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 further information.

The City of New York

General Obligation Bonds, Fiscal 1996 Series H, I and J (Subseries J-1)

$901,750,000 Fixed Rate Tax-Exempt Bonds

$159,870,000 Fixed Rate Taxable Bonds

Dated Date (Series H & I): March 14, 1996
Dated Date (Series J): February 15, 1996

Due: As shown on inside cover

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 Series H and I Bonds will be payable semiannually, beginning September 15, 1996, and on each March 15 and September 15 thereafter and at maturity or prior redemption. Interest on the Subseries J-1 Bonds will be payable semiannually beginning August 15, 1996 and on each February 15 and August 15 thereafter and at maturity or prior redemption. The Bonds can be purchased in principal amounts of $5,000 or any integral multiple thereof. Other terms of the Bonds including optional and mandatory redemption provisions are described herein. *A detailed schedule of the Bonds is set forth inside this cover page.*

The Bonds are offered subject to prior sale, when, as and if issued by the City and accepted by the Underwriters, subject to the approval of the legality of the Bonds by Brown & Wood, New York, New York, 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 LLP, New York, New York. Certain legal matters will be passed upon for the Underwriters by Rogers & Wells, New York, New York. It is expected that the Series H and I Bonds will be available for delivery in New York, New York, on or about March 14, 1996 and that the Series J Bonds will be available for delivery in New York, New York, on or about March 21, 1996.

J.P. Morgan & Co.

Goldman, Sachs & Co. **Merrill Lynch & Co.** **Prudential Securities Incorporated**

Artemis Capital Group, Inc.
First Albany Corporation
Aubrey G. Lanston & Co. Inc.
Pryor, McClendon, Counts & Co., Inc.

Bear, Stearns & Co. Inc.
Grigsby Brandford & Co., Inc.
Morgan Stanley & Co. Incorporated
Smith Barney Inc.

Advest, Inc. **Asensio & Company, Inc.**
Glickenhaus & Co.
Lehman Brothers
PaineWebber Incorporated
Roosevelt & Cross Incorporated

George K. Baum & Co.
Lebenthal & Co., Inc.
The Nikko Securities Co. International, Inc.
Samuel A. Ramirez & Co., Inc.
Muriel Siebert & Co., Inc.

March 6, 1996

$132,165,000 General Obligation Bonds, Fiscal 1996 Series H

	$86,205,000 Tax-Exempt Bonds			$45,960,000 Taxable Bonds		
March 15	Principal Amount	Interest Rate	Price or Yield	Principal Amount	Interest Rate	Price or Yield
1996(1)				$10,860,000	5.65%	100%
1997				3,545,000	5.67	100
1998				3,740,000	5.84	100
1999				3,955,000	6.07	100
2000				4,205,000	6.26	100
2001				4,455,000	6.40	100
2002				4,750,000	6.54	100
2003				5,055,000	6.66	100
2004				5,395,000	6.74	100
2005	$ 5,755,000	6½%	5.675%			
2006	6,125,000	6½	5.80			
2007	6,520,000	5¾	5.90			
2008	6,900,000	5¾	6.00			
2009	7,295,000	5¾	6.05			
2010	7,720,000	5¾	6.10			
2011	8,165,000	5⅞	6.15			
2012	8,640,000	5⅞	6.175			
2013	9,150,000	5⅞	6.175			
2014	9,680,000	5⅞	6.20			
2015	10,255,000	5⅞	6.20			

(1) Maturity date is May 15, 1996.

$519,455,000 General Obligation Bonds, Fiscal 1996 Series I

	$405,545,000 Tax-Exempt Bonds			$113,910,000 Taxable Bonds		
March 15	Principal Amount	Interest Rate	Price or Yield	Principal Amount	Interest Rate	Price or Yield
1997				$15,985,000	5.67%	100%
1998				16,890,000	5.84	100
1999	$ 2,070,000	4.60%	100%	15,805,000	6.07	100
2000	2,370,000	4.85	100	16,570,000	6.26	100
2001	200,000	5.10	100	19,895,000	6.40	100
2002				21,375,000	6.54	100
2003	14,045,000	5.40	100	6,670,000	6.66	100
2004	19,420,000	6	5.525	720,000	6.74	100
2005	21,345,000	6½	5.675			
2006	22,735,000	6½	5.80			
2007	24,215,000	5¾	5.90			
2008	25,610,000	5¾	6.00			
2009	27,080,000	5¾	6.05			
2010	28,640,000	5¾	6.10			
2011	30,290,000	5⅞	6.15			
2012	32,070,000	5⅞	6.175			
2013	33,955,000	5⅞	6.175			
2014	25,650,000	5⅞	6.20			
2015						
2016						
2017						
2018	89,885,000	5⅞	6.25			
2019						
2020						
2021						
2022	5,965,000	5.90	6.25			

$600,000,000 General Obligation Bonds, Fiscal 1996 Series J

	$410,000,000 Fixed Rate Bonds, Subseries J-1(1)			$190,000,000 Adjustable Rate Bonds	
				Subseries J-2(2)	Subseries J-3(3)
February 15	Principal Amount	Interest Rate	Price or Yield	Principal Amount	Principal Amount
1998	$11,460,000	4.20%	100%		
1999	11,945,000	4.60	100		
2000	12,490,000	4.85	100		
2001	15,250,000	5.10	100		
2002	16,045,000	5.30	100		
2003	16,895,000	5.40	100		
2004	17,795,000	6	5.525		
2005	18,845,000	6	4.85(4)		
2006	19,980,000	5½	4.95(4)		
2007	21,180,000	5	5.05(4)		
2008	155,000	5.10	5.15(4)		
2009					
2010					
2011					
2012					
2013					
2014					
2015					
2016				$95,000,000	$95,000,000
2017					
2018					
2019	60,105,000	5⅞	6.25		
2020					
2021					
2022					
2023					
2024	126,455,000	6	6.275		
2025					
2026	61,400,000	5½	6.18		

(1) Accrued interest to be added.
(2) Tax-Exempt Adjustable Rate Bonds not offered hereby.
(3) Tax-Exempt Adjustable Rate Bonds not offered hereby.
(4) Insured by MBIA Insurance Corporation.

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

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

OFFICIAL STATEMENT OF THE CITY OF NEW YORK

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

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

OFFICIAL STATEMENT
OF
THE CITY OF NEW YORK

This Official Statement provides certain information concerning The City of New York (the "City") in connection with the sale of the fixed rate portion (the "Bonds") of the City's General Obligation Bonds, Fiscal 1996 Series H, I and J, which portion consists of $901,750,000 of tax-exempt bonds (the "Tax-Exempt Bonds") and $159,870,000 of taxable bonds (the "Taxable Bonds"). The $132,165,000 Bonds of Fiscal 1996 Series H are herein called the "Series H Bonds," the $519,455,000 Bonds of Fiscal 1996 Series I are herein called the "Series I Bonds" and the $410,000,000 fixed rate Bonds of Fiscal 1996 Series J, together with $190,000,000 adjustable rate bonds of Fiscal 1996 Series J not offered hereby, are herein called the "Series J 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. 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. However, after noticeable improvements in the City's economy during calendar year 1994, economic growth slowed in calendar year 1995, and the City's current four-year financial plan assumes that economic growth will continue to slow in calendar year 1996, with local employment increasing modestly.

For each of the 1981 through 1995 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—1991-1995 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-funded 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 additional reductions in City services or entitlement programs, 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. The City's current four-year financial plan projects substantial budget gaps for each of the 1997 through 1999 fiscal years, before implementation of the proposed gap-closing program contained in the current financial plan. For information regarding the current financial plan, as well as subsequent developments, see "SECTION I: RECENT FINANCIAL DEVELOPMENTS" and "SECTION VII: 1996-1999 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 State aid both to enable the City to balance its budget and to meet its cash requirements. The State's 1995-96 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 or that any 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". In addition, the Federal budget negotiation process could result in a reduction in or a delay in the receipt of Federal grants in the City's 1996 fiscal year which could have additional adverse effects on the City's cash flow or revenues. See "Section VII: 1996-1999 Financial Plan—Assumptions."

The Mayor is responsible for preparing the City's four-year financial plan, including the City's current financial plan for the 1996 through 1999 fiscal years (the "1996-1999 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 condition of the regional and local economies, 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 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, the ability of the New York City Health and Hospitals Corporation ("HHC") and the Board of Education ("BOE") to take actions to offset reduced revenues, the ability to complete revenue generating transactions, provision of State and Federal aid and mandate relief and the impact on City revenues of proposals for Federal and State welfare reform. See "SECTION VII: 1996-1999 FINANCIAL PLAN".

Implementation of the Financial Plan is also dependent upon the City's ability to market its securities successfully. The City's financing program for fiscal years 1996 through 1999 contemplates the issuance of $11.8 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. Future developments concerning the City and public discussion of such developments, as well as prevailing market conditions, may affect the market for outstanding City general obligation bonds and notes.

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. It is reasonable to expect that such reports and statements will continue to be issued and to engender public comment. See "SECTION VII: 1996-1999 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

On January 31, 1996, the City published the Financial Plan for the 1996-1999 fiscal years, which is a modification to a financial plan submitted to the Control Board on July 11, 1995 (the "July Financial Plan") and which relates to the City, BOE and the City University of New York ("CUNY"). The Financial Plan sets forth proposed actions by the City for the 1996 fiscal year to close substantial projected budget gaps resulting from lower than projected tax receipts and other revenues and greater than projected expenditures. In addition to substantial proposed agency expenditure reductions, the Financial Plan reflects a strategy to substantially reduce spending for entitlements for the 1996 and subsequent fiscal years, and to decrease the City's costs for Medicaid in the 1997 fiscal year and thereafter by increasing the Federal share of Medicaid costs otherwise paid by the City. This strategy is the subject of substantial debate, and implementation of this strategy will be significantly affected by State and Federal budget proposals currently being considered. The Financial Plan, which is consistent with the City's preliminary budget for the 1997 fiscal year, may be changed significantly by the time the budget for the 1997 fiscal year is adopted.

1996 Fiscal Year

The July Financial Plan set forth proposed actions to close a previously projected gap of approximately $3.1 billion for the 1996 fiscal year. The proposed actions in the July Financial Plan for the 1996 fiscal year included (i) a reduction in spending of $400 million, primarily affecting public assistance and Medicaid payments by the City; (ii) agency reduction programs, totaling $1.2 billion; (iii) transitional labor savings, totaling $600 million; and (iv) the phase-in of the increased annual pension funding cost due to revisions resulting from an actuarial audit of the City pension systems, which would reduce such costs in the 1996 fiscal year. A modification to the July Financial Plan published on November 29, 1995 (the "November Financial Plan") included savings from a proposed refunding of outstanding debt and other expenditure reductions to offset a $129 million increase in projected expenditures.

The 1996-1999 Financial Plan published on January 31, 1996 reflects actual receipts and expenditures and changes in forecast revenues and expenditures since the November Financial Plan, and projects revenues and expenditures for the 1996 fiscal year balanced in accordance with GAAP. For the 1996 fiscal year, the Financial Plan includes actions to offset an additional $759 million budget gap resulting primarily from (i) the failure of the Port Authority of New York and New Jersey (the "Port Authority") to pay disputed back rent for the City's airports in the amount included in the November Financial Plan, (ii) shortfalls in Federal and State aid included in the November Financial Plan, (iii) shortfalls in revenues and in amounts to be saved through gap-closing actions at BOE, (iv) shortfalls in projected savings from cost containment initiatives proposed in the July Financial Plan affecting public assistance and Medicaid, and (v) the failure of the City and its labor unions to identify assumed savings in the City's health benefits system. The gap-closing measures for the 1996 fiscal year set forth in the Financial Plan include (i) additional proposed agency actions aggregating $207 million, (ii) the receipt of $150 million from the Municipal Assistance Corporation for the City of New York ("MAC"), and (iii) the receipt of $120 million from the proposed sale of mortgages, $75 million from increased revenues from the proposed sale of City tax liens on real property and $207 million from the proposed sale of the City's television station.

The receipt of funds from MAC is subject to approval of MAC, the sale of the tax liens requires adoption of a local law by the City Council and the proposed sale of the City's television station is subject to Federal regulatory approval. In addition, the Federal budget negotiation process for the 1996 Federal fiscal year could result in a reduction in, or a delay in the receipt of, Federal grants in the City's 1996 fiscal year. If such approvals are not received on a timely basis, the City may be required to identify alternative measures to balance its 1996 fiscal year budget. For additional information concerning changes since the July Financial Plan, which are reflected in the Financial Plan, see "SECTION VI: FINANCIAL OPERATIONS—Forecast of 1996 Results".

1997-1999 Fiscal Years

The Financial Plan also sets forth projections for the 1997 through 1999 fiscal years and outlines a proposed gap-closing program to eliminate a projected gap of $2.0 billion for the 1997 fiscal year, and to reduce projected gaps of $3.3 billion and $4.1 billion for the 1998 and 1999 fiscal years, respectively, assuming successful implementation of the gap-closing program for the 1996 fiscal year. The projected gaps

for the 1997 through 1999 fiscal years have increased from the gaps projected in the November Financial Plan to reflect (i) reductions in projected property taxes of $177 million, $294 million and $421 million in the 1997, 1998 and 1999 fiscal years, respectively, due to a lower than forecast increase in the tentative assessment roll published by the New York City Department of Finance, (ii) reductions in other forecast tax revenues of $114 million, $216 million and $261 million in the 1997, 1998 and 1999 fiscal years, respectively, (iii) reductions in tax revenues of $79 million, $224 million and $341 million in the 1997, 1998 and 1999 fiscal years, respectively, as a result of new tax reduction initiatives, including a proposed sales tax exemption on clothing items under $500, and (iv) increased agency expenditures.

The proposed gap-closing actions for the 1997 through 1999 fiscal years include (i) additional agency actions, totalling between $643 million and $691 million in each of the 1997 through 1999 fiscal years; (ii) additional savings resulting from State and Federal aid and cost containment in entitlement programs to reduce City expenditures and increase revenues by $650 million in the 1997 fiscal year and by $727 million in each of the 1998 and 1999 fiscal years; (iii) additional proposed Federal aid of $50 million in the 1997 fiscal year and State aid of $100 million in each of the 1997 through 1999 fiscal years; (iv) the receipt of $300 million in the 1997 fiscal year from privatization or other initiatives, including the sale of the City's parking meters and associated revenues, which may require legislative action by the City Council, or the sale of other assets; and (v) the assumed receipt of revenues relating to rent payments for the City's airports, totaling $244 million, $226 million and $70 million in the 1997 through 1999 fiscal years, respectively, which are currently the subject of a dispute with the Port Authority and the collection of which may depend on the successful completion of negotiations with the Port Authority or the enforcement of the City's remedies under the leases through pending legal actions. The City is also preparing an additional contingency gap-closing program for the 1997 fiscal year to be comprised of $200 million in additional agency actions.

The Governor has released the 1996-1997 Executive Budget, which will be considered for adoption by the State Legislature. The City estimates that the 1996-1997 Executive Budget provides the City with $173 million of savings from Medicaid cost containment proposals and $127 million of savings from proposed reductions in welfare spending in the 1997 fiscal year. The Financial Plan assumes that the remaining $350 million of the $650 million of entitlement reform benefits included in the Financial Plan for the 1997 fiscal year will be generated by the State providing the City with a portion of the additional funds received by the State as a result of the increased Federal share of Medicaid costs proposed in the State Executive Budget. However, the State Executive Budget does not currently contemplate sharing such funds with the City. In addition, the President and Congress are currently considering budget proposals for the 1996 Federal fiscal year. The Federal budget or other factors may cause substantial amendments to the State Executive Budget.

The Federal and State budgets, when adopted, may result in substantial reductions in revenues for the City, as well as a reduction in projected expenditures in entitlement programs, including Medicare, Medicaid and welfare programs. The Federal and State aid projected in the Financial Plan, and the substantial savings assumed from cost containment in entitlement programs included in the Financial Plan gap-closing program for the 1997 through 1999 fiscal years, will be significantly affected both by the outcome of the current Federal budget negotiations and by the State budget proposals made by the Governor and to be considered by the State Legislature. The nature and extent of the impact on the City of the Federal and State budgets, when adopted, is uncertain, and no assurance can be given that Federal or State actions included in the Federal and State adopted budgets may not have a significant adverse impact on the City's budget and its Financial Plan. See "SECTION VII: 1996-1999 FINANCIAL PLAN—Assumptions—*Revenue Assumptions*—6. Federal and State Categorical Grants".

The projections for the 1996 through 1999 fiscal years reflect the costs of the proposed settlement with the United Federation of Teachers ("UFT") and the recent settlement with a coalition of unions headed by District Council 37 of the American Federation of State, County and Municipal Employees ("District Council 37"), and assume that the City will reach agreement with its remaining municipal unions under terms which are generally consistent with such settlements. For further information concerning the labor settlements, including the rejection by certain UFT members of the tentative settlement, see "SECTION I: RECENT FINANCIAL DEVELOPMENTS—Collective Bargaining Agreements". The projections for the 1996

through 1999 fiscal years also assume that BOE will be able to identify actions to offset possible substantial shortfalls in Federal, State and City revenues. See "SECTION VII: 1996-1999 FINANCIAL PLAN—Certain Reports."

The City's financial plans have been the subject of extensive public comment and criticism. The City Comptroller has issued a report identifying risks ranging between $408 million and $528 million in the 1996 fiscal year before taking into account the availability of $160 million in the General Reserve, and between $2.05 billion and $2.15 billion in the 1997 fiscal year after implementation of the City's proposed gap-closing actions. In addition, the staff of the State Deputy Comptroller for the City of New York ("OSDC" or "State Deputy Comptroller") has issued a report on the Financial Plan, and it is expected that a report on the Financial Plan will be issued by the staff of the Control Board in the near future. See "SECTION VII: 1996-1999 FINANCIAL PLAN—Certain Reports".

Collective Bargaining Agreements

Contracts with all of the City's municipal unions expired in the 1995 and 1996 fiscal years. In November 1995 the City announced a tentative settlement with the UFT and a coalition of unions headed by District Council 37 which represent approximately two-thirds of the City's workforce. The settlement provides for a wage freeze in the first two years, followed by a cumulative effective wage increase of 11% by the end of the five year period covered by the proposed agreements, ending in fiscal years 2000 and 2001. Additional benefit increases would raise the total cumulative effective increase to 13% above present costs. The Financial Plan reflects the costs associated with the settlements, and assumes similar increases for all other City-funded employees, which total $49 million, $459 million and $1.2 billion in the 1997, 1998 and 1999 fiscal years, respectively. Such increases exceed $2 billion in each fiscal year after the 1999 fiscal year. District Council 37 and Local 237, representing approximately 90,000 full-time employees, have ratified the proposed settlement. On December 7, 1995, the members of the UFT voted on the proposed settlement with the UFT. Six chapters of the UFT, representing approximately 18,000 full-time employees, including teaching paraprofessionals, voted to ratify the proposed settlement, which will apply to those chapters if approved by BOE. Five chapters, representing approximately 76,000 full-time employees, including teachers, voted not to ratify the proposed settlement. A portion of the transitional labor savings contained in the Financial Plan is dependent upon conclusion of collective bargaining agreements with the City's workforce. There can be no assurance that the City will reach an agreement with the unions that have not yet reached a settlement with the City on the terms contained in the Financial Plan. For a discussion of the transitional labor savings, see "SECTION VII: 1996-1999 FINANCIAL PLAN—Assumptions—1. Personal Service Costs."

In the event of a collective bargaining impasse, the terms of wage settlements could be determined through statutory impasse procedures, which can impose a binding settlement except in the case of collective bargaining with the UFT, which may be subject to non-binding arbitration. On January 23, 1996, the City requested the Office of Collective Bargaining to declare an impasse against the Patrolmen's Benevolent Association ("PBA") and the United Firefighters Association ("UFA").

The State

The budget for the State's 1996 fiscal year commencing April 1, 1995 enacted on June 7, 1995, is balanced on a cash-basis. Prior to adoption of the budget the State had projected a potential budget gap of approximately $5 billion. This gap is projected to be closed in the 1995-1996 State Financial Plan based on the enacted budget, through a series of actions, mainly spending reductions and cost containment measures and certain reestimates that are expected to be recurring, but also through the use of one-time solutions. The State Financial Plan projects (i) nearly $1.6 billion in savings from cost containment, disbursement reestimates, and other savings in social welfare programs, including Medicaid, income maintenance and various child and family care programs; (ii) $2.2 billion in savings from State agency actions to reduce spending on the State workforce, SUNY and CUNY, mental hygiene programs, capital projects, the prison system and fringe benefits; (iii) $300 million in savings from local assistance reforms, including actions affecting school aid and revenue sharing while proposing program legislation to provide relief from certain mandates that increase local spending; (iv) over $400 million in revenue measures, including a new Quick Draw Lottery game, changes to tax payment schedules, and the sale of assets; and (v) $300 million from reestimates in receipts.

The Governor presented his 1996-1997 Executive Budget to the Legislature on December 15, 1995. The Governor's Executive Budget projects balance on a cash basis in the General Fund. It reflects a continuing strategy of substantially reduced State spending, including program restructurings, reductions in social welfare spending, and efficiency and productivity initiatives. The Legislature and the State Comptroller will review the Governor's Executive Budget and are expected to comment on it. There can be no assurance that the Legislature will enact the Executive Budget into law, or that the State's adopted budget projections will not differ materially and adversely from the projections set forth in the Executive Budget.

The 1996-1997 Executive Budget seeks to lessen the effect of the proposed spending reductions on localities by granting mandate relief, including Medicaid cost containment and welfare reform, to permit them to exercise greater flexibility in allocating their resources. However, no assurance can be given as to the amount of savings which the City might realize from any of the Medicaid cost containment or welfare reform measures proposed in the Executive Budget or the size of any reductions in State aid to the City. Depending upon the amount of such savings or the size of any such reductions in State aid, the City might be required to make substantial additional changes in the Financial Plan. For further information concerning the State, including the State's credit ratings, see "SECTION VII: 1996-1999 FINANCIAL PLAN—Assumptions" and "SECTION I: RECENT FINANCIAL DEVELOPMENTS—1996-1999 Financial Plan".

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 page of this Official Statement and will contain a pledge of the City's faith and credit for the payment of the principal of, redemption premium, if any, and interest on the Bonds. All real property subject to taxation by the City will be subject to the levy of *ad valorem* taxes, without limitation as to rate or amount, to pay the principal of, redemption premium, if any, and interest on the Bonds.

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

Fixed Rate Bonds

The Bonds will bear interest at the rates shown on the inside cover page and may be purchased in denominations of $5,000 and any integral multiple thereof.

Adjustable Rate Bonds

Certain of the Series J Bonds are being issued as adjustable rate bonds under a separate Official Statement and are not offered hereby.

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). 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"). If the statutory formula does not result in retention of sufficient real estate taxes to comply with the City Covenants, the City will comply with the City Covenants either by providing for early retention of real estate taxes or by making cash payments into the Fund. The principal of and interest on the Bonds will be paid from the Fund until the Act expires on July 1, 2008, and thereafter from a separate fund 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 sources 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 then 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 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 in the Bonds to limit its issuance of bond anticipation notes as required by the Act, as in effect from time to time, and in the Series J Bonds to comply with the financial reporting requirements of the Act, as in effect from time to time.

The State pledges and agrees in the Financial Emergency Act that the State will not take any action that will impair the power of the City to comply with the covenants described in the preceding paragraph (the "City Covenants") or any right or remedy of any owner of the Bonds to enforce the City Covenants (the "State Pledge and Agreement"). The City will include in the Bonds of Series J 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. The City will covenant to make continuing disclosure (the "Undertaking") as summarized below under "SECTION IX: OTHER INFORMATION—Continuing Disclosure Undertaking". In the opinion of Bond Counsel, the enforceability of the City Covenants, the Undertaking, 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.

Use of Proceeds

The proceeds from the sale of the Series H and I Bonds will be used for refunding purposes including certain expenses of the City incurred in connection with the issuance and sale of the Series H and I Bonds. The proceeds from the sale of the Series H and I Bonds are expected to be used to refund the bonds identified in Appendix C hereto by providing for the payment of the principal of and interest and redemption premium, if any, on such bonds to the extent and to the payment dates shown. The proposed refunding is subject to the delivery of the Series H and I Bonds.

The Tax-Exempt Series H and I Bonds are being issued in part to refund bonds used to finance housing facilities (the "Projects") operated by voluntary organizations that are described in Section 501(c)(3) of the Internal Revenue Code of 1986, as amended (the "Code"), herein called "Organizations."

The proceeds from the sale of the Series J 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: 1996-1999 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.

Redemption

Thirty days' notice shall be given to the holders of Bonds to be redeemed prior to maturity. 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.

Optional Redemption

The Series H and Series I Bonds will be subject to redemption at the option of the City on or after March 15, 2006, in whole or in part, by lot within each maturity, on any date, at the following redemption prices, plus accrued interest to the date of redemption:

Redemption Dates	Redemption Price as Percentage of Par
March 15, 2006 through March 14, 2007	101½%
March 15, 2007 through March 14, 2008	100¾
March 15, 2008 and thereafter	100

The Subseries J-1 Bonds will be subject to redemption at the option of the City on or after February 15, 2006, in whole or in part, by lot within each maturity, on any date, at the following redemption prices, plus accrued interest to the date of redemption:

Redemption Dates	Redemption Price as Percentage of Par
February 15, 2006 through February 14, 2007	101½%
February 15, 2007 through February 14, 2008	100¾
February 15, 2008 and thereafter	100

The Taxable Bonds will not be subject to redemption prior to maturity.

Mandatory Redemption

The Bonds identified below are Term Bonds subject to mandatory redemption, by lot within each stated maturity, on each date at a redemption price equal to the principal amount thereof, plus accrued interest, without premium, in the amounts set forth below:

	Principal Amount to be Redeemed (In Thousands)				
	Series I (March 15)		Subseries J-1 (February 15)		
Year	2018 Maturity	2022 Maturity	2019 Maturity	2024 Maturity	2026 Maturity
2015	$ 27,155				
2016	28,365				
2017	16,690		$ 18,900		
2018	17,675*		20,015		
2019		$ 1,550	21,190*		
2020		1,640		$ 22,435	
2021		1,600		23,780	
2022		1,175*		25,205	
2023				26,715	
2024				28,320*	
2025					$ 29,880
2026					31,520*

* Stated Maturity

At the option of the City, there shall be applied to or credited against any of 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.

Bond Insurance

The following information pertaining to MBIA Insurance Corporation ("MBIA") has been supplied by 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 policy to be issued by 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 E — SPECIMEN INSURANCE POLICY".

The fixed rate Series J Bonds due in 2005, 2006, 2007 and 2008 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 E 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 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 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 or 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, or 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, formerly known as Municipal Bond Investors Assurance Corporation, 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 domiciled in the State of New York and licensed to do busines in all 50 states, the District of Columbia, the Commonwealth of Puerto Rico, the Commonwealth of the Northern Mariana Islands, the Virgin Islands of the United States and the Territory of Guam. MBIA has one European branch in the Republic of France.

As of September 30, 1995, MBIA had admitted assets of $3.7 billion (unaudited), total liabilities of $2.5 billion (unaudited), and total capital and surplus of $1.2 billion (unaudited) determined in accordance with statutory accounting practices prescribed or permitted by insurance regulatory authorities. As of December 31, 1994, MBIA had admitted assets of $3.4 billion (audited), total liabilities of $2.3 billion (audited), and total capital and surplus of $1.1 billion (audited) determined in accordance with statutory accounting practices prescribed or permitted by insurance regulatory authorities. All information regarding MBIA, a wholly owned subsidiary of MBIA Inc., including the financial statements of MBIA for the year ended December 31, 1994, prepared in accordance with generally accepted accounting principles described in the Annual Report on Form 10-K of MBIA Inc. for the year ended December 31, 1994 is hereby incorporated by reference into this Official Statement and shall be deemed to be a part hereof. Any statement contained in a document incorporated by reference herein shall be modified or superceded for purposes of this Official Statement to the extent that a statement contained herein or in any other subsequently filed document, which also is incorporated by reference herein modifies or supercedes such statement. Any statement so modified or superceded shall not be deemed, except as so modified or superceded, to constitute a part of this Official Statement.

Furthermore, copies of MBIA's year end financial statements prepared in accordance with statutory accounting practices are available from MBIA. A copy of the Annual Report on Form 10-K of MBIA Inc. is available from MBIA or the Securities and Exchange Commission. The address of MBIA is 113 King Street, Armonk, New York 10504.

Moody's Investors Service ("Moody's") rates the claims paying ability of MBIA "Aaa".

Standard & Poor's Ratings Services, a division of The McGraw Hill Companies, Inc. ("Standard & Poor's"), rates the claims paying ability of MBIA "AAA".

Fitch Investors Service, L.P., ("Fitch") rates the claims paying ability of MBIA "AAA".

Each rating of MBIA should be evaluated independently. 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 any of the above ratings may have an adverse effect on the market price of the the MBIA Insured Bonds. MBIA does not guarantee the market price of the MBIA Insured Bonds nor does it guarantee that the ratings on the MBIA Insured Bonds will not be revised or withdrawn.

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

Bond Certificates

Book-Entry Only System

The Depository Trust Company ("DTC"), New York, New York, will act as securities depository for the Bonds. 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 (under this caption, "*Book-Entry Only System*", a "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.

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.

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

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

Discontinuance of the Book-Entry Only System

In the event that the book-entry only system is discontinued, the City will authenticate and make available for delivery 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.

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 Office of the City Comptroller is responsible under the City Charter and pursuant to State Law and City investment guidelines for managing and investing City funds for operating and capital purposes. 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 investments of those pension system assets, aggregating approximately $60 billion, are made pursuant to the directions of the respective Boards of Trustees.

—*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 adopt 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 March 1, 1994, proposed legislation enabling Staten Island to separate from the City was submitted to the State Legislature. Separation 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. On January 17, 1995, the State Supreme Court, Albany County, dismissed the petition. On February 22, 1996, the Appellate Division, Third Department affirmed the dismissal. 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 setting the property tax rates for adopting a balanced City budget.

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.

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: 1996-1999 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 1994 fiscal year, which includes, among other things, the City's financial statements for the 1994 fiscal year, has received the GFOA award of the Certificate of Achievement for Excellence in Financial Reporting, the fifteenth 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 fourteen 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.

City funds held for operation and capital purposes are managed by the Office of the City Comptroller, with specific guidelines as to investment vehicles. The City does not invest such funds in leveraged products or use reverse repurchase agreements. The City invests primarily in obligations of the United States Government, its agencies and instrumentalities, and repurchase agreements with primary dealers. The repurchase agreements are collateralized by United States Government treasuries, agencies and instrumentalities, held by the City's custodian bank and marked to market daily.

More than 95% of the aggregate assets of the City's five defined benefit pension systems are managed by outside managers, supervised by the Office of the City Comptroller, and the remainder is held in cash or managed by the City Comptroller. Allocations of investment assets are determined by each fund's board of directors. As of September 30, 1995 aggregate pension assets were allocated as follows: 54% US equities; 35% US fixed income; 9% international equities; 1% international fixed income; and 1% cash.

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 MAC and OSDC, 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 George E. Pataki, 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, there are three private members appointed by the Governor, Heather L. Ruth, President of the Public Securities Association; Stanley S. Shuman, Executive Vice President of Allen & Company, Incorporated; and Robert G. Smith, Ph.D., President of Smith Affiliated Capital Corp. The Executive Director of the Control Board is appointed jointly by the Governor and the Mayor and Cornelius F. Healy is currently serving as 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, who is Rosemary Scanlon.

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 1995, while unrestricted Federal aid has been sharply reduced. The City projects that local revenues will provide approximately 66.1% of total revenues in the 1996 fiscal year while Federal aid, including categorical grants, will provide 13.7%, and State aid, including unrestricted aid and categorical grants, will provide 20.2%. 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: 1996-1999 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 40.8% of its total tax revenues and 21.9% of its total revenues for the 1996 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—1991-1995 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 less interest on temporary debt and the aggregate amount of business improvement district charges subject to the 2.5% tax limitation. 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 fully reflect the current downturn in the real estate market, which is expected to 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)					
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
1996	7,871.4	5,261.6	2,609.8	33.2	8,633.4	60.9	1.88	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 Real Property Services.

Assessment

The City has traditionally assessed real property at less than market (full) value. The State Board of Real Property Services (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 1996 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 1992 market value survey. For information concerning litigation asserting that the special equalization ratios calculated by the State Board in the 1991 calendar year violate State law because they substantially overestimate the full value of City real estate for the purposes of calculating the operating limit for the 1992 fiscal year, and that the City's real estate tax levy for operating purposes in the 1992 fiscal year exceeded the State Constitutional limit, see "SECTION IX: OTHER INFORMATION—Litigation—*Taxes*".

BILLABLE ASSESSED AND FULL VALUE OF TAXABLE REAL ESTATE(1)

Fiscal Year	Billable Assessed Valuation of Taxable Real Estate(2)	+	Special Equalization Ratio	=	Full Valuation(2)
1992	$78,660,903,551		0.2771		$283,871,900,220
1993	79,370,561,446		0.2556		310,526,453,232
1994	78,364,554,204		0.2221		352,834,552,922
1995	76,202,446,309		0.1977		385,444,847,289
1996	76,029,436,876		0.1816		418,664,299,978

(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 1996 fiscal year, the billable assessed value of real estate categorized by the City as exempt is $61.3 billion, or 44.4% of the $138.1 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 1996 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. Increases in class one market value in excess of applicable limitations are not phased in over subsequent years. There is also no phase in for 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.

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 1996 tax rates were set on June 14, 1995 reflecting a provision of State law that limited the market value adjustment for 1996 to a 2¼% increase in any class's share compared to its share in 1995.

City real estate tax revenues may be reduced in future fiscal years as a result of tax refund claims asserting overvaluation, inequality of assessment and illegality. For a discussion of various proceedings

challenging assessments of real property for real estate tax purposes, see "SECTION IX: OTHER INFORMATION—Litigation—*Taxes*". For further information regarding the City's potential exposure in certain of these proceedings, see "APPENDIX B—FINANCIAL STATEMENTS—Notes to Financial Statements—Note H. LONG-TERM OBLIGATIONS—*Judgments and Claims*".

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

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 1994 and 1995 fiscal years, billable assessed valuation continued to decline, by 1.3 percent and 2.8 percent, respectively. The bulk of the decline was due to continued weakness in Class 4. For the 1996 fiscal year, billable assessed valuation in total was essentially unchanged from the prior year (a decline of 0.2%), as the rate of decline in Class 4 slowed and slight increases in the valuations of the other classes offset the Class 4 decline. For the 1996 fiscal year, actual assessed valuation increased by 0.8 percent, the first improvement since fiscal year 1991. The Department of Finance has released the tentative assessment roll for the 1997 fiscal year. Billable assessed valuation rose by $138 million to $76 billion. After accounting for adjustments from the tax commission and other actions, it is estimated that the final assessment roll for the 1997 fiscal year to be released in May 1996 will show a drop in billable assessed value of approximately $700 million from the tentative assessment roll. Actual assessed values are expected to achieve growth approaching the rate of inflation by 1998, leading to increases in billable assessed value.

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, offset by refunds made, within the first two months of the following fiscal year. In deriving the real estate tax revenue forecast, 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. Delinquent real estate taxes generally increase during a recession and when the real estate market deteriorates. Delinquent real estate taxes generally 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 real property tax receivables outstanding as of May 31, 1994 for $201 million plus a residual interest in the receivables. In April 1995, the City sold to Asset Securitization Cooperative Corporation, a California cooperative corporation, the City's delinquent real property tax receivables outstanding as of April 1, 1995 for $222 million, with the City retaining a residual interest in the receivables. Amounts shown in the table below for fiscal years 1994, 1995 and 1996 are adjusted to exclude the effects of the sales of delinquent tax receivables and the proposed sale of tax liens for the 1996 fiscal year. See "SECTION I: RECENT FINANCIAL DEVELOPMENTS—1996 Fiscal Year."

REAL ESTATE TAX COLLECTIONS AND DELINQUENCIES
(In Millions)

Fiscal Year	Tax Levy(1)	Tax Collections on Current Year Levy(2)	Tax Collections as a Percentage of Tax Levy	Prior Year (Delinquent Tax) Collections(3)	Refunds	Cancellations, Net Credits, Abatements, Exempt Property Restored and Shelter Rent	Delinquent as of end of Fiscal Year(4)	Delinquency as a Percentage of Tax Levy
1989	$6,233.0	$5,913.4	94.9%	$ 108.4	$ (78.9)	$(166.7)	$(152.7)	2.45%
1990	6,872.4	6,507.1	94.7	109.6	(74.1)	(135.0)	(230.2)	3.35
1991(5)...	7,681.3	7,199.2	93.7	149.7	(62.7)	(166.4)	(315.7)	4.11
1992	8,318.8	7,748.4	93.1	193.7	(124.3)	(200.2)	(370.2)	4.45
1993	8,392.5	7,766.1	92.5	227.7	(107.2)	(215.2)	(411.2)	4.90
1994	8,113.2	7,520.3	92.7	223.1	(199.1)	(189.5)	(403.4)	4.97
1995	7,889.8	7,377.4	93.5	210.8	(164.2)	(130.8)	(381.6)	4.84
1996(6)...	7,871.4	7,388.0	93.6	232.0	(242.0)	(132.5)	(350.9)	4.46

(1) As approved by the City Council.
(2) Quarterly collections on current year levy. Amounts for fiscal years 1994, 1995 and 1996 are adjusted to eliminate the effects of the 1994 and 1995 sales of delinquent tax receivables.
(3) Adjusted to exclude the effect of sales of delinquent tax receivables.
(4) These figures include taxes due on certain publicly owned property and exclude delinquency on shelter rent and exempt property restored in 1995 and 1996.
(5) Does not include supplemental levy of $61.7 million raised in mid-year for Criminal Justice Fund.
(6) Forecast.

Other Taxes

The City expects to derive approximately 59.2% of its total tax revenues for the 1996 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 in excess 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 1995 fiscal year decreased by $126 million or approximately 1.2% from the 1994 fiscal year, primarily due to decreases in the general corporation tax, banking corporation tax, and other taxes. The following table sets forth revenues from taxes, other than the real property tax, by category for each of the City's 1991 through 1995 fiscal years.

	1991	1992	1993(1)	1994	1995
			(In Millions)		
Personal Income(2)	$2,789	$3,223	$3,451	$3,530	$3,591
General Corporation	950	964	978	1,193	1,079
Banking Corporation	205	310	362	497	250
Unincorporated Business Income	333	340	389	382	379
Sales	2,306	2,262	2,379	2,451	2,588
Commercial Rent	670	649	624	629	624
Real Property Transfer	141	123	125	149	167
Mortgage Recording	137	121	118	134	170
Utility	177	183	190	208	197
All Other(3)	490	561	588	622	593
Audits	444	528	519	570	601
Total	$8,642	$9,264	$9,723	$10,365	$10,239

(1) A change in certain accounting standards issued by the Governmental 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 1994 fiscal year. For further information concerning such change in accounting standards, see "SECTION VI: FINANCIAL OPERATIONS—1991-1995 Statement of Operations".

(2) Personal Income Tax includes $110 million of Criminal Justice Fund revenues in the 1993 fiscal year, $200 million in fiscal year 1994 and $167 million in fiscal year 1995.

(3) All Other includes, among others, the stock transfer tax, New York City Off-Track Betting Corporation ("OTB") net revenues, cigarette, beer and liquor taxes, the hotel tax 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 with respect to airports, and the collection of fines. The following table sets forth amounts of miscellaneous revenues for each of the City's 1991 through 1995 fiscal years.

	1991	1992	1993	1994	1995
			(In Millions)		
Licenses, Permits and Franchises	$ 201	$ 210	$ 213	$ 225	$ 222
Interest Income	167	133	87	82	95
Charges for Services	337	369	397	389	396
Water and Sewer Payments	596	644	709	718	738
Rental Income	169	158	162	133	127
Fines and Forfeitures	366	404	380	369	417
Other	426	411	607	787	865
Total	$2,262	$2,329	$2,555	$2,703	$2,860

Effective on 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, a public benefit corporation all of the members of which are

appointed by the Mayor. The Water Board currently holds a long-term leasehold interest in the water and sewer system pursuant to a lease between the Water Board and the City (the "Lease"). See "SECTION VII: 1996-1999 FINANCIAL PLAN—Long-Term Capital and Financing Program" for information relating to the proposed transfer of title to the water and sewer system to the Water Board which would result in the elimination of the rental payable to the City under the Lease but would not affect the Water Board's obligation to pay, from system revenues, the City's costs of operating and maintaining the system.

Miscellaneous revenues for the 1991 fiscal year include 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. Miscellaneous revenues for the 1995 fiscal year include $200 million from the recovery of prior year FICA overpayments and $120 million from the sale of upstate jails to the state of New York.

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: 1996-1999 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 1991 through 1995 fiscal years.

	1991	1992	1993	1994	1995
			(In Millions)		
State Per Capita Aid	$535	$534	$535	$300	$325
State Shared Taxes(1)	20	27	8	27	16
Other(2)	145	265	164	340	262
Total	$700	$826	$707	$667	$603

(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 1991, 1992, 1993, 1994 and 1995 fiscal years are $69 million, $75 million, $88 million, $105 million and $126 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: 1996-1999 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 1991 through 1995 fiscal years.

	1991	1992	1993	1994	1995
			(In Millions)		
Federal					
JTPA	$ 73	$ 86	$ 128	$ 106	$ 108
Community Development(1)	227	187	193	264	281
Welfare	1,842	2,108	2,111	2,321	2,318
Education	667	744	867	882	857
Other	338	297	311	387	442
Total	$3,147	$3,422	$3,610	$3,960	$4,006
State					
Welfare	$1,620	$1,773	$1,767	$1,897	$1,984
Education	3,285	3,072	3,309	3,380	3,769
Higher Education	119	119	117	134	125
Health and Mental Health	237	201	189	207	235
Other	250	270	279	285	317
Total	$5,511	$5,435	$5,661	$5,903	$6,430

(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—1991-1995 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 84% 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 1995-1996 school year is estimated to be 1,058,533. Actual enrollment in fiscal years 1991 through 1995 has been 956,658, 973,263, 995,465, 1,016,728, and 1,034,235, respectively. Between fiscal years 1991 and 1995, the percentage of the City's total budget allocated to BOE has remained relatively stable at approximately 25.44%; in fiscal year 1996 the percentage of the City's total budget allocated to BOE is projected to be 26.3%. See "SECTION VII: 1996-1999 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 29.3% of the costs of the Community Colleges in the 1996 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. On February 23, 1995, the Mayor announced that the City would seek to privatize three of the City's municipal hospitals: Coney Island Hospital, Elmhurst Hospital Center and Queens Hospital Center. The goal of the privatization initiative is to improve efficiency in the delivery of services while relieving the City of the costs associated with owning and

operating the three hospitals. Any lower costs resulting from the privatization of these hospitals are not reflected in the Financial Plan. The Mayor also announced that a panel of experts has been formed to advise the City on the future course for HHC.

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, 1995, 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 1991 through 1995 fiscal years.

	1991	1992	1993	1994	1995
Education	86,071	83,863	86,981	88,639	88,340
Police(1)	41,438	41,223	42,647	45,704	43,040
Social Services and Homeless Services	31,404	28,890	28,810	26,013	23,948
City University	3,864	3,516	3,682	4,071	3,579
Environmental Protection and Sanitation	17,366	16,560	16,714	16,046	15,258
Fire	12,679	12,571	12,537	12,484	12,310
All Other	57,423	54,491	54,184	50,491	47,486
Total	250,245	241,114	245,555	243,448	233,961

(1) Fiscal year 1995 includes impact of the Transit Authority and Housing Authority Police Department mergers with the NYPD. For comparison purposes, the previous fiscal years have been restated to include the Transit Authority and Housing Authority Police Departments.

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 1991 through 1995 fiscal years.

	1991	1992	1993	1994	1995
Transit Authority(1)	44,531	43,947	44,402	44,960	44,954
Housing Authority(1)	12,573	12,706	13,686	13,774	13,820
HHC	45,717	45,498	47,738	47,582	42,582
Total(2)	102,821	102,151	105,826	106,316	101,356

(1) In Fiscal year 1995, the Transit Authority and Housing Authority Police Departments merged with the New York Police Department. For comparison purposes, the previous fiscal years have been restated to exclude the TAPD and HAPD from these numbers.

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

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

Labor Relations

Substantially all of the City's full-time employees are members of labor unions. The Financial Emergency Act requires that all collective bargaining agreements entered into by the City and the Covered Organizations be consistent with the City's current financial plan, except for certain awards arrived at

through impasse procedures. During a Control Period, and subject to the foregoing exception, the Control Board would be required to disapprove collective bargaining agreements that are inconsistent with the City's current financial plan.

Under applicable law, the City may not make unilateral changes in wages, hours or working conditions under any of the following circumstances: (i) during the period of negotiations between the City and a union representing municipal employees concerning a collective bargaining agreement; (ii) if an impasse panel is appointed, then during the period commencing on the date on which such panel is appointed and ending sixty days thereafter or thirty days after it submits its report, whichever is sooner, subject to extension under certain circumstances to permit completion of panel proceedings; or (iii) during the pendency of an appeal to the Board of Collective Bargaining. Although State law prohibits strikes by municipal employees, strikes and work stoppages by employees of the City and the Covered Organizations have occurred.

For information regarding the City's most recently negotiated collective bargaining settlement, as well as assumptions with respect to the cost of future labor settlements and related effects on the 1996-1999 Financial Plan, see "SECTION VII: 1996-1999 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: 1996-1999 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 January 17, 1995, the City published a Preliminary Ten-Year Capital Strategy for fiscal years 1996 through 2005 (the "Preliminary Ten-Year Capital Strategy"). The Preliminary Ten-Year Capital Strategy totaled $45.7 billion, of which approximately 92% would be financed with City funds. On April 27, 1995, the City published the Ten-Year Capital Strategy for fiscal years 1996 through 2005 (the "Ten-Year Capital Strategy"). The Ten-Year Capital Strategy totaled $40.6 billion, of which approximately 92% would be financed with City funds. The Mayor reduced the size of the preliminary capital program by approximately $2.1 billion cumulatively through fiscal year 1999. The reduced program, which is detailed in the Ten-Year Capital Strategy, was implemented to meet the constraint of the forecast level of the State Constitutional limitation on the City's debt incurring powers. See "SECTION VIII: INDEBTEDNESS—City Indebtedness—*Limitations on the City's Authority to Contract Indebtedness*." Therefore, all programmatic detail currently in the Ten-Year Capital Strategy reflects the reduction, as well as added programmatic needs which may have arisen since the Preliminary Ten-Year Capital Strategy. The Ten-Year Capital Strategy includes an assumption that the debt service costs relating to $2.8 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. The Ten-Year Capital Strategy provides $2.1 billion for

the Board of Education for fiscal years 1996 through 1999. This represents a 23% reduction from amounts previously allocated to the Board of Education for 1996-1999. The Board of Education must modify its Five Year Capital Plan to allocate this reduced level of funding. The Ten-Year Capital Strategy also assumes that $200 million of these education commitments will be financed by non-general obligation financed debt. The issuance of this debt will require state legislation. The Adopted Capital Budget included an addition of $207 million in commitments for education. The Adopted Capital Budget provides that these commitments, together with an additional $200 million in fiscal 1996 commitments, are to be funded using a portion of the proceeds from the transfer of the water and sewer system from the City to the Water Board. The Ten-Year Capital Strategy includes an additional $200 million of such proceeds in each of the 1997, 1998 and 1999 fiscal years to fund the City's capital program. See "SECTION VII: 1996-1999 FINANCIAL PLAN". 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 Ten-Year Capital Strategy. The Ten-Year Capital Strategy assumes that approximately $245 million of the City's capital contribution to the MTA for the 1995 fiscal year will be deferred until the 1997 fiscal year. The Ten-Year Capital Strategy also assumes that the Wicks Law will be repealed by the State legislature, and that the City will achieve savings of $1.4 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 Ten-Year Capital Strategy includes (i) $9.3 billion to construct new schools and improve existing educational facilities; (ii) $4.2 billion for expanding and upgrading the City's housing stock; (iii) $2.2 billion for reconstruction or resurfacing more than 10,000 lane miles of City streets; (iv) $1.3 billion for continued City-funded investment in mass transit; (v) $4.0 billion for the continued reconstruction and rehabilitation of all four East River bridges and 410 other bridge structures; (vi) $532 million to expand current jail capacity; and (vii) $2.2 billion for construction and improvement of court facilities.

Those programs in the Ten-Year Capital Strategy financed with City funds are currently expected to be funded primarily from the issuance of general obligation bonds. Debt service on such bonds is paid out of the City's operating revenues. From time to time in the past, during recessionary periods when operating revenues have come under increasing pressure, capital funding levels have been reduced from those previously contemplated in order to reduce debt service costs. For information concerning the City's long-term financing program for capital expenditures, see "SECTION VII: 1996-1999 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 1991 through 1995 fiscal years. City-funded expenditures, which totaled $17.5 billion during the 1991 through 1995 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.

	1991	1992	1993	1994	1995	Total
			(In Millions)			
Education	$ 694	$ 681	$ 754	$ 722	$ 875	$ 3,726
Environmental Protection	826	894	746	616	705	3,787
Transportation	399	364	341	423	444	1,971
Transit Authority(1)	381	329	250	221	150	1,331
Housing	689	639	431	387	292	2,438
Hospitals	195	155	167	163	137	817
Sanitation	172	153	188	151	114	778
All Other(2)	877	678	740	660	958	3,913
Total Expenditures(3)	$4,233	$3,893	$3,617	$3,343	$3,675	$18,761
City-funded Expenditures(4)	$3,946	$3,582	$3,395	$3,301	$3,237	$17,530

(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 1991 through 1995 fiscal years include City, State and Federal funding and represent amounts which include an accrual for work-in-progress. The figures for the 1991 through 1995 fiscal years are derived from the Comprehensive Annual Financiall Report of the Comptroller.

(4) City-funded Expenditures do not include accruals, but represent actual cash expenditures occurring during the fiscal year.

In October 1994, the City issued a condition assessment and a proposed maintenance schedule for 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. 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: 1996-1999 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, 1995, 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—1991-1995 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 1996 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.

1991-1995 Statement of Operations

The following table sets forth the City's results of operations for its 1991 through 1995 fiscal years reported in accordance with GAAP. The information regarding the 1991 through 1995 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 1994 and 1995 financial statements included in "APPENDIX B—FINANCIAL STATEMENTS". The 1991 through 1993 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)				
	1991	1992	1993(2)	1994	1995
			(In Millions)		
Revenues and Transfers					
Real Estate Tax(3)	$ 7,251	$ 7,818	$ 7,886	$ 7,773	$ 7,474
Other Taxes(4)	8,642	9,264	9,723	10,365	10,239
Miscellaneous Revenues	2,262	2,329	2,555	2,703	2,860
Unrestricted Federal and State Aid	700	826	707	667	603
Federal Categorical Grants	3,147	3,422	3,610	3,960	4,006
State Categorical Grants	5,511	5,435	5,661	5,903	6,430
Less: Disallowances Against Categorical Grants	(32)	(72)	(26)	(19)	(21)
Total Revenues and Transfers	$27,481	$29,022	$30,116	$31,352	$31,591
Expenditures and Transfers					
Social Services	$ 6,686	$ 7,108	$ 7,430	$ 8,030	$ 8,112
Board of Education	6,694	6,626	7,213	7,561	7,863
City University	313	458	571	353	348
Public Safety and Judicial	3,494	3,586	3,759	3,846	4,121
Health Services	1,463	1,276	1,452	1,620	1,737
Pensions	1,479	1,370	1,427	1,274	1,273
Debt Service(4)	1,503	2,502	2,103	2,136	2,320
MAC Debt Service Funding(4)	449	540	370	354	29
All Other	5,395	5,552	5,827	6,173	5,783
Total Expenditures and Transfers	$27,476	$29,018	$30,152	$31,347	$31,586
Surplus(5)	$ 5	$ 4	$ (36)	$ 5	$ 5

(1) The City's results of operations refer to the City's General Fund revenues and transfers reduced by expenditures and transfers. The revenues and assets of PBCs included in the City's audited financial statements do not constitute revenues and assets of the City's General Fund, and, accordingly, the revenues of such PBCs, other than net 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 ("GASB") Statement Number 22, which provides for a change in the method of recognizing certain tax receipts. For purposes of presenting comparative financial statements for the 1994 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, 1994 and 1995 fiscal years includes $56 million, $131 million, $128 million, $147.5 million and $147 million, respectively, of Criminal Justice Fund revenues. Real Estate Tax for fiscal years 1994 and 1995 also includes $201 million and $223 million from the sale of the City's delinquent tax receivables outstanding as of May 31, 1994 and April 1, 1995, respectively.

(4) Revenues include amounts paid and expected to be paid to MAC by the State from sales tax receipts, stock transfer tax receipts and 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, reserve fund requirements and for operating expenses. 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 $71 million, $72 million, $371 million, $570 million and $27 million before discretionary transfers and expenditures for the 1995, 1994, 1993, 1992 and 1991 fiscal years, respectively.

Forecast of 1996 Results

The following table compares the forecast for the 1996 fiscal year contained in the financial plan submitted to the Control Board on July 11, 1995 (the "July 1995 Forecast") with the Financial Plan published on January 31, 1996 (the "January 1996 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. For information regarding recent developments, see "SECTION I: RECENT FINANCIAL DEVELOPMENTS".

	July 1995 Forecast	January 1996 Forecast	Increase (Decrease) from July 1995 Forecast
		(In Millions)	
REVENUES			
Taxes			
General Property Tax	$ 7,124	$ 7,181	$ 57 (1)
Other Taxes	9,820	9,811	(9)(2)
Tax Audit Revenue	653	647	(6)
Criminal Justice Fund	335	335	0
Miscellaneous Revenues	3,679	4,045	366 (3)
Unrestricted Intergovernmental Aid	549	574	25
Anticipated State Actions	50	0	(50)
Anticipated Federal Actions	75	50	(25)
Inter-Fund Revenues	257	244	(13)
Less: Intra-City Revenues	(667)	(634)	33
Disallowances Against Categorical Grants	(15)	(15)	0
Total City Funds	$21,860	$22,238	$ 378
Federal Categorical Grants	3,670	4,405	735 (4)
State Categorical Grants	5,930	6,055	125 (4)
Total Revenues	$31,460	$32,698	$1,238
EXPENDITURES			
Personal Service	$15,679	$16,198	$ 519 (5)
Other Than Personal Service	13,367	14,506	1,139 (6)
Debt Service	2,604	2,301	(303)(7)
MAC Debt Service Funding	277	127	(150)
General Reserve	200	200	0
	$32,127	$33,332	$1,205
Less: Intra-City Expenses	(667)	(634)	33
Total Expenditures	$31,460	$32,698	$1,238
GAP TO BE CLOSED	$ 0	$ 0	$ 0

(1) The forecasted increase in the property tax is primarily due to an increase in the estimated proceeds of the tax lien sale.

(2) The forecasted decrease in Other Taxes is primarily due to a projected decrease in the personal income tax of $34 million, a projected decrease in the sales tax of $13 million, a projected decrease in the commercial rent tax of $19 million, and projected decreases in the mortgage recording and real property transfer taxes of $25 million. Offsetting these decreases are projected increases in the general corporation tax of $14 million, $44 million in the banking corporation and unincorporated business taxes, and a net increase of $24 million in the forecast for the utility and all other tax revenues.

(3) The increase in miscellaneous revenue is primarily due to a refunding by the Health and Hospitals Corporation of previous subsidy overpayments as well as the sale of WNYC.

(4) The increase in Federal and State Categorical Grants is due in part to modifications to such grants that were processed from July 1995 to December 1995 as well as adjustments to the expenditure forecast.

(5) The increase in the Personal Service forecast is primarily due to budget modifications processed from July 1995 to December 1995 increasing expenditures by $25 million, reallocation and timing of transitional labor savings of $112 million, re-estimate of employee health insurance costs of $100 million, Department of Correction uniform increments of $28 million, net Board of Education expenditures of $134 million and Department of Social Services spending associated with increased headcount for the New York City Way program of $28 million.

(6) The increase in the other than personal service forecast is due in part to budget modifications that have been processed since July 1995 and adjustments to the expenditure forecast offset by various reduction programs that have been implemented since the July 1995 Forecast.

(7) The decrease in Debt Service costs in 1996 is due primarily to a combination of refunding savings of $110 million, anticipated refunding action of $25 million, asset sales of $120 million, savings in short-term interest of $16 million and other debt service decreases of $32 million.

SECTION VII: 1996-1999 FINANCIAL PLAN

The following table sets forth the City's projected operations on a basis consistent with GAAP for the 1996 through 1999 fiscal years as contained in the 1996-1999 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".

	1996-1999 Fiscal Years(1)(2)			
	1996	1997	1998	1999
	(In Millions)			
REVENUES				
Taxes				
General Property Tax(3)	$ 7,181	$ 7,240	$ 7,305	$ 7,473
Other Taxes(4)	9,811	10,319	10,765	11,264
Tax Audit Revenue	647	653	653	653
Criminal Justice Fund(5)	335	—	—	—
Tax Reduction Program(6)	—	(349)	(860)	(995)
Miscellaneous Revenues	4,045	3,353	3,171	3,127
Unrestricted Intergovernmental Aid	574	530	540	540
Inter-Fund Revenues(7)	244	265	265	265
Anticipated Federal Actions	50	—	—	—
Less: Intra-City Revenues	(634)	(676)	(676)	(675)
Disallowances Against Categorical Grants	(15)	(15)	(15)	(15)
Total City Funds	$22,238	$21,320	$21,148	$21,637
Federal Categorical Grants	4,405	3,579	3,545	3,551
State Categorical Grants	6,055	6,032	6,092	6,158
Total Revenues	$32,698	$30,931	$30,785	$31,346
EXPENDITURES				
Personal Service(8)	$16,198	$16,343	$17,070	$17,961
Other Than Personal Service	14,506	13,825	14,110	14,379
Debt Service(4)	2,301	2,931	2,995	3,106
MAC Debt Service Funding(4)	127	343	409	438
General Reserve	200	200	200	200
Total Expenditures	$33,332	$33,642	$34,784	$36,084
Less: Intra-City Expenses	(634)	(676)	(676)	(675)
Net Total Expenditures	$32,698	$32,966	$34,108	$35,409
GAP TO BE CLOSED	$ —	$(2,035)	$(3,323)	$(4,063)
CITY GAP-CLOSING PROGRAM	$ —	$ 2,035	$ 1,696	$ 1,571
REMAINING GAP	$ —	$ —	$(1,627)	$(2,492)

(1) The four-year financial plan for the 1995 through 1998 fiscal years, as submitted to the Control Board on July 8, 1994, contained the following projections for the 1995-1998 fiscal years: (i) for 1995, total revenues of $31.635 billion and total expenditures of $31.365 billion; (ii) for 1996, total revenues of $31.561 billion and total expenditures of $33.026 billion with a gap to be closed of $1.465 billion; (iii) for 1997, total revenues of $31.922 billion and total expenditures of $33.913 billion with a gap to be closed of $1.991 billion; and (iv) for 1998, total revenues of $32.582 billion and total expenditures of $35.002 billion with a gap to be closed of $2.420 billion.

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

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

(footnotes continued on next page)

(footnotes continued from previous page)

(2) The Financial Plan combines the operating revenues and expenditures of the City, 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 Covered Organizations and PBCs which provide governmental services to the City, such as the Transit Authority, are separately constituted and their revenues (other than net OTB revenues), are not included in the Financial Plan; 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.

(3) Includes $147 million for the sale of real property tax liens in fiscal year 1996, a transaction which will be repeated annually.

(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, reserve fund requirements and operating expenses. The City includes such revenues as City revenues and reports the amount retained by MAC from such revenues as "MAC Debt Service Funding", although the City has no control over the statutory application of such revenues to the extent MAC requires them. Estimates of City "Debt Service" include, and estimates of "MAC Debt Service Funding" are reduced by, anticipated payments by the City of debt service on City obligations held by MAC. Other Taxes include transfers of net OTB revenues.

(5) Criminal Justice Fund revenues comprise $150 million from the general property tax receipts projected for the 1996 fiscal year, and $185 million projected to be received from personal income tax for the 1996 fiscal year.

(6) Tax Reduction Program includes (i) the elimination of the 12.5% personal income tax surcharge when it expires, at a cost of $171 million in the 1997 fiscal year, $447 million in the 1998 fiscal year and $478 million in the 1999 fiscal year, (ii) the elimination of the City sales tax on items of clothing under $500, at a cost of $135 million in the 1997 fiscal year, $267 million in the 1998 fiscal year and $275 million in the 1999 fiscal year, and (iii) reform of the business taxes, a further reduction of the commercial rent tax rate, exemption of certain intra-family transfers of real property from the real property transfer tax, and elimination of the vault charge and the tax on coin operated amusement devices, totaling $43 million in the 1997 fiscal year, $146 million in the 1998 fiscal year, and $242 million in the 1999 fiscal year.

(7) 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.

(8) For an explanation of projected expenditures for personal service costs, see "SECTION VII: 1996-1999 FINANCIAL PLAN—Assumptions—*Expenditure Assumptions*—1. PERSONAL SERVICE COSTS".

Actions to Close the Gaps

The 1996-1999 Financial Plan reflects a program of proposed actions to eliminate the gap between projected revenues and expenditures of $2.0 billion for the 1997 fiscal year and to reduce the gaps between projected revenues and expenditures of $3.3 billion and $4.1 billion for the 1998 and 1999 fiscal years, respectively. These actions include additional agency spending reductions, reduction in entitlements, State and Federal aid, privatization initiatives, and the assumed receipt of revenues relating to rent payments for the City's airports, which are currently the subject of a dispute with the Port Authority. The City is also preparing a $200 million contingency agency reduction program for the 1997 fiscal year.

Various actions proposed in the Financial Plan are subject to approval by the Governor and the State Legislature and the Federal government. Reductions in entitlement expenditures will depend to a significant extent on the ultimate resolution of State and Federal budget proposals currently being considered. No assurance can be given that such actions will in fact be taken or that the savings that the City projects will result from these actions will be realized. See "SECTION I: RECENT FINANCIAL DEVELOPMENTS". 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: 1996-1999 FINANCIAL PLAN—Certain Reports", "SECTION VII: 1996-1999 FINANCIAL PLAN—Assumptions" and "SECTION IX: OTHER INFORMATION—Ratings".

The City's projected budget gaps for the 1998 and 1999 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 1997 budget are not taken into account in projecting the budget gaps for the 1998 and 1999 fiscal years.

In connection with the Financial Plan, the City has outlined a separate gap-closing program for the 1998 and 1999 fiscal years to substantially reduce the remaining $1.6 billion and $2.5 billion projected budget gaps for such fiscal years. This program, which is not specified in detail, assumes additional agency reduction programs to reduce expenditures by $660 million and $560 million in the 1998 and 1999 fiscal years, respectively; additional reductions in entitlement cost of $150 million and $300 million in the 1998 and 1999 fiscal years, respectively; additional savings of $250 million and $450 million in the 1998 and 1999 fiscal years, respectively, resulting from restructuring City government by consolidating operations, privatization and

mandate management and other initiatives; additional asset sales of $200 million and $300 million in the 1998 and 1999 fiscal years, respectively; and the availability in each of the 1998 and 1999 fiscal years of $100 million of the General Reserve.

Although the City has maintained balanced budgets in each of its last fifteen fiscal years, and is projected to achieve balanced operating results for the 1996 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 1996-1999 Financial Plan is based on numerous assumptions, including the condition of the City's and the region's economy and a modest employment recovery and the concomitant receipt of economically sensitive tax revenues in the amounts projected. The 1996-1999 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 1996 through 1999 fiscal years; continuation of 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 entitlement spending reductions; the ability of HHC, BOE and other such agencies to maintain balanced budgets; the willingness of the Federal government to provide the amount of Federal aid contemplated in the Financial Plan; 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, and the success with which the City controls expenditures; the impact of conditions in the real estate market on real estate tax revenues; approval by MAC of the projected receipt of funds from MAC; the City's ability to market its securities successfully in the public credit markets; and unanticipated expenditures that may be incurred as a result of the need to maintain the City's infrastructure. See "SECTION I: RECENT FINANCIAL DEVELOPMENTS". Certain of these assumptions have been questioned by the City Comptroller and other public officials. See "SECTION VII: 1996-1999 FINANCIAL PLAN—Certain Reports".

On June 7, 1995, the State adopted its Budget for the State's 1996 fiscal year, commencing April 1, 1995. Prior to adoption of the budget the State had projected a potential budget gap of approximately $5 billion for its 1996 fiscal year. This gap is projected to be closed in the 1995-1996 State Financial Plan based on the enacted budget, through a series of actions, mainly spending reductions and cost containment measures and certain reestimates that are expected to be recurring, but also through the use of one-time solutions. The State Financial Plan projects (i) nearly $1.6 billion in savings from cost containment, disbursement reestimates, and other savings in social welfare programs, including Medicaid, income maintenance and various child and family care programs; (ii) $2.2 billion in savings from State agency actions to reduce spending on the State workforce, SUNY and CUNY, mental hygiene programs, capital projects, the prison system and fringe benefits; (iii) $300 million in savings from local assistance reforms, including actions affecting school aid and revenue sharing while proposing program legislation to provide relief from certain mandates that increase local spending; (iv) over $400 million in revenue measures, primarily a new Quick Draw Lottery game, changes to tax payment schedules, and the sale of assets; and (v) $300 million from reestimates in receipts.

On January 30, 1996, the State issued an update to the 1995-1996 State Financial Plan. These projections show continued balance in the State's 1995-1996 Financial Plan.

A significant risk to the State's projections arises from tax legislation under consideration by Congress and the President. Congressionally-adopted retroactive changes to Federal tax treatment of capital gains would flow through automatically to the State personal income tax. Such changes, if ultimately enacted, could produce revenue losses in both the 1995-1996 fiscal year and the 1996-1997 fiscal year. In addition, changes in Federal aid programs, currently pending in Congress, could result in prolonged interruptions in

the receipt of Federal grants. According to the State Division of the Budget, the major remaining uncertainties in the 1995-1996 State Financial Plan continue to be those related to the economy and tax collections, which could produce either favorable or unfavorable variances during the balance of the year.

The Governor presented his 1996-1997 Executive Budget to the Legislature on December 15, 1995, and subsequently amended it. The Legislature and the Comptroller will review the Governor's Executive Budget and are expected to comment on it. There can be no assurance that the Legislature will enact the Executive Budget into law, or that the State's adopted budget projections will not differ materially and adversely from the projections set forth in the Executive Budget.

The Governor's Executive Budget projects balance on a cash basis in the General Fund. It reflects a continuing strategy of substantially reduced State spending, including program restructurings, reductions in social welfare spending, and efficiency and productivity initiatives. Total General Fund receipts and transfers from other funds are projected to be $31.3 billion, a decrease of $1.4 billion from total receipts projected in the current fiscal year. Total General Fund disbursements and transfers to other funds are projected to be $31.2 billion, a decrease of $1.5 billion from spending totals projected for the current fiscal year.

The 1996-1997 Executive Budget proposes $3.9 billion in actions to balance the 1996-97 State Financial Plan. The Executive Budget proposes to close this gap primarily through a series of spending reductions and cost containment measures. The Executive Budget projects (i) over $1.8 billion in savings from cost containment and other actions in social welfare programs, including Medicaid, welfare and various health and mental health programs; (ii) $1.3 billion in savings from a reduced State General Fund share of Medicaid made available from anticipated changes in the Medicaid program, including an increase in the Federal share of Medicaid; (iii) over $450 million in savings from reforms and cost avoidance in educational services (including school aid and higher education), while providing fiscal relief from certain State mandates that increase local spending; and (iv) $350 million in savings from efficiencies and reductions in other State programs. The State has noted that there is considerable uncertainty as to the ultimate composition of the Federal budget, including uncertainties regarding major Federal entitlement reforms. The 1996-1997 Executive Budget seeks to lessen the effect of the proposed cuts on localities by granting certain mandate relief to permit them to exercise greater flexibility in allocating their resources. However, no assurance can be given as to the amount of savings which the City might realize from any of the Medicaid cost containment or welfare reform measures proposed in the Executive Budget or the size of any reductions in State aid to the City. Depending upon the amount of such savings or the size of any such reduction in State aid, the City might be required to make substantial additional changes in the Financial Plan.

The State Division of the Budget has noted that the economic and financial condition of the State may be affected by various financial, social, economic and political factors. Those factors can be very complex, can vary from fiscal year to fiscal year, and are frequently the result of actions taken not only by the State but also by entities, such as the Federal government, that are outside the State's control. Because of the uncertainty and unpredictability of changes in these factors, their impact cannot be fully included in the assumptions underlying the State's projections. There can be no assurance that the State economy will not experience results that are worse than predicted, with corresponding material and adverse effects on the State's financial projections.

To make progress toward addressing recurring budgetary imbalances, the 1996-97 Executive Budget proposes significant actions to align recurring receipts and disbursements in future fiscal years. However, there can be no assurance that the Legislature will enact the Governor's proposals or that the State's actions will be sufficient to preserve budgetary balance or to align recurring receipts and disbursements in future fiscal years. The 1996-1997 Executive Budget includes actions that will have an impact on receipts and disbursements in future fiscal years. The net impact of these actions is expected to produce a potential imbalance in State fiscal year 1997-98 of $1.4 billion and in the 1998-99 fiscal year of $2.5 billion, assuming implementation of the 1996-97 Executive Budget recommendations. It is expected that the Governor will propose to close these budget gaps with future spending reductions.

Uncertainties with regard to both the economy and potential decisions at the Federal level add further pressure on future budget balance in New York State. For example, various proposals relating to Federal tax and spending policies could, if enacted, have a significant impact on the State's financial condition in the

current and future fiscal years. Specifically, the assumption of $1.3 billion in savings in the State fiscal year 1996-97 from a reduced State General Fund share of Medicaid is contingent upon anticipated changes to Federal provisions, including an increase in the Federal share of Medicaid from 50 to 60 percent. Other budget and tax proposals under consideration at the Federal level but not included in the State's 1996-1997 Executive Budget forecast could also have a disproportionately negative impact on the longer-term outlook for the State's economy as compared to other states.

The State's Annual Information Statement, updates, and supplements may be obtained by contacting the Division of the Budget, State Capital, Albany, NY 12224, Tel: (518) 473-3732.

In the State's 1996 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. In the event that a State budget is not adopted by the statutory deadline of April 1, 1996, temporary spending measures may be adopted by the State pending the adoption of a Federal budget.

On January 13, 1992, Standard & Poor's reduced its ratings on the State's general obligation bonds from A to A– and, in addition, reduced its ratings on the State's moral obligation, lease purchase, guaranteed and contractual obligation debt. Standard & Poor's also continued its negative rating outlook assessment on State general obligation debt. On 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 October 3, 1995, confirmed its A- rating. On January 6, 1992, Moody's reduced its ratings on outstanding limited-liability State lease purchase and contractual obligations from A to Baa1. On October 2, 1995, Moody's reconfirmed its A rating on the State's general obligation long-term indebtedness.

The projections and assumptions contained in the 1996-1999 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 February 1996. For information regarding certain recent developments, see "SECTION I: RECENT FINANCIAL DEVELOPMENTS".

Revenue Assumptions

1. GENERAL ECONOMIC CONDITIONS

The Financial Plan assumes that after noticeable improvements in the City's economy during calendar year 1994 and a slowing of economic growth in calendar year 1995, economic growth will continue to slow in calendar year 1996, with local employment increasing modestly. This assumption is based on continuing stable monetary policy and progress on Federal deficit reduction. 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 1995 through 1999. This forecast is based upon information available in February 1996.

FORECAST OF KEY ECONOMIC INDICATORS

	Calendar Years				
U.S. ECONOMY	1995	1996	1997	1998	1999
Economic Activity and Income					
Real GDP (billions of 1987 dollars)	5,518.8	5,658.3	5,804.9	5,960.2	6,101.7
Percent Change	3.3	2.5	2.6	2.7	2.4
Pre-tax Corporate Profits ($ billions)	565.5	588.7	614.6	637.4	673.8
Percent Change	7.8	4.1	4.4	3.7	5.7
Personal Income ($ billions)	6,050.9	6,348.5	6,642.8	6,956.0	7,295.1
Percent Change	6.1	4.9	4.6	4.7	4.9
Non-Agricultural Employment (millions)	116.6	118.7	120.6	122.7	124.5
Change From Prior Year	2.6	2.1	1.9	2.1	1.8
Unemployment Rate	5.6	5.6	5.8	5.9	6.0
CPI-All Urban (1982-84=100)	152.6	157.0	161.5	166.3	171.4
Percent Change	2.9	2.9	2.9	3.0	3.1
3 Month T-Bill Rate	5.5	5.1	4.9	4.9	4.9
CITY ECONOMY					
Personal Income ($ billions)	220.1	229.9	238.3	248.3	259.4
Percent Change	6.2	4.4	3.7	4.2	4.5
Non-Agricultural Employment (thousands)	3,313.9	3,321.6	3,340.6	3,357.9	3,375.4
Change From Prior Year	9.4	7.6	19.0	17.3	17.5
Real Gross City Product (billions of 1987 dollars)	237.2	243.5	247.3	253.8	260.1
Percent Change	5.4	2.7	1.5	2.6	2.5
CPI-All Urban NY-NJ Area (1982-84=100)	162.2	166.8	171.5	176.4	181.6
Percent Change	2.5	2.8	2.8	2.9	2.9

SOURCE: OMB model for the City economy.

2. REAL ESTATE TAX

Projections of real estate tax revenues are based on a number of assumptions, including, among others, assumptions relating to the tax rate, the assessed valuation of the City's taxable real estate, the delinquency rate, debt service needs, a reserve for uncollectible taxes and the operating limit. See "SECTION IV: SOURCES OF CITY REVENUES—Real Estate Tax".

The delinquency rate for the 1995 fiscal year was 4.84%. The 1996-1999 Financial Plan projects delinquency rates of 4.46%, 4.33%, 4.21% and 4.15%, respectively, for the 1996 through 1999 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*".

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 1996-1999 Financial Plan. The amounts set forth below include projected tax program revenues and excludes the Criminal Justice Fund and audit revenues.

	1996	1997	1998	1999
		(In Millions)		
Personal Income(1)	$3,557	$ 3,937	$ 4,174	$ 4,419
General Corporation	1,111	1,119	1,103	1,107
Banking Corporation	329	348	350	364
Unincorporated Business Income	437	475	532	598
Sales	2,700	2,798	2,929	3,052
Commercial Rent	529	414	416	434
Real Property Transfer	177	191	203	212
Mortgage Recording	153	167	178	187
Utility	209	214	221	224
All Other(2)	609	656	659	667
Total	$9,811	$10,319	$10,765	$11,264

(1) Personal Income excludes amounts to be paid to the Criminal Justice Fund of $185 million in the 1996 fiscal year. Personal Income includes revenues which would be generated by extension of the 14% personal income tax surcharge beyond calendar year 1997 and extension of the 12.5% personal income tax surcharge beyond calendar year 1996, resulting in revenues aggregating to $171 million, $555 million and $902 million in the 1997, 1998 and 1999 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 $171 million in fiscal year 1997, $447 million in fiscal year 1998 and $478 million in fiscal year 1999.

(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 1996 through 1999 fiscal years.

The 1996-1999 Financial Plan reflects the following assumptions regarding projected baseline revenues from Other Taxes: (i) with respect to personal income tax revenues, growth in income in fiscal year 1996 due in part to improvement in profits on Wall Street in calendar year 1995, which will moderate in fiscal year 1997, and no change in the Federal tax treatment of capital gains; (ii) with respect to the general corporation tax, slowing growth in the outlook for the manufacturing, trade and business service sectors, and a rebound in securities industry payments in fiscal year 1996, which will moderate in fiscal year 1997 and the outyears, 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, modest growth in liability estimates especially by the clearinghouse banks in a stable interest rate environment; (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, a slowdown in consumer spending in fiscal year 1996, moderate economic growth in fiscal year 1997 and improved wage income starting in fiscal year 1998; (vi) with respect to the mortgage recording and real property transfer taxes, moderate growth in the 1996 fiscal year reflecting fewer residential transactions and little improvement in prices, followed by strength resulting from improved affordability in the residential market, and growth in asking rents and declines in vacancy rates in the commercial market; (vii) with respect to the commercial rent tax, improved occupancy and higher rentals but growth in revenue more than offset in fiscal year 1997 due to increases in the exemption threshhold, elimination of the tax outside Manhattan, and a 25% reduction in the tax in Manhattan, and partially offset in fiscal year 1998 by additional anticipated tax reductions; and (viii) with respect to the All Other category, the current general economic forecast. The 1996-1999 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, 1997 has been enacted.

4. MISCELLANEOUS REVENUES

The following table sets forth amounts of miscellaneous revenues projected to be received by the City in the 1996-1999 Financial Plan.

	1996	1997	1998	1999
		(In Millions)		
Licenses, Permits and Franchises	$ 233	$ 222	$ 222	$ 222
Interest Income	88	77	77	78
Charges for Services	410	409	408	408
Water and Sewer Payments(1)	604	595	594	591
Rental Income	128	179	100	96
Fines and Forfeitures	415	420	418	417
Other	1,533	775	676	640
Intra-City Revenues	634	676	676	675
Total	$4,045	$3,353	$3,171	$3,127

(1) Received from the Water Board. For further information regarding the Water Board, see "SECTION VII: 1996-1999 FINANCIAL PLAN—Long-Term Capital and Financing Program".

The 1996-1999 Financial Plan projects that aggregate miscellaneous revenues categories will remain relatively stable with offsetting increases and declines. Other revenues in the 1996 fiscal year include $407 million from the sale of the water and sewer system to the New York City Water Board and $207 million for the sale of WNYC. For a description of the proposed sale of the City's water and sewer system, see "SECTION VII: 1996-1999 FINANCIAL PLAN—Long-Term Capital and Financing Program".

5. UNRESTRICTED INTERGOVERNMENTAL AID

The following table sets forth amounts of unrestricted intergovernmental aid projected to be received by the City in the 1996-1999 Financial Plan.

	1996	1997	1998	1999
		(In Millions)		
State Revenue Sharing	$315	$315	$315	$315
Other Aid	259	215	225	225
Total	$574	$530	$540	$540

The "Other Aid" category mainly consists of $9 million annually of the Consolidated Local Highway Assistance Program aid, approximately $120 to $142 million from aid associated with the State takeover of long-term care Medicaid costs, $27 million annually of recoupment for welfare clients who were originally denied disability assistance, $35 million from New York State fraud audits, and $12 million in 1996 for prior year claims settlements.

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: 1996-1999 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 1996-1999 Financial Plan.

	1996	1997	1998	1999
		(In Millions)		
Federal				
JTPA	$ 106	$ 84	$ 84	$ 84
Community Development(1)	351	277	277	277
Welfare	2,410	2,261	2,223	2,225
Education	849	745	745	745
Other	689	212	216	220
Total	$4,405	$3,579	$3,545	$3,551
State				
Welfare	$1,610	$1,657	$1,629	$1,632
Education	3,757	3,726	3,819	3,869
Higher Education	154	154	154	154
Health and Mental Health	250	251	251	251
Other	284	244	239	252
Total	$6,055	$6,032	$6,092	$6,158

(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 1996-1999 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: 1996-1999 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 November 30, 1995, approximately 11.39% of the City's full-time employees (consisting of employees of the mayoral agencies and BOE) were paid by JTPA funds, Community Development funds and from other sources not funded by unrestricted revenues of the City.

The City's receipt of categorical aid is contingent upon the satisfaction of certain statutory conditions and is subject to subsequent audits, possible disallowances and possible prior claims by the State or Federal governments. The general practice of the State and Federal governments has been to deduct the amount of any disallowances against the current year's payment. It may be legally possible for substantial disallowances of aid claims to be asserted during the course of the 1996-1999 Financial Plan. The amounts of such disallowances attributable to prior years declined from $124 million in the 1977 fiscal year to $11 million in the 1995 fiscal year. This decrease reflects favorable experience with the level of disallowances in recent years, which may not continue. As of June 30, 1995, the City had an accumulated reserve of $208 million for future disallowances of categorical aid.

The U.S. House of Representatives and the Senate are still at an impasse with the President on a plan to balance the budget by 2002. This stalemate has led to a lack of consensus on most agency appropriations for the 1996 Federal fiscal year, which began on October 1, 1995. On January 6, 1996, the President signed two *targeted* appropriation bills, which will keep certain essential government services functioning for the rest of the year. On January 26, 1996 the President signed another of a series of Continuing Resolutions (HR 2880) that will provide appropriations for other services at reduced levels until March 15, 1996 or until there is a

budget agreement. Programs most significantly at risk to the City as a result of the short-term funding are the Ryan White CARE Act, AFDC, Federal Housing Programs and Head Start. Most of these programs are currently being funded at the lowest of the House, Senate, or the 1995 Federal fiscal year appropriations levels. The Congress is considering passage of another Continuing Resolution, beginning March 16, at the same levels for the rest of the year. This would affect the programs previously mentioned, as well as Federal education programs which would be funded, in most cases, at the levels appropriated by the House.

On January 9, 1996, the President vetoed Congress' welfare reform legislation (HR 4). HR 4 would have reduced projected welfare spending by at least $58 billion over seven years and made substantial changes to a number of Federally funded programs, most importantly AFDC. In an effort to break the deadlock, the National Governor's Association produced policy statements, which they hoped would lead to a welfare bill acceptable to Congress and the President. The Governors' proposal attempts to address some of the areas that Democrats, including the President, have criticized as too harsh.

Expenditure Assumptions

1. PERSONAL SERVICE COSTS

The following table sets forth projected expenditures for personal service costs contained in the 1996-1999 Financial Plan.

	1996	1997	1998	1999
		(In Millions)		
Wages and Salaries	$11,769	$11,512	$11,630	$11,722
Pensions	1,516	1,581	1,570	1,507
Other Fringe Benefits	2,828	3,030	3,180	3,363
Reserve for Collective Bargaining(1)	85	220	690	1,369
Total	$16,198	$16,343	$17,070	$17,961

(1) The Reserve for Collective Bargaining provides funding for prospective labor settlements for all agencies.

The 1996-1999 Financial Plan projects that the authorized number of City-funded employees whose salaries are paid directly from City funds, as opposed to Federal or State funds, will decrease from an estimated level of 204,375 on June 30, 1996 to an estimated level of 202,947 by June 30, 1999, before implementation of the gap closing program outlined in the Financial Plan.

Contracts with all of the City's municipal unions expired in the 1995 and 1996 fiscal years. In November 1995, the City announced a tentative settlement with unions representing approximately two-thirds of the City's workforce. The Financial Plan reflects the costs of the tentative settlements and assumes similar increases for all other City-funded employees. For additional information and a discussion of the rejection of the settlement by certain members of the UFT, see "SECTION I: RECENT FINANCIAL DEVELOPMENTS—Collective Bargaining Agreements".

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. Legislation passed in February 1996 will place collective bargaining matters relating to police and firefighters, including impasse proceedings, under the jurisdiction of the State Public Employment Relations Board ("PERB"), instead of the New York City Office of Collective Bargaining ("OCB"). OCB considers wage levels of municipal employees in similar cities in the United States in reaching its determinations, while PERB's determinations take into account wage levels in both private and public employment in comparable communities, particularly within the State. In addition, PERB can approve only two-year contracts, unlike OCB which can approve longer contracts. For these reasons, among others, PERB jurisdiction could result in labor settlements which impose higher costs on the City than those reached under existing procedures. On January 23, 1996, the City requested the Office of Collective Bargaining to declare impasse against the PBA and the UFA. In addition, on February 29, 1996, the City commenced an action in the State Supreme Court seeking a declaratory judgment confirming that OCB, rather than PERB, has jurisdiction over collective bargaining matters relating to police.

The Financial Plan includes $511 million in the 1996 fiscal year, $489 million in the 1997 fiscal year and $200 million in the 1998 fiscal year for transitional savings initiatives developed in conjunction with the municipal labor unions. On November 17, 1995, the City and union leadership announced agreement on $476 million in such savings in the 1996 fiscal year, $489 million in the 1997 fiscal year and $200 million in savings in the 1998 fiscal year based on the tentative settlement with unions representing approximately two-thirds of the City's workforce. For a discussion of the rejection of the settlement by certain members of the UFT, see "SECTION I: RECENT FINANCIAL DEVELOPMENTS—Collective Bargaining Agreements." Of the $476 million that has been identified, $200 million will result from health program savings, $150 million from reduced pension contributions, $81 million from a one-time reduction of welfare fund contributions which will be paid by the City in fiscal year 2000 and $40 million from payroll and fringe benefit savings associated with early retirement.

For a discussion of the City's pension costs, see "SECTION IX: OTHER INFORMATION—Pension Systems" and "APPENDIX B—FINANCIAL STATEMENTS—Notes to Financial Statements—Note R".

2. OTHER THAN PERSONAL SERVICE COSTS

The following table sets forth projected OTPS expenditures contained in the 1996-1999 Financial Plan.

	1996	1997	1998	1999
		(In Millions)		
Administrative OTPS	$ 6,472	$ 6,418	$ 6,577	$ 6,649
Public Assistance	2,920	2,783	2,714	2,727
Medical Assistance (Excluding City Medicaid Payments to HHC)	2,083	2,156	2,272	2,411
HHC Support	1,220	924	971	996
Other	1,811	1,544	1,576	1,596
Total	$14,506	$13,825	$14,110	$14,379

Administrative OTPS

The 1996-1999 Financial Plan contains estimates of the City's administrative OTPS expenditures for general supplies and materials, equipment and selected contractual services in the 1996 fiscal year. Thereafter, to account for inflation, selected OTPS expenditures are projected to rise by approximately 2.9% in fiscal year 1997, 2.7% in fiscal year 1998 and 2.8% in fiscal year 1999. 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 1996-1999 Financial Plan assumes different rates of inflation for energy costs for each of the 1997 through 1999 fiscal years. Inflation rates for each of the 1997 through 1999 fiscal years are set forth in the following table.

	1997	1998	1999
Gasoline and Fuel Oil	3.0%	4.0%	4.0%
Electricity	2.0	2.0	2.0
Natural Gas	1.0	1.0	2.0

Total energy expenditures are projected at $457 million in the 1996 fiscal year, rising to $473 million in the 1999 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 1996 adjustments, where applicable.

Public Assistance

The average number of persons receiving income benefits under public assistance is projected to be 1,036,963 per month in the 1996 fiscal year. The 1996-1999 Financial Plan projects that the average number of recipients will decrease by 9.6% in the 1996 fiscal year from the average number of recipients in the 1995 fiscal year. The Financial Plan assumes that public assistance grant levels will decrease by 3.5% in the 1996 fiscal year. Of total public assistance expenditures in the City for the 1996 fiscal year, the City-funded portion is projected to be $692.9 million. The City-funded portion of public assistance expenditures is projected to be $469.2 million in the 1997 fiscal year, a decrease of 32.3% from the 1996 fiscal year, and continues to decrease to $454.2 million in the 1999 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 $1.99 billion for the 1996 fiscal year and is expected to decrease to $1.79 billion in the 1999 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 1996-1999 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 1996-1999 Financial Plan projects savings of $761 million in the 1996 fiscal year due to the State having assumed such costs, and projects such savings will increase to $867 million in the 1999 fiscal year.

Health and Hospitals Corporation

Support for HHC in the 1996-1999 Financial Plan includes City-funded Medicaid payments to HHC as well as other subsidies to HHC.

HHC operates under its own section of the 1996-1999 Financial Plan as a Covered Organization. HHC's financial plan projects City-funded expenditures of $954.9 million for the 1996 fiscal year, decreasing to $872.4 million in the 1999 fiscal year, after taking into account a $60.8 million reduction in the 1997 fiscal year and $63.0 million reduction in fiscal years 1998 and 1999 in the City-funded portion of the Medicaid payments to HHC resulting from reductions in spending for entitlements. The City-funded expenditures in the 1996 fiscal year include $70.9 million of general City support, $884.0 million of Medicaid payments to HHC and $50.3 million for certain intra-city payments. A balanced budget is now projected for HHC for all years of the Financial Plan. This is the result of a number of actions taken by HHC including an early retirement incentive program and other expenditure reductions and management initiatives. In addition, HHC has reached a settlement with the New York State Medicaid program which resolves a number of outstanding rate appeals. The claims that are the subject of this settlement must undergo Federal review and are subject to disallowance. The HHC plan projects total revenues of $3,565.8 million in the 1996 fiscal year, increasing to $3,588.0 million in the 1999 fiscal year. The HHC plan projects total expenditures of $3,565.8 million in the 1996 fiscal year, increasing to $3,588.0 million in the 1999 fiscal year. These projections assume: (i) no increases in wages in 1997; an increase of 2% in 1998 and an increase of 3% in 1999; (ii) no increase in each of the 1996 through 1999 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) no increases in other than personal service costs in 1997; an increase of 5% in 1998 and an increase of 5% in 1999; and (v) Medicaid growth of 3.3% in fiscal years 1997 through 1999. In addition, significant changes have been and may be made in Medicaid, Medicare and other third-party payor programs, which could have a material adverse impact on HHC's financial condition.

Other

The projections set forth the 1996-1999 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 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

On January 31, 1996 the City released a financial plan for New York City Transit covering its 1996 through 1999 fiscal years (the "NYCT Financial Plan"). NYCT's fiscal year is the calendar year. The NYCT Financial Plan projects for its 1996 fiscal year, among other things, a cash-basis surplus of $143.1 million, which is offset by a yearly contribution to the capital program of $125 million, and operating expenses of approximately $3.609 billion. City assistance to NYCT is $225.3 million for NYCT's 1996 fiscal year. A restoration of $45 million was made in each of the City's 1996 and 1997 fiscal years for the City's share of school fare subsidy.

The NYCT Financial Plan forecasts a cash-basis surplus of $78.7 million in 1997, and cash-basis gaps of $71.9 million in 1998 and $176.5 million in 1999, before implementation of additional gap-closing actions.

These outyear gaps are not required to be funded in the City's financial plans. The surpluses projected for NYCT's 1996 and 1997 fiscal years in the NYCT Financial Plan occur, in part, because expenditures are expected to decrease by .05% between the fiscal years 1996 and 1997 while revenues are expected to decrease by 1.8% during the same period. The plan assumes that the gaps in the 1998 and 1999 fiscal years will be closed in part by 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 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. 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.

There can be no assurance that all the necessary governmental actions for the MTA 1992-96 Capital Program or future capital programs will be taken, that funding sources currently identified will not be decreased or eliminated, or that the MTA 1992-96 Capital Program, or parts thereof, will not be delayed or reduced. If the MTA Capital Program is delayed or reduced, ridership and fare revenues may decline, which could, among other things, impair the MTA's ability to meet its operating expenses without additional assistance.

On October 21, 1995, the New York Urban League and the Straphangers Campaign filed a civil rights action charging that the proposed bus and subway fare increase was racially discriminatory, and sought an injunction against the fare increase. The United States Court of Appeals for the Second Circuit has temporarily set aside an injunction granted by the United States District Court for the Southern District of New York enjoining the fare increase pending a hearing on the merits.

Board of Education

The Stavisky-Goodman Act requires the City to allocate to BOE an amount of funds from the total budget either equal to the average proportion of the total budget appropriated for BOE in the three preceding fiscal years or an amount agreed upon by the City and BOE. In the Financial Plan 26.3% of the City's budget is allocated to BOE for the 1996 fiscal year, exceeding the amount required by the Stavisky-Goodman Act.

The 1996-1999 Financial Plan assumes student enrollment to be 1,058,533, 1,079,896, 1,098,492 and 1,113,843 in the 1996 through 1999 fiscal years, respectively.

Judgments and Claims

In the fiscal year ended on June 30, 1995, the City expended $251 million for judgments and claims. The 1996-1999 Financial Plan includes provisions for judgments and claims of $286 million, $236 million, $255 million and $275 million for the 1996 through 1999 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, 1995 amounted to approximately $2.5 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 1995

Financial Statements include an estimate that the City's liability in the *certiorari* proceedings, as of June 30, 1995, could amount to approximately $314 million. Provision has been made for the 1996 fiscal year and in the Financial Plan for estimated average refunds of $242 million, $215 million, $182 million and $171 million for the 1996 through 1999 fiscal years, respectively. 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 1996 through 1999 fiscal years include estimates of debt service costs on outstanding City bonds and notes and future debt issuances based on current and projected future market conditions.

4. MAC DEBT SERVICE FUNDING

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

5. GENERAL RESERVE

The 1996-1999 Financial Plan includes a reserve of $200 million for each of the 1996 through 1999 fiscal years.

Certain Reports

From time to time, the Control Board staff, MAC, OSDC, the City Comptroller and others issue reports and make public statements regarding the City's financial condition, commenting on, among other matters, the City's financial plans, projected revenues and expenditures and actions by the City to eliminate projected operating deficits. Some of these reports and statements have warned that the City may have underestimated certain expenditures and overestimated certain revenues and have suggested that the City may not have adequately provided for future contingencies. Certain of these reports have analyzed the City's future economic and social conditions and have questioned whether the City has the capacity to generate sufficient revenues in the future to meet the costs of its expenditure increases and to provide necessary services. It is reasonable to expect that reports and statements will continue to be issued and to engender public comment. It is expected that the staff of the Control Board will issue a report in March 1996 reviewing the Financial Plan.

On February 29, 1996, the staff of the City Comptroller issued a report on the Financial Plan. The report projects that there remains $408 million to $528 million in budget risks for the 1996 fiscal year, before taking into account the availability of $160 million in the General Reserve. The principal risks for the 1996 fiscal year identified in the report include $140 million to $190 million of uncertain revenues and projected savings at BOE and the receipt by the City of $100 million to $130 million from a proposed MAC refunding. The report also expressed concern as to whether the required regulatory approval for the sale of the City's television station would be received before the end of the 1996 fiscal year.

With respect to the 1997 fiscal year, the report states that the Financial Plan includes total risks of between $2.05 billion and $2.15 billion. The report notes that the gap-closing program for the 1997 fiscal year assumes the implementation of highly uncertain State and Federal actions that would provide between $1.2 billion and $1.4 billion in relief to the City resulting from proposed public assistance and medical assistance entitlement reductions, a proposed increase in Federal Medicaid reimbursements, additional State aid and various privatization proposals. The report concludes that it is unlikely that the City will be able to implement most of these initiatives due to Federal and State budget difficulties. Additional risks for the 1997 fiscal year identified in the report include (i) risks attributable to BOE relating to unspecified additional State aid, unspecified expenditure reductions and proposals to reduce special education spending, which total $415 million, without taking into account potential reductions that will likely take place upon adoption of the Federal and State budgets; (ii) proposals for the sale of parking meters and other assets; and (iii) the receipt of $244 million to $294 million of lease payments from the Port Authority for the City's airports.

The report concluded that the magnitude of the budget risk for the 1997 fiscal year, after two years of large agency cutbacks and work force reductions, indicates the seriousness of the City's continuing budget difficulties, and that the Financial Plan will require substantial revision in order to provide a credible program for dealing with the large projected budget gap for the 1997 fiscal year. The report further notes

that the relative weakness of the national and City economies makes it unlikely that new jobs and business expansion will generate significant additional tax revenues and that proposed Federal and State reductions in funding will reduce the levels of intergovernmental assistance for the City.

On March 6, 1996, the staff of the OSDC issued a report on the Financial Plan. The report concluded that there remained a budget gap for the 1996 fiscal year of $44 million, which can be closed with the $200 million General Reserve, and additional significant risks totalling $507 million involving actions which require the approval of the State and Federal governments or other third parties. These risks include (i) potential delays in the sale of the City's television station; (ii) shortfalls in projected resources from MAC; and (iii) shortfalls of $100 million in projected State education aid and $50 million in projected Federal assistance. In addition, the report expressed concern that (i) the City may have to write off a portion of approximately $300 million in State education aid that was included as revenue in prior years' budgets, since the State has not made payment and neither the current nor the proposed State budget include an appropriation sufficient to cover most of this liability, and (ii) the City must complete two transactions before the end of the fiscal year, the sale of property tax liens and housing mortgages, that together are expected to produce resources of $267 million.

The report also concluded that the gap for the 1997 fiscal year could be $544 million greater than the City's projected budget gap of $2 billion, primarily due to the failure of BOE to specify $304 million of expenditure reductions or additional resources necessary to bring its spending in line with the resources allocated to it in the Financial Plan. In addition, the report noted that gap-closing proposals set forth in the Financial Plan totalling $1.6 billion are at high risk of falling short of target. The proposals identified in the report as high risk include (i) $800 million in expected State and Federal assistance, primarily from savings in social service entitlement programs, which are dependent on the ultimate resolution of the Federal and State budgets; (ii) $300 million from initiatives to privatize parking meters and other City assets; (iii) $244 million to be received from the Port Authority as retroactive lease payments for the City's two airports; and (iv) $181 million in spending cuts for BOE. Moreover, the report expressed concern that the potential for budget cuts at BOE could exceed $1 billion after taking into account the possible loss of $453 million in proposed reductions in State and Federal funding. The report also stated that non-recurring resources for the 1996 fiscal year have increased to over $1.7 billion, approaching the unprecedented $2 billion used in the 1995 fiscal year, and that one-third of the 1997 fiscal year gap-closing program already relies on one-time resources.

With respect to the economy, the report noted that, in a time of slow economic growth, revenues continue to stagnate, and that the City's economic forecast, which is premised on sluggish national growth, does not reflect the potential for a national recession during the four years of the Financial Plan. In addition, the report expressed concern that the City's economy, and City and State tax revenues, are closely tied to swings in the financial markets, such as rising interest rates, which sharply reduced the profits of securities firms in 1994, and rising equity markets, which raised personal income and business tax collections in 1995, as well as economic conditions in Europe and Japan, which are currently weak.

The report noted that Federal and State assistance is likely to be significantly reduced and that there is little potential for significant new revenues beyond those already reflected in the Financial Plan. The report concluded that, despite the City's success in work force reduction and entitlement savings, the Financial Plan shows an increasing imbalance between the City's recurring revenues and expenditures.

On December 12, 1995, the City Comptroller issued a report noting that the capacity of the City to issue general obligation debt could be reduced in future years. The report noted that, under the State constitution, the City is permitted to issue debt in an amount not greater than 10% of the average full value of taxable real estate for the current year and preceding four years. The report concluded that, if the value of taxable real property in each of 1998 and 1999 fiscal years continues to decline, reflecting the continuing trend of lower values of taxable property, the City would have to continue to curtail its capital program from the levels projected in the Financial Plan to remain within the legal debt-incurring limit in those years. The City Comptroller recommended that the City prioritize and improve the efficiency and administration of its current capital plan to determine which capital projects can be delayed or cancelled to further reduce capital expenditures and thus debt service over the course of the Financial Plan.

On October 9, 1995, Standard & Poor's issued a report which concluded that proposals to replace the *graduated* Federal income tax system with a "flat" tax could be detrimental to the creditworthiness of certain municipal bonds. The report noted that the elimination of Federal income tax deductions currently available, including residential mortgage interest, property taxes and state and local income taxes, could have a

severe impact on funding methods under which municipalities operate. With respect to property taxes, the report noted that the total valuation of a municipality's tax base is affected by the affordability of real estate and that elimination of mortgage interest deduction would result in a significant reduction in affordability and, thus, in the demand for, and the valuation of, real estate. The report noted that rapid losses in property valuations would be felt by many municipalities, hurting their revenue raising abilities. In addition, the report noted that the loss of the current deduction for real property and state and local income taxes from Federal income tax liability would make rate increases more difficult and increase pressures to lower existing rates, and that the cost of borrowing for municipalities could increase if the tax-exempt status of municipal bond interest is worth less to investors. Finally, the report noted that tax anticipation notes issued in anticipation of property taxes could be hurt by the imposition of a flat tax, if uncertainty is introduced with regard to their repayment revenues, until property values fully reflect the loss of mortgage and property tax deductions.

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, 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. In addition, the City's projection of total debt subject to the general debt limit that would be required to be issued to fund the Updated Ten-Year Capital Plan published in April 1995 indicated 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.*" 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 $3.5 billion in 1996. City-funded expenditures, which more than tripled between fiscal years 1980 and 1985, are forecast at $3.8 billion in the 1996 fiscal year; total expenditures are forecast at $4.4 billion in 1996. For additional information concerning the City's capital expenditures and the Ten-Year Capital Strategy covering fiscal years 1996 through 2005, see "SECTION V: CITY SERVICES AND EXPENDITURES—Capital Expenditures".

The following table sets forth the major areas of capital commitment projected for the 1996 through 1999 fiscal years. See "SECTION V: CITY SERVICES AND EXPENDITURES—Capital Expenditures". The reduction in the size of the capital program that has been implemented in order not to exceed the debt limit is reflected in the table below.

1996-1999 CAPITAL COMMITMENT PLAN

	1996		1997		1998		1999	
	City Funds	All Funds	City Funds	All Funds	City Funds	All Funds	City Funds	All Funds
				(In Millions)				
Mass Transit(1)	$ 118	$ 118	$ 372(5)	$ 372(5)	$ 106	$ 106	$ 106	$ 106
Roadway, Bridges	551	657	652	834	469	536	600	735
Environmental Protection(2)	1,158	1,244	1,212	1,319	1,125	1,166	1,362	1,362
Education	785	785	430	430	581	581	529	529
Housing	246	395	208	355	215	311	242	378
Sanitation	159	159	214	233	205	655	227	227
City Operations/Facilities	1,289	1,403	988	1,094	932	954	748	766
Economic and Port Development	318	359	80	82	42	46	15	15
Reserve For Unattained Commitments	(1,154)	(1,154)	(793)	(793)	(273)	(273)	(326)	(326)
Total Commitments(3)(4)	$3,472	$3,967	$3,363	$3,925	$3,404	$4,081	$3,504	$3,791
Total Expenditures(4)	$3,836	$4,367	$3,612	$4,122	$3,267	$3,752	$3,359	$3,837

(1) Excludes NYCT'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 capital costs, excluding amounts for original issue discount.
(5) Reflects the assumption that approximately $245 million of the City's capital contribution to the MTA for the 1995 fiscal year will be deferred until the 1997 fiscal year.

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 1996 through 1999 fiscal years.

1996-1999 FINANCING PROGRAM

	1996	1997	1998	1999	Total
			(In Millions)		
SOURCES OF FUNDS:					
City General Obligation Bonds	$ 5,502	$2,013	$2,133	$2,112	$11,760
Water Authority Financing(1)	935	1,069	940	985	3,929
HHC Financing(2)	78	78	26	12	194
DASNY Courts Financing(3)	0	0	0	198	198
Pay-As-You-Go Capital(4)	0	607	200	200	1,007
Other Sources(5)	420	94	216	132	862
Total	$ 6,935	$3,861	$3,515	$3,639	$17,950
USES OF FUNDS:					
City Capital Improvements(6)	$ 3,836	$3,612	$3,267	$3,359	$14,074
City G.O. Refunding	2,746	0	0	0	2,746
Water Authority Refunding	80	0	0	0	80
Reserve Fund and Other(7)	273	249	248	280	1,050
Total	$ 6,935	$3,861	$3,515	$3,639	$17,950

(1) Reflects Water Authority commercial paper and revenue bonds expected to be issued to finance the water and sewer system capital program. Long-term Water Authority revenue bonds to finance the system's capital program, including reserve amounts, are expected to be issued in principal amounts of $888 million in 1996, $1.168 billion in 1997, $1.045 billion in 1998 and $1.016 billion in 1999. Water Authority Financing figures do not include bonds which take-out commercial paper issues from the prior fiscal year or bonds to be issued by the Water Authority to finance the acquisition of the title to the water and sewer system by the Water Board. The proposed purchase price will approximately equal the present value of the projected future rental payments under the lease. See "SECTION VII: 1996-1999 FINANCIAL PLAN—Long-Term Capital and Financing Program".
(2) 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 from HHC program commitments in fiscal years 1996 through 1999 of $259 million less $65 million remaining from the proceeds of a bond issuance by HHC in June 1993. The restricted balance of $65 million is included in Other Sources in fiscal year 1996.
(3) 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 from capital commitments for City Courts in fiscal years 1996 through 1999 of $473 million and allocations for reserve funds and other costs of issuance of $26 million less $301 million remaining from the 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 1996 through 1999.
(4) Pay-As-You-Go Capital is funded out of current revenue expected to be derived by the City from proceeds of the transfer of title from the water and sewer system to the Water Board. See "SECTION VII: 1996-1999 FINANCIAL PLAN— Long-Term Capital and Financing Program".
(5) Other Sources consists primarily of changes in restricted balances and MAC program funding.
(6) City Capital Improvements includes capital cash expenditures for various City agencies, including the Department of Environmental Protection, HHC and the City courts program to be financed through DASNY.
(7) Reserve Funds and Other comprises amounts necessary to fund certain reserves and provide for costs of issuance of all Water Authority and DASNY revenue bonds and allocations for original issue discounts in connection with the issuance of general obligation bonds. The amounts allocated for original issue discounts are 9% of the general obligation capital cash needs in the 1996 through 1999 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 costs of operating the water and sewer system and as rental for the system. The City's Ten-Year Capital Strategy covering fiscal years 1996 through 2005 projects City-funded water and sewer investment (which is expected to be financed with proceeds of Water Authority debt) at approximately $6.9 billion of the $37.3 billion City-funded portion of the plan.

The City's Four-Year Capital Plan contemplates the transfer of title to the water and sewer system from the City to the Water Board and includes approximately $1 billion of the proceeds of such transfer to fund capital expenditures provided for in the Four-Year Capital Plan. The Four-Year Capital Plan includes $407 million of such proceeds in fiscal year 1996 and $200 million in each of the 1997, 1998 and 1999 fiscal years. The remainder of the proceeds of the proposed transfer of title would be used to defease City general obligation bonds that were issued for water and sewer purposes prior to creation of the Water Authority. Following the proposed transfer of title, no further rental payments would be payable by the Water Board to the City.

The legality of the proposed transfer of title has been challenged by the City Comptroller and others and is the subject of litigation. On March 1, 1996, the State Supreme Court, New York County, ruled that the transaction as proposed was illegal because the proposed transfer of title could not be financed with the proceeds of Water Authority bonds. The Mayor has stated that he is considering whether the lower court's decision should be appealed or whether to propose an alternative transaction. In the event that the transfer of title or an alternative transaction is not effectuated, the City would be required to find alternative sources of funding or reduce the capital program by the amounts indicated above which are expected to be funded with proceeds of the transfer.

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 1999.

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 Ten-Year Capital Strategy for fiscal years 1996 through 2005 totals $40.6 billion, of which approximately 92% 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. Congressional developments affecting Federal taxation generally could reduce the market value of tax-favored investments and increase the City's debt-service costs in carrying out the currently tax-exempt major

portion of its capital plan. 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 1994, the City issued an assessment of the asset condition and a proposed maintenance schedule for the major portions 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. The assessment includes an estimate of the capital investment needed from an engineering perspective to bring the assets to a state of good repair. Subsequently, in April 1995, 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 85% of the total $3.86 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 $190 million, $126 million, $121 million and $120 million for the 1996 through 1999 fiscal years, respectively. OMB has estimated that approximately 34% of such maintenance activities for fiscal year 1996 are included in the 1996-1999 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 $2.4 billion of short-term obligations in fiscal year 1996 to finance the City's current estimate of its seasonal cash flow needs for the 1996 fiscal year. Seasonal financing requirements for the 1995 fiscal year increased to $2.2 billion from $1.75 billion and $1.4 billion in the 1994 and 1993 fiscal years, respectively. 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: 1996-1999 FINANCIAL PLAN—Assumptions".

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

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

SECTION VIII: INDEBTEDNESS

City Indebtedness

Outstanding Indebtedness

The following table sets forth outstanding indebtedness having an initial maturity greater than one year from the date of issuance of the City, MAC and the PBCs as of December 31, 1995.

(In Thousands)

Gross City Long-Term Indebtedness	$25,314,221	
Less: Assets Held for Debt Service(1)	927,860	
Net City Long-Term Indebtedness		$24,386,361
Gross MAC Long-Term Indebtedness(2)	4,693,780	
Less: Assets Held for Debt Service(2)	661,138	
Net MAC Long-Term Indebtedness		4,032,642
PBC Indebtedness(3)		
Bonds Payable	510,864	
Capital Lease Obligations	773,308	
Gross PBC Indebtedness(4)	1,284,172	
Less: Assets Held for Debt Service	195,984	
Net PBC Indebtedness		1,088,188
Combined Net City, MAC and PBC Indebtedness		$29,507,191

(1) With respect to City long-term indebtedness, "Assets Held for Debt Service" consists of General Debt Service Fund assets, and $921.7 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 $227.9 million principal amount of Housing Development Corporation bonds subject to capital reserve fund arrangements with the City.

Trend in Outstanding Net Indebtedness

The following table shows the trend in the outstanding net long-term and net short-term debt of the City and MAC and in net PBC indebtedness as of June 30 of each of the years 1989 through 1995 and as of December 31, 1995, except for short-term debt information which is as of February 23, 1996.

	City(1)		MAC(2)		Component Unit and City Guaranteed Debt(3)	Total
	Long-Term Net Debt(3)	Short-Term Debt	Long-Term Net Debt(4)	Short-Term Debt		
	(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	27,060
1995	23,258	—	4,033	—	1,098	28,389
December 31, 1995	24,386	2,400	3,933	—	1,284	32,056

(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, $4,891 million and $4,694 million as of June 30 of each of the years 1989 through 1995.

(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 December 31, 1995, 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	24.59%
10 years	47.52
15 years	67.08
20 years	82.29
25 years	94.81
30 years	99.98

City, MAC and City-guaranteed PBC Debt Service Requirements

The following table summarizes future debt service requirements, as of December 31, 1995, on City and MAC term and serial bonds outstanding and City-guaranteed debt of and capital lease obligations to certain PBCs.

	City Long-Term Debt				
	Principal				
Fiscal Years	Serial Bonds(1)	Interest(1)	Component Unit and City Guaranteed Debt(2)	MAC Funding Requirements	Total
			(In Thousands)		
1996	$ 274,205	$ 665,277	$ 57,328	$ 425,308	$ 1,422,118
1997	1,216,095	1,475,274	116,977	570,498	3,378,844
1998	1,190,379	1,383,091	116,946	583,535	3,273,951
1999	1,115,955	1,312,845	125,691	602,079	3,156,570
2000	1,054,699	1,254,798	125,692	537,438	2,972,627
2001	1,051,842	1,202,344	125,576	537,621	2,917,383
2002 through 2147	18,489,371	11,440,176	1,649,669	3,766,678(3)	35,345,894
Total	$24,392,546	$18,733,805	$2,317,879	$7,023,157	$52,467,387

(1) Excludes debt service on $921.7 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 1989 through 1995, with respect to the approximate ratio of the City's debt to certain economic factors. As used in this table, debt includes net City, MAC and PBC debt.

		Debt as % of Total Taxable Real Property By	
Fiscal Year	Debt Per Capita	Assessed Valuation	Estimated Full Valuation
1989	$2,202	25.4	4.6
1990	2,490	26.0	4.5
1991	2,917	28.0	4.5
1992	3,192	28.5	4.1
1993	3,389	31.3	3.9
1994	3,691	35.2	4.4
1995	3,901	36.9	4.1

Source: Comprehensive Annual Financial Report of the Comptroller for the Fiscal Year Ended June 30, 1995.

Ratio of Debt to Personal Income

The following table sets forth, for each of fiscal years 1984 through 1993, debt per capita as a percentage of personal income per capita in current dollars. As used in this table, debt includes net City, MAC and PBC debt.

Fiscal Year	Debt per Capita	Personal Income per Capita(1)	Debt per Capita as % of Personal Income per Capita
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	22,103	9.96
1990	2,490	23,731	10.49
1991	2,918	24,464	11.93
1992	3,192	26,283	12.14
1993	3,389	27,087	12.51

Source: Comprehensive Annual Financial Report of the Comptroller for the Fiscal Year Ended June 30, 1995.

(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 February 23, 1996, the maximum amount of additional short-term debt which the City could issue was approximately $5.2 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. However, as of February 23, 1996, the maximum amount of TANs, RANs, or Budget Notes issued in the current fiscal year and maturing next fiscal year, that the City could issue was approximately $222.9 million under the second limitation. These limitations, and other restrictions on maturities of City notes and other requirements described above, could be amended by State legislative action.

The State Constitution provides that, with certain exceptions, the City may not contract indebtedness in an amount greater than 10% of the average full value of taxable real estate in the City for the most recent five years (the "general debt limit"). For information concerning litigation which, if determined against the City, could have an adverse impact on the amount of debt the City can have outstanding under the general debt limit, see "SECTION IX: OTHER INFORMATION—Litigation—*Taxes*". Certain indebtedness ("excluded debt") is excluded in ascertaining the City's authority to contract indebtedness within the constitutional limit. TANs, RANs, BANs, URNs and Budget Notes and long-term indebtedness issued for certain types of public improvements and capital projects are considered excluded debt. The City's statutory authority for variable rate debt is limited to 10% of the general debt limit. The State Constitution also provides that the City may contract indebtedness for low-rent housing, nursing homes for persons of low income and urban renewal purposes in an amount not to exceed 2% of the average assessed valuation of the taxable real estate of the City for the most recent five years (the "2% debt limit"). Excluded from the 2% debt limit, after approval by the State Comptroller, is indebtedness for certain self-supporting programs aided by City guarantees or loans. Neither MAC indebtedness nor the City's commitments with other PBCs (other than certain guaranteed debt of the Housing Authority) are chargeable against the City's constitutional debt limits.

The following table sets forth the current calculation of the debt-incurring power of the City within the general debt limit and the 2% debt limit as of December 31, 1995.

GENERAL DEBT LIMIT		
Total Debt-Incurring Power		$35,026,841,073
Gross Debt—Funded	$24,377,896,336	
Less: Excluded Debt	1,132,005,565	
	23,245,890,771	
Less: Assets of General Debt Service Fund and Balance of Appropriations for Redemption of Debt	250,378,018	
Net Debt	22,995,512,753	
Add: Net Contracts and Other Liabilities	5,052,593,410	28,048,106,163
Remaining Debt-Incurring Power Within Limit		$ 6,978,734,910
TWO PERCENT DEBT LIMIT		
Total Debt-Incurring Power		$ 1,554,511,609
Charges:		
Housing Authority Indebtedness	$ 457,000	
Limited Profit Housing Program	14,905,334	
Housing and Industrial Urban Renewal Programs	105,754,160	121,116,494
Remaining Debt-Incurring Power Within Limit		$ 1,433,395,115

The City's projections of total debt subject to the general debt limit that would be required to be issued to fund the Updated Ten-Year Capital Plan published in May 1994 indicated that, if no action were taken, projected debt issuance would exceed the general debt limit by a substantial amount starting in fiscal year 1998. The forecast of the City's debt limit is under review. The City currently expects that the portion of the Ten-Year Capital Strategy to be funded from the proceeds of general obligation bonds will need to be reduced by approximately $2 billion in order to avoid conflict with the forecast debt limit starting in the late 1990's.

Federal Bankruptcy Code

Under the Federal Bankruptcy Code, a petition may be filed in the Federal bankruptcy court by a municipality which is insolvent or unable to meet its debts as they mature. The filing of such a petition would operate as a stay of any proceeding to enforce a claim against the City. The Code requires the municipality to file a plan for the adjustment of its debts, which may modify or alter the rights of creditors and may provide for the municipality to issue indebtedness, which could have priority over existing creditors and which could be secured. Any plan of adjustment confirmed by the court must be approved by the requisite majority of creditors. If confirmed by the bankruptcy court, the plan would be binding upon all creditors affected by it. Each of the City and the Control Board, acting on behalf of the City, has the legal capacity to file a petition under the Federal Bankruptcy Code.

Municipal Assistance Corporation Indebtedness

MAC was organized in 1975 to provide financing assistance for the City and also to exercise certain review functions with respect to the City's finances. Since its creation, MAC has provided, among other things, financing assistance to the City by refunding maturing City short-term debt and transferring to the City funds received from sales of MAC bonds and notes. MAC is authorized to issue bonds and notes payable from certain stock transfer tax revenues and the City's portion of the State sales tax derived in the City and, subject to certain prior claims, State per capita aid otherwise payable by the State to the City. These revenues are paid, subject to appropriation, directly by the State to MAC to the extent they are needed for MAC debt service, MAC reserve fund requirements or MAC operating expenses; revenues which are not needed by MAC are paid by the State to the City. MAC bonds and notes constitute general obligations of MAC and do not constitute an enforceable obligation or debt of either the State or the City. Failure by the State to continue the imposition of such taxes, the reduction of the rate of such taxes to rates less than those in effect on July 2, 1975, failure by the State to pay such aid revenues and the reduction of such aid revenues

below a specified level are included among the events of default in the resolutions authorizing MAC's long-term debt. The occurrence of an event of default may result in the acceleration of the maturity of all or a portion of MAC's debt.

As of December 31, 1995, MAC had outstanding an aggregate of approximately $4.684 billion of its bonds. MAC is authorized to issue bonds and notes to refund its outstanding bonds and notes and to fund certain reserves, without limitation as to principal amount, and to finance certain capital commitments to the Transit Authority and the New York City School Construction Authority for the 1992 through 1997 fiscal years in the event the City fails to provide such financing. For additional information regarding MAC indebtedness, see "APPENDIX B—FINANCIAL STATEMENTS—Notes to Financial Statements—Notes C and H".

As of December 31, 1995, 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 $852.9 million was held by MAC as of December 31, 1995. MAC has also exchanged $1.839 billion principal amount of MAC bonds for City debt, of which approximately $68.8 million was held by MAC on December 31, 1995.

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 1996 and 1997, the amounts that the City is scheduled to receive for operating purposes under the agreements as amended are $75 million and $30 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 December 31, 1995, approximately $129.0 million principal amount of ECF bonds to finance costs related to the school portions of combined occupancy structures was outstanding. Under ECF's leases with the City, debt service on the ECF bonds is payable by the City to the extent third party revenues are not sufficient to pay such debt service.

New York City Housing Authority

As of December 31, 1995, the City had guaranteed $31.7 million principal amount of HA bonds. The Federal government has agreed to pay debt service on $28.4 million principal amount of additional HA indebtedness guaranteed by the City. The City has also guaranteed the repayment of $203.4 million principal amount of HA indebtedness to the State, of which the Federal government has agreed to pay debt service on $95.9 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 $123.5 million in the 1995 fiscal year and are projected to amount to approximately $27.08 million in the 1996 fiscal year.

New York State Housing Finance Agency

As of December 31, 1995, $298.7 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.

Dormitory Authority of the State of New York

As of December 31, 1995, $417.2 million principal amount of DASNY bonds issued to finance the design, construction and renovation of court facilities in the City was outstanding. The court facilities are leased to the City by DASNY, with lease payments made by the City in amounts sufficient to pay debt service on DASNY bonds and certain fees and expenses of DASNY.

City University Construction Fund

As of December 31, 1995, $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 December 31, 1995, $57.4 million principal amount of UDC bonds subject to executed or proposed lease arrangements was outstanding. This amount differs from the amount calculated by UDC ($69.4 million) because UDC has included certain interest costs relating to Public School 50 and Intermediate School 229 in Manhattan in its calculation. The City leases schools and certain other facilities from UDC.

New York City Housing Development Corporation

As of December 31, 1995, $227.9 million principal amount of HDC bonds was subject to a capital reserve fund arrangement with the City. This amount is not included in the amount of gross PBC indebtedness included in the table on Outstanding Indebtedness above. Of the total principal amount of outstanding HDC bonds, $228.6 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 1996 fiscal year, no assurance can be given that such payments will not be required as a result of shortfalls in mortgage payments, subsidies or otherwise. As of December 31, 1995, HDC's combined capital reserve funds amounted to approximately $18.2 million.

SECTION IX: OTHER INFORMATION

Pension Systems

The City maintains a number of pension systems providing benefits for its employees and employees of various independent agencies (including certain Covered Organizations). The systems combine features of a defined benefit pension plan with those of a defined contribution pension plan. Membership in the City's five major actuarial systems on June 30, 1995 consisted of approximately 309,000 current employees, of whom approximately 79,000 were employees of certain independent agencies whose pension costs in some cases are provided by City appropriations. In addition, there are approximately 224,000 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 8200 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 1996 fiscal year are expected to approximate $1.5 billion. In fiscal years 1997 through 1999, these expenditures are expected to approximate $1.6 billion, $1.6 billion and $1.5 billion, respectively. These expenditures reflect the phase-in of the increased annual pension funding cost due to revisions resulting from an actuarial audit of the City pension systems. 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 1995 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 18.97% 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 over the value of the present assets of the pension systems for the five major actuarial pension systems (including that which is attributable to independent agencies) as calculated by the City's Chief Actuary, on the basis of the actuarial assumptions then in effect, are set forth in the following table.

June 30	Amount(1) (In Billions)
1989	$6.51
1990	6.10
1991	4.16
1992	2.67
1993	0.49
1994	5.94

(1) For purposes of making these calculations, accrued pension contributions receivable from the City were not treated as assets of the system.

(2) Prior to June 30, 1994, amounts are the unfunded pension benefit obligation calculated in accordance with GASB Statement No. 5, *Disclosure of Pension Information by Public Employee Retirement Systems and State and Local Government Employers.* For June 30, 1994, amounts are the unfunded actuarial accrued liability produced by the method used to fund the plans and reflect implementation of GASB Statement No. 27, *Accounting for Pensions by State and Local Governmental Employers.* Before adoption of this Statement, such amount was $1.85 billion.

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, 1995, there was approximately $268 million of unfunded liability on account of the non-actuarial retirement systems and supplemental pension programs for participants in these non-actuarial programs.

For further information regarding the City's pension systems see "APPENDIX B—FINANCIAL STATEMENTS—Notes to Financial Statements—Note R".

Litigation

The following paragraphs describe certain material legal proceedings and claims involving the City and Covered Organizations other than routine litigation incidental to the performance of their governmental and other functions and certain other litigation arising out of alleged constitutional violations, torts, breaches of contract and other violations of law and condemnation proceedings. While the ultimate outcome and fiscal impact, if any, on the City of the proceedings and claims described below are not currently predictable, adverse determinations in certain of them might have a material adverse effect upon the City's ability to carry out the 1996-1999 Financial Plan. The City has estimated that its potential future liability on account of outstanding claims against it as of June 30, 1995 amounted to approximately $2.5 billion. See "SECTION VII: 1996-1999 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. 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 $314 million at June 30, 1995. 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 City has brought proceedings challenging the final class ratios for class two and class four property certified by the State Board for the 1991 and 1992 assessment rolls. Class ratios are used in real property tax certiorari proceedings involving allegations of inequality of assessment and ratios that are too low can result in more successful claims for refunds for overpayments than appropriate. In a proceeding consolidating the City's challenges to the class ratios for the 1991 and 1992 assessment rolls, on December 15, 1994, the Supreme Court, New York County annulled the class two and class four ratios for those years and remanded the matter to the State Board for recalculation of the ratios consistent with the decision. Pursuant to a stipulation extending its time to appeal, the State Board has not yet appealed the judgment, but if the original class ratios were reinstated on appeal, it could lead to an increase in refunds, for overpayment of real property taxes paid in the 1992 and 1993 fiscal years. The State Board and the City have also agreed to toll the City's time to challenge final class ratios for classes two and four for the 1993 and 1994 assessment rolls, pending the outcome of efforts to resolve the matter without further litigation. 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 pertained to real property taxation, violated the State Constitution. Plaintiffs alleged that the special equalization ratios calculated by the State Board in 1991 resulted 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 was in excess of the State Constitution's real estate tax limit. On August 3, 1995, the Appellate Division, Third Department, affirmed the dismissal of the action by the lower court and leave to appeal to the Court of Appeals was denied on November 30, 1995. Similar actions relating to the real estate tax levies for fiscal years 1993, 1994 and 1995 have been commenced by other groups of taxpayers and are also pending in State Supreme Court, Albany County. Although plaintiffs do not specify the extent of the alleged real property overvaluation, an adverse determination significantly reducing the real estate tax limit for these years 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).

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. The City was granted leave to intervene in the action, and on August 29, 1994 the City's motion for summary judgment was granted. The plaintiffs have appealed 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. 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.

2. 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 remanded the case to the trial court. 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.

3. 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. On June 12, 1989, the Appellate Division, Second Department affirmed a determination by the New York State Industrial Board of Appeals ("IBA") in a proceeding initiated by one union representing sleep-in home attendants that the attendants were covered by the Minimum Wage Law. 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.

4. In an action brought by the New York City Coalition to End Lead Poisoning and other plaintiffs, against the City and other defendants, on May 30, 1991, the Appellate Division, First Department, denied the City's motion for leave to appeal to the Court of Appeals a decision of a lower court ordering the City to promulgate regulations consistent with local law governing the removal of lead-based paint in residential buildings. 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. On December 14, 1995, the City was held in contempt again for its continuing failure to comply with the 1990 order and the City was fined $1,250. 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 class action brought by all tenants living in buildings owned, managed, operated or maintained by each of the defendants seeking to order such 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. On December 6, 1995, an additional plaintiff was permitted to join the class action and to add the Lead Industries Association and nine large corporations that process lead pigment or lead-based paint as defendants. If plaintiffs succeed in all their claims, the City would incur substantial costs. Nearly 1,000 claims have been filed against the City on behalf of children exposed to lead in City apartments. The suits seek to hold the City liable for failing to fix lead-based paint hazards in City-owned apartment buildings and for failing to enforce lead safety standards in privately owned buildings. Such claims could cost the City in excess of $500 million in the future. 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.

5. 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 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. The State Supreme Court on remand ordered Defendants to propose procedures for monitoring the post-discharge status of such patients. 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.

6. 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 September 23, 1994 the City's motion for summary judgment was granted and was subsequently affirmed by the Appellate Division, First Department on January 9, 1996. 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. In August 1995, former uniformed members of the New York City Police Department and New York City Fire Department who retired by reason of disability brought separate actions making claims similar to those made by the Transit Police retirees in the above-described actions.

7. 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 February 22, 1994 the New York State Court of Appeals upheld a decision ordering the City to comply with the various mandates of Local Law No. 19 and remanded the case to State Supreme Court to establish a new timetable for compliance. On August 17, 1995, the Appellate Division, First Department, modified a Revised Order which contained new timetables for the City's compliance by deleting various provisions of the Revised Order and adding certain provisions previously agreed to by the litigating parties that took into account changes that had occurred since the commencement of the proceeding. The City did not appeal from the Revised Order's recycling tonnage requirements, and these requirements thus remain in effect

pursuant to the new timetables set forth in the Revised Order. The City may seek to obtain amendments to Local Law No. 19. If the City is unable to obtain such amendments and is required to fully implement Local Law No. 19, the City will likely incur substantial costs.

8. 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 an expedited time frame would impose substantial costs on the City.

9. 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.

10. Eight separate actions are pending in the State Supreme Court in 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.

11. In April 1994, a coalition of towns located in the City's upstate watershed commenced litigation in New York State Supreme Court, Albany County, against the City and State alleging deficiencies in the environmental review process undertaken in connection with the City's filtration avoidance application to the United States Environmental Protection Agency, the City's proposed land use regulations, and the City's land acquisition program in the upstate watershed. In December 1994, the City answered the petition and moved for dismissal of part of this proceeding.

12. On January 30, 1995, Robert L. Schulz and certain other plaintiffs filed an action in the United States District Court for the Northern District of New York against the State, the City and various State and City officials seeking, among other things, an order cancelling the issuance of certain City bonds issued on January 31, 1995 as unconstitutional. Plaintiffs subsequently filed an amended complaint adding certain Federal officials as defendants. The City has moved to dismiss this action. In the opinion of Brown & Wood, Bond Counsel to the City, and the Corporation Counsel for the City, the contentions of the plaintiffs relating to the City bonds are without merit.

13. On January 31, 1996, an action was commenced by the United States of America against the City, the State and their respective social services agencies in the United States District Court for the Southern District of New York, alleging that by failing to provide mandated services and protections, the City and the State have submitted false claims to obtain incentive funding and reimbursement for foster care expenditures under the Social Security Act. The complaint seeks treble damages amounting to more than $112 million. The City's time in which to respond to the complaint has not yet expired.

Tax Exemption

In the opinion of Brown & Wood, 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 (a) in the event of a failure by the City or any of the Organizations to comply with applicable requirements of the Code, and covenants regarding use, expenditure and investment of bond proceeds and the timely payment of certain investment earnings to the United States Treasury or (b) with respect to each Organization, in the event that the $150,000,000 limitation imposed by the Code on outstanding tax exempt nonhospital bonds is

exceeded within three years of the later of the date such Organization's Project is placed in service or the date of issue of the related Bonds; and no opinion is rendered by Brown & Wood 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 Bond proceedings upon the approval of counsel other than such firm. The Organizations will covenant among other things, not to take any action that would cause interest on the Tax-Exempt Bonds to be includable in the gross income of the owners thereof. In rendering its opinion, Brown & Wood will rely upon the representations made by the Organizations with respect to material facts within the knowledge of the Organizations and upon the accompanying opinions of their counsel, and Brown & Wood will make no independent investigation thereof. See "SECTION II: THE BONDS—USE OF PROCEEDS."

Interest on the Tax-Exempt Bonds will be exempt from personal income taxes imposed by 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 renders 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, taxpayers eligible for the earned income tax credit 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 securities is constantly being considered by the United States Congress. There can be no assurance that legislation enacted after the date of issuance of the Bonds will not have an adverse effect on the tax-exempt status of the Tax-Exempt Bonds. Legislative or regulatory actions and proposals may also affect the economic value of tax exemption or the 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 Bonds Baa1. Standard & Poor's has rated the Bonds BBB+. Fitch has rated the Bonds A−. These ratings do not reflect any bond insurance relating to any portion of the Bonds. The City expects that ratings on the MBIA Insured Bonds will be received prior to March 14, 1996. The ratings on the MBIA Insured Bonds will be based on the insurance policy to be issued by MBIA. Bonds insured to maturity by MBIA are rated "AAA" by Standard & Poor's, "Aaa" by Moody's and "AAA" by Fitch. Such ratings reflect only the views of Moody's, Standard & Poor's and Fitch, from which an explanation of the significance of such ratings may be obtained. There is no assurance that such ratings will continue for any given period of time or that they will not 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 10, 1995, Standard & Poor's revised its rating of the City's General Obligation Bonds downward to BBB+. Standard & Poor's stated that "structural budgetary balance remains elusive because of persistent softness in the City's economy, highlighted by weak job growth and a growing dependence on the historically volatile financial services sector". Other factors identified by Standard & Poor's in lowering its rating on City bonds included a trend of using one-time measures, including debt refinancing, to close projected budget gaps, dependence on unratified labor savings to help balance the Financial Plan, optimistic projections on additional Federal and State aid or mandate relief, a history of cash flow difficulties caused by State budget delays and continued high debt levels.

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. On March 1, 1996, Moody's stated that the rating for City general obligation bonds remains under review pending the outcome of the adoption of the City's budget for the 1997 fiscal year and in light of the status of the debate on public assistance and Medicaid reform; the enactment of a State budget, upon which major assumptions regarding State aid are dependent, which may be extensively delayed; and the seasoning of the City's economy with regard to its strength and direction in the face of a potential national economic slowdown. Since July 15, 1993, Fitch has rated City bonds A−. On February 28, 1996, Fitch placed the City's general obligation bonds on FitchAlert with negative implications.

Underwriting

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

The Taxable Bonds are being purchased for reoffering by Aubrey G. Lanston & Co. Inc.

The compensation for services rendered in connection with the underwriting of the Tax-Exempt Bonds shall be $6,159,107.26, and of the Taxable Bonds shall be $559,545.00. The Contract of Purchase provides that the Underwriters will purchase all of the bonds of each Series 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 of each Series will be covered by the approving legal opinion of Brown & Wood, New York, New York, Bond Counsel to the City. Reference should be made to the form of such opinion set forth in Appendix D hereto for the matters covered by such opinion and the scope of Bond Counsel's engagement in relation to the issuance of the Bonds. Such firm is 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 LLP, 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. Such firm is also acting as counsel against the City in certain unrelated matters.

Certain legal matters will be passed upon by Rogers & Wells, New York, New York, counsel for the Underwriters. Such firm is also acting as counsel for and against the City in certain other unrelated matters.

Continuing Disclosure Undertaking

As authorized by the Act, and to the extent that (i) Rule 15c2-12 (the "Rule") of the Securities and Exchange Commission ("SEC") under the Securities Exchange Act of 1934, as amended (the "1934 Act"), requires the Underwriters to determine, as a condition to purchasing the Bonds, that the City will covenant to the effect of the provisions here summarized (the "Undertaking"), and (ii) the Rule as so applied is authorized by a Federal law that as so construed is within the powers of Congress, the City agrees with the record and beneficial owners from time to time of the outstanding Bonds ("Bondholders") to provide:

(a) within 185 days after the end of its 1996 fiscal year and each subsequent fiscal year, to each nationally recognized municipal securities information repository and to any New York State information depository, core financial information and operating data for the prior fiscal year, including (i) the City's audited general purpose financial statements, prepared in accordance with generally accepted accounting principles in effect from time to time, and (ii) material historical quantitative data on the City's revenues, expenditures, financial operations and indebtedness generally of the type found in this Official Statement in Sections IV, V and VIII and under the captions "1991-1995 Statement of Operations" in Section VI and "Pension Systems" in Section IX; and

(b) in a timely manner, to each nationally recognized municipal securities information repository or to the Municipal Securities Rulemaking Board, and to any New York State information depository, notice of any of the following events with respect to the Bonds, if material:

(1) principal and interest payment delinquencies;

(2) non-payment related defaults;

(3) unscheduled draws on debt service reserves reflecting financial difficulties;

(4) unscheduled draws on credit enhancements reflecting financial difficulties;

(5) substitution of credit or liquidity providers, or their failure to perform;

(6) adverse tax opinions or events affecting the tax-exempt status of the security;

(7) modifications to rights of security holders;

(8) bond calls;

(9) defeasances;

(10) release, substitution, or sale of property securing repayment of the securities;

(11) rating changes; and

(12) failure of the City to comply with clause (a) above.

Event (3) is included pursuant to a letter from the SEC staff to the National Association of Bond Lawyers dated September 19, 1995. However, event (3) may not be applicable, since the terms of the Bonds do not provide for "debt service reserves". For a description of the Bonds, see "SECTION II—THE BONDS". With respect to the following numbered events:

Events (4) and (5). The Bonds are being issued with credit enhancement to the extent stated in "SECTION II: THE BONDS—Bond Insurance." The City does not undertake to provide any notice with respect to credit enhancement added after the primary offering of the Bonds, unless the City applies for or participates in obtaining the enhancement.

Event (6). For information on the tax status of the Bonds, see "SECTION IX: OTHER INFORMATION—Tax Exemption" and "—Taxable Bonds".

Event (8). The City does not undertake to provide the above-described event notice of a mandatory scheduled redemption, not otherwise contingent upon the occurrence of an event, if (i) the terms, dates and amounts of redemption are set forth in detail herein, (ii) the only open issue is which Bonds will be redeemed in the case of a partial redemption, (iii) notice of redemption is given to the Bondholders as required under the terms of the Bonds and (iv) public notice of the redemption is given pursuant to 1934 Act Release No. 23856 of the SEC, even if the originally scheduled amounts are reduced by prior optional redemptions or Bond purchases.

The City expects to provide the information described in clause (a) above by delivering its first bond official statement that includes its financial statements for the preceding fiscal year or, if no such official statement is issued by the 185-day deadline, by delivering the Comprehensive Annual Financial Report of the Comptroller by such deadline.

At March 6, 1996, there is no New York State information depository and the nationally recognized municipal securities information repositories are: Bloomberg Municipal Repository, P.O. Box 840, Princeton, New Jersey 08542-0840; Kenny Information Systems, Inc., 65 Broadway—16th Floor, New York, New York 10006; Disclosure, Inc., 5161 River Road, Bethesda, Maryland 20816, Attn: Document Acquisitions/Municipal Securities; Moody's NRMSIR Public Finance Information Center, 99 Church Street, New York, New York 10007; The Bond Buyer, 395 Hudson Street, New York, New York 10004, Attn: Municipal Disclosure; and R.R. Donnelley Financial, Municipal Securities Disclosure Archive, 559 Main Street, Hudson, Massachusetts 01749.

No Bondholder may institute any suit, action or proceeding at law or in equity ("Proceeding") for the enforcement of the Undertaking or for any remedy for breach thereof, unless such Bondholder shall have filed with the Corporation Counsel of the City evidence of ownership and a written notice of and request to cure such breach, and the City shall have refused to comply within a reasonable time. All Proceedings shall be instituted only as specified herein, in the Federal or State courts located in the Borough of Manhattan, State and City of New York, and for the equal benefit of all holders of the outstanding City bonds benefitted by the same or a substantially similar covenant, and no remedy shall be sought or granted other than specific performance of the covenant at issue.

Any amendment to the Undertaking may only take effect if:

(a) the amendment is made in connection with a change in circumstances that arises from a change in legal requirements, change in law, or change in the identity, nature, or status of the City, or type of business conducted; the Undertaking, as amended, would have complied with the requirements of the Rule at the time of award of the Bonds, after taking into account any amendments or interpretations of the Rule, as well as any change in circumstances; the amendment does not materially impair the interests of Bondholders as determined by parties unaffiliated with the City (such as, but without limitation, the City's financial advisor or bond counsel) and the annual financial information containing (if applicable) the amended operating data or financial information will explain, in narrative form, the reasons for the amendment and the "impact" (as that word is used in the letter from the staff of the SEC to the National Association of Bond Lawyers dated June 23, 1995) of the change in the type of operating data or financial information being provided; or

(b) all or any part of the Rule, as interpreted by the staff of the SEC at the date of the Undertaking, ceases to be in effect for any reason, and the City elects that the Undertaking shall be deemed terminated or amended (as the case may be) accordingly.

For purposes of the Undertaking, a beneficial owner of a security includes any person who, directly or indirectly, through any contract, arrangement, understanding, relationship, or otherwise has or shares investment power which includes the power to dispose, or to direct the disposition of, such security, subject to certain exceptions, as set forth in the Undertaking. Any assertion of beneficial ownership must be filed, with full documentary support, as part of the written request to the Corporation Counsel described above.

Verification

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

Further Information

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

Copies of the most recent financial plan submitted to the Control Board are available upon written request to the Office of Management and Budget, General Counsel, 6th Floor, 75 Park Place, New York, NY 10007, and copies of the most recent published Comprehensive Annual Report of the Comptroller are available upon written request to the Office of the Comptroller, Deputy Comptroller for Finance, 5th Floor, Room 517, 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)	7,307,632	92.6	1,199,483	2,287,814	1,483,602	1,951,374	385,359
1992(1)	7,306,182	92.5	1,194,250	2,281,404	1,486,579	1,953,066	390,883
1993(1)	7,325,648	92.8	1,195,516	2,279,152	1,495,353	1,959,993	395,634
1994(1)	7,330,683	92.8	1,191,303	2,271,000	1,506,430	1,964,270	397,680

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

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

Economic Activity, 1969-1993

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 1989 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. City employment declined for three consecutive years from 1990 through 1992 before increasing slightly in 1993. Trends of certain major economic indicators for the City and the nation are shown in the following table.

Trends of Major Economic Indicators 1969-93

	Levels				Average Annual Percent Change		
	1969	1976	1988	1993	1969-76	1976-88	1988-93
NYC							
Population(1) (millions)	7.9	7.4	7.3	7.3	(0.9)	(0.1)	(0.1)
Employment(2) (millions)	3.8	3.2	3.6	3.3	(2.4)	1.0	(1.9)
Personal Income(3) (billions)	$38.8	$58.3	$151.8	$198.4	6.0	8.3	5.5
Real Per Capita Personal Income(4)	$12,861.0	$12,858.8	$16,684.9	$17,530.8	0.0	2.2	1.0
United States							
Population(1) (millions)	201.3	217.6	244.5	257.8	1.1	1.0	1.1
Employment(2) (millions)	70.4	79.4	105.2	110.5	1.7	2.4	1.0
Personal Income(3) (billions)	$778.2	$1,455.4	$4,172.8	$5,479.2	9.4	9.1	5.6
Real Per Capita Personal Income(4)	$10,464.2	$11,721.4	$14,387.6	$14,678.9	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 2.1 million jobs. Employment in the City began to improve, experiencing a moderate gain of 2,000 jobs in 1993. In 1994, local employment increased for the first year in half a decade, by 21,200 jobs, as national employment rose by 3.3 million jobs. In 1995, employment in the U.S. increased by 2.6 million jobs and City employment increased by 10,800 jobs.

Certain City employment information is presented in the tables below. These tables are derived from the Establishment Survey and the Current Population Survey which use significantly different estimation techniques that are not comparable.

Non-Agricultural Payroll Employment: Establishment Survey

Non-agricultural payroll employment trends in the City are shown in the table below.

CHANGES IN PAYROLL EMPLOYMENT IN NEW YORK CITY
(In Thousands)

Sector	Peak Employment(1) Year	Peak Employment(1) Level	Average Annual Employment 1987	1988	1989	1990	1991	1992	1993	1994	1995
Private Sector	1989	2647.2	2630.1	2638.8	2647.2	2621.1	2474.3	2404.4	2415.1	2458.4	2491.4
Non-Manufacturing	1995	1176.9	1108.4	1123.1	1147.2	1149.0	1096.9	1093.1	1115.8	1146.6	1176.9
Services	1969	749.1	637.6	634.3	630.2	608.3	565.3	545.6	537.9	541.1	548.1
Wholesale and Retail trade	1987	549.7	549.7	542.4	530.5	519.6	493.6	473.5	471.6	480.2	476.8
Finance, Insurance and Real Estate	1969	323.9	214.9	218.4	218.1	229.1	218.4	204.8	203.4	201.5	200.6
Transportation and Public Utilities	1962	139.1	118.8	120.1	120.8	114.9	99.8	87.1	85.8	88.8	88.7
Contract Construction	1967	2.5	0.7	0.5	0.3	0.3	0.3	0.4	0.3	0.3	0.3
Mining	1960	946.8	379.6	370.1	359.5	337.5	307.8	292.8	288.8	280.6	279.6
Manufacturing	1960	303.6	100.0	97.7	94.3	88.0	77.3	72.5	70.8	69.1	69.2
Durable	1960	643.2	279.6	272.4	265.2	249.5	230.5	220.3	218.0	211.5	210.4
Non-Durable	1990	607.6	580.4	596.1	601.5	607.6	592.6	584.1	579.7	565.5	544.4
Government(2)	1969	3797.7	3590.0	3605.0	3608.2	3566.2	3374.8	3281.3	3283.4	3304.5	3315.4
Total Non-Agricultural											

RECENT MONTHLY TRENDS
(Total Payroll Employment in Thousands)

Year	Jan	Feb	Mar	Apr	May	June	July	Aug	Sept	Oct	Nov	Dec
1985	3427.3	3439.6	3462.5	3464.1	3485.6	3483.9	3487.4	3495.0	3491.7	3512.8	3547.6	3559.1
1986	3480.5	3492.2	3524.0	3525.0	3536.9	3552.5	3543.9	3535.3	3544.0	3566.5	3585.2	3600.7
1987	3523.3	3537.8	3568.5	3577.9	3588.6	3610.6	3582.0	3584.5	3588.7	3615.3	3641.1	3661.8
1988	3557.8	3575.3	3609.4	3603.9	3603.8	3625.1	3578.3	3583.0	3595.4	3611.2	3651.4	3665.0
1989	3566.9	3584.6	3611.2	3617.5	3622.2	3641.5	3592.5	3584.6	3594.7	3601.6	3623.9	3657.6
1990	3555.9	3563.1	3588.9	3578.2	3601.7	3606.0	3549.4	3553.9	3556.2	3540.1	3548.4	3553.1
1991	3389.2	3387.7	3407.6	3394.9	3396.5	3405.9	3339.8	3335.4	3341.6	3357.2	3371.0	3370.3
1992	3258.5	3258.0	3282.0	3289.2	3292.4	3296.1	3276.9	3265.8	3264.3	3285.7	3295.4	3311.7
1993	3221.6	3236.5	3259.4	3273.3	3282.4	3291.0	3283.4	3283.0	3276.6	3312.8	3330.7	3349.4
1994	3244.1	3258.5	3295.1	3305.1	3315.0	3324.0	3303.5	3298.6	3300.3	3321.1	3340.4	3348.7
1995	3260.9	3268.4	3291.4	3308.1	3316.5	3332.8	3311.2	3304.6	3314.5	3342.2	3359.0	3374.9

(1) For the period 1960 through 1995.
(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
1994	3,241	2,959	282	55.5	66.6	8.7	6.1
1995	3,180	2,921	259	N/A	N/A	8.2	5.6

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	7.5	6.6
1995	7.7	9.0	8.5	8.6	8.2	8.1	7.8	8.3	8.0	8.0	7.8	8.1

(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%, which was 0.3 of a percentage point higher than the national rate of 4.2%. In 1992, inflation was generally subdued both locally and nationally with prices in the New York area rising 3.6% compared to 3.0% nationally. In 1993, inflation remained subdued locally and nationally with prices rising 3.0% at both levels. In 1994, the New York area inflation rate discounted the national inflation rate by two-tenths of a percentage point, with prices rising 2.4% locally versus 2.6% nationally. In 1995, the local inflation rate was less than the national rate by three-tenths of a percentage point, at 2.5% versus 2.8% nationally.

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% 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% 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% compared to 4.6% for the nation.

In 1989, given the sharp decrease in FIRE sector bonus payments and base compensation, local wage rates rose only 3.4%, versus the national increase of 3.2%. As the stock market stabilized, local wage rates increased 6.6% versus 4.6% 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 1.6% for the nation). In 1994, local wage rates increased 1.4% versus 3.3% 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

	Percent Increase Over Prior Year																	
Area(1)	1970	1975	1980	1981	1982	1983	1984	1985	1986	1987	1988	1989	1990	1991	1992	1993	1994	1995
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	2.4	2.5
Philadelphia, Pa.-N.J.	6.8	8.3	13.1	10.2	4.9	2.9	4.7	4.5	2.5	4.8	4.8	4.8	5.9	4.7	3.1	2.5	2.9	2.6
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	2.2	3.2
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	1.6	2.0
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	1.4	1.5
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	2.6	2.8

(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 1985-95		% Increase 1995		% Increase December 1995 over December 1994	
	U.S.	New York-NE. N.J.	U.S.	New York-NE. N.J.	U.S.	New York-NE. N.J.
All Items	3.5	4.1	2.8	2.5	2.6	3.0
Food and Beverages	3.5	3.8	2.8	2.6	2.2	2.6
Housing	3.3	4.2	2.6	2.2	2.9	3.1
Apparel and Upkeep	2.3	1.9	(1.1)	(0.2)	(1.1)	4.1
Transportation	2.7	3.1	3.6	2.9	1.5	2.2
Medical Care	6.3	7.0	4.5	4.2	3.9	3.7
Entertainment	3.6	3.9	2.5	3.1	3.3	3.0
Other Goods and Services	6.1	6.3	4.2	4.2	4.3	4.7

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			Average Annual % Change		New York City as a Percent of		
		NYC	U.S.	NYC	NYC	U.S.	U.S.	Suburban Counties(2)	Metropolitan Area(3)
1983	$103.9	8.0%	6.4%	$14,474	6.9%	5.4%	117.4%	85.5%	96.2%
1984	114.3	10.0	10.2	15,801	9.2	9.9	116.6	84.1	95.9
1985	122.3	7.0	7.1	16,819	6.4	6.3	116.7	83.4	95.8
1986	131.4	7.4	6.2	17,956	6.8	5.1	118.6	82.7	95.7
1987	140.3	6.8	5.9	19,107	6.4	5.4	119.8	82.3	95.7
1988	151.8	8.2	7.2	20,636	8.0	6.6	121.3	83.2	95.7
1989	161.7	6.5	7.5	22,012	6.7	6.6	121.4	83.5	95.8
1990	173.7	7.5	6.7	23,726	7.8	5.6	123.9	85.2	96.2
1991	178.8	2.9	4.0	24,464	3.1	2.6	124.6	86.2	96.2
1992	192.0	7.4	6.1	26,283	7.4	4.8	127.7	89.6	96.7
1993	198.4	3.3	4.3	27,087	3.1	3.0	127.8	90.0	96.8

(1) In current dollars. Personal Income is a place of residence measure of income which includes wages and salaries, other labor income, proprietors' income, personal dividend income, personal interest income, rental income of persons, and transfer payments.
(2) Suburban Counties consists of the counties of Nassau, Putnam, Rockland, Suffolk, and Westchester in New York State.
(3) Based on Primary Metropolitan Statistical Area ("PMSA") which includes New York City, Putnam, Rockland and Westchester counties.
Sources: U.S. Department of Commerce, Bureau of Economic Analysis and the Bureau of the Census.

Sectoral Distribution of Employment and Income

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

SECTORAL DISTRIBUTION OF EMPLOYMENT AND EARNINGS(1)

	Employment				Earnings(2)			
	1977		1995		1977		1993	
Sector	NYC	U.S.	NYC	U.S.	NYC	U.S.	NYC	U.S.
Private Sector	67.2%	57.8%	75.1%	67.6%	70.8%	57.2%	79.7%	62.1%
Non-Manufacturing	24.6	18.6	35.5	28.1	24.9	17.9	34.1	25.1
Services	19.5	22.4	16.5	23.3	16.0	17.2	11.0	16.3
Wholesale and Retail Trade	13.0	5.4	14.4	6.0	16.0	5.8	26.0	8.2
Finance, Insurance and Real Estate	8.1	5.7	6.0	5.3	10.9	7.7	6.1	6.6
Transportation and Public Utilities	2.0	4.7	2.7	4.5	2.4	6.5	2.6	4.3
Contract Construction	0.0	1.0	0.0	0.5	0.4	1.8	0.0	0.8
Mining	16.9	23.9	8.4	15.8	14.8	25.9	7.5	19.2
Manufacturing	5.1	14.0	2.1	9.1	4.3	16.4	1.8	11.5
Durable	11.8	9.8	6.3	6.7	10.5	9.5	5.7	7.7
Non-Durable	15.9	18.3	16.4	16.5	14.4	16.9	12.8	18.7
Government(3)	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
Total Non-Agricultural								

(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 since 1990.

Public assistance and SSI recipients rose as a proportion of total City population from 4.2% in 1960 to 16.5% in 1975. Between 1975 and 1985, that proportion decreased to 15.8% of total population.

The following tables set forth the number of persons receiving public assistance in the City.

PERSONS RECEIVING PUBLIC ASSISTANCE IN NEW YORK CITY
(Annual Averages in Thousands)

Year(1)	Total	Average Annual Change (%)	Home Relief	AFDC	AFDC Unemployed Parent	AFDC Predetermination Grant
1986	911.5	(1.6)	174.3	717.6	19.6	—
1987	871.5	(4.4)	162.0	694.2	15.3	—
1988	840.1	(3.6)	155.8	671.2	13.0	—
1989	818.5	(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	9.4	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
1994	1,140.6	5.1	229.9	801.9	40.3	68.5
1995	1,109.5	(2.7)	207.7	799.4	46.5	55.9

(1) Figures do not include aged, disabled or blind persons who were transferred from public assistance to the SSI program, which is primarily Federally funded. According to the U.S. Department of Health and Human Services, the SSI program supported, as of December of each year, a total of 227,068 persons in 1979; 223,934 persons in 1980; 217,274 persons in 1981; 207,484 persons in 1982; 206,330 persons in 1983; 211,728 persons in 1984; 217,852 persons in 1985; 223,404 in 1986 and 227,918 in 1987.

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

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

RECENT MONTHLY TRENDS
(Total Recipients In Thousands)

Year	Jan.	Feb.	Mar.	Apr.	May	June	July	Aug.	Sept.	Oct.	Nov.	Dec.
1985	923.9	921.0	931.2	935.7	924.5	925.1	925.8	930.5	922.6	927.6	922.0	922.9
1986	920.2	917.8	918.9	919.7	916.5	913.0	915.6	906.8	904.9	907.8	897.6	898.9
1987	894.8	890.1	893.9	894.0	889.5	885.9	873.5	859.3	854.0	845.2	831.2	847.0
1988	839.4	852.2	856.3	865.1	852.6	846.3	838.9	836.3	826.2	825.9	820.1	822.3
1989	813.4	816.2	821.1	816.7	815.3	815.0	813.0	820.7	817.8	825.1	824.3	823.0
1990	823.6	827.6	839.0	841.7	849.7	859.6	859.8	871.4	871.7	880.2	883.1	892.3
1991	895.9	899.9	914.0	923.2	929.2	936.8	945.1	953.8	955.2	969.5	972.8	977.2
1992	988.8	985.4	987.1	989.1	994.4	999.7	1,005.2	1,011.6	1,018.3	1,031.9	1,027.3	1,053.7
1993	1,047.5	1,053.9	1,068.0	1,078.9	1,081.8	1,089.0	1,092.0	1,096.7	1,101.0	1,103.7	1,104.9	1,112.5
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	1,151.9	1,154.6	1,157.7
1995	1,150.5	1,155.3	1,160.6	1,140.5	1,128.5	1,119.4	1,100.6	1,101.4	1,084.8	1,071.1	1,054.8	1,046.4

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					
			Total Retail Sales		Non-Durable(1)		Durable(2)	
	NYC	U.S.	NYC	U.S.	NYC	U.S.	NYC	U.S.
1983	$ 29.0	$1,167.4	9.8%	9.4%	5.5%	6.2%	20.0%	16.3%
1984	30.9	1,283.8	6.3	10.0	4.5	6.8	10.0	16.2
1985	33.8	1,373.8	9.4	7.0	6.4	5.6	15.3	9.7
1986	39.6	1,449.2	17.3	5.5	9.1	3.7	32.1	8.6
1987	39.6	1,538.7	(0.1)	6.2	1.1	6.1	(1.9)	6.3
1988	43.6	1,649.5	10.1	7.2	10.1	6.0	10.1	9.3
1989	43.5	1,761.1	(0.2)	6.8	2.0	7.8	(3.7)	5.0
1990	42.8	1,848.7	(1.5)	5.0	2.5	6.8	(8.1)	1.9
1991	40.8	1,863.3	(4.9)	0.8	(0.8)	2.8	(12.3)	(2.7)
1992	38.9	1,952.6	(4.5)	4.8	1.9	3.1	(17.7)	7.9
1993	37.9	2,079.7	(2.7)	6.5	(3.9)	3.9	0.3	11.1
1994	38.9	2,237.7	2.8	7.6	1.6	4.2	5.6	13.2

(1) Includes food stores, eating and drinking places, gasoline stations, liquor stores, drug stores, fuel dealers, florists, hay-grain-feed stores, farm and garden supply stores, stationery stores, newsstands and newsdealers, cigar stores and ice dealers and general merchandise and apparel stores.

(2) Includes building materials, hardware, garden supply and mobile home dealers, automotive dealers, and furniture, home furnishings and equipment stores.

Sources: U.S. Department of Commerce, Bureau of the Census, Current Business Reports, Monthly Retail Trade.

Business Activity

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.

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 14.8% as of June 1995.

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 1988.

NUMBER OF VISITORS AND HOTEL OCCUPANCY RATE IN NEW YORK CITY

Year	Visitors(1) (In Millions)	Hotel Occupancy Rate(2) Annual Average of Monthly Rates
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	23.9	70.3
1994	24.6	75.2

(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.

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 Ten-Year Capital Strategy, for fiscal years 1996-2005 which projects available capital funds over this period of $40.6 billion, of which approximately 92% will be financed with City sources. A portion of these funds is for rehabilitation or replacements of various elements of the infrastructure.

Housing

The housing stock in the City in 1991 consisted of 2,980,762 housing units, excluding units in special places, primarily institutions such as hospitals and universities. The 1991 housing inventory represented an increase of 140,505 units, or 5.0%, since 1987. While the total population of the City grew by 1.7% between 1987 and 1991, housing in the City remains in short supply. The following table presents the housing inventory in the City.

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

Ownership/Occupancy Status	1981	1984	1987	1991
Total Housing Units	2,792	2,803	2,840	2,980
Owner Units	755	807	837	858
Owner-Occupied	746	795	817	829
Conventional Home	581	598	576	555
Cooperative(1)	165	197	242	238
Vacant for Sale	9	12	19	10
Rental Units	1,976	1,940	1,932	2,027
Renter-Occupied	1,934	1,901	1,884	1,951
Vacant for Rent	42	40	47	76
Vacant Not Available For Sale Or Rent(2)	62	56	72	94

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

Sources: Stegman, Michael A., *Housing and Vacancy Report: New York City,* The City of New York Department of Housing Preservation and Development (New York: April 1988 and May 1993).

The 1991 Housing and Vacancy Report indicates that rental housing units predominate in the City. Of all occupied housing units in 1991, 29.8% were conventional home-ownership units, cooperatives or condominiums and 70.2% were rental units. Most of the recent growth in owner-occupied units has come from the conversion of existing rental units to cooperatives rather than through the new construction of housing for sale to occupants in the City. The vacancy rate for rental housing was 3.78% in 1991, and median rent consumed 29% of the gross income of tenants. The housing condition of occupied rental units improved greatly since 1984, with a decrease in the proportion of rental units in dilapidated or deficient condition. This significant reduction is primarily a result of the City's housing improvement efforts.

After a significant decline during the early 1970s, a slight recovery in housing construction occurred between 1975 and 1979. However, in 1980, new housing construction declined again. Of all new housing units constructed in the City between 1975 and 1978, over two-thirds were government financed or government aided; of privately financed housing units, nearly half received full or partial tax exemptions. Rehabilitation of existing housing units and conversion of housing units from other uses, through private financing and City-administered Federal funds or tax abatement programs, has increased substantially in recent years, and is now a significant segment of the City's housing market.

Construction

Office building construction in the Manhattan Central Business District is currently undergoing a substantial decline after experiencing significant growth during the 1980s. Between 1954 and 1968, an annual average of more than 4.7 million square feet of new office space was completed. An unusual surge of construction activity occurred between 1969 and 1972, when 61 new office building completions added a total of 51.2 million square feet of office space to the market, during a period of substantial decline in employment in the City. Construction activity declined after 1972 and by 1979 only 110,000 square feet of office space entered the market as a result of building completions. However, in 1980, new office building completions in the Manhattan Central Business District increased the level of rentable space by 412,000 square feet, and construction was started on a number of new projects, raising the value of all new construction in the City to over $1 billion, then the largest amount since 1973.

During the late 1970s demand for office space, as a result of increased employment in the service and finance sectors of the City's economy and an increase in office space per employee, reduced the vacancy rate in the office space market from an estimated 15% in 1972 to 2% in 1981. The vacancy rate rose to 5.4% in 1983, 7.1% in 1984 and 8.2% in 1985 due to the strong upswing in construction activity. This trend continued during 1986 indicating a vacancy rate of 8.4%. In 1987, construction in the City had increased while commercial rents declined. Vacancy rates have continued to rise as a result of the 1987 stock market crash and subsequent retrenchment of the FIRE sector. By the end of 1990, vacancy rates for the Manhattan commercial market were close to 17%, as office construction continued and very little new space was occupied. As of August 1992, the overall office vacancy rate in Manhattan was 18.4%.

With respect to housing construction between 1975 and 1979, the number of building permits for new housing units and the value of all new construction increased, indicating that a partial recovery in construction activity in the City occurred, although at a level much reduced from the 1962 peak. During 1980, permits were issued for 7,800 new housing units, compared to 14,524 issued in 1979, and the value of all new construction rose to $1.063 billion, up from $589 million in 1979.

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

Real Estate Valuation

The following tables present data on a fiscal year basis regarding recent trends in the assessed valuation of taxable real property in the City. For further information regarding assessment procedures in the City, see "SECTION IV: 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 1991	1992	1993	1994	1995	1996
Bronx (The Bronx)	$ 4,330	$ 4,516	$ 4,719	$ 4,983	$ 4,831	$ 4,789
Kings (Brooklyn)	9,723	9,896	9,950	10,440	10,390	10,423
New York (Manhattan)	47,227	48,755	49,143	46,892	44,956	44,747
Queens (Queens)	12,386	12,666	12,776	13,185	13,112	13,173
Richmond (Staten Island)	2,669	2,635	2,590	2,678	2,730	2,720
Total	$76,334	$78,468	$79,179	$78,178	$76,019	$75,852

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 1991		Fiscal Year 1992		Fiscal Year 1993		Fiscal Year 1994		Fiscal Year 1995		Fiscal Year 1996	
	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	$ 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%	$ 4,096.1	5.4%
Two Family Dwellings	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	3,158.9	4.2
Walk-Up Apartments	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	6,778.7	8.9
Elevator Apartments	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	14,467.6	19.1
Warehouses	895.5	1.2	926.8	1.2	989.8	1.3	1,031.5	1.3	1,044.4	1.4	1,071.4	1.4
Factory and Industrial Buildings	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	1,480.8	2.0
Garages and Gasoline Stations	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	1,323.6	1.7
Hotels	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	1,822.4	2.4
Hospitals and Health	391.6	0.5	402.6	0.5	425.2	0.5	481.0	0.6	438.6	0.6	530.3	0.7
Theatres	186.4	0.2	177.4	0.2	186.9	0.2	189.1	0.2	159.3	0.2	182.2	0.2
Store Buildings	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	4,365.4	5.8
Loft Buildings	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	1,867.4	2.5
Churches, Synagogues, etc.	54.3	0.1	41.1	0.1	53.8	0.1	68.1	0.1	52.0	0.1	50.9	0.1
Asylums and Homes	70.8	0.1	78.8	0.1	94.5	0.1	101.2	0.1	57.7	0.1	63.3	0.1
Office Buildings	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	19,685.6	26.0
Places of Public Assembly	123.1	0.2	135.3	0.2	138.3	0.2	145.2	0.2	146.0	0.2	150.3	0.2
Outdoor Recreation Facilities	80.6	0.1	82.7	0.1	84.5	0.1	108.3	0.1	88.2	0.1	87.4	0.1
Condominiums	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	4,549.2	6.0
Residence Multi-Use	318.1	0.4	1,004.5	1.3	1,034.6	1.3	1,111.1	1.4	1,137.6	1.5	1,144.0	1.5
Transportation Facilities	32.5	0	32.2	0	35.4	0	44.2	0.1	43.3	0.1	43.1	0.1
Utility Bureau Properties	0.0	0	0.0	0	0	0	0	0.0	0.7	0	0.0	0.0
Vacant Land	811.7	1.1	839.1	1.1	906.8	1.1	916.2	1.2	863.1	1.1	789.8	1.0
Educational Structures	138.6	0.2	142.9	0.2	170.1	0.2	175.1	0.2	214.3	0.3	261.6	0.3
Selected Government Installations	3.8	0	4.4	0	8.1	0	17.4	0	85.9	0.1	71.4	0.1
Miscellaneous	285.7	0.4	303.0	0.4	275.7	0.3	264.1	0.3	287.7	0.4	296.0	0.4
Real Estate of Utility Corporations and Special Franchises	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	7,514.3	9.9
Total	$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%	$75,851.6	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 1996 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 1996 fiscal year as indicated in the tax rolls.

LARGEST REAL ESTATE TAXPAYERS(1)

Property	1996 Fiscal Year Assessed Valuation	Property	1996 Fiscal Year Assessed Valuation
Met Life Building	$240,250,000	Celanese Building	$112,500,000
Empire State Building	198,900,000	St. Luke's/Roosevelt	110,543,000
Sperry Rand Building	182,880,000	Alliance Capital	110,250,000
Bear Stearns Building	181,350,000	Carpet Center	108,000,000
General Motors Building	177,752,000	Kalikow Building	106,850,000
Exxon Building	175,600,000	595 Lexington Avenue	106,844,000
McGraw-Hill Building	164,250,000	The Chase Manhattan Building	104,850,000
Paine Webber	159,930,000	Manufacturers Hanover	103,500,000
Time & Life	151,380,000	Park Avenue Plaza	103,500,000
Bristol Myers	149,814,000	666 Fifth Avenue	102,880,000
55 Water Street Building	146,250,000	Chemical Bank	98,622,000
Equitable Life	144,000,000	Waldorf Astoria	97,655,000
Solow Building	138,700,000	617 Lexington Ave Building	94,500,000
International Building	135,322,000	Shearson Lehman	92,700,000
J.C. Penney Building	131,620,000	Continental Illinois	92,250,000
Morgan Guaranty	129,230,000	Simon & Schuster Building	88,926,000
Worldwide Plaza	123,350,000	Park Ave. Atrium	88,712,000
Paramount Plaza	122,780,000	One Bankers Trust Plaza	87,750,000
One Penn Plaza	119,250,000	W.R. Grace Building	87,750,000
One Liberty Plaza	118,800,000	N.Y. Hilton	87,300,000

(1) Excludes real estate of public utilities.

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

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APPENDIX B

GENERAL PURPOSE FINANCIAL STATEMENTS OF THE CITY OF NEW YORK

June 30, 1995 and 1994

INDEX

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KPMG Peat Marwick LLP

WATSON, RICE & CO., PC

Frye Williams & Co., PC

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 years ended June 30, 1995 and 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.

We conducted our audit in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits and the reports of other auditors provide a reasonable basis for our opinion.

In our opinion, based on our audits and the reports of the other auditors, the general purpose financial statements referred to above present fairly, in all material respects, the financial position of The City at June 30, 1995 and 1994, and the results of its operations and cash flows of its discretely presented component units for the years then ended in conformity with generally accepted accounting principles.

As described in Note A to the general purpose financial statements, in fiscal year 1995, The City adopted GASB Statement No. 25, *Financial Reporting for Defined Benefit Pension Plans and Note Disclosure for Defined Contribution Plans* and GASB Statement No. 27, *Accounting for Pensions by State and Local Governmental Employers.* The general purpose financial statements for fiscal year 1994 have been restated to reflect these changes.

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

October 27, 1995
New York, New York

THE CITY OF NEW YORK

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

JUNE 30, 1995
(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	General Fixed Assets	General Long-term Obligations			
ASSETS:									
Cash and cash equivalents	$ 748,228	$ 84	$ 54,002	$ 329,275	$ —	$ —	$ 1,131,589	$ 251,331	$ 1,382,920
Investments, including accrued interest	1,354,661	341,056	1,312,867	66,120,127	—	—	69,128,711	1,035,775	70,164,486
Accounts receivable:									
Real estate taxes	77,800	—	—	—	—	—	77,800	—	77,800
Federal, State and other aid	3,787,400	301,782	—	—	—	—	4,089,182	—	4,089,182
Patient service, net	—	—	—	—	—	—	—	641,117	641,117
Other, net	885,397	—	—	1,179,225	—	—	2,064,622	686,615	2,751,237
Mortgage loans and interest receivable, net	—	—	166,861	—	—	—	166,861	2,073,528	2,240,389
Due from other funds and Discretely Presented Component Units	1,548,360	1,116,547	71,892	966,658	—	—	3,703,457	2,757	3,706,214
Property, plant and equipment	—	—	—	—	16,506,755	—	16,506,755	22,102,250	38,609,005
Accumulated depreciation and amortization	—	—	—	—	(4,825,866)	—	(4,825,866)	(7,535,099)	(12,360,965)
Restricted cash and investments	—	—	—	—	—	—	—	1,133,766	1,133,766
Other assets	33,244	217,081	695	55,902	—	—	306,922	244,919	551,841
Amounts available in Debt Service Funds	—	—	—	—	—	1,368,715	1,368,715	—	1,368,715
Amounts to be provided for general long-term obligations	—	—	—	—	—	35,829,610	35,829,610	—	35,829,610
Total assets	$8,435,090	$1,976,550	$1,606,317	$68,651,187	$11,680,889	$37,198,325	$129,548,358	$20,636,959	$150,185,317

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, 1995

(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	General Fixed Assets	General Long-term Obligations			
LIABILITIES:									
Accounts payable and accrued liabilities	$5,246,927	$1,201,795	$ 52,893	$ 5,915,576	$ —	$ —	$12,417,191	$ 1,513,124	$ 13,930,315
Bonds and notes payable	—	—	—	—	—	28,863,649	28,863,649	10,243,907	39,107,556
Capital lease obligations	—	—	—	—	—	966,945	966,945	—	966,945
Accrued real estate tax refunds	5,524	—	—	—	—	314,350	319,874	—	319,874
Accrued tax refunds—other	40,935	—	—	—	—	—	40,935	—	40,935
Accrued judgments and claims	116,698	122,528	—	—	—	2,524,028	2,763,254	—	2,763,254
Accrued vacation and sick leave	—	—	—	—	—	1,451,538	1,451,538	339,092	1,790,630
Deferred wages	—	—	—	—	—	46,696	46,696	—	46,696
Accrued pension liability	—	—	—	—	—	2,571,451	2,571,451	109,962	2,681,413
Landfill closure and post-closure care costs	—	—	—	—	—	459,668	459,668	—	459,668
Accrued interest payable	—	—	—	—	—	—	—	554,079	554,079
Deferred revenues	1,485,583	205,638	—	—	—	—	1,691,221	121,139	1,812,360
Due to other funds and Discretely Presented Component Units	962,569	1,331,157	28,056	966,658	—	—	3,288,440	417,774	3,706,214
Estimated disallowances of Federal, State and other aid	208,425	—	—	—	—	—	208,425	—	208,425
Other	—	—	—	643,686	—	—	643,686	72,645	716,331
Total liabilities	8,066,661	2,861,118	80,949	7,525,920	—	37,198,325	55,732,973	13,371,722	69,104,695
EQUITY AND OTHER CREDITS:									
Investment in general fixed assets	—	—	—	—	11,680,889	—	11,680,889	—	11,680,889
Contributed capital	—	—	—	—	—	—	—	8,398,213	8,398,213
Retained earnings:									
Reserved for capital improvement	—	—	—	—	—	—	—	118,478	118,478
Reserved for loans	—	—	—	—	—	—	—	65,827	65,827
Reserved for donor restrictions	—	—	—	—	—	—	—	10,338	10,338
Reserved for debt retirement	—	—	—	—	—	—	—	304,227	304,227
Unreserved	—	—	—	—	—	—	—	(1,631,846)	(1,631,846)
Fund balance/Plan net assets:									
Reserved for debt service	—	—	1,368,715	—	—	—	1,368,715	—	1,368,715
Reserved for non-current mortgage loans	—	—	156,653	—	—	—	156,653	—	156,653
Reserved for supplemental benefit payments	—	—	—	1,879,674	—	—	1,879,674	—	1,879,674
Reserved for pension benefits	—	—	—	59,245,593	—	—	59,245,593	—	59,245,593
Unreserved, undesignated	368,429	(884,568)	—	—	—	—	(516,139)	—	(516,139)
Total equity (deficit) and other credits	368,429	(884,568)	1,525,368	61,125,267	11,680,889	—	73,815,385	7,265,237	81,080,622
Commitments and contingencies									
Total liabilities, equity and other credits	$8,435,090	$1,976,550	$1,606,317	$68,651,187	$11,680,889	$37,198,325	$129,548,358	$20,636,959	$150,185,317

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
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	General Fixed Assets	General Long-term Obligations			
ASSETS:									
Cash and cash equivalents	$ 297,789	$ 1,454	$ 83,987	$ 351,356	$ —	$ —	$ 734,586	$ 200,259	$ 934,845
Investments, including accrued interest	1,481,318	560,654	1,473,455	57,862,147	—	—	61,377,574	1,005,430	62,383,004
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	—	—	1,081,748	—	—	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	17,049	—	—	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	$59,312,300	$10,750,407	$35,506,858	$116,563,920	$19,975,276	$136,539,196

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
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	General Fixed Assets	General Long-term Obligations			
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	6,935,371	2,458,137	71,706	5,803,455	—	35,506,858	50,775,527	13,226,295	64,001,822
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/Plan net assets:									
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	—	—	—	1,400,129	—	—	1,400,129	—	1,400,129
Reserved for pension benefits	—	—	—	52,108,716	—	—	52,108,716	—	52,108,716
Unreserved, undesignated	363,065	(555,287)	—	—	—	—	(192,222)	—	(192,222)
Total equity (deficit) and other credits	363,065	(555,287)	1,721,363	53,508,845	10,750,407	—	65,788,393	6,748,981	72,537,374
Commitments and contingencies									
Total liabilities, equity and other credits	$7,298,436	$1,902,850	$1,793,069	$59,312,300	$10,750,407	$35,506,858	$116,563,920	$19,975,276	$136,539,196

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, 1995
(in thousands)

	Governmental Fund Types			Total (Memorandum Only) Primary Government
	General	Capital Projects	Debt Service	
REVENUES:				
Real estate taxes	$ 7,473,580	$ —	$ —	$ 7,473,580
Sales and use taxes	3,013,171	—	—	3,013,171
Income taxes	6,014,746	—	—	6,014,746
Other taxes	1,183,743	—	—	1,183,743
Federal, State and other categorical aid	10,733,313	358,804	186,473	11,278,590
Unrestricted Federal and State aid	603,283	—	—	603,283
Charges for services	1,297,960	—	—	1,297,960
Other revenues	1,243,623	744,626	227,526	2,215,775
Total revenues	31,563,419	1,103,430	413,999	33,080,848
OTHER FINANCING SOURCES:				
Transfer from OTB	27,560	—	—	27,560
Transfers and other payments for debt service	—	—	2,284,818	2,284,818
Net proceeds from sale of notes and bonds	—	2,242,027	849	2,242,876
Refunding bond proceeds	—	—	1,264,662	1,264,662
Total revenues and other financing sources	31,590,979	3,345,457	3,964,328	38,900,764
EXPENDITURES:				
Current Operations:				
General government	852,717	—	—	852,717
Public safety and judicial	4,121,448	—	—	4,121,448
Board of Education	7,862,874	—	—	7,862,874
City University	348,074	—	—	348,074
Social services	8,111,924	—	—	8,111,924
Environmental protection	1,120,221	—	—	1,120,221
Transportation services	932,572	—	—	932,572
Parks, recreation and cultural activities	239,571	—	—	239,571
Housing	527,010	—	—	527,010
Health (including payments to HHC)	1,736,768	—	—	1,736,768
Libraries	167,867	—	—	167,867
Pensions	1,273,001	—	—	1,273,001
Judgments and claims	251,247	—	—	251,247
Fringe benefit and other benefit payments	1,443,686	—	—	1,443,686
Other	307,519	—	37,252	344,771
Capital Projects	—	3,674,738	—	3,674,738
Debt Service:				
Interest	—	—	1,790,519	1,790,519
Redemptions	—	—	913,497	913,497
Lease payments	—	—	154,393	154,393
Total expenditures	29,296,499	3,674,738	2,895,661	35,866,898
OTHER FINANCING USES:				
Transfers and other payments for debt service	2,289,116	—	—	2,289,116
Payment to refunded bond escrow holder	—	—	1,264,662	1,264,662
Total expenditures and other financing uses	31,585,615	3,674,738	4,160,323	39,420,676
EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES AND OTHER FINANCING USES	5,364	(329,281)	(195,995)	(519,912)
FUND BALANCES (DEFICIT) AT BEGINNING OF YEAR	363,065	(555,287)	1,721,363	1,529,141
FUND BALANCES (DEFICIT) AT END OF YEAR	$ 368,429	$ (884,568)	$1,525,368	$ 1,009,229

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) Primary Government
	General	Capital Projects	Debt Service	
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

GENERAL FUND
STATEMENTS OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL

FOR THE YEARS ENDED JUNE 30, 1995 AND 1994
(in thousands)

	1995			1994		
	Budget			Budget		
	Adopted	Modified	Actual	Adopted	Modified	Actual
REVENUES:						
Real estate taxes	$ 7,420,000	$ 7,420,000	$ 7,473,580	$ 7,885,000	$ 7,823,000	$ 7,773,322
Sales and use taxes	2,988,600	3,006,400	3,013,171	2,750,200	2,834,985	2,854,994
Income taxes	6,725,000	6,599,900	6,014,746	6,275,400	6,293,800	6,280,572
Other taxes	1,016,300	1,123,600	1,183,743	1,132,200	1,214,315	1,205,691
Federal, State and other categorical aid	10,112,947	11,234,555	10,733,313	9,560,824	10,703,421	10,143,347
Unrestricted Federal and State aid	554,240	581,237	603,283	450,757	662,108	666,888
Charges for services	1,361,462	1,363,542	1,297,960	1,340,829	1,360,583	1,276,672
Other revenues	1,184,432	1,157,435	1,243,623	1,596,525	1,119,127	1,054,615
Total revenues	31,362,981	32,486,669	31,563,419	30,991,735	32,011,339	31,256,101
OTHER FINANCING SOURCES:						
Transfer from OTB	25,200	25,200	27,560	34,800	26,800	24,073
Transfer from pension and similar trust funds	—	—	—	—	72,216	72,216
Total revenues and other financing sources	31,388,181	32,511,869	31,590,979	31,026,535	32,110,355	31,352,390
EXPENDITURES:						
General government	879,607	875,835	852,717	904,383	929,267	874,772
Public safety and judicial	3,975,701	4,155,508	4,121,448	3,634,000	3,870,664	3,846,147
Board of Education	7,697,479	7,898,753	7,862,874	7,223,761	7,591,839	7,560,989
City University	383,141	383,599	348,074	334,966	387,284	353,076
Social services	8,043,033	8,463,216	8,111,924	7,898,654	8,325,941	8,030,189
Environmental protection	1,089,571	1,156,426	1,120,221	1,128,204	1,205,920	1,155,871
Transportation services	821,992	966,001	932,572	967,581	1,002,495	980,909
Parks, recreation and cultural activities	232,850	240,134	239,571	230,565	239,355	238,510
Housing	448,128	546,613	527,010	565,735	612,183	589,979
Health (including payments to HHC)	1,540,967	1,801,092	1,736,768	1,362,288	1,612,341	1,620,018
Libraries	175,658	169,150	167,867	172,352	172,591	172,572
Pensions	1,341,887	1,328,111	1,273,001	1,436,003	1,363,620	1,273,817
Judgments and claims	218,255	254,255	251,247	222,255	271,045	270,916
Fringe benefits and other benefit payments	1,717,918	1,483,823	1,443,686	1,649,477	1,597,823	1,551,629
Other	520,244	557,972	307,519	587,125	470,038	374,579
Total expenditures	29,086,431	30,280,488	29,296,499	28,317,349	29,652,406	28,893,973
OTHER FINANCING USES:						
Transfers and other payments for debt service	2,301,750	2,231,381	2,289,116	2,709,186	2,457,949	2,453,736
Total expenditures and other financing uses	31,388,181	32,511,869	31,585,615	31,026,535	32,110,355	31,347,709
EXCESS OF REVENUES AND OTHER SOURCES OVER EXPENDITURES AND OTHER USES	$ —	$ —	5,364	$ —	$ —	4,681
FUND BALANCE AT BEGINNING OF YEAR			363,065			358,384
FUND BALANCE AT END OF YEAR			$ 368,429			$ 363,065

See accompanying notes to financial statements.

THE CITY OF NEW YORK

COMBINED STATEMENT OF CHANGES IN PLAN NET ASSETS AND REVENUES, EXPENSES AND CHANGES IN FUND EQUITY—FIDUCIARY FUND TYPE AND DISCRETELY PRESENTED COMPONENT UNITS

FOR THE YEAR ENDED JUNE 30, 1995

(in thousands)

	Fiduciary Fund Type	Discretely Presented Component Units					
	Pension and Similar Trust	Health and Hospitals Corporation	Off-Track Betting Corporation	Housing and Economic Development Funds	Water and Sewer System	Total Component Units	Total (Memorandum only) Reporting Entity
ADDITIONS TO PLAN NET ASSETS AND OPERATING REVENUES:							
Patient service revenues, net	$ —	$3,772,539	$ —	$ —	$ —	$3,772,539	$ 3,772,539
Charges for services	—	—	—	—	1,300,454	1,300,454	1,300,454
Rental income	—	—	—	557,744	—	557,744	557,744
Other revenues	—	361,696	197,952	1,330,077	—	1,889,725	1,889,725
Employer, employee contributions	1,822,679	—	—	—	—	—	1,822,679
Investment income, net	9,895,633	—	—	19,236	49,651	68,887	9,964,520
Total additions to plan net assets and operating revenues	11,718,312	4,134,235	197,952	1,907,057	1,350,105	7,589,349	19,307,661
DEDUCTIONS FROM PLAN NET ASSETS AND OPERATING EXPENSES:							
Personal services	—	2,323,128	68,928	669,007	—	3,061,063	3,061,063
Affiliated institutions	—	533,749	—	—	—	533,749	533,749
Racing industry compensation	—	—	56,768	—	—	56,768	56,768
Operations and maintenance	—	704,947	—	—	738,561	1,443,508	1,443,508
Interest expense	—	—	—	198,128	328,363	526,491	526,491
Administrative and program	—	—	5,932	993,901	15,047	1,014,880	1,014,880
Depreciation and amortization	—	157,521	2,936	154,117	293,054	607,628	607,628
Benefit payments and withdrawals	4,061,325	—	—	—	—	—	4,061,325
Provision for bad debts	—	452,457	—	—	95,989	548,446	548,446
Other	—	19,717	22,018	61,470	—	103,205	103,205
Distributions to the State and other local governments	—	—	17,237	—	—	17,237	17,237
Total deductions from plan net assets and operating expenses	4,061,325	4,191,519	173,819	2,076,623	1,471,014	7,912,975	11,974,300
Operating income (loss)	7,656,987	(57,284)	24,133	(169,566)	(120,909)	(323,626)	7,333,361
NON-OPERATING REVENUES (EXPENSES):							
Interest and dividend income	—	5,120	825	21,847	7,861	35,653	35,653
Interest expense	—	(94,861)	—	—	—	(94,861)	(94,861)
Amounts from other OTB communities	—	—	4,674	—	—	4,674	4,674
Other	(40,565)	—	—	(4,597)	—	(4,597)	(45,162)
Total non-operating revenues (expenses)	(40,565)	(89,741)	5,499	17,250	7,861	(59,131)	(99,696)
Income (loss) before transfers	7,616,422	(147,025)	29,632	(152,316)	(113,048)	(382,757)	7,233,665
OPERATING TRANSFERS:							
Transfer to the General Fund	—	—	(27,560)	—	—	(27,560)	(27,560)
Net additions to plan net assets and net income (loss)	7,616,422	(147,025)	2,072	(152,316)	(113,048)	(410,317)	7,206,105
PLAN NET ASSETS/FUND EQUITY AT BEGINNING OF YEAR	53,508,845	1,009,488	6,094	196,825	5,536,574	6,748,981	60,257,826
Contributed fixed assets and debt service	—	4,204	—	896,752	25,420	926,376	926,376
Net increase in donor restricted funds	—	197	—	—	—	197	197
PLAN NET ASSETS/FUND EQUITY AT END OF YEAR	$61,125,267	$ 866,864	$ 8,166	$ 941,261	$5,448,946	$7,265,237	$68,390,504
PLAN NET ASSETS/COMPONENTS OF FUND EQUITY (DEFICIT) AT END OF YEAR							
Reserved	$ —	$ 806,728	$ 16,646	$ 3,043,353	$5,030,356	$8,897,083	$ 8,897,083
Reserved for Supplemental Benefits	1,879,674	—	—	—	—	—	1,879,674
Reserved for Pension Benefits	59,245,593	—	—	—	—	—	59,245,593
Unreserved (deficit)	—	60,136	(8,480)	(2,102,092)	418,590	(1,631,846)	(1,631,846)
PLAN NET ASSETS/FUND EQUITY AT END OF YEAR	$61,125,267	$ 866,864	$ 8,166	$ 941,261	$5,448,946	$7,265,237	$68,390,504

See accompanying notes to financial statements.

THE CITY OF NEW YORK

COMBINED STATEMENT OF CHANGES IN PLAN NET ASSETS AND REVENUES, EXPENSES AND CHANGES IN FUND EQUITY—FIDUCIARY FUND TYPE AND DISCRETELY PRESENTED COMPONENT UNITS

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

	Fiduciary Fund Type	Discretely Presented Component Units					Total (Memorandum Only) Reporting Entity
	Pension and Similar Trust	Health and Hospitals Corporation	Off-Track Betting Corporation	Housing and Economic Development Entities	Water and Sewer System	Total Component Units	
ADDITIONS TO PLAN NET ASSETS AND 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
Rental 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	1,877,883	—	—	—	—	—	1,877,883
Investment income, net	630,479	—	—	23,513	28,479	51,992	682,471
Total additions to plan net assets and operating revenues	2,508,362	3,949,113	178,023	1,747,934	1,232,902	7,107,972	9,616,334
DEDUCTIONS FROM PLAN NET ASSETS AND 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
Operation 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 deductions from plan net assets and 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)	(1,305,515)	(42,878)	13,676	(253,167)	(58,785)	(341,154)	(1,646,669)
NON-OPERATING REVENUES (EXPENSES):							
Interest and dividend 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 (expenses)	(20,847)	(99,696)	5,122	9,691	4,476	(80,407)	(101,254)
Income (loss) before transfers	(1,326,362)	(142,574)	18,798	(243,476)	(54,309)	(421,561)	(1,747,923)
OPERATING TRANSFERS:							
Transfer to the General Fund	(72,216)	—	(24,073)	—	—	(24,073)	(96,289)
Net deductions to plan net assets and net loss	(1,398,578)	(142,574)	(5,275)	(243,476)	(54,309)	(445,634)	(1,844,212)
PLAN NET ASSETS/FUND EQUITY AT BEGINNING OF YEAR	54,907,423	1,143,450	11,369	100,510	5,553,149	6,808,478	61,715,901
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)
PLAN NET ASSETS/FUND EQUITY AT END OF YEAR	$53,508,845	$1,009,488	$ 6,094	$ 196,825	$5,536,574	$6,748,981	$60,257,826
PLAN NET ASSETS/COMPONENTS OF FUND EQUITY (DEFICIT) 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	1,400,129	—	—	—	—	—	1,400,129
Reserved for Pension Benefits	52,108,716	—	—	—	—	—	52,108,716
Unreserved (deficit)	—	227,500	(8,480)	(2,047,227)	386,414	(1,441,793)	(1,441,793)
PLAN NET ASSETS/FUND EQUITY AT END OF YEAR	$53,508,845	$1,009,488	$ 6,094	$ 196,825	$5,536,574	$6,748,981	$60,257,826

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, 1995

(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)	$ (57,284)	$ 24,133	$ (169,566)	$ (120,909)	$ (323,626)
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:					
Depreciation and amortization	157,521	2,936	154,117	293,054	607,628
Provision for bad debts	452,457	—	—	95,989	548,446
Increase in patient service receivables	(427,379)	—	—	—	(427,379)
Decrease (increase) in accounts and other receivables	1,967	195	(52,009)	(196,949)	(246,796)
Decrease in prepaid expense	—	—	—	22,720	22,720
Increase in accounts payable and accrued liabilities	72,087	906	63,291	1,093	137,377
Increase (decrease) in accrued vacation and sick leave	6,978	(163)	8,438	—	15,253
Decrease in accrued pension liability	(1,111)	(77)	—	—	(1,188)
Increase (decrease) in deferred revenues	—	—	6,647	(9,077)	(2,430)
Distribution to The City of New York	—	(27,379)	—	—	(27,379)
Increase in program loans issued	—	—	(126,735)	—	(126,735)
Receipt from collections of program loans	—	—	51,003	—	51,003
Distribution to State and local governments	—	153	—	—	153
Decrease in payable to The City of New York	—	—	—	(133,216)	(133,216)
Other	107,045	(1,995)	(61,164)	(16,693)	27,193
Total adjustments	369,565	(25,424)	43,588	56,921	444,650
Net cash provided by (used in) operating activities	312,281	(1,291)	(125,978)	(63,988)	121,024
NONCAPITAL FINANCING ACTIVITIES:					
Proceeds from issuing bonds, notes and other borrowings	—	—	492,588	—	492,588
Repayments of bonds, notes and other borrowings	—	—	(338,493)	—	(338,493)
Amounts from other OTB communities	—	4,674	—	—	4,674
Net cash provided by noncapital financing activities	—	4,674	154,095	—	158,769
CAPITAL AND RELATED FINANCING ACTIVITIES:					
Additions to fixed assets	(190,736)	(2,924)	(233,284)	(509,506)	(936,450)
Proceeds from issuing bonds, notes and other borrowings	(9,718)	—	(290)	1,505,595	1,495,587
Repayments of bonds, notes and other borrowings	—	—	(61,826)	(1,132,354)	(1,194,180)
Contributions for capital and payment of debt	1,183	—	—	—	1,183
Contributed capital other than for operations	3,021	—	317,796	—	320,817
Interest paid on bonds, notes and other borrowings	(94,861)	—	—	—	(94,861)
Net cash provided by (used in) capital and related financing activities	(291,111)	(2,924)	22,396	(136,265)	(407,904)
INVESTING ACTIVITIES:					
Excess (deficiency) of proceeds from sales of investments net of purchases	—	—	(35,331)	142,825	107,494
Interest on investments	5,120	825	20,528	8,006	34,479
Net cash provided by (used in) investing activities	5,120	825	(14,803)	150,831	141,973
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	26,290	1,284	35,710	(49,422)	13,862
CASH AND CASH EQUIVALENTS BEGINNING OF YEAR	120,145	14,121	111,422	352,072	597,760
CASH AND CASH EQUIVALENTS END OF YEAR	$ 146,435	$ 15,405	$ 147,132	$ 302,650	$ 611,622
Cash and cash equivalents	$ 136,025	$ 13,180	$ 98,440	$ 3,686	$ 251,331
Restricted cash and investments	252,948	2,225	86,097	792,496	1,133,766
Less restricted investments	242,538	—	37,405	493,532	773,475
Cash and cash equivalents end of year	$ 146,435	$ 15,405	$ 147,132	$ 302,650	$ 611,622

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 $3.0 million for fiscal year 1995 which represent contributed capital from the City.
The Water Board received capital assets of $25.4 million for fiscal year 1995 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, 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
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)	1,563	(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	(10,889)	132,861
Increase (decrease) in accrued vacation and sick leave	12,881	(239)	9,568	—	22,210
Decrease in accrued pension liability	(741)	(359)	—	—	(1,100)
Increase in deferred revenues	—	—	1,613	10,608	12,221
Distribution to The 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	(53,917)	(3,002)	104,565
Total adjustments	311,367	(17,092)	190,754	225,795	710,824
Net cash provided by (used in) operating activities	268,489	(3,416)	(62,413)	167,010	369,670
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	—	—	—	—	—
Net cash provided by (used in) noncapital financing activities	—	4,657	(71,691)	—	(67,034)
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	(17,878)	17,146
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	(13,693)	41,747
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(29,756)	(1,928)	2,896	167,280	138,492
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	$ 352,072	$ 597,760
Cash and cash equivalents	$109,368	$ 13,469	$ 68,633	$ 8,137	$ 199,607
Restricted cash and investments	337,720	652	77,401	975,115	1,390,888
Less restricted investments	326,943	—	34,612	631,180	992,735
Cash and cash equivalents end of year	$120,145	$ 14,121	$ 111,422	$ 352,072	$ 597,760

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.

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.

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. They include the following:

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. They include the following:

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)

Note: These organizations publish separate annual financial statements which may be obtained from: Office of the Comptroller, Bureau of Accountancy, Pension Accounting Division—Room 803, 1 Centre Street, New York, New York 10007.

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 (organizations which are reported as discretely presented component units), 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 $ 885 million and $555 million at June 30, 1995 and 1994, 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 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, FFVSF, 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 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 Pension Trust Funds' contributions from members are recorded when the employer makes payroll deductions from Plan members. Employer contributions are recognized when due and the employer has made a formal commitment to provide the contributions. Benefits and refunds are recognized when due and payable in accordance with the terms of the Plans.

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 $1,124 million and $1,084 million subsequent to its original adoption in fiscal years 1995 and 1994, 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 1995 and 1994 were approximately $260 million and $360 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.

Investments of the Pension and Similar Trust Funds and DCP are reported at market value. Investments are stated at the last reported sales price on a national securities exchange on the last business day of the fiscal year.

Inventories

Materials and supplies are recorded as expenditures in governmental funds at the time of purchase. Accordingly, inventories on hand at June 30, 1995 and 1994 (estimated at $200 million and $203 million, respectively, based on average cost) have not been reported on the governmental funds balance sheets.

Restricted Cash and Investments

Certain proceeds of 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 amounts of $1,023.2 million and $1,028.7 million for fiscal years 1995 and 1994, respectively. The allowance is composed of the balance of first mortgages one or more years in arrears and the balance of refinanced mortgages where payments to the City are not expected to be completed for approximately 25 to 30 years.

Vacation and Sick Leave

Earned vacation and sick leave is recorded as an expenditure in the period when it is payable from current financial resources. The estimated value of 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, 1995 were due July 1, 1994 and January 1, 1995 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 1995 taxes was June 22, 1994. 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 April 25, 1995, the City sold without recourse its interest in its outstanding real estate tax receivables as of April 5, 1995. The tax receivable balance as of April 5, 1995 was $1.942 billion, including interest of $615 million. The City received at the time of the sale, $220.6 million.

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

(1) The first $30 million of delinquent collections will be placed in a reserve account, established to provide the purchaser security that the actual levy year 1995 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 $30 million would return to the City. The actual levy met the estimate and the $30 million was returned to the City in August, 1995.

(2) The next $308.2 million of delinquent collections, made from the closing day up to and including August 31, 1995 would be retained by the City. These collections were retained by the City.

After August 31, 1995, all payments would go to the purchaser until $229 million plus interest on the remaining monthly balance is satisfied or until April 25, 1998. The interest rate is to be determined periodically. Once the $229 million of principal is received or April 25, 1998, whichever is earlier, the balance of the receivables would return to the City.

The City is permitted to levy real estate taxes 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 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, 1995 and 1994, excess amounts of $66 million and $67 million, respectively, were transferred to the Debt Service Funds.

Other Taxes and Other Revenues

Taxpayer-assessed taxes, such as sales and income taxes, net of estimated refunds, are recognized in the accounting period in which they become susceptible to accrual.

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

In November, 1994, the GASB issued Statement No. 25, *Financial Reporting for Defined Benefit Pension Plans and Note Disclosures for Defined Contribution Plans.* The Statement establishes standards of financial reporting for defined benefit pension plans. The Statement requires the financial statements of all periods presented to be restated, if practical. The effect of the Statement, which resulted in the restatement of investments to fair value, is reported as a restatement of beginning fund balance for the earliest period presented. To reflect application of GASB Statement No. 25, the beginning fund balance of the Pension Trust and Similar Trust Funds for fiscal year 1994, which was $52.0 billion and $1.5 billion, respectively, has been restated to $53.3 billion and $1.6 billion, respectively.

In November, 1994, the GASB also issued Statement No. 27, *Accounting for Pensions by State and Local Governmental Employers.* The Statement establishes standards for the measurement, recognition, and display of pension expenses and related assets, liabilities, note disclosures, and supplementary information. Pension cost is required to be measured and disclosed using the accrual basis of accounting (see Note R), regardless of the amount recognized as pension expense on the modified accrual basis of accounting. Annual pension cost should be equal to the annual required contributions to the pension plan, calculated in accordance with certain parameters.

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.

Pronouncements Issued But Not Yet Effective

In May, 1990, the GASB issued Statement No. 11, *Measurement Focus and Basis of Accounting—Governmental Fund Operating Statements.* The Statement establishes an accrual basis of accounting with a financial resources measurement focus for governmental funds. The operating results expressed using the financial resources measurement focus show the extent to which financial resources obtained during a period are sufficient to cover claims against financial resources incurred during that period. The City currently follows the modified accrual basis. Using the modified accrual basis, revenues are recognized in the accounting period in which they become measurable and available and expenditures are recognized when the fund liability is incurred, if measurable, except for unmatured interest on general long-term debt, which is recognized when due. The effective date of the

Statement has been deferred by GASB Statement No. 17, *Measurement Focus and Basis of Accounting — Governmental Fund Operating Statements: Amendment of the Effective Dates of GASB Statement No. 11 and Related Statements*, to periods beginning approximately two years after an implementation standard is issued. Early implementation of Statement No. 11 is not permitted. The City has not yet completed the complex analysis required to estimate the financial statement impact of Statement No. 11.

In May, 1995, GASB issued Statement No. 28, *Accounting and Financial Reporting for Securities Lending Transactions.* The Statement requires that securities lent as assets be reported in the balance sheet. Cash received as collateral on securities lending transactions and investments made with that cash will be reported as assets. Securities received as collateral should also be reported as assets if the governmental entity has the ability to pledge or sell them without a borrower default. Liabilities resulting from these transactions will be reported in the balance sheet. The provisions of the Statement are effective for financial statements for periods beginning after December 15, 1995. The City has not adopted the Statement in fiscal year 1995. A description of the City's securities lending activities for the Pension and Similar Trust Funds (Systems & Funds) in fiscal year 1995 is provided in the following paragraphs:

State statutes and boards of trustees policies permit the Systems & Funds to lend their securities (the underlying securities) to brokers-dealers and other entities with a simultaneous agreement to return the collateral for the same securities in the future. The Systems' & Funds' custodians lend the following types of securities: short-term securities, common stock, long-term corporate bonds, U.S. Governments and U.S. Government agencies' bonds, asset-backed securities, and international equities and bonds held in collective investment funds. In return, they receive collateral in the form of cash, treasury, and agency securities at 100%—105% of the principal plus accrued interest for reinvestment. At year-end, the Systems & Funds had no credit risk exposure to borrowers because the amounts the Systems & Funds owe the borrowers exceed the amounts the borrowers owe the Systems & Funds. The contracts with the Systems' & Funds' custodian requires borrowers to indemnify the Systems & Funds if the borrowers fail to return the securities and if the collateral is inadequate to replace the securities lent or fail to pay the Systems & Funds for income distributions by the securities' issuers while the securities are on loan. All securities loans can be terminated on demand within a period specified in each agreement by either the Systems & Funds or the borrowers. Cash collateral is invested in the lending agents' short-term investment pools, which have a weighted-average maturity of 90 days. The underlying securities (fixed income) have an average maturity of 10 years except for the TRS securities lending program discussed below, which has an average maturity of 5 years.

In addition, TRS administers a securities lending program for TRS and BERS Variable A investment program which is comparable to the securities lending program discussed above.

As of June 30, 1995, the underlying securities lent out for the Systems & Funds was approximately $5.793 billion. The cash collateral was approximately $6.029 billion.

B. AUDIT RESPONSIBILITY

In fiscal years 1995 and 1994, respectively, 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 years 1995 and 1994:

	Fund Types								Account Groups					
	General		Capital Projects		Debt Service		Trust and Agency		General Fixed Assets		General Long-term Obligations		Component Units	
	1995	1994	1995	1994	1995	1994	1995	1994	1995	1994	1995	1994	1995	1994
	(percent)													
Total assets/liabilities	0	0	11	18	80	83	3	2	28	29	16	17	20	20
Operating revenues and other financing sources	0	0	26	24	13	21	0	0	NA	NA	NA	NA	26	25

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, 1995 and 1994, the City has funded $995 million and $800 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 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. The discretely presented 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 held by well-capitalized banks and therefore are insured by the FDIC up to $100,000 per retirement system member. At June 30, 1995 and 1994, the carrying amount of the City's cash and cash equivalents was $1,132 million and $735 million, respectively, and the bank balances were $598 million and $425 million, respectively. Of the bank balances, $78 million and $98 million, respectively, were covered by Federal depository insurance or collateralized with securities held by the City's agent in the City's name, and $520 million and $327 million, respectively, were uninsured and collateralized with securities held by the City's agent in the City's name. At June 30, 1995 and 1994, the carrying amount of the discretely presented component units' cash and cash equivalents was $251 million and $200 million, respectively, and the bank balances were $121 million and $89 million, respectively. Of the bank balances, $6 million and $16 million, respectively, were covered by Federal depository insurance or collateralized with securities held by the City's agent in the City's name, and $115 million and $73 million, respectively, were uninsured and collateralized with securities held by the City's agent in the City's name.

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 discretely presented 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 or securities of U.S. Government agencies, securities of companies rated BBB 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 U.S. Government agencies' securities.
   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.
   d. 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.
4. Investments up to 7 1/2% of total pension fund assets in instruments not specifically covered by the New York State Retirement and Social Security Law.
5. No investment in any one organization represents 5% or more of the plan net assets held in trust for pension and supplemental benefits.

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 account owners. Payments for purchases are not released until the purchased securities are received by the City's custodial bank.

Investments of the City and its discretely presented 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 securities are held by the entity or its agent in the entity's name. Category 2, includes investments that are uninsured and unregistered with securities held by the counterparty's trust department or agent in the entity's name. Category 3, the highest risk, includes investments that are uninsured and unregistered with securities 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 discretely presented component units (DPCU), as of June 30, 1995 and 1994 are classified as follows:

	1995									
	Category						Total Carrying Amount		Market Value	
	1		2		3					
	City	DPCU	City	DPCU	City	DPCU	City	DPCU	City	DPCU
	(in millions)									
Repurchase agreements	$ 2,109	$ 199	$ —	$ —	$ —	$ —	$ 2,109	$ 199	$ 2,111	$ 199
U.S. Government securities	14,697	643	—	—	—	—	14,697	643	14,695	643
Commercial paper	988	—	—	—	—	—	988	—	988	—
Corporate bonds	7,104	—	—	—	—	—	7,104	—	7,104	—
Corporate stocks	33,766	—	—	—	—	—	33,766	—	33,766	—
Other	3,115	189	—	5	—	—	3,115	194	3,115	194
	$61,779	$1,031	$ —	$ 5	$ —	$ —	61,779	1,036	61,779	1,036
Mutual funds (1)							955	—	1,146	—
International investment fund—fixed income (1)							748	—	748	—
International investment fund—equity (1)							5,053	—	5,053	—
Guaranteed investment contracts(1)							338	—	338	—
Management investment contracts(1)							256	—	256	—
Total investments							$69,129	$1,036	$69,320	$1,036

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

In fiscal year 1995, the restricted cash and investments which are wholly applicable to discretely presented component units include $360.3 million of cash, of which the repayment of $358.1 million was insured or collateralized and $2.2 million was uninsured and uncollateralized. Restricted investments, principally in U.S. Government securities with a cost and approximate market value of $773.5 million are fully registered with securities held by the City's agent in the entity's name of which none have maturities of three months or less.

	1994									
	Category						Total Carrying Amount		Market Value	
	1		2		3					
	City	DPCU	City	DPCU	City	DPCU	City	DPCU	City	DPCU
	(in millions)									
Repurchase agreements	$ 2,271	$ 155	$ —	$ —	$ —	$ —	$ 2,271	$ 155	$ 2,315	$ 155
U.S. Government securities	13,536	808	—	—	—	—	13,536	808	13,512	833
Commercial paper	1,118	—	—	—	—	—	1,118	—	1,118	—
Corporate bonds	5,771	—	—	—	—	—	5,771	—	5,771	—
Corporate stocks	28,994	—	—	—	—	—	28,994	—	28,994	—
Other	3,387	43	—	—	—	—	3,387	43	3,387	43
	$55,077	$1,006	$ —	$ —	$ —	$ —	55,077	1,006	55,097	1,031
Mutual funds (1)							328	—	328	—
International investment fund—fixed income (1)							591	—	591	—
International investment fund—equity (1)							4,260	—	4,260	—
Guaranteed investment contracts(1)							865	—	865	—
Management investment contracts(1)							256	—	256	—
Total investments							$61,377	$1,006	$61,397	$1,031

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

In fiscal year 1994, the restricted cash and investments which are wholly applicable to discretely presented component units include $398.1 million of cash, of which the repayment of $17.5 million was insured or collateralized and $380.6 million was uninsured and collateralized. Restricted investments, principally in U.S. Government securities with a cost and approximate market value of $991.2 million are fully registered with securities held by the City's agent 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, 1994 and 1995:

	Balance June 30, 1993	Additions	Deletions	Balance June 30, 1994	Additions	Deletions	Balance June 30, 1995
	(in thousands)						
Land	$ 549,437	$ 3,813	$ 165	$ 553,085	$ —	$ —	$ 553,085
Buildings	6,148,261	511,695	5,188	6,654,768	1,140,044	465	7,794,347
Equipment	2,793,158	143,289	113,812	2,822,635	156,952	87,346	2,892,241
Construction work-in-progress	4,675,778	1,037,051	511,695	5,201,134	1,205,992	1,140,044	5,267,082
	14,166,634	1,695,848	630,860	15,231,622	2,502,988	1,227,855	16,506,755
Less accumulated depreciation and amortization	4,242,788	331,944	93,517	4,481,215	421,261	76,610	4,825,866
Total changes in net fixed assets	$9,923,846	$1,363,904	$537,343	$10,750,407	$2,081,727	$1,151,245	$11,680,889

The following are the sources of funding for the general fixed assets for the years ended June 30, 1995 and 1994. Sources of funding for fixed assets are not available prior to fiscal year 1987.

	1995	1994
	(in thousands)	
Capital Projects Fund:		
Prior to fiscal year 1987	$ 6,817,992	$ 6,817,992
City bonds	9,337,530	8,109,171
Federal grants	224,640	199,632
State grants	82,439	66,105
Private grants	44,154	38,722
Total funding sources	$16,506,755	$15,231,622

At June 30, 1995 and 1994, 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, 1995 and 1994, are leased properties capitalized at $122 million and $103 million, respectively, with related accumulated amortization of $40 million and $47 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, 1995 and 1994, exceed the $2.503 billion and $1.696 billion increases recorded as general fixed assets by $1.172 billion and $1.647 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, 1995 and 1994, were approximately $350 million and $326 million, respectively.

As of June 30, 1995, 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:

	Capital Leases	Operating Leases	Total
		(in thousands)	
Fiscal year ending June 30:			
1996	$ 89,067	$ 167,266	$ 256,333
1997	91,071	140,273	231,344
1998	89,902	126,612	216,514
1999	96,638	115,216	211,854
2000	96,271	106,849	203,120
Thereafter until 2023	1,333,702	693,646	2,027,348
Future minimum payments	1,796,651	$1,349,862	$3,146,513
Less interest	829,706		
Present value of future minimum payments	$ 966,945		

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, 1995 and 1994, was approximately $127 million and $133 million, respectively. As of June 30, 1995, the following future minimum rentals are provided for by the leases:

	Amount (in thousands)
Fiscal year ending June 30:	
1996	$ 52,406
1997	49,820
1998	47,090
1999	42,110
2000	40,970
Thereafter until 2086	1,101,069
Future minimum rentals	$1,333,465

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, 1993	Issued	Repaid or Defeased	Balance June 30, 1994	Issued	Repaid or Defeased	Balance June 30, 1995
				(in thousands)			
City debt:							
General obligation bonds	$20,908,974	$4,450,308	$2,456,342	$22,902,940	$3,581,666	$1,980,139	$24,504,467
MAC debt:(4)							
Second general resolution bonds	4,957,225	—	158,335	4,798,890	—	173,435	4,625,455
1991 general resolution bonds	506,040	—	229,440	276,600	—	20,080	256,520
	5,463,265	—	387,775	5,075,490	—	193,515	4,881,975
SFC debt:							
Japanese Yen bonds	200,000	—	—	200,000	—	—	200,000
Component unit debt: (1)							
City University Construction Fund(2)	411,040	—	6,371(3)	404,669	—	16,576	388,093
New York City Educational Construction Fund	126,630	137,750	126,630	137,750	—	5,580	132,170
	537,670	137,750	133,001	542,419	—	22,156	520,263
Total before treasury obligations	27,109,909	4,588,058	2,977,118	28,720,849	3,581,666	2,195,810	30,106,705
Less treasury obligations	1,478,915	—	112,876	1,366,039	—	122,983	1,243,056
Total summary of bond transactions	$25,630,994	$4,588,058	$2,864,242	$27,354,810	$3,581,666	$2,072,827	$28,863,649

(1) The debt of CUCF and ECF are reported as bonds outstanding pursuant to their treatment as component units (see Note A).

(2) Excludes $286,070 in 1994 and $292,272 in 1995 to be provided by the State.

(3) Net adjustment based on allocation of debt between New York State and New York City.

(4) Includes $188,195 of principal debt due July 1, 1995 which MAC reports as redeemed as of June 30, 1995.

The bonds payable, net of treasury obligations, at June 30, 1995 and 1994 summarized by type of issue are as follows:

	1995			1994		
	General Obligations	Revenue	Total	General Obligations	Revenue	Total
	(in thousands)					
Bonds payable:						
City debt	$23,261,411	$ —	$23,261,411	$21,536,901	$ —	$21,536,901
MAC debt	4,881,975	—	4,881,975	5,075,490	—	5,075,490
SFC debt	200,000	—	200,000	200,000	—	200,000
Component unit debt	—	520,263	520,263	—	542,419	542,419
Total bonds payable	$28,343,386	$520,263	$28,863,649	$26,812,391	$542,419	$27,354,810

The following table summarizes future debt service requirements as of June 30, 1995:

	City Debt					
	General Obligation Bonds	Interest on Bonds (1)	MAC	SFC (2)	Component Unit Debt	Total
	(in thousands)					
Fiscal year ending June 30:						
1996	$ 1,134,475	$ 1,462,703	$ 518,204	$ 14,000	$ 51,528	$ 3,180,910
1997	1,193,704	1,383,261	508,385	14,000	51,464	3,150,814
1998	1,138,629	1,315,799	571,263	14,000	51,443	3,091,134
1999	1,061,775	1,246,183	583,651	14,000	51,781	2,957,390
2000	1,001,549	1,188,960	601,399	11,200	51,776	2,854,884
Thereafter until 2147	17,731,279	11,610,154	4,825,232	216,800	647,528	35,030,993
	23,261,411	18,207,060	7,608,134	284,000	905,520	50,266,125
Less interest component	—	18,207,060	2,726,159	84,000	385,257	21,402,476
Total future debt service requirements	$23,261,411	$ —	$4,881,975	$200,000	$520,263	$28,863,649

(1) Includes interest estimated at 4% rate on tax-exempt adjustable rate bonds and at 6% rate on taxable adjustable rate bonds.

(2) Interest estimated at 7% rate.

The average (weighted) interest rates for outstanding City general obligation bonds as of June 30, 1995 and 1994, were 6.7% (range 3.0% to 13.6%) and 6.9% (range 2.5% to 13.6%), respectively, and the interest rates on outstanding MAC bonds as of June 30, 1995 and 1994, ranged from 3.5% to 7.75% and 3.1% to 7.75%, respectively. The last maturity of the outstanding City debt is in the year 2147.

In fiscal year 1995, the City issued $1.270 billion of general obligation bonds principal to advance refund general obligation bonds of $1.186 billion aggregate principal amount issued during the City's fiscal years 1984 through 1993. The net proceeds from the sales of the refunding bonds were irrevocably placed in escrow accounts and invested in United States Government securities. As a result of providing for the payment of the principal and interest to maturity, and any redemption premium, the advance refunded bonds are considered to be defeased and, accordingly, the liability is not reported in the General Long-term Obligations Account Group. The refunding transactions will decrease the City's aggregate debt service payments by $24 million and provide an economic gain of $41 million. At June 30, 1995, $5.463 billion of the City's outstanding general obligation bonds were considered defeased.

MAC issued no bonds for refunding purposes in fiscal year 1995. At June 30, 1995, $115.0 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.

Debt instruments subject to interest rate swap agreements were: $32.5 million Short RITES bonds, $43.8 million indexed inverse floaters, $14.6 million inverse floating rate notes, 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, 1995, the 10% general and 2% additional limitations were approximately $35.027 billion and $1.555 billion, respectively, of which the remaining debt-incurring amounts within such limits were $8.379 billion and $1.433 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, 1995, the City completed the following long-term financing:

City Debt: On August 2, 1995, the City sold in the public credit market $1,230 million of general obligation bonds for which $755 million was for refunding purposes and $475 million was for various municipal capital purposes. On October 19, 1995, the City offered to the public credit market $1,205 million of general obligation bonds for which $405 million will be for refunding purposes and $800 million will be for various municipal capital purposes. The sale of these bonds is expected to close on November 3, 1995. In addition, to satisfy its seasonal financing needs for fiscal year 1996, on August 2, 1995, the City sold general obligation Tax Anticipation Notes of $800 million and Revenue Anticipation Notes of $700 million, and on October 5, 1995, sold general obligation Revenue Anticipation Notes of $900 million.

MAC Debt: On October 19, 1995, MAC sold its Series D bonds of $280 million, issued pursuant to the 1991 General Bond Resolution, for refunding purposes.

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, 1995 and 1994, claims in excess of $311 billion and $286 billion, respectively, were outstanding against the City for which the City estimates its potential future liability to be $2.5 billion and $2.6 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.

The City is also a party to a proceeding initiated by a union representing sleep-in home attendants asserting that its attendants were covered by minimum wage law. Hearings based on the number of hours actually worked by its attendants during the first several months of 1981 were completed in September, 1991 and post-hearing briefs were filed in February, 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 at a rate in excess of the minimum wage. That action has been stayed pending a proceeding before the New York State Industrial Board of Appeals. 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.

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 $314 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

The City's only active landfill available for waste disposal is the Fresh Kills landfill. A portion of the total estimated current cost of the closure and postclosure care is 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 is based on total estimated current cost and landfill usage to date. Expenditures and fund liabilities are recognized using the modified accrual basis of accounting. The remainder of the liability is reported in the General Long-term Obligations Account Group.

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, 1995 is $233.0 million based on the cumulative landfill capacity used to date. The total estimated current cost is $435.8 million; therefore, the costs remaining to be recognized are $202.8 million. The cumulative landfill capacity used to date is approximately 58%. The remaining life of the landfill is projected to be 22 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, 1997. 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 included 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:

	Amount (in thousands)
Landfill	$232,989
Hazardous waste sites	226,679
Total landfill and hazardous waste sites liability	$459,668

Changes In Certain Long-term Obligations

In fiscal years 1994 and 1995, the changes in long-term obligations other than for bonds were as follows:

	Balance June 30, 1993	Additions	Deletions	Balance June 30, 1994	Additions	Deletions	Balance June 30, 1995
				(in thousands)			
Capital lease obligations	$ 514,497	$ 427,387	$ 23,684	$ 918,200	$ 66,508	$ 17,763	$ 966,945
Real estate tax refunds	267,764	86,819	57,701	296,882	87,694	70,226	314,350
Judgments and claims	2,198,349	704,700	270,916	2,632,133	143,142	251,247	2,524,028
Deferred wages	46,696	—	—	46,696	—	—	46,696
Vacation and sick leave (1)	1,389,022	—	138,828	1,250,194	201,344	—	1,451,538
Pension liability	2,562,532	—	19,573	2,542,959	28,492	—	2,571,451
Landfill closure and post-closure care costs	—	464,984	—	464,984	—	5,316	459,668
Total changes in certain long-term obligations	$6,978,860	$1,683,890	$510,702	$8,152,048	$527,180	$344,552	$8,334,676

(1) The amount of additions and deletions is not available, thus the net amounts are presented.

I. Interfund/Discretely Presented Component Unit Receivable and Payable Balances

At June 30, 1995 and 1994, individual fund and discretely presented component unit interfund/discretely presented component unit receivable and payable balances were as follows:

	1995		1994	
	Receivable	Payable	Receivable	Payable
	(in thousands)			
General Fund:				
Capital Projects Fund	$1,331,157	$ 894,217	$1,173,294	$ 729,148
HDC	188,524	—	185,310	—
Debt Service Funds	28,056	65,595	20,167	68,690
OTB	623	—	442	—
Water Board	—	2,757	—	5,487
Total General Fund	1,548,360	962,569	1,379,213	803,325
Capital Projects Fund:				
Water Authority	222,330	—	196,443	—
General Fund	894,217	1,331,157	729,148	1,173,294
Total Capital Projects Fund	1,116,547	1,331,157	925,591	1,173,294
Debt Service Funds:				
General Fund	65,595	28,056	68,690	20,167
HDC	6,297	—	8,834	—
Total Debt Service Funds	71,892	28,056	77,524	20,167
Pension and Similar Trust Funds:				
NYCERS	—	586,658	—	—
Police	586,108	290,000	—	—
Fire	—	90,000	—	—
POVSF	140,000	—	—	—
PSOVSF	150,000	—	—	—
FFVSF	50,000	—	—	—
FOVSF	40,000	—	—	—
TPOVSF	130	—	—	—
TPSOVSF	290	—	—	—
HPOVSF	90	—	—	—
HPSOVSF	40	—	—	—
Total Pension and Similar Trust Funds	966,658	966,658	—	—
Discretely Presented Component Units:				
OTB	—	623	—	442
Water Board	2,757	—	5,487	—
Water Authority	—	222,330	—	196,443
HDC	—	194,821	—	194,144
Total Discretely Presented Component Units	2,757	417,774	5,487	391,029
Total interfund/discretely presented component unit receivable and payable balances	$3,706,214	$3,706,214	$2,387,815	$2,387,815

J. Segment Information for Discretely Presented Component Units

Due to their nonhomogeneous nature, the City has presented separate columns for HHC, OTB, the Housing and Economic Development Entities, and the Water and Sewer System in the Combining Statement of Revenues, Expenses and Changes in Equity and the Combining Statement of Cash Flows. The following segment information is provided for the assets, liabilities, and fund equity for HHC, OTB, the Housing and Economic Development Entities, and the Water and Sewer System at June 30, 1995 and 1994:

	1995				
	Health and Hospitals Corporation	Off-Track Betting Corporation	Housing and Economic Development Entities	Water and Sewer System	Total
			(in thousands)		
Assets:					
Current	$ 819,936	$ 13,180	$1,291,785	$ 492,694	$ 2,617,595
Mortgage and interest receivable	—	—	2,073,528	—	2,073,528
Land	37,462	—	744,137	—	781,599
Buildings and leasehold improvements	1,139,875	21,031	4,684,572	—	5,845,478
Equipment	2,022,034	10,380	297,695	13,145,064	15,475,173
Less accumulated depreciation	(1,858,688)	(10,884)	(2,581,190)	(3,084,337)	(7,535,099)
Other	308,982	5,259	179,273	885,171	1,378,685
Total assets	$2,469,601	$ 38,966	$6,689,800	$11,438,592	$20,636,959
Liabilities:					
Current	$ 756,113	$ 23,577	$1,699,339	$ 827,932	$ 3,306,961
Long-term	846,624	7,223	4,049,200	5,161,714	10,064,761
Total liabilities	1,602,737	30,800	5,748,539	5,989,646	13,371,722
Equity	866,864	8,166	941,261	5,448,946	7,265,237
Total liabilities and equity	$2,469,601	$ 38,966	$6,689,800	$11,438,592	$20,636,959

	1994				
	Health and Hospitals Corporation	Off-Track Betting Corporation	Housing and Economic Development Entities	Water and Sewer System	Total
			(in thousands)		
Assets:					
Current	$ 701,815	$ 13,469	$1,166,124	$ 423,518	$ 2,304,926
Mortgage and interest receivable	—	—	1,997,845	—	1,997,845
Land	37,314	—	738,548	—	775,862
Buildings and leasehold improvements	1,037,427	19,736	4,477,970	—	5,535,133
Equipment	1,973,079	10,326	293,013	12,463,280	14,739,698
Less accumulated depreciation	(1,724,765)	(9,523)	(2,444,336)	(2,817,882)	(6,996,506)
Other	388,282	2,251	160,410	1,067,375	1,618,318
Total assets	$2,413,152	$ 36,259	$6,389,574	$11,136,291	$19,975,276
Liabilities:					
Current	$ 758,246	$ 22,865	$1,780,820	$ 686,794	$ 3,248,725
Long-term	645,418	7,300	4,411,929	4,912,923	9,977,570
Total liabilities	1,403,664	30,165	6,192,749	5,599,717	13,226,295
Equity	1,009,488	6,094	196,825	5,536,574	6,748,981
Total liabilities and equity	$2,413,152	$ 36,259	$6,389,574	$11,136,291	$19,975,276

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. (dissolved during fiscal year 1995), 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 utilities expense in fiscal year 1995, City debt which funded HHC capital acquisitions, and New York State Housing Finance Agency (HFA) debt on HHC assets acquired through lease purchase agreements. HHC reimburses the City for these debt payments. HHC records both a revenue and an expense in an amount equal to expenditures made on its behalf by the City.

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 $117 million and $60 million in fiscal years 1995 and 1994, 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 R). The provisions for pension costs were actuarially determined and amounted to $43 million and $41 million for fiscal years 1995 and 1994, 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.

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.

The following table summarizes future debt service requirements as of June 30, 1995:

	Principal	Interest	Total
		(in thousands)	
Fiscal year ending June 30:			
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
2000	10,420	29,467	39,887
Thereafter until 2023	492,830	424,189	917,019
Total future debt service requirements	$531,885	$575,429	$1,107,314

The interest rates on the bonds as of June 30, 1995 range from 4.25% to 6.30%.

The following is a summary of revenue bond transactions for HHC for the fiscal years ended June 30, 1994 and 1995:

	Balance June 30, 1993	Issued	Retired	Balance June 30, 1994	Issued	Retired	Balance June 30, 1995
				(in thousands)			
Revenue bonds	$550,000	$ —	$8,590	$541,410	$ —	$9,525	$531,885

Installment Note Payable

HHC issued a secured 8-year installment note payable with an 8% rate of interest. The following table summarizes future debt service requirements as of June 30, 1995:

	Principal	Interest	Total
		(in thousands)	
Fiscal year ending June 30:			
1996	$ 283	$193	$ 476
1997	307	169	476
1998	332	144	476
1999	358	118	476
2000	389	87	476
Thereafter until 2002	874	75	949
Total future debt service requirements	$2,543	$786	$3,329

Capital Lease Obligations

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

	Amount
	(in thousands)
Fiscal year ending June 30:	
1996	$ 991
1997	991
1998	991
1999	989
2000	987
Thereafter until 2013	14,509
Future minimum lease payments	19,458
Less interest	6,803
Present value of future minimum lease payments	$12,655

Changes in Fund Equity

Presented below are the changes in fund equity for the fiscal years ended June 30, 1994 and 1995:

	Unreserved Retained Earnings	Contributed Capital Plant and Equipment	Reserve for Donor Restrictions	Total Fund Equity
		(in thousands)		
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	—	—	59,987	59,987
Transfers to statement of revenues and expenses to support related activities	—	—	(60,340)	(60,340)
Depreciation charged to plant and equipment leased	154,685	(154,685)	—	—
Balance, June 30, 1994	227,500	771,847	10,141	1,009,488
Excess of expenses over revenues	(147,025)	—	—	(147,025)
Decrease in bonds payable	(9,343)	9,343	—	—
Increase in other debt, net	2,428	(2,428)	—	—
Additions to plant and equipment funded by:				
Donations	—	1,183	—	1,183
The City of New York	—	3,021	—	3,021
HHC	(189,335)	189,335	—	—
Donor restricted fund activity:				
Grants and other increases	—	—	117,365	117,365
Transfers to statement of revenues and expenses to support related activities	—	—	(117,168)	(117,168)
Depreciation charged to plant and equipment leased	156,194	(156,194)	—	—
Abandoned project	19,717	(19,717)	—	—
Balance, June 30, 1995	$ 60,136	$796,390	$ 10,338	$ 866,864

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 $8.5 million after providing for mandatory transfers in fiscal years 1995 and 1994, respectively.

Net Revenue Retained for Capital Acquisitions

For the fiscal years ended June 30, 1995 and 1994, the changes in net revenue retained for capital acquisition were as follows:

	1995	1994
	(in thousands)	
Balance, June 30	$14,574	$12,471
Capital acquisition surcharge	3,978	3,775
Depreciation of assets purchased with funds restricted for capital acquisition	(1,906)	(1,672)
Balance, June 30	$16,646	$14,574

Since inception of the capital acquisition surcharge at July 21, 1990, surcharges of approximately $21.2 million have been collected and approximately $17.0 million has been used to finance leasehold improvements and the acquisition of property and equipment through June 30, 1995.

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, 1995 and 1994 was approximately $11.9 million and $12.3 million, respectively. As of June 30, 1995, OTB had future minimum rental obligations on noncancelable operating leases as follows:

Fiscal year ending June 30:	Amount (in thousands)
1996	$10,516
1997	9,828
1998	9,557
1999	6,646
2000	6,055
Thereafter until 2009	13,538
Total future minimum rental obligations	$56,140

Pensions

Substantially all full-time employees of OTB are members of NYCERS (see Note R). The provisions for pension costs were actuarially determined and amounted to $2.3 million and $2.4 million for fiscal years 1995 and 1994, 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.

HDC

HDC was established in 1971 to encourage private housing development by providing low interest mortgage loans. The combined financial statements include the accounts of HDC and its wholly-owned subsidiaries, Housing Assistance Corporation, and Housing New York Corporation. HDC finances multiple dwelling mortgages substantially through issuance of HDC bonds and notes, and also acts as an intermediary for the sale and refinancing of certain City multiple dwelling mortgages. HDC has a fiscal year ending October 31.

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

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

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

The future debt service requirements on HDC bonds and notes payable at October 31, 1994, its most recent fiscal year-end, were as follows:

	Principal	Interest	Total
		(in thousands)	
Fiscal year ending October 31:			
1995	$ 20,086	$ 111,195	$ 131,281
1996	23,305	110,256	133,561
1997	26,797	108,771	135,568
1998	29,010	107,098	136,108
1999	26,531	108,248	134,779
Thereafter until 2036	1,848,610	1,577,007	3,425,617
Total future debt service requirements	$1,974,339	$2,122,575	$4,096,914

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, 1994 range from 0.9% to 9.875%.

HDC had $230.1 million and $262.8 million, respectively, of general obligation bonds and notes outstanding at October 31, 1994 and 1993 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, 1993 and 1994:

	Balance October 31, 1992	Issued	Retired	Balance October 31, 1993	Issued	Retired	Balance October 31, 1994
				(in thousands)			
General obligation	$ 264,870	$ —	$ 2,095	$ 262,775	$ —	$ 32,090	$ 230,685
Revenue	1,617,875	367,245	436,834	1,548,286	504,255	308,887	1,743,654
Total summary of bond transactions	$1,882,745	$367,245	$438,929	$1,811,061	$504,255	$340,977	$1,974,339

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, 1994, HA maintained 336 developments encompassing approximately 181,000 units. HA also maintains a leased housing program which provides housing assistance payments to approximately 70,000 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, 1994 and 1993, tenant accounts receivable approximated $30.4 million and $30.2 million, respectively, with related allowances of $26.5 million and $26.2 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 the U.S. Department of Agriculture for child care feeding and summer food service programs and 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, 1994 and 1993 is as follows:

	1994	1993
	(in thousands)	
Land	$ 744,137	$ 738,494
Buildings	3,095,448	3,078,949
Capital improvements	1,573,475	1,383,479
Equipment	295,053	290,696
	5,708,113	5,491,618
Accumulated depreciation	(2,574,955)	(2,438,316)
Land, structures, and equipment—net	$ 3,133,158	$ 3,053,302

Interest costs related to debt reflected on the books of HA of $161 thousand and $631 thousand were capitalized as part of development costs in calendar years 1994 and 1993, respectively.

Debt Service

The future debt service requirements on HA bonds and notes at December 31, 1994, its most recent calendar year-end, were as follows:

	Principal	Interest	Total
		(in thousands)	
Calendar year ending December 31:			
1995	$ 61,282	$ 33,341	$ 94,623
1996	60,812	31,126	91,938
1997	60,016	28,898	88,914
1998	57,989	26,689	84,678
1999	55,305	24,493	79,798
Thereafter until 2028	517,298	157,777	675,075
Total future debt service requirements	$812,702	$302,324	$1,115,026

Interest rates on outstanding bonds and notes as of December 31, 1994 and 1993 range from 1% to 8.875%. During calendar years 1994 and 1993, principal repayments totaled $61.8 million and $61.4 million, respectively.

Advance Notes—HUD

Advance Notes—HUD at December 31, 1994 and 1993 consist of the following:

	1994	1993
	(in thousands)	
Unsubsidized improvement notes	$ 50,885	$ 60,285
Modernization and development notes	1,263,140	1,673,785
Total advance notes—HUD	$1,314,025	$1,734,070

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, 1994, HUD has given HA permission to discontinue accruing interest on a total of $718.2 million of notes. Interest expense of $43.4 million and $50.2 million are included in the statements of operations for the calendar years ended December 31, 1994 and 1993, 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, 1994 and 1993, was $510.4 million and $616.7 million, respectively. Interest rates on Advance Notes issued range from 3.4 % to 10.9 % for both calendar years 1994 and 1993.

Accrued interest includes interest of $1.1 million and $.8 million relating to Unsubsidized Improvement Notes at December 31, 1994 and 1993, 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 $3.8 million and $3.7 million was included in the statements of operations for the calendar years ended December 31, 1994 and 1993, respectively.

Pensions

HA employees are members of NYCERS (see Note R). The calendar years 1994 and 1993 pension costs reported in the financial statements amounted to $16.7 million and $20.6 million, respectively, each net of $8.7 million 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 1994:

	Unreserved (Deficit)	Cumulative Contributions	Total
		(in thousands)	
Balance, December 31, 1992	$(1,962,413)	$1,649,649	$(312,764)
Net deficit	(283,286)	—	(283,286)
Allocation of depreciation to cumulative contributions	161,926	(161,926)	—
Contributions for payment of debt	—	72,132	72,132
Contributions for payment of capital	—	267,659	267,659
Balance, December 31, 1993	(2,083,773)	1,827,514	(256,259)
Net deficit	(235,096)	—	(235,096)
Allocation of depreciation to cumulative contributions	152,799	(152,799)	—
Contributions for payment of debt	—	644,492	644,492
Contributions for payment of capital	—	252,260	252,260
Balance, December 31, 1994	$(2,166,070)	$2,571,467	$ 405,397

Unreserved (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.

Cumulative 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

HA rents office space under operating leases which expire at various dates. Future minimum lease commitments under these leases as of December 31, 1994 are as follows:

	Amount (in thousands)
Calendar year ending December 31:	
1995	$13,085
1996	12,990
1997	13,251
1998	13,713
1999	13,995
Thereafter until 2003	13,749
Total future minimum lease commitments	$80,783

Rental expense approximated $12.2 million and $10.0 million for the calendar years ended December 31, 1994 and 1993, respectively.

Subsequent Event

Effective May 1, 1995, HA Police Department merged with the New York City Police Department. According to the terms of the agreement between HA and the City, all HA Police Officers were transferred to the New York City Police Department and a *Housing Police* Bureau was established within the New York City Police Department to oversee, direct, and command Housing Police services in HA's public housing facilities. The agreement also states that the City will provide special police services for HA and will be compensated by HA for these services with Federal operating subsidies. Additionally, the City has assumed the liability for substantially all future costs associated with operating the Housing Police.

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, 1995 and 1994, the Water Authority has a cumulative deficit of $1,573 million and $1,302 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.

The City's Capital Budget for fiscal year 1996, includes a plan for the Water Board to acquire title to the fixed assets of the water distribution and sewage collection system for approximately $2.3 billion.

Contributed Capital

City financed additions for the fiscal years ended June 30, 1995 and 1994 amounted to $25.4 million and $37.7 million, respectively, and are recorded by the Water Board as contributed capital.

Utility Plant-in-Service

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

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

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

Debt Service

The following table summarizes future debt service requirements as of June 30, 1995:

	Principal	Interest	Total
		(in thousands)	
Fiscal year ending June 30:			
1996	$ 503,898	$ 295,300	$ 799,198
1997	106,595	287,302	393,897
1998	113,287	281,315	394,602
1999	112,800	275,006	387,806
2000	127,565	269,012	396,577
Thereafter until 2025	5,086,309	3,526,175	8,612,484
Total future debt service requirements	$6,050,454	$4,934,110	$10,984,564

The interest rates on the outstanding bonds, notes, and commercial paper as of June 30, 1995 and 1994 range from 2.78% to 8.9%.

The following is a summary of bond, note, and commercial paper transactions of the Water Authority for the fiscal years ended June 30, 1994 and 1995:

	Balance June 30, 1993	Issued	Retired	Balance June 30, 1994	Issued	Retired	Balance June 30, 1995
				(in thousands)			
Revenue bonds	$4,662,951	$2,157,230	$1,409,228	$5,410,953	$335,080	$ 95,579	$5,650,454
Bond anticipation notes	375,000	255,676	375,000	255,676	—	255,676	—
Commercial paper	—	—	—	—	600,000	200,000	400,000
Total summary of bond, notes, and commercial paper transactions	$5,037,951	$2,412,906	$1,784,228	$5,666,629	$935,080	$551,255	$6,050,454

On May 22, 1995, the Water Authority issued fiscal year 1995 Series A revenue bonds to pay the costs of issuance and to refund commercial paper of $200 million aggregate principal amount.

During fiscal year 1994, the Water Authority used part of the proceeds from the sale of its fiscal year 1994 Series A, B, D, E, F, & G Water and Sewer System Revenue Bonds in the amount of $1.3 billion to advance refund a portion of certain outstanding principal amounts of the Water Authority's Water and Sewer System Revenue Bonds.

Although the advance refunding resulted in the recognition of an accounting loss of $143.9 million for the fiscal year ended June 30, 1994, the Water Authority reduced its aggregate debt service payments by approximately $76.9 million and obtained an economic gain of $47.5 million over the next 27 years. This loss will be amortized using the straight-line method through 2019. For fiscal years 1995 and 1994, amortization expense of $11.3 million and $5.3 million, respectively, was incurred.

During prior fiscal years, the Water Authority defeased in substance $1.3 billion of revenue bonds.

As of June 30, 1995, $199.4 million of the defeased bonds have been retired from the assets of the escrow accounts.

On August 10, 1995, the Water Authority sold fiscal year 1996 Series A Water and Sewer System Revenue Bonds in the aggregate principal amount of $485.4 million to: advance refund revenue bonds and commercial paper, finance a portion of the capital renovation and improvement program, pay certain costs of issuance, and fund certain reserves.

In prior years, the Water 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, 1995 and 1994 are as follows:

	1995	1994
	(in thousands)	
Balance, June 30	$5,150,160	$5,204,599
Plant and equipment contributed	25,420	37,734
Allocation of depreciation to contributed capital	(145,224)	(92,173)
Balance, June 30	$5,030,356	$5,150,160

Operating Revenues

Revenues from metered customers, who represent 72% 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 $1.9 billion at June 30, 1995, 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, 1995, the City estimates its potential future liability for these claims to be $44 million. This amount is included in the City's General Long-term Obligations Account Group.

O. 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, 1994 and 1993:

	1994	1993
	(in thousands)	
Fund assets, December 31	$ 965,972	$751,743
Deferrals of compensation	205,253	182,430
Earnings and adjustment to market value	42,888	60,542
Payments to eligible participants and beneficiaries	(40,514)	(26,429)
Administrative expenses	(2,763)	(2,314)
Fund assets, December 31	$1,170,836	$965,972

Other Agency Funds

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

P. Voluntary Severance Incentive Program

The severance incentive program originally implemented during the second half of FY'94 as Severance 1, was again, after the City concluded agreements with the affected municipal unions, thrice offered during FY'95 as Severance 2, 2B, and 2C, to full-time, nonuniformed employees in active pay status in most titles in mayoral agencies, except for the Mayoralty, and in the Board of Education in specified nonpedagogical titles for both part-time and full-time employees, as part of its Workforce—Reduction Program. The severance incentive program was financed during FY'95, with an additional $30 million to increase to $230 million in surplus funds of the Municipal Assistance Corporation For The City of New York (MAC) and $27 million in Federal and State funding, and $7 million in a City appropriation, to facilitate the permanent reduction in the City's workforce. The FY'95 severance benefits included a cash payment of between $3,150 and $13,500, depending on length of service. Approximately 7,800 employees participated in the severance incentive programs during FY'95 bringing total employee participation in the severance incentive programs to about 14,000 employees with cumulative severance elemental costs expected to total $264 million for all of the severance incentive programs. A liability is recorded as of June 30, 1995 for $40 million.

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 $230 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.

Q. Other Postemployment Benefits

In accordance with collective bargaining agreements, the City provides Other Postemployment Benefits (OPEB) which include basic medical and hospitalization (health care) benefits to eligible retirees and dependents at no cost to 88.7% 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 1995 and 1994 are as follows:

	1995		1994	
	Active	Retired	Active	Retired
Number of employees	334,941	167,338	339,288	164,319
Cost of health care (in thousands)	$1,115,154	$386,919	$1,059,697	$346,599

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 1995 and 1994 are as follows:

	1995		1994	
	Active	Retired	Active	Retired
Number of claims	15,507	4,976	16,098	4,645
Cost of Superimposed Major Medical (in thousands)	$ 2,668	$ 687	$ 2,938	$ 519

R. Pension and Similar Trust Funds

Pension Systems

Plan Descriptions

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

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

1. New York City Employees' Retirement System (NYCERS), a cost-sharing multiple-employer public employee retirement system, for employees of the City not covered by one of the other pension systems and employees of certain component units of the City and certain other government units.
2. New York City Teachers' Retirement System-Qualified Pension Plan (TRS), a cost-sharing multiple-employer public employee retirement system for teachers in the public schools of the City and certain other specified school and college employees.
3. New York City Board of Education Retirement System-Qualified Pension Plan (BERS), a cost-sharing multiple-employer public employee retirement system, for nonpedagogical employees of the Board of Education and certain employees of the School Construction Authority.
4. New York Police Department, Subchapter Two Pension Fund (POLICE), a single-employer public employee retirement system, for full-time uniformed employees of the Police Department.
5. New York Fire Department, Subchapter Two Pension Fund (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 permanent employment status 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.

Funding Policy

The City's funding policy for periodic employer contributions to the actuarial pension systems is to provide for actuarially-determined rates that, expressed as percentages of annualized covered payroll, are designed to accumulate sufficient assets to pay benefits when due.

Member contributions are established by law and vary by Plan.

Employer contributions are accrued by the actuarial pension systems and are funded by the employers on a current basis.

Annual Pension Costs

For fiscal year 1995, the City's annual pension costs of approximately $1.4 billion was equal to the City's required and actual contributions. Annual pension costs for the actuarial pension systems were equal to the amounts computed by the systems' Actuary. The required contributions were determined as part of the June 30, 1994, actuarial valuations using the frozen entry age actuarial cost method.

The City's pension costs, including those computed by the Actuary for the actuarial pension systems, for the fiscal years ended June 30, 1995, 1994, and 1993 were as follows:

City Contributions
(in millions)

	1995	1994	1993
NYCERS*	$ 271.4	$ 277.0	$ 316.6
TRS*	356.1	370.4	389.7
BERS*	38.9	33.1	31.7
POLICE	419.0	418.1	462.1
FIRE	199.2	204.1	237.2
OTHER**	94.5	91.6	97.1
Total pension costs	$1,379.1	$1,394.3	$1,534.4

*NYCERS, TRS, and BERS are cost-sharing multiple-employer public employee retirement systems. The City's total actuarially-determined contributions as a percentage of contributions for all employers to NYCERS, TRS, and BERS were:

	1995	1994	1993
NYCERS	60.64%	61.25%	61.42%
TRS	96.31	96.40	96.02
BERS	97.42	97.90	97.79

**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.

The following is the Three-Year Trend Information for the City's actuarially-funded single employer pension plans:

Three-Year Trend Information

	Fiscal Year Ending	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
		(in millions)		
POLICE	6/30/95	$419.0	100%	$ —
	6/30/94	418.1	100	—
	6/30/93	462.1	100	—
FIRE	6/30/95	199.2	100	—
	6/30/94	204.1	100	—
	6/30/93	237.2	100	—

The more significant actuarial assumptions used in the calculations of employer contributions to the actuarial pension systems for the fiscal years ending June 30, 1995, 1994, and 1993 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 of TRS and BERS) and 8.5% for POLICE and FIRE.
Post-retirement mortality	Tables based on experience.
Active service withdrawal, death and disability	Tables based on experience.
Retirement	Tables based on experience, varies from earliest age a member is eligible to retire until age at end of tables.
Salary	Merit and Promotion Increases plus assumed General Wage Increases of 5.5% per year.

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. The

rates shown are currently in use for determining employer contributions to those actuarial pension systems which have been in effect 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. The Actuary prepared Draft Reports for the Board of Trustees during fiscal year 1995. Final Reports have recently been issued and the Boards of Trustees and New York State Legislature are anticipated to take action during fiscal year 1996.

As of June 30, 1994, Unfunded Actuarial Liabilities (UAL), including the Balance Sheet Liabilities (BSL) component of the UAL, were being amortized over 16 years from that date, where the amount of each annual payment after the first equals 103% of the preceding annual payment. The BSL represents pension related debt for amortization of the two-year payment lag reported in the General Long-Term Obligations Account Group as accrued pension liability.

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 (VSFs).

The City includes all VSFs with Pension and Similar Trust Funds for financial reporting purposes only.

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

1. POVSF provides supplemental benefits to retirees who retired for service with 20 or more years as police officers of the New York City 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 retired for service with 20 or more years holding the rank of sergeant or higher, or detective, of the New York City Police Department Pension Fund—Subchapter 1 or Subchapter 2, and who retired on or after October 1, 1968.

The New York City 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 City 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 City Fire Department Pension Fund—Subchapter 1 or Subchapter 2, and who retired on or after October 1, 1968.

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

5. TPOVSF provides supplemental benefits to retirees who 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 guaranteed schedules 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.
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 guaranteed schedules 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 guaranteed schedules 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 and guaranteed the schedules of defined supplemental benefits.
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 guaranteed schedules of defined supplemental benefits, total supplemental benefits cannot exceed the assets of the fund.

Fund Policy and Contributions

The Administrative Code of The City of New York provides that POLICE, FIRE, and NYCERS pay to the respective VSFs amounts equal to certain excess earnings on equity investments, generally 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 1995, there is approximately $380 million in excess earnings on equity investments which is estimated to be transferable to the VSFs. The actual amounts transferred will be based on final calculations. The estimated excess earnings payable from POLICE, FIRE, and NYCERS to their respective VSFs as of June 30, 1995 are as follows:

Variable Supplements Fund	Estimated excess earnings payable as of June 30, 1995 (in millions)
POVSF	$140
PSOVSF	150
FFVSF	50
FOVSF	40
TPOVSF	*
TPSOVSF	*
HPOVSF	*
HPSOVSF	*
Total excess earnings payable	$380

* Total of these VSFs is estimated at less than $1 million.

Required Supplementary Information

The following schedule of funding progress is presented as required supplementary information for the five major actuarial pension systems as of June 30, 1994:

	Actuarial Value of Assets* (a)	Actuarial Accrued Liability (AAL)— Frozen Entry Age** (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL As A Percentage of Covered Payroll (b-a)/c
			(in millions)			
NYCERS	$22,087.2	$24,015.6	$1,928.4	92.0%	$6,547.4	29.5%
TRS	17,981.8	19,275.9	1,294.1	93.3	3,305.7	39.1
BERS	859.5	939.4	79.9	91.5	472.8	16.9
POLICE	8,137.4	9,537.5	1,400.1	85.3	1,478.5	94.7
FIRE	3,355.6	4,596.1	1,240.5	73.0	606.3	204.6

* Includes member contributions and is based on a five year moving average of market values, except for variable annuity funds of TRS and BERS which are valued at market value.

** Includes member contributions.

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

S. COMMITMENTS

At June 30, 1995, the outstanding commitments relating to projects of the Capital Projects Fund amounted to approximately $7.3 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 $40.6 billion over fiscal years 1996 through 2005. To help meet its capital spending program, the City borrowed $2.2 billion in the public credit market in fiscal year 1995. The City plans to borrow $2.3 billion in the public credit market in fiscal year 1996.

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BONDS TO BE REFUNDED

The City expects to refund City bonds through issuance by the City of its Fiscal 1996 Series H and I Bonds by providing for the payment of the principal of and interest and redemption premium, if any, on such bonds to the extent and to the payment date set forth below. The refunding is contingent upon delivery of the Series H and I Bonds.

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

Series	Dated Date	Tax-Exempt Maturities Being Refunded	Payment Date	Amount Being Refunded
1984B	December 1, 1983	June 1, 1996	June 1, 1996	$ 865,000(2)
1986D	June 15, 1986	August 1, 1996	August 1, 1996	1,465,000(2)
1986D	June 15, 1986	August 1, 1997	August 1, 1996	3,945,000(2)
1987A	August 1, 1986	August 1, 1999	August 1, 1996	1,180,000(1)
1987B	August 15, 1986	August 15, 2000	August 15, 1996	2,105,000(2)
1987B	August 15, 1986	August 15, 2001	August 15, 1996	6,420,000(1)
1987B	August 15, 1986	August 15, 2002	August 15, 1996	7,915,000(2)
1987B	August 15, 1986	August 15, 2003	August 15, 1996	11,870,000(1)
1987B	August 15, 1986	August 15, 2004	August 15, 1996	3,885,000(2)
1987B	August 15, 1986	August 15, 2005	August 15, 1996	2,890,000(1)
1987B	August 15, 1986	August 15, 2006	August 15, 1996	2,585,000(1)
1988A	November 12, 1987	November 1, 1996	November 1, 1996	7,630,000(2)
1989C	February 28, 1989	August 15, 2003	August 15, 1997	6,145,000(2)
1989C	February 28, 1989	August 15, 2005	August 15, 1997	1,810,000(1)
1989C	February 28, 1989	August 15, 2006	August 15, 1997	310,000(1)
1989D	February 28, 1989	August 15, 2005	August 15, 1997	4,945,000(2)
1989D	February 28, 1989	August 15, 2006	August 15, 1997	3,695,000(2)
1989D	February 28, 1989	August 15, 2007	August 15, 1997	3,545,000(2)
1990A	August 1, 1989	August 1, 2005	August 1, 1997	12,850,000(2)
1990B	October 5, 1989	October 1, 1996	October 1, 1996	5,535,000(2)
1990B	October 5, 1989	October 1, 2007	October 1, 1999	1,975,000(2)
1990B	October 5, 1989	October 1, 2008	October 1, 1999	965,000(2)
1990B	October 5, 1989	October 1, 2012	October 1, 1999	16,880,000(2)
1990B	October 5, 1989	October 1, 2013	October 1, 1999	14,550,000(2)
1990C	November 14, 1989	August 1, 2004	August 1, 1999	5,530,000(2)
1990F	February 23, 1990	August 1, 2013	August 1, 1998	3,205,000(2)
1991A	September 26, 1990	March 15, 2003	March 15, 2000	11,385,000(2)
1991A	September 26, 1990	March 15, 2008	March 15, 2000	16,730,000(2)
1991A	September 26, 1990	March 15, 2009	March 15, 2000	18,165,000(2)
1991A	September 26, 1990	March 15, 2010	March 15, 2000	9,985,000(2)
1991B	December 20, 1990	June 1, 1999	June 1, 1999	16,215,000(2)
1991B	December 20, 1990	June 1, 2002	June 1, 2001	13,310,000(2)
1991D	February 1, 1991	August 1, 2011	August 1, 2001	22,715,000(2)
1991D	February 1, 1991	August 1, 2012	August 1, 2001	960,000(2)

Series	Dated Date	Tax-Exempt Maturities Being Refunded	Payment Date	Amount Being Refunded
1991F	May 15, 1991	November 15, 1997	November 15, 1997	$11,760,000(2)
1991F	May 15, 1991	November 15, 2004	November 15, 2001	11,465,000(2)
1992A	August 15, 1991	August 15, 2010	August 15, 2001	2,190,000(2)
1992A	August 15, 1991	August 15, 2014	August 15, 2001	26,740,000(2)
1992A	August 15, 1991	August 15, 2015	August 15, 2001	28,155,000(2)
1992A	August 15, 1991	August 15, 2016	August 15, 2001	16,540,000(2)
1992A	August 15, 1991	August 15, 2017	August 15, 2001	17,875,000(2)
1992D	February 1, 1992	February 1, 2011	February 1, 2002	7,020,000(2)
1992D	February 1, 1992	February 1, 2014	February 1, 2002	1,850,000(2)
1992D	February 1, 1992	February 1, 2015	February 1, 2002	945,000(2)
1992E	February 1, 1992	February 1, 2020	February 1, 2002	140,000(2)
1992E	February 1, 1992	February 1, 2021	February 1, 2002	475,000(2)
1992E	February 1, 1992	February 1, 2022	February 1, 2002	475,000(2)
1992G	February 1, 1992	February 1, 2004	February 1, 2002	1,310,000(2)
1992G	February 1, 1992	February 1, 2011	February 1, 2002	875,000(2)
1992G	February 1, 1992	February 1, 2022	February 1, 2002	780,000(2)
1993E2	May 27, 1993	May 15, 1996	March 14, 1996	25,400,000(3)
1993F	May 27, 1993	May 15, 1996	May 15, 1996	380,000(1)
1994C	October 14, 1993	October 1, 1998	October 1, 1998	120,000(2)
1994C	October 14, 1993	October 1, 1999	October 1, 1999	16,900,000(3)
1994C	October 14, 1993	October 1, 2000	October 1, 2000	16,900,000(3)
1995B1	November 16, 1994	August 15, 2010	August 15, 2004	10,930,000(2)

Series	Dated Date	Taxable Maturities Being Refunded	Payment Date	Amount Being Refunded
1989C	February 28, 1989	August 15, 2011	August 15, 1999	$14,560,000(2)
1989C	February 28, 1989	August 15, 2012	August 15, 1999	8,945,000(1)
1989C	February 28, 1989	August 15, 2013	August 15, 1999	2,450,000(1)
1991B	December 20, 1990	June 1, 2007	June 1, 2001	16,950,000(2)
1991B	December 20, 1990	June 1, 2008	June 1, 2001	3,515,000(2)
1991B	December 20, 1990	June 1, 2009	June 1, 2001	8,505,000(3)
1991B	December 20, 1990	June 1, 2010	June 1, 2001	19,940,000(3)
1991B	December 20, 1990	June 1, 2011	June 1, 2001	12,240,000(1)
1991F	May 15, 1991	November 15, 2012	November 15, 2001	13,980,000(1)
1991F	May 15, 1991	November 15, 2013	November 15, 2001	11,650,000(1)
1991F	May 15, 1991	November 15, 2014	November 15, 2001	9,070,000(1)
1992G	February 1, 1992	February 1, 2019	February 1, 2002	1,410,000(3)
1992G	February 1, 1992	February 1, 2020	February 1, 2002	1,410,000(3)
1992G	February 1, 1992	February 1, 2021	February 1, 2002	1,085,000(3)

(1) All of the bonds of this description are being refunded, except those bonds that have previously been refunded.

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

(3) *All of the* bonds of this description are being refunded.

BROWN & WOOD

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

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

March , 1996

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 $ General Obligation Bonds, Fiscal 1996 Series (the "Bonds"). The City purposes for which some of the Tax-Exempt Bonds identified below are issued are to be accomplished through voluntary organizations (the "Organizations") that are described in Section 501(c)(3) of the Internal Revenue Code of 1986, as amended (the "Code"), selected by the City and engaged in providing housing facilities (the "Projects").

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 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 (a) in the event of a failure by the City or any of the Organizations to comply with the applicable requirements of 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 or (b) with respect to each Organization, in the event that the $150,000,000 limitation imposed by the Code on outstanding tax-exempt nonhospital bonds is exceeded within three years of the later of the date a Project is placed in service or the date of issue of the related Bonds; and we render no opinion as to the exclusion from gross income of interest on the Tax-Exempt Bonds for Federal income tax purposes on or after the date on which any action is taken under the Certificate upon the approval of counsel other than ourselves. The Organizations have covenanted, among other things, not to take any action that

would cause interest on the Tax-Exempt Bonds to be includable in the gross income of the owners thereof. In rendering this opinion, we have relied upon the representations made by the Organizations with respect to material facts within the knowledge of the Organizations and upon the accompanying opinions of their counsel and we have made no independent investigation thereof.

The Series I Bonds maturing in 1999, 2000, 2001, 2003 and 2004 and bearing interest at 4.60%, 4.85%, 5.10%, 5.40% and 6%, respectively, and the Series H and Series I Bonds maturing after 2004 are Tax-Exempt Bonds.

The Subseries J-1 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 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 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.

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.

Very truly yours,

MBIA

FINANCIAL GUARANTY INSURANCE POLICY

MBIA Insurance Corporation
Armonk, New York 10504

[NUMBER]

MBIA Insurance 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 the corporate trust office of United States Trust Company of New York, New York, New York 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 of February, 1994.

MBIA Insurance Corporation

President

SPECIMEN

Attest:

Assistant Secretary

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63420

MSRB

DO NOT STAPLE THIS FORM

FORM G-36(OS) - FOR OFFICIAL STATEMENTS

1. NAME OF ISSUER(S): (1) The City of New York
2. DESCRIPTION OF ISSUES(S): (1) General Obligation Bonds, Fiscal 1996 Series H, I and J (Subseries J-1) $901,750,000 Fixed Rate Tax-Exempt Bonds $159,870,000 Fixed Rate Taxable Bonds
3. STATE(S): New York
4. DATED DATES(S): (1) March 14, 1996 and February 15, 1996 (2)
5. DATE OF FINAL MATURITY OF OFFERING: February 15, 2026
6. DATE OF SALE: March 6, 1996
7. PAR VALUE OF OFFERING: $1,061,620,000
8. PAR AMOUNT UNDERWRITTEN (if there is no underwriting syndicate): $1,061,620,000
9. IS THIS AN AMENDED OR STICKERED OFFICIAL STATEMENT? ☐ YES ☑ NO
10. CHECK ALL THAT APPLY:

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

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

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

11. MANAGING UNDERWRITER: J.P. Morgan & Co.

MATURITY DATE	CUSIP NUMBER	MATURITY DATE	CUSIP NUMBER
1. 3/15/2005	649664 WZ8	30. 2/15/1999	649664 YD5
2. 3/15/2006	649664 XA2	31. 2/15/2000	649664 YE3
3. 3/15/2007	649664 XB0	32. 2/15/2001	649664 YF0
4. 3/15/2008	649664 XC8	33. 2/15/2002	649664 YG8
5. 3/15/2009	649664 XD6	34. 2/15/2003	649664 YH6
6. 3/15/2010	649664 XE4	35. 2/15/2004	649664 YJ2
7. 3/15/2011	649664 XF1	36. 2/15/2005	649664 YK9
8. 3/15/2012	649664 XG9	37. 2/15/2006	649664 YL7
9. 3/15/2013	649664 XH7	38. 2/15/2007	649664 YM5
10. 3/15/2014	649664 XJ3	39. 2/15/2008	649664 YN3
11. 3/15/2015	649664 XK0	40. 2/15/2019	649664 YP8
12. 3/15/1999	649664 XM6	41. 2/15/2024	649664 YQ6
13. 3/15/2000	649664 WX3	42. 2/15/2026	649664 YR4
14. 3/15/2001	649664 XL8	43. 5/15/1996	649664 ZD4
15. 3/15/2003	649664 XN4	44. 3/15/1997	649664 ZE2
16. 3/15/2004	649664 XP9	45. 3/15/1998	649664 ZF9
17. 3/15/2005	649664 XQ7	46. 3/15/1999	649664 ZG7
18. 3/15/2006	649664 XR5	47. 3/15/2000	649664 ZH5
19. 3/15/2007	649664 XS3	48. 3/15/2001	649664 ZJ1
20. 3/15/2008	649664 XT1	49. 3/15/2002	649664 ZK8
21. 3/15/2009	649664 XU8	50. 3/15/2003	649664 ZL6
22. 3/15/2010	649664 XV6	51. 3/15/2004	649664 ZM4
23. 3/15/2011	649664 XW4	52. 3/15/1997	649664 ZN2
24. 3/15/2012	649664 XX2	53. 3/15/1998	649664 ZP7
25. 3/15/2013	649664 XY0	54. 3/15/1999	649664 ZQ5
26. 3/15/2014	649664 XZ7	55. 3/15/2000	649664 ZR3
27. 3/15/2018	649664 YA1	56. 3/15/2001	649664 ZS1
28. 3/15/2022	649664 YB9	57. 3/15/2002	649664 ZT9
29. 2/15/1998	649664 YC7	58. 3/15/2003	649664 ZU6
		59. 3/15/2004	649664 ZV4

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 of the CUSIP Service Bureau.

☐ Check here if the issue is ineligible for CUSIP number assignment. State reason:

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.