u>	<u>NA</u>	<u>44,422</u>

NA = Not Applicable. Supplemental benefits are forfeitable upon separation from service except for service retirement.

- (a) Current employees represent members of the various Pension Funds who are Officers, Superior Officers, Firefighters and Wipers, or Fire Officers as of the June 30 Valuation Date. Not all of these members will retire for service at their current rank.
- (b) Chapters 719 and 720 of the Laws of 1994 pertaining to the TPSOVSF and HPSOVSF were enacted August 2, 1994 and provide, among other things, for defined benefits.

Funding Status and Progress

A calculation of financial status is performed by the Actuary annually as of June 30 for the VSFs. The latest calculation to determine the actuarial present value of the accumulated benefit obligation (ABO) was made as of June 30, 1994.

The more significant actuarial assumptions used in the June 30, 1994 and 1993 calculations of the ABO 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 ^(a) for TPOVSF and HPOVSF.
Post-retirement mortality	Tables based on current experience. ^(a)
Active service, withdrawal, death and disability	Tables based on current experience. ^(a)
Retirement	Tables based on current experience, varies from earliest age a member is eligible to retire until age at end of tables. ^(a)

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 & TPSOVSF (a)
50% for HPOVSF & HPSOVSF (a)

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%

(a) This actuarial assumption was used in the June 30, 1994 calculations of the ABO for the TPSOVSF and HPSOVSF, respectively.

The following tables present a comparison of the ABO and net assets available for supplemental benefits for the defined benefit VSF as of June 30, 1994 and 1993:

1994							
	ABO Retirees currently receiving benefits and terminated vested participants not yet receiving benefits	ABO Current Employees			Total ABO	Net assets available for supplemental benefits	Unfunded (Overfunded) ABO
		Accumulated employee contributions including allocated investment income	Employer-financed vested	Employer-financed nonvested			
(in millions)							
POVSF	\$ 545.9	\$0	NA	\$ 73.8	\$ 619.7	\$ 581.9	\$ 37.8
PSOVSF	482.3	0	NA	196.3	678.6	365.6	313.0
FFVSF	230.9	0	NA	77.4	308.3	282.4	25.9
FOVSF	95.3	0	NA	68.3	163.6	102.7	60.9
TPOVSF	35.6	0	NA	25.8	61.4	33.4	28.0
TPSOVSF	25.4	0	NA	25.6	51.0*	15.9	35.1
HPOVSF	20.0	0	NA	8.9	28.9	17.0	11.9
HPSOVSF	17.8	0	NA	16.7	34.5	11.0	23.5
Total	<u>\$1,453.2</u>	<u>0</u>	<u>NA</u>	<u>\$492.8</u>	<u>\$1,946.0</u>	<u>\$1,409.9</u>	<u>\$536.1</u>

1993							
	ABO Retirees currently receiving benefits and terminated vested participants not yet receiving benefits	ABO Current Employees			Total ABO	Net assets available for supplemental benefits	Unfunded (Overfunded) ABO
		Accumulated employee contributions including allocated investment income	Employer-financed vested	Employer-financed nonvested			
(in millions)							
POVSF	\$ 524.1	\$0	NA	\$ 79.0	\$ 603.1	\$ 589.9	\$ 13.2
PSOVSF	452.3	0	NA	206.5	658.8	440.9	217.9
FFVSF	225.9	0	NA	77.7	303.6	292.3	11.3
FOVSF	92.5	0	NA	81.9	174.4	125.4	49.0
TPOVSF	31.9	0	NA	26.6	58.5*	40.2	18.3
HPOVSF	19.2	0	NA	10.3	29.5*	18.3	11.2
Total	<u>\$1,345.9</u>	<u>0</u>	<u>NA</u>	<u>\$482.0</u>	<u>\$1,827.9</u>	<u>\$1,507.0</u>	<u>\$320.9</u>

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

NA = Not applicable.

For these defined benefit VSF, 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 values of net assets available for supplemental benefits for the defined benefit VSF as of June 30, 1994 and 1993 follow:

<u>Variable Supplements Fund</u>	<u>Market value of net assets available for supplemental benefits</u>	
	<u>1994</u>	<u>1993</u>
	(in millions)	
POVSF	\$ 578.5	\$ 605.9
PSOVSF	361.9	447.5
FFVSF	279.3	299.4
FOVSF	102.7	127.8
TPOVSF	33.0	40.3
TPSOVSF	15.8	NA
HPOVSF	16.8	18.4
HPSOVSF	19.9	NA
Total	<u>\$1,407.9</u>	<u>\$1,539.3</u>

As a result of labor negotiations, legislation effective July 1, 1988 pertaining to the POVSF and the FFVSF provides, among other things, for 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 VSF 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 initiate defined schedules of benefit payments beginning calendar year 1992. Prior to calendar year 2007, these defined schedules of benefits are 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 schedules 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.

The City guarantee came into effect December 1993 and the TPOVSF transferred approximately \$6.1 million to the City on December 28, 1993.

As a result of labor negotiations, Chapter 479 of the Laws of 1993 and Chapter 480 of the Laws of 1993, enacted July 1993 pertaining to the PSOVSF and FOVSF, respectively, provide, among other things, for defined schedules of benefit payments and change the way excess earnings or losses are computed. Consequently, the payments to these funds will be affected. The revisions to these variable supplements funds initiate City guaranteed payments 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 provides 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 and after July 1, 1987.

The revisions to the HPOVSF initiate defined schedules of benefit payments beginning calendar year 1992. Prior to calendar year 2007, these defined schedules of benefits are 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 schedules of benefits comes into effect, the HPOVSF will then transfer 15% of the market value of its assets to the City's General Fund.

As a result of labor negotiations, Chapter 720 of the Laws of 1994 (Chapter 720/94) effective August 2, 1994 pertaining to the TPSOVSF, provides, among other things, changes to the way excess earnings or deficiencies are computed and provides for potential supplemental benefit payments to Transit Police Superior Officers of the New York City Transit Police Department who retire for service as Transit Police Superior Officers on and after July 1, 1987.

The revisions to the TPSOVSF initiate defined schedules of benefit payments beginning in fiscal year 1994 (December 1994) for the calendar year 1994 payment. The payment for calendar year 1993 is required payable within 30 days of enactment of Chapter 720/94. Prior to calendar year 2007, these defined schedules of benefits are payable only if there are sufficient assets available in the TPSOVSF, 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 TPSOVSF exceeds the actuarial present value of the defined schedules of benefits payable through calendar year 2006 plus 15% of the assets of the TPSOVSF at that time.

Chapter 720/94 also provides that whenever the guarantee of the defined schedules of benefits comes into effect, the TPSOVSF will then transfer 15% of the market value of its assets to the City's General Fund.

As a result of labor negotiations, Chapter 719 of the Laws of 1994 (Chapter 719/94) effective August 2, 1994 pertaining to the HPSOVSF, provides, among other things, changes to the way excess earnings or deficiencies are computed, and provides for potential supplemental benefit payments to Housing Police Superior Officers of the New York City Housing Authority Police Department who retire for service as Housing Police Officers on and after July 1, 1987.

The revisions to the HPSOVSF initiate defined schedules of benefit payments beginning in fiscal year 1994 (December 1994) for the calendar year 1994 payment. The payment for calendar year 1993 is required payable within 30 days of enactment of Chapter 720/94. Prior to calendar year 2007, these defined schedules of benefits are payable only if there are sufficient assets available in the HPSOVSF, 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 HPSOVSF exceeds the actuarial present value of the defined schedules of benefits payable through calendar year 2006 plus 15% of the assets of the HPSOVSF at that time.

Chapter 719/94 also provides that whenever the guarantee of the defined schedule of benefits comes into effect, the HPSOVSF will then transfer 15% of the market value of its assets to the City's General Fund.

Contributions Required and Contributions Made

The Administrative Code provides that POLICE, FIRE and NYCERS pay to the respective VSF amounts 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 at a yield comparable to that available from fixed income securities, less any cumulative deficiencies.

For fiscal year 1994, there are no excess earnings on equity investments transferable to the VSF.

For fiscal year 1993, there were \$266.5 million in excess earnings on equity investments transferable to the defined benefit VSFs. The excess earnings payable from POLICE, FIRE and NYCERS to these VSF as of June 30, 1993 are as follows:

<u>Variable Supplements Fund</u>	<u>Excess earnings payable as of June 30, 1993</u> (in millions)
POVSF	\$ 0.0
PSOVSF	111.4
FFVSF	86.2
FOVSF	33.9
TPOVSF	24.3
HPOVSF	10.7
Total excess earnings payable	<u>\$266.5</u>

Trend Information

Trend information for the fiscal years ended June 30, 1994 and 1993 is as follows:

	<u>1994</u>	<u>1993</u>
Net assets available for supplemental benefits as a percentage of ABO (a):		
POVSF	93.9%	97.8%
PSOVSF	53.9	66.9
FFVSF	91.6	96.3
FOVSF	62.8	71.9
TPOVSF	54.4	68.7
TPSOVSF	33.3	NA
HPOVSF	58.8	62.0
HPSOVSF	34.4	NA

(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.

NA: Not Applicable

T. COMMITMENTS

At June 30, 1994, the outstanding commitments relating to projects of the Capital Projects Fund amounted to approximately \$6.7 billion.

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 \$41.2 billion over the remaining fiscal years 1995 through 2003. To help meet its capital spending program, the City borrowed \$2.8 billion in the public credit market in fiscal year 1994. The City plans to borrow \$2.4 billion in the public credit market in fiscal year 1995.

INSURED TAX-EXEMPT ADJUSTABLE RATE BONDS

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

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

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

Interest on Insured Tax-Exempt Adjustable Rate Bonds

Interest payments on each Interest Payment Date for Insured Tax-Exempt Adjustable Rate Bonds will include accrued interest from and including their dates of issuance or from and including the last date in respect of which interest has been paid, as the case may be, to, but excluding, such Interest Payment Date, except as provided below with respect to a delayed Interest Payment Date. The interest payment dates for the Insured Tax-Exempt Adjustable Rate Bonds shall be: (a) the first day of each calendar month, in the case of interest payable at Daily or Weekly Rates; (b) the first day of each calendar month, in the case of interest payable at Monthly Rates; (c) the first day of the third calendar month following a Conversion to a Quarterly Rate Period and the first day of each third calendar month thereafter, in the case of interest payable at Quarterly Rates; (d) the first day of the sixth calendar month following a Conversion to a Semiannual Rate Period or Term Rate Period and the first day of each sixth calendar month thereafter, in the case of interest payable at Semiannual or Term Rates; (e) the fifteenth day of each February and August, in the case of interest payable at a Fixed Rate, or in any case not otherwise specified; (f) the first Business Day following an MMMR Period, and the first day of the sixth month of an MMMR Period exceeding six months, in the case of interest payable at Money Market Municipal Rates; (g) the date of any redemption or mandatory tender of Insured Tax-Exempt Adjustable Rate Bonds for purchase and (h) the date of maturity (“Interest Payment Dates”). If any Interest Payment Date for any Insured Tax-Exempt Adjustable Rate Bond would otherwise be a day that is not a Business Day, such Interest Payment Date shall be postponed to the next day that is a Business Day, and no additional interest shall accrue as a result of such delayed Interest Payment Date. Interest shall be payable on each Interest Payment Date by check mailed to the registered owner at his address as it appears on the registration books of the City as of the close of business on the appropriate Record Date; provided, that (i) while a securities depository is the registered owner of all the Insured Tax-Exempt Adjustable Rate Bonds of a Subseries, all payments of principal of and interest on such Insured Tax-Exempt Adjustable Rate Bonds shall be paid to the securities depository or its nominee by wire transfer, (ii) prior to and including the Fixed Rate Conversion Date, interest on the Insured Tax-Exempt Adjustable Rate Bonds shall be payable to any registered owner of at least \$1,000,000 aggregate principal amount of Insured Tax-Exempt Adjustable Rate Bonds by wire transfer, upon written notice received by the Fiscal Agent at least five days prior to the Record Date from such registered owner containing the wire transfer

address (which shall be in the continental United States) to which such registered owner wishes to have such wire directed and (iii) following an MMMR Period, interest shall be payable on the Insured Tax-Exempt Adjustable Rate Bonds only upon presentation thereof to the Tender Agent upon purchase thereof and if such presentation is made by 10:00 a.m. (New York City time) such payment shall be by wire transfer.

Variable Rates

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

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

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

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

Money Market Mode

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

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

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

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

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

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

Fixed Rates

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

Conversions

Upon the direction of the City, the Insured Tax-Exempt Adjustable Rate Bonds of a Subseries may be Converted to a Fixed Rate (and Term Bonds may at the option of the City be serialized, subject to the stated conditions) or from one Variable Rate Period to a different type of Variable Rate Period (including a change from one Term Rate Period to a Term Rate Period equal or approximately equal in length to a different number of years from the preceding Term Rate Period) or to the Money Market Mode, or from the Money Market Mode to a Variable Rate Period; in each case on, if from a Variable Rate Period other than a Term Rate Period, a regularly scheduled Interest Payment Date for the Rate Period from which the Conversion is to be made; if from a Term Rate Period, only on a date on which a new Term Rate Period would have commenced; and if from the Money Market Mode, only on the first regularly scheduled Interest Payment Date on which interest is payable for any MMMR Periods theretofore established for the Insured Tax-Exempt Adjustable Rate Bonds to be Converted which is at least 30 days after notice of mandatory tender upon Conversion is given to the Bondholders.

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

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

Purchased Bonds

Any Insured Tax-Exempt Adjustable Rate Bond purchased by a Bank (a "Purchased Bond") shall bear interest at the rates, payable on the dates, described in the Insured Tax-Exempt Adjustable Rate Bonds. Purchased Bonds may be sold when and as provided in the Liquidity Facility for such Insured Tax-Exempt Adjustable Rate Bond, and if remarketed at a Variable Rate, a Money Market Municipal Rate or a Fixed Rate will no longer bear interest as Purchased Bonds. In no event shall the rate of interest on the Insured Tax-Exempt Adjustable Rate Bonds exceed 25% per annum.

Tender of Insured Tax-Exempt Adjustable Rate Bonds

So long as none of the Liquidity Conditions shall exist, each Insured Tax-Exempt Adjustable Rate Bond of a Subseries bearing interest at a Variable Rate other than a Term Rate shall be subject to tender at the option of the Bondholder for purchase by the Tender Agent or by the Subseries Bank on or prior to the Fixed Rate Conversion Date. In each case, such purchases shall be made at a purchase price (the "Purchase Price") equal to 100% of the principal amount to be purchased, plus all accrued and unpaid interest thereon to the date of purchase thereof (the "Purchase Date"). Tenders for purchase at the option of the Bondholders shall be permitted (a) on any Business Day during a Daily or Weekly Rate Period and (b) on any Interest Payment Date following a Monthly, Quarterly, or Semiannual Rate Period. All Adjustable Rate Bonds or portions thereof tendered or retained shall be in Authorized Denominations.

So long as none of the Liquidity Conditions shall exist, mandatory tender for purchase of an Insured Tax-Exempt Adjustable Rate Bond bearing interest at a Variable Rate or a Money Market Municipal Rate shall occur (a) on the commencement date of an MMMR Period but only with respect to the Insured Tax-

Exempt Adjustable Rate Bond to which such Period relates, (b) on the commencement date of a Term Rate Period for such Adjustable Rate Bond, (c) on the effective date of any Conversion of such Adjustable Rate Bond, and (d) as described below under "Mandatory Tender to Banks" and "Liquidity Facilities".

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

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

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

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

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

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

Mandatory Tender to Banks

So long as no Liquidity Condition exists, each of the Insured Tax-Exempt Adjustable Rate Bonds of a Subseries bearing interest at a Variable Rate or a Money Market Municipal Rate is subject to mandatory tender for purchase by the Subseries Bank pursuant to its Liquidity Facility, on the Purchase Date following a Notice from the Tender Agent to such Subseries Bank, at the applicable Purchase Price. If (x) on the 15th day prior to the Scheduled Termination Date of a Liquidity Facility Insured Tax-Exempt Adjustable Rate Bonds are bearing interest at a Variable Rate or a Money Market Municipal Rate and the City has not given Written Notice to the Tender Agent of the extension or replacement of the Liquidity Facility or (y) the Tender Agent receives a notice of mandatory tender from a Subseries Bank, the Tender Agent shall give the

Notice to such Bank on that day (or, at latest, by a specified time on the next Business Day); and the Tender Agent shall promptly notify the registered owners of such Insured Tax-Exempt Adjustable Rate Bonds, by certified mail, postage prepaid, return receipt requested, of its Notice. Such notice to registered owners shall also state the Purchase Date; that such Insured Tax-Exempt Adjustable Rate Bonds shall be required to be surrendered to the Tender Agent on the Purchase Date (a Business Day prior to the expiration or termination of the applicable Liquidity Facility) that if any such Insured Tax-Exempt Adjustable Rate Bond is not so tendered, it shall be deemed to have been tendered on the Purchase Date; and that upon deposit by the Tender Agent of sufficient money in a special custody account for the payment of the Purchase Price of such Insured Tax-Exempt Adjustable Rate Bond, interest on such Insured Tax-Exempt Adjustable Rate Bond shall cease to accrue to the former owner and such Insured Tax-Exempt Adjustable Rate Bond shall be deemed purchased by the Subseries Bank. All Insured Tax-Exempt Adjustable Rate Bonds purchased pursuant to this paragraph shall be paid for from funds furnished under the applicable Liquidity Facility upon presentation and surrender thereof, together with an instrument of transfer thereof, in form satisfactory to the Tender Agent, executed in blank by the registered owner thereof, at the office of the Tender Agent. If Notice is not given as specified above, the expiration or termination of the Liquidity Facility shall nonetheless take effect and, following such expiration or termination, such Insured Tax-Exempt Adjustable Rate Bonds bearing interest at a Variable Rate or a Money Market Municipal Rate shall bear interest at the highest rate provided by law for interest on accrued claims against municipalities and shall not be subject to optional or mandatory tender for purchase.

Liquidity Conditions

Suspension of Obligations of Subseries Bank

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

Termination of Obligations of Subseries Bank

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

Redemption

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

Exempt Adjustable Rate Bonds, if any, of any Subseries subject to such redemption which are held by or for the Subseries Bank, (ii) second, from other Insured Tax-Exempt Adjustable Rate Bonds bearing interest as Purchased Bonds or at the highest rate provided by law for interest on accrued claims against municipalities, and (iii) third, by lot.

Following a Fixed Rate Conversion, the Insured Tax-Exempt Adjustable Rate Bonds of a Subseries will be subject to redemption at the option of the City, beginning on the tenth anniversary of the Fixed Rate Conversion Date, in whole or in part, by lot within each maturity (if serialized), on any date upon 30 days' notice to Bondholders, at a redemption price of 101%, which price shall decline annually by ½% per annum, until reaching a price of 100% on the twelfth anniversary, to remain in effect thereafter; plus accrued interest to the date of redemption. The City may select amounts and (if serialized) maturities of such Bonds for redemption in its sole discretion. Prior to Conversion to a Fixed Rate, such optional redemption provisions may be amended if the City receives an opinion of Bond Counsel to the effect that such amendment is authorized by law and will not adversely affect the exclusion of interest in the Insured Tax-Exempt Adjustable Rate Bonds from gross income for Federal income tax purposes.

As Term Bonds, the Insured Tax-Exempt Adjustable Rate Bonds are subject to mandatory redemption upon 30 days' notice to Bondholders, at a redemption price equal to the principal amount thereof, plus accrued interest, without premium, in the amounts set forth below:

<u>August 15</u>	<u>Principal Amount to be Redeemed</u>				
	<u>Subseries B-2</u>	<u>Subseries B-3</u>	<u>Subseries B-4</u>	<u>Subseries B-5</u>	<u>Subseries B-6</u>
2000.....					\$ 3,000,000
2001.....					16,600,000
2002.....	\$ 8,400,000				10,500,000
2003.....	16,600,000*	\$ 3,500,000			
2004.....		21,500,000*			
2005.....				\$ 100,000	29,900,000*
2006.....				13,400,000	
2009.....				9,600,000	
2010.....				14,700,000	
2011.....				15,700,000	
2022.....			\$38,200,000	12,500,000*	
2023.....			11,800,000*		

* Stated Maturity

At the option of the City, there shall be applied to or credited against the required amounts the principal amount of any such Term Bonds that have been defeased, purchased or redeemed and not previously so applied or credited.

Defeased Term Bonds shall at the option of the City no longer be entitled, but may be subject, to the provisions thereof for mandatory redemption.

Defeasance

For the purpose of determining whether Insured Tax-Exempt Adjustable Rate Bonds shall be deemed to have been defeased, the interest to come due on such Insured Tax-Exempt Adjustable Rate Bonds shall be calculated at the maximum applicable rate; and if, as a result of such Insured Tax-Exempt Adjustable Rate Bonds having borne interest at less than the maximum rate for any period, the total amount on deposit for the payment of interest on such Insured Tax-Exempt Adjustable Rate Bonds exceeds the total amount required, the balance shall be paid to the City.

Liquidity Facilities

Prior to and including the Fixed Rate Conversion Date for each Subseries of Insured Tax-Exempt Adjustable Rate Bonds that is subject to optional or mandatory tender for purchase, the City shall, as required by law, keep in effect one or more liquidity facility agreements for the benefit of the Bondholders of

such Subseries, which shall require a financially responsible party or parties other than the City to purchase all or any portion of such Insured Tax-Exempt Adjustable Rate Bonds duly tendered by the holders thereof for repurchase prior to the maturity of such Insured Tax-Exempt Adjustable Rate Bonds. A financially responsible party or parties, for the purposes of this paragraph, shall mean a person or persons determined by the Mayor and the Comptroller of the City to have sufficient net worth and liquidity to purchase and pay for on a timely basis all of the Insured Tax-Exempt Adjustable Rate Bonds which may be tendered for repurchase by the holders thereof.

Each Owner of an Insured Tax-Exempt Adjustable Rate Bond bearing interest at a Variable Rate or a Money Market Municipal Rate will be entitled to the benefits and subject to the terms of the Liquidity Facility for such Bond. Under such Liquidity Facility, the Subseries Bank agrees, subject to the Liquidity Conditions, to make available to the Tender Agent or the Fiscal Agent, upon receipt of an appropriate demand for payment, the Purchase Price for Insured Tax-Exempt Adjustable Rate Bonds of the stated Subseries. Each Bank's commitment under its Liquidity Facilities will be sufficient to pay a Purchase Price equal to the principal of and up to 35 days' interest on a Subseries of Insured Tax-Exempt Adjustable Rate Bonds at an assumed rate of 9% as follows:

<u>Subseries</u>	<u>Bond Insurer</u>	<u>Bank</u>
B-2	Municipal Bond Investors Assurance Corporation	Bank Austria Aktiengesellschaft, New York Branch
B-3	Municipal Bond Investors Assurance Corporation	The Bank of Nova Scotia, New York Agency
B-4	Municipal Bond Investors Assurance Corporation	National Westminster Bank Plc, New York Branch
B-5	Municipal Bond Investors Assurance Corporation	Rabobank Nederland, New York Branch
B-6	Municipal Bond Investors Assurance Corporation	Westdeutsche Landesbank Girozentrale, New York Branch
B-7	AMBAC Indemnity Corporation	Rabobank Nederland, New York Branch

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

So long as a Liquidity Condition does not exist, mandatory purchase by the Subseries Bank of Insured Tax-Exempt Adjustable Rate Bonds bearing interest at a Variable Rate or a Money Market Municipal Rate shall occur under the circumstances described in the Insured Tax-Exempt Adjustable Rate Bonds, including failure to extend or replace the Liquidity Facility relating to such Subseries of Insured Tax-Exempt Adjustable Rate Bonds, and (at the option of the Subseries Bank) other events, including the City's failure to pay amounts due to the Banks. Notwithstanding the other provisions of the Insured Tax-Exempt Adjustable Rate Bonds and the Certificate, upon the purchase of an Insured Tax-Exempt Adjustable Rate Bond by the Subseries Bank, all interest accruing thereon from the last date for which interest was paid shall accrue for the benefit of and be payable to the Subseries Bank.

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

The obligation of each Subseries Bank to purchase Insured Tax-Exempt Adjustable Rate Bonds pursuant and subject to the terms and conditions of the Liquidity Facility for such Bonds is irrevocable and constitutes an extension of credit to the City for the benefit of the Bondholders of such Subseries at the time

such Liquidity Facility becomes effective, and the obligation of the City to repay amounts advanced by the Bank in respect of such Bank's purchase of Insured Tax-Exempt Adjustable Rate Bonds shall be evidenced by the Bonds so purchased by such Bank.

To the extent described in the Insured Tax-Exempt Adjustable Rate Bonds and the Liquidity Facilities, the City shall have the right to seek a substitute bank or banks to assume the rights and obligations of a Subseries Bank. The holders of the affected Insured Tax-Exempt Adjustable Rate Bonds shall be notified of any assumption of a Bank's rights and obligations.

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

Bond Insurance

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

AMBAC Insured Bonds

AMBAC Indemnity has made a commitment to issue a municipal bond insurance policy (the "AMBAC Policy") relating to the Subseries B-7 Bonds (the "AMBAC Insured Bonds") effective as of the date of issuance of the AMBAC Insured Bonds. Under the terms of the AMBAC Policy, AMBAC Indemnity will pay to the United States Trust Company of New York, in New York, New York or any successor thereto (the "AMBAC Insurance Trustee") that portion of the principal of and interest (limited to interest calculated up to a maximum rate of twelve percent (12%) per annum) on the AMBAC Insured Bonds which shall become Due for Payment but shall be unpaid by reason of Nonpayment by the City. All references to interest set forth in the AMBAC Policy shall be interest which is subject to a maximum rate of twelve percent (12%) per annum. AMBAC Indemnity will make such payments to the AMBAC Insurance Trustee on the later of the date on which such principal and interest becomes Due for Payment or within one business day following the date on which AMBAC Indemnity shall have received notice of Nonpayment from the City's Fiscal Agent. The insurance will extend for the term of the AMBAC Insured Bonds and, once issued, cannot be canceled by AMBAC Indemnity.

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

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

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

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

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

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

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

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

AMBAC Indemnity is a Wisconsin-domiciled stock insurance corporation regulated by the Office of the Commissioner of Insurance of the State of Wisconsin and licensed to do business in 50 states, the District of Columbia, and the Commonwealth of Puerto Rico, with admitted assets of approximately \$2,060,000,000 (unaudited) and statutory capital of approximately \$1,178,000,000 (unaudited) as of June 30, 1994. Statutory capital consists of AMBAC Indemnity's policyholders' surplus and statutory contingency reserve. AMBAC Indemnity is a wholly owned subsidiary of AMBAC Inc., a 100% publicly-held company. Moody's Investors Service, Inc. ("Moody's"), Standard & Poor's Corporation ("Standard & Poor's") and Fitch Investors Service, Inc. have each assigned a triple-A claims-paying ability rating to AMBAC Indemnity.

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

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

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

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

MBIA Insured Bonds

The Subseries B-1 Bonds due in 2012, Subseries B-2 Bonds, Subseries B-3 Bonds, Subseries B-4 Bonds, Subseries B-5 Bonds and Subseries B-6 Bonds will be insured by MBIA (the "MBIA Insured Bonds"). The following information has been furnished by MBIA for use in this Official Statement. Reference is made to Appendix O for a specimen of the MBIA's policy.

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

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

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

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

As of December 31, 1993, MBIA had admitted assets of \$3.1 billion (audited), total liabilities of \$2.1 billion (audited), and total capital and surplus of \$978 million (audited) determined in accordance with statutory accounting practices prescribed or permitted by insurance regulatory authorities. As of June 30, 1994 MBIA had admitted assets of \$3.3 billion (unaudited), total liabilities of \$2.2 billion (unaudited), and total capital and surplus of \$1.1 billion (unaudited) determined in accordance with statutory accounting

practices prescribed or permitted by insurance regulatory authorities. Copies of MBIA's year end financial statements prepared in accordance with statutory accounting practices are available from MBIA. The address of MBIA is 113 King Street, Armonk, New York 10504.

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

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

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

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

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

INSURED TAX-EXEMPT ADJUSTABLE RATE BONDS—DEFINITIONS

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

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

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

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

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

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

(b) the commencement by the applicable Bond Insurer of a voluntary case or other proceeding seeking liquidation, reorganization or other relief with respect to itself or its debts under any bankruptcy, insolvency or other similar law now or hereafter in effect including, without limitation, the appointment of a trustee, receiver, liquidator, custodian or other similar official for itself or any substantial part of its property;

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

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

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

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

(g) the commencement of an involuntary case or other proceeding against the applicable Bond Insurer seeking liquidation, reorganization or other relief with respect to it or its debts under any bankruptcy, insolvency or other similar law now or hereafter in effect or seeking the appointment of a trustee, receiver, liquidator, custodian or other similar official of it or any substantial part of its property, and such involuntary case remaining undismissed and unstayed for a period of 60 days.

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

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

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

Conversion Date: The effective date of a Conversion.

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

Event of Termination:

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

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

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

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

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

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

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

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

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

Money Market Municipal Rate: The interest rate that may be separately determined for each Insured Tax-Exempt Adjustable Rate Bond of a Subseries pursuant to the applicable provisions of the Certificate. The Money Market Municipal Rate shall not exceed 9% per annum.

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

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

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

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

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

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

Record Date: With respect to each Interest Payment Date, (i) during a Daily, Weekly or Monthly Rate Period, the last day of the calendar month next preceding such Interest Payment Date; (ii) during a

Quarterly, Semiannual or Term Rate Period, or for the Interest Payment Date in an MMMR Period exceeding six months, the fifteenth day of the calendar month next preceding such Interest Payment Date; and (iii) during a Fixed Rate Period, the last business day of the calendar month next preceding such Interest Payment Date.

Remarketing Agent: Smith Barney Inc. for the Subseries B-2, B-3, B-4 and B-7 Bonds; Donaldson, Lufkin & Jenrette Securities Corporation for the Subseries B-5 and B-6 Bonds.

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

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

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

Suspension Condition:

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

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

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

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

Tender Agent: The Chase Manhattan Bank, N.A., New York, New York, or any successor appointed pursuant to the Certificate. The Tender Agent's designated office is, if by hand, One Chase Manhattan Plaza—Level 1B, New York, New York 10081, Attn: Municipal Bond Redemption Window; if by mail, 4 Chase Metrotech Center, Brooklyn, New York 11245, Attn: Box 2020.

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

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

Variable Rate: As the context requires, the Daily Rate, Weekly Rate, Monthly Rate, Quarterly Rate, Semiannual Rate or Term Rate applicable to Insured Tax-Exempt Adjustable Rate Bonds of any Subseries and maturity. No Variable Rate shall exceed 9% per annum.

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

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

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THE BANKS

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

Bank Austria Aktiengesellschaft, New York Branch

Bank Austria Aktiengesellschaft (under this caption, the "Bank") was established as the result of a merger between Zentralsparkasse und Kommerzbank AG, Wien ("Z-Bank"), previously Austria's third largest commercial bank, and Oesterreichische Landerbank Aktiengesellschaft ("OLB"), previously Austria's fourth largest commercial bank. The merger was entered into the Austria Companies' Register on October 5, 1991, with retroactive effect as of January 1, 1991, after which date all business activities of OLB were deemed to be for the account of Z-Bank, which by operation of law pursuant to the merger assumed all the assets, liabilities, rights and duties of OLB. The name of the surviving bank entity was changed to Z-Landerbank Bank Austria AG, and in 1993, was changed to Bank Austria Aktiengesellschaft.

The Bank has a comprehensive banking license under the Austrian Banking Act and provides a full range of banking services, including commercial lending, securities trading, international business, and private and business customer activities. The Bank's majority shareholder is Anteilsverwaltung-Zentralsparkasse at 45.6%, with the Republic of Austria owning 20.4% and the balance held by institutional investors and the public.

The Bank is now the largest commercial Bank in Austria in terms of total assets, with as at December 31, 1993, on an unconsolidated basis, liable capital of Austrian Schilling 30.4 billion (U.S. \$2.5 billion*), total deposits of Austrian Schilling 516 billion (U.S. \$42.5 billion*) and total assets of Austrian Schilling 572.8 billion (U.S. \$47 billion*). The Bank has 405 offices in Austria and 23 abroad.

The senior long-term unsecured debt of the Bank is rated Aaa by Moody's Investors Service, Inc. ("Moody's"), and the Bank has short-term debt ratings of P-1 by Moody's and A-1+ by Standard & Poor's Corporation.

The New York Branch of the Bank is licensed by the office of the Comptroller of the Currency to conduct a banking business as a branch of a foreign bank. Upon written request, and without charge, the Bank will provide a copy of its most recent Annual Report to any person to whom this Official Statement is delivered. Written requests should be directed to:

Ms. Amy Rick
Vice President
Bank Austria AG
565 Fifth Avenue
New York, New York 10017

*At December 31, 1993. US \$1.00 = ATS 12.143

The Bank of Nova Scotia, New York Agency

The Bank of Nova Scotia (under this caption, the "Bank") was founded in 1832, in Halifax, and today employs more than 30,000 people in almost 1,400 branches and offices spanning 44 countries.

The Bank of Nova Scotia is a Canadian Chartered Bank with its principal executive office located in Toronto, Ontario, Canada. The Bank is engaged in a wide range of banking, financial and related activities in Canada and throughout the world. At July 31, 1994, the Bank reported total assets of CDN\$132.5 billion, total deposits of CDN\$97.986 billion and equity of CDN\$6.324 billion.

The Bank's long term bonds are currently rated "AA-" and "Aa3" by Standard & Poor's and Moody's, respectively. The Bank's short-term ratings are "A-1+" and "P-1" by Standard & Poor's and Moody's, respectively.

National Westminster Bank Plc, New York Branch

National Westminster Bank Plc, (under this caption, the "Bank"), together with its subsidiaries (the "Group"), is engaged in a wide range of banking, financial and related activities in the United Kingdom and throughout the world.

At June 30, 1994 the Group reported unaudited total assets of £163.9 billion, total Deposits by Banks and Customer Accounts of £120.7 billion and Ordinary Shareholders' equity of £5.6 billion. The Group's audited financial statements for the fiscal year ended December 31, 1993 are included in the Bank's Annual Report on Form 20-F filed with the Securities and Exchange Commission.

At June 30, 1994 the Group employed approximately 90,600 full-time equivalent staff worldwide. Its domestic operations are conducted directly through the Bank, which is one of the major London clearing banks, through several banking subsidiaries and through other subsidiaries in the United Kingdom. As at December 31, 1993, international operations were conducted by the Bank and its subsidiaries in the United Kingdom and in 28 other countries.

In the United Kingdom the Group is supervised by the Bank of England with which periodic reports are filed, together with other information as required. The Bank's New York Branch is licensed by the New York State Banking Department and is subject to periodic examination by the Department. The Bank is also subject to federal reporting requirements as a bank holding company.

Rabobank Nederland, New York Branch

Cooperatieve Centrale Raiffeisen-Boerenleenbank B.A., generally known as "Rabobank Nederland" (under this caption, the "Bank"), is a cooperative banking organization incorporated in the Netherlands, and acts as the central coordinating bank for the "Rabobank Group." The Rabobank Group consists of the Bank and certain subsidiaries and, as of December 31, 1993, 650 local banks which are cooperative companies incorporated in the Netherlands. The Rabobank Group is covered by a mutual guarantee which, with the approval of the Dutch authorities, permits a consolidated presentation of financial results. The Bank engages in a wide variety of commercial banking and related financial services in the Netherlands and internationally.

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

As of December 31, 1993, and as calculated using accounting principles generally accepted in the Netherlands (which differ from those generally accepted in the United States), the Rabobank Group had total assets of NLG 253.2 billion (approximately \$130.98 billion at the exchange rate in effect on December 31, 1993) and total "owned funds" of NLG 15.2 billion (approximately \$7.86 billion at the exchange rate in effect on December 31, 1992). The Bank will provide without charge to each person to whom this Appendix is delivered, on the request of any such person, a copy of the Rabobank Group's most recent Annual Report. Written requests should be directed to Rabobank Nederland, New York Branch, 245 Park Avenue, New York, New York 10167, Attention: Credit Department.

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

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

Westdeutsche Landesbank Girozentrale, New York Branch

Background Information

Westdeutsche Landesbank Girozentrale ("WestLB"), which traces its history to 1832, was created by the merger of two central banks, or Landesbanks (German State Banks), in the State of North Rhine-Westphalia, the Federal Republic of Germany ("Germany") on January 1, 1969. As a German universal bank, WestLB provides commercial and investment banking services regionally, nationally and internationally to public, corporate and bank customers. WestLB is the largest of the Landesbanks and, on the basis of total assets at December 31, 1993, was the third largest bank in Germany. At December 31, 1993, WestLB had total assets of approximately DM 264 billion (U.S. \$153 billion).

WestLB also performs the functions of a state and municipal bank for the State of North Rhine-Westphalia and acts as the central bank of the Sparkassen (savings banks) in North Rhine-Westphalia (Germany's most populous state). It conducts a comprehensive range of wholesale banking business and has the power to issue mortgage bonds, municipal bonds and other bonds and is the largest continuous issuer of long term debt in Germany. In its capacity as central bank, WestLB acts as the clearing and depository bank for the savings banks in North Rhine-Westphalia. As a state bank, WestLB provides trustee services for State-supported lending programs for housing, regional economic assistance, middle market firms and environmental protection. Internationally, the WestLB Group (the "Group") operates through an extensive network of banking subsidiaries, branches and representative offices to provide a range of financial services to its clients.

North Rhine-Westphalia effectively guarantees all obligations of WestLB. Pursuant to this guaranty obligation (Gewährträgerhaftung) set forth in Section 37 of the North Rhine-Westphalia Savings Bank Act and Section 5 of the Ordinances of WestLB, North Rhine-Westphalia together with the other guarantors specified therein (*i.e.*, the Regional Authorities and Savings Bank Associations of North Rhine-Westphalia) are jointly and severally liable without restriction for all obligations of WestLB, including all obligations of WestLB New York. The guaranty obligation gives creditors a direct claim against North Rhine-Westphalia, but only if the claims of the creditors have not first been satisfied out of the assets of WestLB, including the assets of WestLB New York.

In addition to being liable under the guaranty obligation, North Rhine-Westphalia, having established WestLB, is responsible for the performance of WestLB's obligations, including all obligations of WestLB New York. This maintenance obligation (Anstaltslast), while not a formal guaranty affording creditors of WestLB a direct claim against North Rhine-Westphalia, requires North Rhine-Westphalia to keep WestLB in a position to perform its functions and to enable it, in the event of financial difficulties, to perform its obligations, when due.

The New York Branch

The New York Branch of WestLB ("WestLB New York") is licensed and subject to supervision and regulation by the Superintendent of Banks of the State of New York. WestLB New York is examined by the New York State Banking Department and is subject to banking laws and regulations applicable to a foreign bank that operates a New York branch. In addition to being subject to New York banking laws and regulations, WestLB and WestLB New York are also subject to federal regulation and supervision under the *International Banking Act of 1978* (the "IBA") and the *Foreign Bank Supervision Enhancement Act of 1991*, and WestLB is subject to federal regulation under the IBA and the *Bank Holding Company Act of 1956*.

Summary of Results of Operations and Financial Condition for The Fiscal Year Ending December 31, 1993

In the fiscal year ended December 31, 1993, WestLB's total assets grew by 6.1% (from DM 248.8 billion) to DM 264.0 billion (U.S. \$153 billion). As of December 31, 1993, deposits and borrowed funds other than deposits and borrowed funds from other banks, totalled DM 133.4 billion (U.S. \$77.3 billion), an increase of

0.20% from the previous year's amount of DM 133.2 billion. WestLB's capital and declared reserves increased to DM 14,580 million (U.S. \$8,445 million) as of December 31, 1993 (as compared to DM 11,190 million as of December 31, 1992).

WestLB's operating profit before risk reserves of DM 1,281 million (U.S. \$742 million) was 48.1% more than its 1992 operating profit, in part due to an increase in interest surplus of 25% (from DM 1,860 million in 1992 to DM 2,332 million in 1993). Commission surplus decreased slightly by 2.6% (from DM 341 million in 1992 to DM 332 million in 1993). Staff expenses went up by 3.9% to DM 959 million (U.S. \$555 million), with other administrative expenses showing an increase of 9.3% to DM 645 million (U.S. \$374 million).

United States and German Exchange Rates and Generally Accepted Accounting Principles

The financial information presented herein is derived from the audited financial statements of WestLB for the year ended December 31, 1993, does not include the consolidated subsidiaries of the WestLB Group and has been prepared in accordance with accounting principles, practices, laws and regulations generally accepted in Germany. Since the beginning of 1993, WestLB's financial statements have had to be prepared in accordance with a new German regulation on accounting by credit institutions that requires specific formats for the presentation of the balance sheets and profit and loss statements of banks. Therefore, the comparative financial data included herein for the year ended December 31, 1992, may differ from the financial data included in WestLB's 1992 Annual Report. German accounting principles differ in certain respects from accounting principles generally accepted in the United States.

Unless indicated otherwise, currency amounts are stated in Deutsche Marks ("DM" or "Deutsche Marks") or United States dollars ("U.S.", "U.S. dollars", "\$" or "dollars"). Merely for the convenience of the reader, this summary contains translations of certain Deutsche Mark amounts into U.S. dollars at specified rates. These translations should not be construed as representations that the Deutsche Mark amounts actually represent such U.S. dollar amounts or could be converted into U.S. dollar amounts at the rate indicated. Unless otherwise indicated, the translations of Deutsche Marks into U.S. dollars have been made at DM 1.7263 = U.S. \$1.00, which was the official (Frankfurt fixing) exchange rate on December 30, 1993, the last trading day in 1993. In certain instances, figures reflect the effect of rounding.

Miscellaneous

Upon written request, WestLB will provide without charge to each person to whom this Preliminary Official Statement is delivered a copy of its most recent annual report. Written request for such annual reports or any additional information concerning WestLB should be directed to Westdeutsche Landesbank Girozentrale, New York Branch, 1211 Avenue of the Americas, New York, New York 10036, Attention: Branch Management.

Delivery of this Official Statement shall not create any implication that there has been no change in the affairs of WestLB since the date hereof or that the information contained or referred to herein is correct as of any time subsequent to its date.

TAX-EXEMPT ADJUSTABLE RATE BONDS

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

The Tax-Exempt Adjustable Rate Bonds of Subseries B-8 and B-10 shall bear interest at Weekly Rates, and of Subseries B-9 in the Money Market Mode, from their dates of issuance as described below in "Interest on Tax-Exempt Adjustable Rate Bonds". Each Subseries of Tax-Exempt Adjustable Rate Bonds is subject to Conversion from a Variable Rate Period to a different Variable Rate Period, to the Money Market Mode or to a Fixed Rate Period, or from the Money Market Mode to a Variable Rate Period or to a Fixed Rate Period. The rate of interest for any Rate Period shall be determined as described below, and each determination of rate or period shall be conclusive and binding upon the Remarketing Agent, the City, the applicable Subseries Bank (each a "Bank"), the Fiscal Agent, the Tender Agent and the Bondholders. Computations of interest shall be based on 365-day or 366-day years for the actual number of days elapsed; except that interest at Semiannual, Term or Fixed Rates shall be computed on the basis of a year of 360 days and twelve 30-day months.

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

Interest on Tax-Exempt Adjustable Rate Bonds

Interest payments on each Interest Payment Date for Tax-Exempt Adjustable Rate Bonds will include accrued interest from and including their dates of issuance or from and including the last date in respect of which interest has been paid, as the case may be, to, but excluding, such Interest Payment Date, except as provided below with respect to a delayed Interest Payment Date. The interest payment dates for the Tax-Exempt Adjustable Rate Bonds shall be: (a) the first day of each calendar month, in the case of interest payable at Daily or Weekly Rates; (b) the first day of each calendar month, in the case of interest payable at Monthly Rates; (c) the first day of the third calendar month following a Conversion to a Quarterly Rate Period and the first day of each third calendar month thereafter, in the case of interest payable at Quarterly Rates; (d) the first day of the sixth calendar month following a Conversion to a Semiannual Rate Period or Term Rate Period and the first day of each sixth calendar month thereafter, in the case of interest payable at Semiannual or Term Rates; (e) the fifteenth day of each February and August, in the case of interest payable at a Fixed Rate, or in any case not otherwise specified; (f) the first Business Day following an MMR Period, and the first day of the sixth month in an MMR Period exceeding six months, in the case of interest payable at Money Market Municipal Rates; (g) the date of any redemption or mandatory tender of Tax-Exempt Adjustable Rate Bonds for purchase and (h) the date of maturity ("Interest Payment Dates"). If any Interest Payment Date for any Tax-Exempt Adjustable Rate Bond would otherwise be a day that is not a Business Day, such Interest Payment Date shall be postponed to the next day that is a Business Day, and no additional interest shall accrue as a result of such delayed Interest Payment Date. Interest shall be payable on each Interest Payment Date by check mailed to the registered owner at his address as it appears on the registration books of the City as of the close of business on the appropriate Record Date; provided, that (i) while a securities depository is the registered owner of all the Tax-Exempt Adjustable Rate Bonds of a Subseries, all payments of principal of and interest on such Tax-Exempt Adjustable Rate Bonds shall be paid to the securities depository or its nominee by wire transfer, (ii) prior to and including the Fixed Rate Conversion Date, interest on the Tax-Exempt Adjustable Rate Bonds shall be payable to any registered owner of at least \$1,000,000 aggregate principal amount of Tax-Exempt Adjustable Rate Bonds by wire transfer, upon written notice received by the Fiscal Agent at least five days prior to the Record Date from such registered owner containing the wire transfer address (which shall be in the continental United States)

to which such registered owner wishes to have such wire directed and (iii) following an MMMR Period, interest shall be payable on the Tax-Exempt Adjustable Rate Bonds only upon presentation thereof to the Tender Agent upon purchase thereof and if such presentation is made by 10:00 a.m. (New York City time) such payment shall be by wire transfer.

Variable Rates

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

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

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

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

Money Market Mode

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

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

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

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

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

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

Fixed Rates

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

Conversions

Upon the direction of the City, the Tax-Exempt Adjustable Rate Bonds of a Subseries may be Converted to a Fixed Rate (and Term Bonds may at the option of the City be serialized, subject to the stated conditions) or from one Variable Rate Period to a different type of Variable Rate Period (including a change from one Term Rate Period to a Term Rate Period equal or approximately equal in length to a different number of years from the preceding Term Rate Period) or to the Money Market Mode, or from the Money Market Mode to a Variable Rate Period; in each case on, if from a Variable Rate Period other than a Term Rate Period, a regularly scheduled Interest Payment Date for the Rate Period from which the Conversion is to be made; if from a Term Rate Period, only on a date on which a new Term Rate Period would have commenced; and if from the Money Market Mode, only on the first regularly scheduled Interest Payment Date on which interest is payable for any MMMR Periods theretofore established for the Tax-Exempt Adjustable Rate Bonds to be Converted which is at least 30 days after notice of mandatory tender upon Conversion is given to the Bondholders.

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

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

Purchased Bonds

Any Tax-Exempt Adjustable Rate Bond purchased by a Bank (a "Purchased Bond") shall bear interest at the rates, payable on the dates, described in the Tax-Exempt Adjustable Rate Bonds. Purchased Bonds may be sold when and as provided in the Credit Facility for such Tax-Exempt Adjustable Rate Bond, and if remarketed at a Variable Rate, a Money Market Municipal Rate or a Fixed Rate will no longer bear interest as Purchased Bonds. In no event shall the rate of interest on the Tax-Exempt Adjustable Rate Bonds exceed 25% per annum.

Tender of Tax-Exempt Adjustable Rate Bonds

Each Tax-Exempt Adjustable Rate Bond of a Subseries bearing interest at a Variable Rate or a Money Market Municipal Rate shall be subject to tender, including tender at the option of the Bondholder, for purchase by the Tender Agent or (if not defeased) by the Subseries Bank on or prior to the Fixed Rate Conversion Date. In each case, such purchases shall be made at a purchase price (the "Purchase Price") equal to 100% of the principal amount to be purchased, plus all accrued and unpaid interest thereon to the date of purchase thereof (the "Purchase Date").

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

Mandatory tender for purchase of a Tax-Exempt Adjustable Rate Bond bearing interest at a Variable Rate or a Money Market Municipal Rate shall occur (a) on the commencement date of an MMMR Period but only with respect to the Tax-Exempt Adjustable Rate Bond to which such Period relates, (b) on the

commencement date of a Term Rate Period for such Tax-Exempt Adjustable Rate Bond, (c) on the effective date of any Conversion of such Tax-Exempt Adjustable Rate Bond, and (d) as described below under "Mandatory Tender to Banks" and "Credit Facilities".

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

In the case of any tender for purchase at the option of a Bondholder, irrevocable notice of the exercise of such option, specifying the Purchase Date and the principal amount to be purchased, shall be required to be given to the Tender Agent: (a) by telephone not later than 9:00 a.m. (11:00 a.m. for the Subseries B-9 Bonds), New York City time, on the Purchase Date, in the case of any Tax-Exempt Adjustable Rate Bond bearing interest at a Daily Rate; or (b) in writing delivered to the designated office of the Tender Agent not later than 5:00 p.m., New York City time, on a Business Day which is not less than (i) seven days prior to the Purchase Date, in the case of any Tax-Exempt Adjustable Rate Bond bearing interest at a Weekly or Monthly Rate or (ii) 15 days prior to the Purchase Date, in the case of any Tax-Exempt Adjustable Rate Bond bearing interest at a Quarterly or Semiannual Rate.

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

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

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

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

Mandatory Tender to Banks

Each of the Tax-Exempt Adjustable Rate Bonds of a Subseries bearing interest at a Variable Rate or a Money Market Municipal Rate (and not defeased) is subject to mandatory tender for purchase by the Subseries Bank pursuant to its Credit Facility, on the Purchase Date following a Notice from the Fiscal Agent to such Subseries Bank, at the applicable Purchase Price. If (x) there is on a payment date for principal of or interest on such Tax-Exempt Adjustable Rate Bonds an insufficiency of funds for such payment, the Fiscal Agent shall give the Notice to such Subseries Bank by a specified time on that day, (y)(i) on the 20th day prior to the Credit Facility Scheduled Expiration Date, Tax-Exempt Adjustable Rate Bonds are bearing interest at a Variable Rate or a Money Market Municipal Rate and the City has not given Written Notice to the Fiscal Agent of the extension or replacement of the Credit Facility or (ii) the Fiscal Agent receives a Termination Notice from a Subseries Bank, the Fiscal Agent shall give the Notice to such Bank on that day (or, at latest, by a specified time on the next Business Day); and the Fiscal Agent shall promptly notify the

registered owners of such Tax-Exempt Adjustable Rate Bonds, by certified mail, postage prepaid, return receipt requested, of its Notice. Such notice to registered owners shall also state the Purchase Date; that such Tax-Exempt Adjustable Rate Bonds shall be required to be surrendered to the Fiscal Agent on the Purchase Date (which, for any purchase of Tax-Exempt Adjustable Rate Bonds pursuant to clause (x) above shall be the Business Day on which the Notice is received by the Subseries Bank, if received not later than the specified time, or if received thereafter, the next Business Day; *provided* that the Purchase Date is prior to the termination of the applicable Credit Facility for such Tax-Exempt Adjustable Rate Bond; and, for any purchase of Tax-Exempt Adjustable Rate Bonds pursuant to clause (y) above shall, unless the Purchase Date has theretofore occurred pursuant to clause (x), be a Business Day that is at least 5 days prior to the termination of the applicable Credit Facility; that if any such Tax-Exempt Adjustable Rate Bond is not so tendered, it shall be deemed to have been tendered on the Purchase Date; and that upon deposit by the Fiscal Agent of sufficient money in a special custody account for the payment of the Purchase Price of such Tax-Exempt Adjustable Rate Bond, interest on such Tax-Exempt Adjustable Rate Bond shall cease to accrue to the former owner and such Tax-Exempt Adjustable Rate Bond shall be deemed purchased by the Subseries Bank. All Tax-Exempt Adjustable Rate Bonds purchased pursuant to this paragraph shall be paid for from funds furnished under the applicable Credit Facility upon presentation and surrender thereof, together with an instrument of transfer thereof, in form satisfactory to the Fiscal Agent, executed in blank by the registered owner thereof, at the office of the Fiscal Agent. If Notice is not given as specified in clause (y) above, the termination of the Credit Facility shall nonetheless take effect and, beginning on the Termination Date, such Tax-Exempt Adjustable Rate Bonds bearing interest at a Variable Rate or a Money Market Municipal Rate shall bear interest at the highest rate provided by law for interest on accrued claims against municipalities and shall not be subject to optional or mandatory tender for purchase.

Redemption

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

Following a Fixed Rate Conversion, the Tax-Exempt Adjustable Rate Bonds of a Subseries will be subject to redemption at the option of the City, beginning on the tenth anniversary of the Fixed Rate Conversion Date, in whole or in part, by lot within each maturity (if serialized), on any date upon 30 days' notice to Bondholders, at a redemption price of 101%, which price shall decline annually by ½% per annum, until reaching a price of 100% on the twelfth anniversary, to remain in effect thereafter; plus accrued interest to the date of redemption. The City may select amounts and (if serialized) maturities of such Bonds for redemption in its sole discretion. Prior to Conversion to a Fixed Rate, such optional redemption provisions may be amended if the City receives an opinion of Bond Counsel to the effect that such amendment is authorized by law and will not adversely affect the exclusion of interest in the Tax-Exempt Adjustable Rate Bonds from gross income for Federal income tax purposes.

As Term Bonds, the Subseries B-8 Bonds are subject to mandatory redemption upon 30 days' notice to Bondholders, at a redemption price equal to the principal amount thereof, plus accrued interest, without premium, in the amounts set forth below:

<u>August</u>	<u>Principal Amount to be Redeemed</u>
2023	\$16,200,000
2024*	33,800,000

* Stated Maturity

At the option of the City, there shall be applied to or credited against the required amounts the principal amount of any such Term Bonds that have been defeased, purchased or redeemed and not previously so applied or credited.

Defeased Term Bonds shall at the option of the City no longer be entitled, but may be subject, to the provisions thereof for mandatory redemption.

Defeasance

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

Credit Facilities

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

Each owner of a Tax-Exempt Adjustable Rate Bond bearing interest at a Variable Rate or a Money Market Municipal Rate (and not defeased) will be entitled to the benefits and subject to the terms of the Credit Facility for such Bond. Under such Credit Facility, the Subseries Bank agrees to make available to the Tender Agent or the Fiscal Agent, upon receipt of an appropriate demand for payment, the Purchase Price for Tax-Exempt Adjustable Rate Bonds of the stated Subseries. Each Bank's commitments under the Credit

Facilities will be sufficient to pay a Purchase Price equal to the principal of and up to 35 days' interest (185 days' interest on the Subseries B-9 Bonds) on the Tax-Exempt Adjustable Rate Bonds at an assumed rate of 9%, as follows:

<u>Bank</u>	<u>Subseries</u>	<u>Credit Facility Scheduled Expiration Date November 16,</u>
The Mitsubishi Bank, Limited, New York Branch	B-8	1997
Chemical Bank	B-9	1997
Union Bank of Switzerland, New York Branch	B-10	1997

No Bank is responsible for another Bank's performance of its obligations under a Credit Facility.

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

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

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

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

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

TAX-EXEMPT ADJUSTABLE RATE BOND—DEFINITIONS

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

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

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

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

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

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

Conversion Date: The effective date of a Conversion.

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

Credit Facility Scheduled Expiration Date: The Letter of Credit Scheduled Expiration Date, as such term is defined in each Credit Facility.

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

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

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

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

Money Market Municipal Rate: The interest rate that may be separately determined for each Tax-Exempt Adjustable Rate Bond of a Subseries pursuant to the applicable provisions of the Certificate. The Money Market Municipal Rate shall not exceed 9% per annum.

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

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

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

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

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

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

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

Remarketing Agent: Bear, Stearns & Co. Inc. for the Subseries B-8 and B-10 Bonds; Chemical Securities Inc. for the Subseries B-9 Bonds.

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

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

Tender Agent: The Chase Manhattan Bank, N.A., New York, New York, or any successor appointed pursuant to the Certificate. The Tender Agent's designated office is, if by hand, One Chase Manhattan Plaza—Level 1B, New York, New York 10081, Attn: Municipal Bond Redemption Window; if by mail, 4 Chase Metrotech Center, Brooklyn, New York 11245, Attn: Box 2020.

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

Termination Notice: A Termination Notice, as defined in each Credit Facility.

Variable Rate: As the context requires, the Daily Rate, Weekly Rate, Monthly Rate, Quarterly Rate, Semiannual Rate or Term Rate applicable to Tax-Exempt Adjustable Rate Bonds of any Subseries. No Variable Rate shall exceed 9% per annum.

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

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

THE BANKS
(Tax-Exempt Adjustable Rate Bonds)
(Taxable Adjustable Rate Bonds)

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

The Mitsubishi Bank, Limited, New York Branch

The Mitsubishi Bank, Limited (under this caption, the "Bank"), together with its subsidiaries (the "Mitsubishi Bank Group" or the "Group"), is one of the major commercial banking organizations in Japan and provides a full range of domestic and international banking services at its offices in Japan and around the world. At March 31, 1994, the Mitsubishi Bank Group ranked as the sixth largest commercial bank in the world in terms of consolidated total assets. As of March 31, 1994, the Group had total assets of ¥47.10 trillion (\$460.0 billion) and total deposits of ¥37.40 trillion (\$365.3 billion). Total shareholders' equity was ¥1.76 trillion (\$17.2 billion) as of the same date and net income for the year ended March 31, 1994 was ¥38.4 billion (\$375 million). The U.S. dollar amounts represent transactions, of yen amounts at the rate of ¥102.40 = US\$1, the noon buying rate in New York City for cable transfers in yen as certified for customers' purposes by the Federal Reserve Bank of New York on March 31, 1994. The Bank's head office is located at 7-1, Marunouchi 2-chome, Chiyoda-ku, Tokyo 100, Japan.

In Japan, Mitsubishi Bank provides a broad range of financial services to consumers and corporations. These services are made available through a network of 355 banking offices located primarily in the Tokyo and Osaka regions. The Bank is also very active overseas. The Mitsubishi Bank Group, an international network of 68 branches, offices and subsidiaries in 27 countries, serves its Japanese and foreign clientele in such areas as corporate banking, project finance, trade finance, and treasury and foreign exchange. The Mitsubishi Bank Group is principally engaged in domestic and international commercial banking and a wide range of investment banking activities in the world's principal capital markets. These activities include bond underwriting and dealing, developing financial derivative products, and providing M&A and other financial advisory services.

Chemical Bank

Chemical Bank is a banking corporation organized under the laws of the State of New York, with headquarters in New York, New York, and is a wholly-owned subsidiary of Chemical Banking Corporation, a Delaware corporation ("Chemical").

At June 30, 1994, Chemical had total assets of approximately \$168.9 billion and stockholders' equity of approximately \$11.2 billion. At June 30, 1994, Chemical was the fourth largest bank holding company in the United States in terms of total assets. As of June 30, 1994, Chemical Bank was the third largest bank in the United States in terms of total deposits. At June 30, 1994, Chemical Bank had total assets of approximately \$129.9 billion, total loans of approximately \$59.4 billion and total deposits of approximately \$73.2 billion.

Additional information regarding Chemical, including its most recent Form 10-K for the year ended December 31, 1993 and the 1993 Annual Report (which includes the consolidated balance sheet of Chemical Bank and subsidiaries at December 31, 1993 and 1992), and additional annual, quarterly and current reports filed with the Securities and Exchange Commission by Chemical, as they become available, may be obtained without charge by each person to whom this Appendix is delivered upon the written request of any such person to the office of the Secretary, Chemical Banking Corporation, 270 Park Avenue, New York, New York 10017.

Union Bank of Switzerland, New York Branch

Union Bank of Switzerland ("UBS"), a Swiss banking corporation, was chartered as a bank located in Zurich in 1912. UBS's principal executive offices are located at Bahnhofstrasse 45, Zurich. The New York Branch of UBS is licensed by the New York Superintendent of Banks (the "Superintendent") to conduct a banking business as a branch of a foreign bank. The office of the New York Branch is located at 299 Park Avenue, New York, New York 10171.

UBS has approximately 308 branches and banking subsidiaries throughout Switzerland. UBS also has United States branches, agencies, representative offices and subsidiaries in New York, Chicago, Houston, Los Angeles and San Francisco and other foreign offices including branches, representative offices and subsidiaries, in Beijing, Frankfurt, Hong Kong, London, Luxembourg, Singapore, Sydney, Taipei, Tokyo and Toronto, for a total of 54 business offices abroad. In addition to the receipt of deposits and the making of loans and advances, UBS engages in other banking and bank-related activities typical of the world's major international banks, including fiduciary, investment advisory and custodial services, foreign exchange and underwriting in the United States, Swiss and Euro-capital markets.

As a Swiss bank, UBS is subject to regulation by the Swiss Federal Banking Commission (the "Swiss Commission") and the Swiss National Bank, and its business is subject to inspection by an independent auditing firm. The auditors review compliance with the Swiss Banking Law and are required to report uncured violations or irregularities to the Swiss Commission, which is authorized to enforce compliance with the Swiss Banking Law. The Swiss National Bank oversees the financial condition and liquidity of Swiss banks. UBS is required to file with the Swiss National Bank annual statements of condition, monthly interim balance sheets, quarterly liquidity statements and other information regarding its financial condition. Information provided to the Swiss Commission and the Swiss National Bank is not available to the general public.

In addition to regulation by the Swiss banking authorities, UBS is subject to regulatory oversight in the United States. The scope of UBS's activities (directly or through subsidiaries) in the United States is limited by the International Banking Act of 1978 and the Bank Holding Company Act of 1956. The New York Branch is licensed by the Superintendent, pursuant to a Certificate of Authority issued under the New York Banking Law, to conduct a banking business as a branch of a foreign bank. It is required to make periodic reports to, and is subject to examination by, the Superintendent and the Board of Governors of the Federal Reserve.

At December 31, 1993, UBS had total assets of Sfr. 230.8 billion, total deposits (including due to banks) of Sfr. 177.1 billion, notes, bonds and other liabilities of Sfr. 37.0 billion, equity capital and reserves of Sfr. 15.9 billion. At December 31, 1993, foreign (i.e. non-Swiss) business accounted for approximately 54% of UBS's assets and 47% of its liabilities. Such amounts are as reflected in UBS's 1993 Annual Report to Shareholders and do not include UBS's consolidated subsidiaries. The accounting principles applied in the preparation of its financial statements (and therefore reflected herein) may not conform to generally accepted accounting principles applied by United States banks.

Copies of UBS's annual reports to shareholders are available from the New York Branch on request at the address in New York, set forth above.

INSURED TAXABLE ADJUSTABLE RATE BONDS

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

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

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

Interest on Insured Taxable Adjustable Rate Bonds

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

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

Variable Rates

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

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

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

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

Money Market Mode

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

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

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

The City may change its instructions about the establishment of MMMR Periods pursuant to the preceding paragraph (i) in a written direction from the City, which direction must be received by the Remarketing Agent prior to 10:00 a.m., New York City time, on the day prior to any Rate Determination Date to be effective on such date.

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

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

Fixed Rates

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

Conversions

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

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

or otherwise, as the case may be. Failure by the Tender Agent to provide such notice to the owners of the Insured Taxable Adjustable Rate Bonds shall not affect the validity of the notice of withdrawal given by the City.

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

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

Purchased Bonds

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

Tender of Insured Taxable Adjustable Rate Bonds

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

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

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

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

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

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

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

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

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

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

Mandatory Tender to Liquidity Provider

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

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

Redemption

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

Following a Fixed Rate Conversion, the Insured Taxable Adjustable Rate Bonds will be subject to redemption at the option of the City, beginning on the tenth anniversary of the Fixed Rate Conversion Date, in whole or in part, by lot within each maturity (if serialized), on any date, at a redemption price of 101%, which price shall decline annually by ½% per annum, until reaching a price of 100% on the twelfth anniversary, to remain in effect thereafter; plus accrued interest to the date of redemption. The City may select amounts and (if serialized) maturities of such Bonds for redemption in its sole discretion. Prior to Conversion to a Fixed Rate, such optional redemption provisions may be amended if the City receives an opinion of Bond Counsel to the effect that such amendment is authorized by law.

As Term Bonds, the Insured Taxable Adjustable Rate Bonds are subject to mandatory redemption upon 30 days' notice to Bondholders, at a redemption price equal to the principal amount thereof, plus accrued interest, without premium, in the amounts set forth below:

<u>August 15</u>	<u>Principal Amount to be Redeemed</u>
2020	\$12,500,000
2021	66,000,000
2022*	21,500,000

* Stated Maturity

At the option of the City, there shall be applied to or credited against the required amounts the principal amount of any such Term Bonds that have been defeased, purchased or redeemed and not previously so applied or credited.

Defeased Term Bonds shall at the option of the City no longer be entitled, but may be subject, to the provisions thereof for mandatory redemption.

Defeasance

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

FGIC-SPI Liquidity Facility

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

Each registered owner of an Insured Taxable Adjustable Rate Bond bearing interest at a Variable Rate or a Money Market Municipal Rate (and not defeased) will be entitled to the benefits and subject to the terms of the FGIC-SPI Liquidity Facility. Under the FGIC-SPI Liquidity Facility, the Liquidity Provider agrees to make available to the Tender Agent or the Fiscal Agent, upon receipt of an appropriate demand for payment, the Purchase Price for Insured Taxable Adjustable Rate Bonds, subject to the Bond Insurer Events. The Liquidity Provider's Commitment under the Liquidity Facility in the initial mode will be sufficient to pay a Purchase Price equal to the principal of and up to 185 days' interest on the Insured Taxable Adjustable Rate Bonds at an assumed rate of 13%.

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

Unless a Bond Insurer Event occurs, bonds bearing interest at a Variable Rate or a Money Market Municipal Rate are subject to mandatory tender to the Liquidity Provider upon notice to be given 15 days before expiration of the FGIC-SPI Liquidity Facility if the Liquidity Facility is not extended or replaced. The Scheduled Termination Date of the FGIC-SPI Liquidity Facility is November 16, 1999.

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

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

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

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

Bond Insurance

The following information pertaining to Financial Guaranty Insurance Company (“Financial Guaranty”) has been supplied by Financial Guaranty. The City makes no representation as to the accuracy or adequacy of such information or as to the absence of material adverse changes in such information subsequent to the dates indicated. Summaries of or references to the insurance policies to be issued by Financial Guaranty are made subject to all the detailed provisions thereof to which reference is hereby made for further information and do not purport to be complete statements of any or all of such provisions. See “APPENDIX O—SPECIMEN INSURANCE POLICIES”.

Concurrently with the issuance of the Bonds, Financial Guaranty will issue its Municipal Bond New Issue Insurance Policy (the “Financial Guaranty Policy”) for the Insured Taxable Adjustable Rate Bonds (“the Financial Guaranty Insured Bonds”). The Financial Guaranty Policy unconditionally guarantees the payment of that portion of the principal of and interest on the Financial Guaranty Insured Bonds which has become due for payment, but shall be unpaid by reason of nonpayment by the City. Financial Guaranty will make such payments to State Street Bank and Trust Company, N.A., or its successor as its agent (“Financial Guaranty’s Fiscal Agent”), on the later of the date on which such principal and interest is due or on the business day next following the day on which Financial Guaranty shall have received telephonic or telegraphic notice, subsequently confirmed in writing, or written notice by registered or certified mail, from an owner of Financial Guaranty Insured Bonds or the City’s Fiscal Agent of the nonpayment of such amount by the City. Financial Guaranty’s Fiscal Agent will disburse such amount due on any Financial Guaranty Insured Bond to its owner upon receipt by Financial Guaranty’s Fiscal Agent of evidence satisfactory to Financial Guaranty’s Fiscal Agent of the owner’s right to receive payment of the principal and interest due for payment and evidence, including any appropriate instruments of assignment, that all of such owner’s rights to payment of such principal and interest shall be vested in Financial Guaranty. The term “nonpayment” in respect of a Financial Guaranty Insured Bond includes any payment of principal or interest made to an owner of a Financial Guaranty Insured Bond which has been recovered from such owner pursuant to the United States Bankruptcy Code by a trustee in bankruptcy in accordance with a final, nonappealable order of a court having competent jurisdiction.

The Financial Guaranty Policy is non-cancellable and the premium will be fully paid at the time of delivery of the Financial Guaranty Insured Bonds. The Financial Guaranty Policy covers failure to pay principal of the Financial Guaranty Insured Bonds on their respective stated maturity dates or dates on which the same shall have been called for mandatory sinking fund redemption, and not on any other date on which the Financial Guaranty Insured Bonds may have been accelerated, and covers the failure to pay an installment of interest on the stated date for its payment.

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

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

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

Financial Guaranty is a wholly-owned subsidiary of FGIC Corporation (the "Corporation"), a Delaware holding company. The Corporation is a subsidiary of General Electric Capital Corporation ("GE Capital"). Neither the Corporation nor GE Capital is obligated to pay the debts of or the claims against Financial Guaranty. Financial Guaranty is a monoline financial guaranty insurer domiciled in the State of New York and subject to regulation by the State of New York Insurance Department. As of June 30, 1994, the total capital and surplus of Financial Guaranty was approximately \$850,000,000. Financial Guaranty prepares financial statements on the basis of both statutory accounting principles and generally accepted accounting principles. Copies of such financial statements may be obtained by writing to Financial Guaranty at 115 Broadway, New York, New York 10006, Attention: Communications Department (telephone number: (212) 312-3000) or to the New York State Insurance Department at 160 West Broadway, 18th Floor, New York, New York 10013, Attention: Property Companies Bureau (telephone number: (212) 602-0389).

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INSURED TAXABLE ADJUSTABLE RATE BONDS—DEFINITIONS

As used in “APPENDIX I—INSURED TAXABLE ADJUSTABLE RATE BONDS”, the following terms have the meanings set forth below:

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

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

Bond Insurer: Financial Guaranty Insurance Company.

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

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

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

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

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

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

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

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

Conversion Date: The effective date of a Conversion.

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

FGIC-SPI: The Liquidity Provider.

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

FGIC-SPI Liquidity Facility: The Standby Bond Purchase Agreement with the Liquidity Provider, dated November 16, 1994, as it may be amended and supplemented pursuant thereto, to the Certificate, or to a supplement to the Certificate.

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

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

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

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

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

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

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

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

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

Remarketing Agent: Merrill Lynch, Pierce, Fenner & Smith Incorporated, or any successor appointed pursuant to the Certificate.

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

Tender Agent: The Chase Manhattan Bank, N.A., New York, New York, or any successor appointed pursuant to the Certificate. The Tender Agent's designated office is, if by hand, One Chase Manhattan Plaza—Level 1B, New York, New York 10081, Attn: Municipal Bond Redemption Window; if by mail, 4 Chase Metrotech Center, Brooklyn, New York 11245, Attn: Box 2020.

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

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

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

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

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

THE LIQUIDITY PROVIDER
(Insured Taxable Adjustable Rate Bonds)

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

FGIC Securities Purchase, Inc.

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

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

FGIC-SPI is subject to the informational requirements of the Securities Exchange Act of 1934 (the "1934 Act") and in accordance therewith files reports and other information with the Securities and Exchange Commission (the "Commission"). Such reports and other information can be inspected and copied at Room 1024 at the Office of the Commission, 450 Fifth Street N.W., Washington, D.C. 20549, as well as at the Regional Offices of the Commission at 500 W. Madison, 14th Floor, Chicago, Illinois 60661-2511, and 7 World Trade Center, New York, New York 10048 and copies can be obtained by mail from the Public Reference Section of the Commission at 450 Fifth Street, N.W., Washington, D.C. 20549 at prescribed rates. FGIC-SPI does not intend to deliver to holders of the Financial Guaranty Insured Adjustable Rate Bonds an annual report or other report containing financial information.

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

The Standby Loan Agreement; GE Capital. In order to obtain funds to fulfill its obligations under the Liquidity Facility, FGIC-SPI has entered into a Standby Loan Agreement with GE Capital under which GE Capital is irrevocably obligated to lend funds to FGIC-SPI as needed to purchase Financial Guaranty Insured Adjustable Rate Bonds. Each loan under the Standby Loan Agreement will be in an amount not exceeding the purchase price for tendered Bonds which represents the outstanding principal amount of such tendered Bonds together with accrued interest thereon to but excluding the date a borrowing is made and will mature on the date which is five years from the effective date of the Standby Loan Agreement. The proceeds of each loan shall be used only for the purpose of paying the purchase price for tendered Bonds. When FGIC-SPI desires to make a borrowing under the Standby Loan Agreement, it must give GE Capital prior written notice of such borrowing by at least 11:45 a.m., New York City time, on the proposed borrowing

date. No later than 2:30 p.m., New York City time, on each borrowing date (if the related notice of borrowing has been received by 11:45 a.m. on such date), GE Capital will make available the amount of the borrowing requested.

The Standby Loan Agreement expressly provides that it is not a guarantee by GE Capital of the Financial Guaranty Insured Adjustable Rate Bonds or of FGIC-SPI's obligations under the Standby Bond Purchase Agreement. GE Capital will not have any responsibility for, or incur any liability in respect of, any act, or any failure to act, by FGIC-SPI which results in the failure of FGIC-SPI to effect the purchase for the account of FGIC-SPI of Tendered Bonds with the funds provided pursuant to the Standby Loan Agreement.

GE Capital is subject to the informational requirements of the 1934 Act and in accordance therewith files reports and other information with the Commission. Such reports and other information can be inspected and copied at Room 1024 at the Office of the Commission, 450 Fifth Street, N.W., Washington, D.C. 20549, as well as at the Regional Offices of the Commission at 500 W. Madison, 14th Floor, Chicago, Illinois 60661-2511, and 7 World Trade Center, New York, New York 10048 and copies can be obtained by mail from the Public Reference Section of the Commission at 450 Fifth Street, N.W., Washington, D.C. 20549 at prescribed rates. Reports and other information concerning GE Capital can also be inspected at the offices of the New York Stock Exchange, 20 Broad Street, New York, New York 10005, on which certain of GE Capital's securities are listed.

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

Fiscal Year Ended December 31,					Six Months Ended
<u>1989</u>	<u>1990</u>	<u>1991</u>	<u>1992</u>	<u>1993</u>	<u>July 2, 1994</u>
1.30	1.31	1.34	1.44	1.62	1.63

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

TAXABLE ADJUSTABLE RATE BONDS

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

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

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

Interest on Taxable Adjustable Rate Bonds

Interest payments on each Interest Payment Date for Adjustable Rate Bonds will include accrued interest from and including their dates of issuance or from and including the last date in respect of which interest has been paid, as the case may be, to, but excluding, such Interest Payment Date, except as provided below with respect to a delayed Interest Payment Date. The interest payment dates for the Taxable Adjustable Rate Bonds shall be: (a) the first day of each calendar month, in the case of interest payable at Daily or Weekly Rates; (b) the first day of each calendar month, in the case of interest payable at Monthly Rates; (c) the first day of the third calendar month following a Conversion to a Quarterly Rate Period and the first day of each third calendar month thereafter, in the case of interest payable at Quarterly Rates; (d) the first day of the sixth calendar month following a Conversion to a Semiannual Rate Period or Term Rate Period and the first day of each sixth calendar month thereafter, in the case of interest payable at Semiannual or Term Rates; (e) the fifteenth day of each February and August, in the case of interest payable at a Fixed Rate, or in any case not otherwise specified; (f) the first day of the sixth month in an MMMR Period exceeding six months and the first Business Day following an MMMR Period, in the case of interest payable at Money Market Municipal Rates; (g) the date of any redemption or mandatory tender of Taxable Adjustable Rate Bonds for purchase and (h) the date of maturity ("Interest Payment Dates"). If any Interest Payment Date for any Taxable Adjustable Rate Bond would otherwise be a day that is not a Business Day, such Interest Payment Date shall be postponed to the next day that is a Business Day, and no additional interest shall accrue as a result of such delayed Interest Payment Date. Interest shall be payable on each Interest Payment Date by check mailed to the registered owner at his address as it appears on the registration books of the City as of the close of business on the appropriate Record Date; provided, that (i) while a securities depository is the registered owner of all the Taxable Adjustable Rate Bonds, all payments of principal of and interest on such Taxable Adjustable Rate Bonds shall be paid to the securities depository or its nominee by wire transfer, (ii) prior to and including the Fixed Rate Conversion Date, interest on the Taxable Adjustable Rate Bonds shall be payable to any registered owner of at least \$1,000,000 aggregate principal amount of Taxable Adjustable Rate Bonds by wire transfer, upon written notice received by the Fiscal Agent at least five days prior to the Record Date from such registered owner containing the wire transfer address (which shall be in the continental United States) to which such registered owner wishes

to have such wire directed and (iii) following an MMMR Period, interest shall be payable on the Taxable Adjustable Rate Bonds only upon presentation thereof to the Tender Agent upon purchase thereof and if such presentation is made by 10:00 a.m. (New York City time) such payment shall be by wire transfer.

Variable Rates

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

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

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

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

Money Market Mode

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

- (i) *Establishment of MMMR Periods.* At or prior to 12:00 noon, New York City time, on any Conversion Date upon which Taxable Adjustable Rate Bonds will begin to bear interest in the Money

Market Mode and on any day immediately after the end of a MMMR Period, the Remarketing Agent shall establish MMMR Periods in accordance with instructions from the City with respect to Taxable Adjustable Rate Bonds for which no MMMR Period is currently in effect. Any MMMR Period may not exceed 270 days and may not extend beyond the day prior to any applicable Conversion Date or the maturity or redemption date of the Taxable Adjustable Rate Bond.

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

The City may change its instructions about the establishment of MMMR Periods pursuant to the preceding paragraph (i) in a written direction from the City, which direction must be received by the Remarketing Agent prior to 10:00 a.m., New York City time, on the day prior to any Rate Determination Date to be effective on such date.

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

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

Fixed Rates

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

Conversions

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

Interest Payment Date on which interest is payable for any MMMR Periods theretofore established for the Taxable Adjustable Rate Bonds to be Converted which is at least 30 days after notice of mandatory tender upon Conversion is given to the Bondholders.

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

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

Purchased Bonds

Any Taxable Adjustable Rate Bond purchased by the Subseries Bank (a "Purchased Bond") shall bear interest at the rates, payable on the dates, described in the Taxable Adjustable Rate Bonds. Purchased Bonds may be sold when and as provided in the Credit Facility for such Taxable Adjustable Rate Bond, and if remarketed at a Variable Rate, a Money Market Municipal Rate or a Fixed Rate will no longer bear interest as Purchased Bonds. In no event shall the rate of interest on the Taxable Adjustable Rate Bonds exceed 25% per annum.

Tender of Taxable Adjustable Rate Bonds

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

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

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

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

In the case of any tender for purchase at the option of a Bondholder, irrevocable notice of the exercise of such option, specifying the Purchase Date and the principal amount to be purchased, shall be required to be given to the Tender Agent: (a) by telephone not later than 9:00 a.m., New York City time, on the Purchase Date, in the case of any Taxable Adjustable Rate Bond bearing interest at a Daily Rate; or (b) in writing

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

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

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

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

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

Mandatory Tender to Subseries Bank

Each of the Taxable Adjustable Rate Bonds bearing interest at a Variable Rate or a Money Market Municipal Rate (and not defeased) is subject to mandatory tender for purchase by the Subseries Bank pursuant to the Credit Facility, on the Purchase Date following a Notice from the Fiscal Agent to the Subseries Bank, at the applicable Purchase Price. If (x) there is on a payment date for principal of or interest on such Taxable Adjustable Rate Bonds an insufficiency of funds for such payment, the Fiscal Agent shall give the Notice to the Subseries Bank by a specified time on that day, (y)(i) on the 20th day prior to the Credit Facility Scheduled Expiration Date, Taxable Adjustable Rate Bonds are bearing interest at a Variable Rate or a Money Market Municipal Rate and the City has not given Written Notice to the Fiscal Agent of the extension or replacement of the Credit Facility or (ii) the Fiscal Agent receives a Termination Notice from the Subseries Bank, the Fiscal Agent shall give the Notice to the Subseries Bank on that day (or, at latest, by a specified time on the next Business Day); and the Fiscal Agent shall promptly notify the registered owners of such Taxable Adjustable Rate Bonds, by certified mail, postage prepaid, return receipt requested, of its Notice. Such notice to registered owners shall also state the Purchase Date; that such Taxable Adjustable Rate Bonds shall be required to be surrendered to the Fiscal Agent on the Purchase Date (which, for any purchase of Taxable Adjustable Rate Bonds pursuant to clause (x) above shall be the Business Day on which the Notice is received by the Subseries Bank, if received not later than the specified time, or if received thereafter, the next Business Day; *provided* that the Purchase Date is prior to the termination of the Credit Facility for such Taxable Adjustable Rate Bond; and, for any purchase of Taxable Adjustable Rate Bonds pursuant to clause (y) above shall, unless the Purchase Date has theretofore occurred pursuant to clause (x), be a Business Day that is at least 5 days prior to the termination of the Credit Facility; that if any such Taxable Adjustable Rate Bond is not so tendered, it shall be deemed to have been tendered on the Purchase Date; and that upon deposit by the Fiscal Agent of sufficient money in a special custody account for the payment of

the Purchase Price of such Taxable Adjustable Rate Bond, interest on such Taxable Adjustable Rate Bond shall cease to accrue to the former owner and such Taxable Adjustable Rate Bond shall be deemed purchased by the Subseries Bank. All Taxable Adjustable Rate Bonds purchased pursuant to this paragraph shall be paid for from funds furnished under the Credit Facility upon presentation and surrender thereof, together with an instrument of transfer thereof, in form satisfactory to the Fiscal Agent, executed in blank by the registered owner thereof, at the office of the Fiscal Agent. If Notice is not given as specified in clause (y) above, the termination of the Credit Facility shall nonetheless take effect and, beginning on the Termination Date, such Taxable Adjustable Rate Bonds bearing interest at a Variable Rate or a Money Market Municipal Rate shall bear interest at the highest rate provided by law for interest on accrued claims against municipalities and shall not be subject to optional or mandatory tender for purchase.

Redemption

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

Following a Fixed Rate Conversion, the Taxable Adjustable Rate Bonds will be subject to redemption at the option of the City, beginning on the tenth anniversary of the Fixed Rate Conversion Date, in whole or in part, by lot within each maturity (if serialized), on any date upon 30 days' notice to Bondholders, at a redemption price of 101%, which price shall decline annually by ½% per annum, until reaching a price of 100% on the twelfth anniversary, to remain in effect thereafter; plus accrued interest to the date of redemption. The City may select amounts and (if serialized) maturities of such Bonds for redemption in its sole discretion. Prior to Conversion to a Fixed Rate, such optional redemption provisions may be amended if the City receives an opinion of Bond Counsel to the effect that such amendment is authorized by law.

As Term Bonds, the Taxable Adjustable Rate Bonds, are subject to mandatory redemption upon 30 days' notice to Bondholders, at a redemption price equal to the principal amount thereof, plus accrued interest, without premium, in the amounts set forth below:

<u>August 15</u>	<u>Principal Amount to be Redeemed</u>
2004	\$ 1,700,000
2007	1,700,000
2008	11,900,000
2009	24,000,000
2014	8,000,000
2019	600,000
2020*	32,100,000

* Stated Maturity

At the option of the City, there shall be applied to or credited against the required amounts the principal amount of any such Term Bonds that have been defeased, purchased or redeemed and not previously so applied or credited.

Defeased Term Bonds shall at the option of the City no longer be entitled, but may be subject, to the provisions thereof for mandatory redemption.

Defeasance

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

Credit Facility

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

Each owner of a Taxable Adjustable Rate Bond bearing interest at a Variable Rate or a Money Market Municipal Rate (and not defeased) will be entitled to the benefits and subject to the terms of the Credit Facility for such Bond. Under such Credit Facility, the Subseries Bank agrees to make available to the Tender Agent or the Fiscal Agent, upon receipt of an appropriate demand for payment, the Purchase Price for Taxable Adjustable Rate Bonds. The Subseries Bank's commitments under the Credit Facility will be sufficient to pay a Purchase Price equal to the principal of and up to 185 days' interest on the Taxable Adjustable Rate Bonds at an assumed rate of 13%.

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

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

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

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

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

TAXABLE ADJUSTABLE RATE BONDS—DEFINITIONS

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

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

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

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

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

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

Conversion Date: The effective date of a Conversion.

Credit Facility: The Letter of Credit and Reimbursement Agreement, between the City and the Subseries Bank.

Credit Facility Scheduled Expiration Date: The Letter of Credit Scheduled Expiration Date, as such term is defined in the Credit Facility, initially November 16, 1997.

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

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

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

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

Money Market Municipal Rate: The interest rate that may be separately determined for each Taxable Adjustable Rate Bond pursuant to the applicable provisions of the Certificate. The Money Market Municipal Rate shall not exceed 13% per annum.

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

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

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

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

Rating Agency: Each of Moody's Investors Service, Standard & Poor's Corporation and Fitch Investors Service that has a rating in effect for the Taxable Adjustable Rate Bonds.

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

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

Remarketing Agent: Merrill Lynch, Pierce, Fenner & Smith Incorporated.

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

Subseries Bank: The Mitsubishi Bank, Limited, New York Branch.

Tender Agent: The Chase Manhattan Bank, N.A., New York, New York, or any successor appointed pursuant to the Certificate. The Tender Agent's designated office is, if by hand, One Chase Manhattan Plaza—Level 1B, New York, New York 10081, Attn: Municipal Bond Redemption Window; if by mail, 4 Chase Metrotech Center, Brooklyn, New York 11245, Attn: Box 2020.

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

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

Variable Rate: As the context requires, the Daily Rate, Weekly Rate, Monthly Rate, Quarterly Rate, Semiannual Rate or Term Rate applicable to Taxable Adjustable Rate Bonds. No Variable Rate shall exceed 13% per annum.

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

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

APPENDIX N

555 CALIFORNIA STREET
SAN FRANCISCO, CA. 94104-1715
TELEPHONE: 415-772-1200
FACSIMILE: 415-397-4621

815 CONNECTICUT AVENUE, N.W.
WASHINGTON, D.C. 20006-4004
TELEPHONE: 202-973-0600
FACSIMILE: 202-223-0485

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

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

B R O W N & W O O D
ONE WORLD TRADE CENTER
NEW YORK, N. Y. 10048-0557

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

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

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

SUITE 2606, ASIA PACIFIC FINANCE TOWER
CITIBANK PLAZA
3 GARDEN ROAD, CENTRAL
HONG KONG
TELEPHONE: 852-509-7888
FACSIMILE: 852-509-3110

November 16, 1994

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

Dear Comptroller Hevesi:

We have acted as bond counsel in connection with the issuance on this date by The City of New York (the "City"), a municipal corporation of the State of New York (the "State"), of \$1,300,000,000 General Obligation Bonds, Fiscal 1995 Series B (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 of the Deputy Comptroller for Finance dated the date hereof and related proceedings (the "Certificate").

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

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

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

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

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

All Fixed Rate Bonds are Tax-Exempt Bonds.

All Insured Tax-Exempt Adjustable Rate Bonds are Tax-Exempt Bonds.

All Tax-Exempt Adjustable Rate Bonds are Tax-Exempt Bonds.

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

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

The opinions expressed herein are based on an analysis of existing laws, regulations, rulings and court decisions. Such opinions may be adversely affected by actions taken or events occurring, including a change in law, regulation or ruling (or in the application or official interpretation of any law, regulation or ruling) after the date hereof. We have not undertaken to determine, or to inform any person, whether such actions are taken or such events occur and we have no obligation to update this opinion in light of such actions or events.

The rights of the owners of the Bonds and the enforceability thereof may be subject to bankruptcy, insolvency, reorganization, moratorium and other similar laws affecting creditors' rights heretofore or hereafter enacted, to the extent constitutionally applicable, and the enforcement of related contractual and statutory covenants of the City and the State may also be subject to the exercise of the State's police powers and of judicial discretion in appropriate cases.

Very truly yours,

BARNES, MCGHEE, SEGUE & HARPER

1114 AVENUE OF THE AMERICAS
16TH FLOOR
NEW YORK, NEW YORK 10036
(212) 944-1095 FAX: (212) 944-9212

JOSEPH R. BARNES
VINCENT MCGHEE (1954-1994)
TAYLOR C. SEGUE, III**
LUBBE HARPER, JR.****
ANTHONY ADAMS**
JOHN P. DARRAO
DARWIN P. FARR**
JAMES P. FARRELL
PERLESTA A. HOLLINGSWORTH***
RAYFIELD M. MCGHEE*
MICHAEL B. MCKENZIE
RICHARD L. MAYS***
HAROLD D. POPE**
ROBERT D. PRYCE*****
J. STANLEY SANDERS*****
EARL L. SODTT
HUB A. TATE*****
GORDON W. WILKINSON*****
BRUCE R. WILLIAMS*****
THOMAS E. WORRELL

ROBERT L. BERNAN
VALENE A. MOLINARO
OF COUNSEL

* MEMBERS OF THE NEW YORK BAR
** MEMBERS OF THE FLORIDA BAR
*** MEMBERS OF THE MICHIGAN BAR
**** MEMBERS OF THE ARKANSAS BAR
***** MEMBERS OF THE CONNECTICUT BAR
***** MEMBERS OF THE LOUISIANA BAR
***** MEMBERS OF THE CALIFORNIA BAR

CALIFORNIA OFFICE
333 SOUTH GRAND AVENUE
SUITE 2000
LOS ANGELES, CALIFORNIA 90071
(213) 626-0800
FAX: (213) 626-3000

CLINIQUE OFFICE
88 FINE STREET
101-11000
NEW HAVEN, CONNECTICUT 06511
(203) 486-7600
FAX: (203) 486-7600

FLORIDA OFFICE
10800 BISCAYNE BOULEVARD
SUITE 320
MIAMI, FLORIDA 33181
(305) 882-4636
FAX: (305) 882-7400

LOUISIANA OFFICE
1616 PONDRAH STREET
SUITE 2222
NEW ORLEANS, LOUISIANA 70112
(504) 581-2233
FAX: (504) 581-2200

MICHIGAN OFFICE
100 RENAISSANCE CENTER
SUITE 1050
121 FIRST, MICHIGAN 48201
(313) 769-4344
FAX: (313) 769-1510

NEW JERSEY OFFICE
1 RIVERFRONT PLAZA
SUITE 1100
NEWARK, NEW JERSEY 07102
(201) 822-8000
FAX: (201) 822-1510

November 16, 1994

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

Dear Comptroller Hevesi:

We have acted as bond counsel in connection with the issuance on this date by The City of New York (the "City"), a municipal corporation of the State of New York (the "State"), of \$1,300,000,000 General Obligation Bonds, Fiscal 1995 Series B (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 of the Deputy Comptroller for Finance dated the date hereof and related proceedings (the "Certificate").

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

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

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

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

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

All Fixed Rate Bonds are Tax-Exempt Bonds.

All Insured Tax-Exempt Adjustable Rate Bonds are Tax-Exempt Bonds.

All Tax-Exempt Adjustable Rate Bonds are Tax-Exempt Bonds.

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

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

The opinions expressed herein are based on an analysis of existing laws, regulations, rulings and court decisions. Such opinions may be adversely affected by actions taken or events occurring, including a change in law, regulation or ruling (or in the application or official interpretation of any law, regulation or ruling) after the date hereof. We have not undertaken to determine, or to inform any person, whether such actions are taken or such events occur and we have no obligation to update this opinion in light of such actions or events.

The rights of the owners of the Bonds and the enforceability thereof may be subject to bankruptcy, insolvency, reorganization, moratorium and other similar laws affecting creditors' rights heretofore or hereafter enacted, to the extent constitutionally applicable, and the enforcement of related contractual and statutory covenants of the City and the State may also be subject to the exercise of the State's police powers and of judicial discretion in appropriate cases.

Very truly yours,



Municipal Bond Insurance Policy

APPENDIX O

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

Issuer:

Policy Number:

Bonds:

Premium:

AMBAC Indemnity Corporation (AMBAC) A Wisconsin Stock Insurance Company

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

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


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

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

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

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

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


President




Secretary

Effective Date:

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

Authorized Representative


Authorized Officer



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

Endorsement

Policy issued to:

Attached to and forming part of

Effective Date of Endorsement:


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

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


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

SPECIMEN

AMBAC Indemnity Corporation


President




Secretary

Authorized Representative

FINANCIAL GUARANTY INSURANCE POLICY

Municipal Bond Investors Assurance Corporation

Armonk, New York 10504

Policy No. [NUMBER]

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

[PAR]
[LEGAL NAME OF ISSUE]

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

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

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

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

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

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

MUNICIPAL BOND INVESTORS ASSURANCE CORPORATION

President

Attest:

Assistant Secretary

ENDORSEMENT

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

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

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

MUNICIPAL BOND INVESTORS
ASSURANCE CORPORATION

By _____
President

Attest:

By _____
Assistant Secretary

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



A GE Capital Company

Municipal Bond New Issue Insurance Policy

Issuer: _____ **Policy Number:** _____
Bonds: _____ **Control Number:** _____
Premium: _____

Financial Guaranty Insurance Company ("Financial Guaranty"), a New York stock insurance company, in consideration of the payment of the premium and subject to the terms of this Policy, hereby unconditionally and irrevocably agrees to pay to State Street Bank and Trust Company, N.A., or its successor, as its agent (the "Fiscal Agent"), for the benefit of Bondholders, that portion of the principal and interest on the above-described debt obligations (the "Bonds") which shall become Due for Payment but shall be unpaid by reason of Nonpayment by the Issuer.

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

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

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

FGIC is a registered service mark used by Financial Guaranty Insurance Company under license from its parent company, FGIC Corporation.

Form 9000 (10/93)

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



A GE Capital Company

Municipal Bond New Issue Insurance Policy

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

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

President

Effective Date:

Authorized Representative

State Street Bank and Trust Company, N.A., acknowledges that it has agreed to perform the duties of Fiscal Agent under this Policy.

Authorized Officer

STIPULATED

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



A GE Capital Company

Endorsement To Financial Guaranty Insurance Company Insurance Policy

Policy Number:

Control Number:

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

NOTHING HEREIN SHALL BE CONSTRUED TO WAIVE, ALTER, REDUCE OR AMEND COVERAGE IN ANY OTHER SECTION OF THE POLICY. IF FOUND CONTRARY TO THE POLICY LANGUAGE, THE TERMS OF THIS ENDORSEMENT SUPERSEDE THE POLICY LANGUAGE.

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

President

Effective Date:

Authorized Representative

Acknowledged as of the Effective Date written above:

Authorized Officer

State Street Bank and Trust Company, N.A., as Fiscal Agent

FGIC is a registered service mark used by Financial Guaranty Insurance Company under license from its parent company, FGIC Corporation.

Form E-0002 (10/93)

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



A GE Capital Company

Mandatory New York State Amendatory Endorsement To Financial Guaranty Insurance Company Insurance Policy

Policy Number:

Control Number:

Notwithstanding the terms and conditions in this Policy, it is further understood that there shall be no acceleration of payment due under such Policy unless such acceleration is at the sole option of Financial Guaranty.

NOTHING HEREIN SHALL BE CONSTRUED TO WAIVE, ALTER, REDUCE, OR AMEND COVERAGE IN ANY OTHER SECTION OF THE POLICY. IF FOUND CONTRARY TO THE POLICY LANGUAGE, THE TERMS OF THIS ENDORSEMENT SUPERSEDE THE POLICY LANGUAGE.

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

President

Effective Date

Authorized Representative

Acknowledged as of the Effective Date written above:

Authorized Officer

State Street Bank and Trust Company, N.A., as Fiscal Agent

FGIC is a registered service mark used by Financial Guaranty Insurance Company under license from its parent company, FGIC Corporation.

Form E-0072 (3/94)

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



A GE Capital Company

Mandatory New York State Amendatory Endorsement To Financial Guaranty Insurance Company Insurance Policy

Policy Number:

Control Number:

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

NOTHING HEREIN SHALL BE CONSTRUED TO WAIVE, ALTER, REDUCE, OR AMEND COVERAGE IN ANY OTHER SECTION OF THE POLICY. IF FOUND CONTRARY TO THE POLICY LANGUAGE, THE TERMS OF THIS ENDORSEMENT SUPERSEDE THE POLICY LANGUAGE.

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

President

Effective Date:

Acknowledged as of the Effective Date written above:

Authorized Representative

Authorized Officer

State Street Bank and Trust Company, N.A., as Fiscal Agent

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Form E-0037 (10/93)

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50490

DO NOT STAPLE THIS FORM

FORM G-36(OS) – FOR OFFICIAL STATEMENTS

1. NAME OF ISSUER(S): (1) The City of New York (2)

2. DESCRIPTION OF ISSUE(S): (1) General Obligation Bonds, Fiscal 1995 Series B (2)

3. STATE(S) New York

4. DATED DATE(S): (1) 11/16/94 (2)

5. DATE OF FINAL MATURITY OF OFFERING 8/15/2024 6. DATE OF SALE 11/10/94

7. PAR VALUE OF OFFERING \$ 1,300,000,000

8. PAR AMOUNT UNDERWRITTEN (if there is no underwriting syndicate) \$ 1,300,000,000

9. IS THIS AN AMENDED OR STICKERED OFFICIAL STATEMENT? [] Yes [X] No

- 10. CHECK ALL THAT APPLY: a. [] At the option of the holder thereof, all securities in this offering may be tendered to the issuer of such securities or its designated agent for redemption or purchase at par value or more at least as frequently as every nine months until maturity, earlier redemption, or purchase by the issuer or its designated agent. b. [] At the option of the holder thereof, all securities in this offering may be tendered to the issuer of such securities or its designated agent for redemption or purchase at par value or more at least as frequently as every two years until maturity, earlier redemption, or purchase by the issuer or its designated agent. c. [] This offering is exempt from SEC rule 15c2-12 under section (c)(1) of that rule. Section (c)(1) of SEC rule 15c2-12 states that an offering is exempt from the requirements of the rule if the securities offered have authorized denominations of \$100,000 or more and are sold to no more than 35 persons each of whom the participating underwriter believes: (1) has the knowledge and expertise necessary to evaluate the merits and risks of the investment; and (2) is not purchasing for more than one account, with a view toward distributing the securities

11. MANAGING UNDERWRITER Merrill Lynch & Co.

16. MATURITY DATE	CUSIP NUMBER	MATURITY DATE	CUSIP NUMBER
8.15.1996	649662 AE3	8.15.2020	649660 RMI
8.15.1997	649649 1V9	8.15.2003	649652 VC5
8.15.1998	649649 4W7	8.15.2004	649652 VB7
8.15.1999	649650 P28	8.15.2023	649660 RSB
8.15.2000	649650 P36	8.15.2022	649660 RQ9
8.15.2001	649651 XD3	8.15.2005	649653 PGI
8.15.2002	649651 XE1	8.15.2018	649659 HPT
8.15.2003	649652 UZS	8.15.2024	649660 RT6
8.15.2004	649652 VA9	8.15.2023	649660 RU3
8.15.2005	649653 PE6	8.15.2023	649660 RV1
8.15.2006	649653 PF3	8.15.2023	649660 RW9
8.15.2007	649654 RB8	8.15.2023	649660 RX7
8.15.2008	649654 RC6	8.15.2023	649660 RY5
8.15.2009	649655 PB7	8.15.2024	649660 RZ2
8.15.2010	649655 PC5	8.15.2022	649660 RA2
8.15.2011	649656 NA9	8.15.2022	649660 RR0
8.15.2012	649656 NB7	8.15.1999	649650 P69
8.15.2013	649657 NM1		
8.15.2016	649658 KE0		
8.15.2019	649660 RL3		

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

Check here if the issue is ineligible for CUSIP number assignment.

State the reason why the issue is ineligible for CUSIP number assignment: _____

18. Submit two copies of the completed form along with two copies of the official statement to Municipal Securities Rulemaking Board, 1818 N Street, NW, Suite 800, Washington, DC 20036-2491. Incomplete submissions will be returned for correction.