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, and 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. See "SECTION IX: OTHER INFORMATION—Tax Exemption" herein for further information. Interest on the Taxable Bonds will be includable in gross income for Federal income tax purposes.

The City of New York

General Obligation Bonds, Fiscal 1998 Series C and D

$848,370,000 Tax-Exempt Bonds
$13,860,000 Taxable Bonds

Dated: Date of Delivery | Due: As shown on inside cover

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

Interest on the Series C Bonds and Series D Bonds will be payable semiannually, beginning, respectively, May 15 and February 1, 1998. 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.*

Certain of the Series D Tax-Exempt Bonds will be insured by Financial Guaranty Insurance Company, as shown on the inside cover.

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 LLP, New York, New York, Bond Counsel to the City, and 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 Bonds will be available for delivery in New York, New York, on or about November 18, 1997.

Goldman, Sachs & Co.

J. P. Morgan & Co. | **Smith Barney Inc.**

Artemis Capital Group, Inc. | **Bear, Stearns & Co. Inc.**
First Albany Corporation | **Lehman Brothers**
Merrill Lynch & Co. | **Morgan Stanley Dean Witter**
Morgan Stanley & Co. Incorporated

PaineWebber Incorporated | **Prudential Securities Incorporated**
Roosevelt & Cross Incorporated | **Samuel A. Ramirez & Co., Inc.**

Advest, Inc. | **M.R. Beal & Company**
Cambridge Partners L.L.C. | **A.G. Edwards & Sons, Inc.** | **Fleet Securities, Inc.**
Lebenthal & Co., Inc. | **Oppenheimer & Co., Inc.**
Pryor, McClendon, Counts & Co., Inc. | **Siebert Brandford Shank & Co.**
a division of Muriel Siebert & Co., Inc.

William E. Simon & Sons Municipal Securities Inc.

October 30, 1997

$400,000,000 General Obligation Bonds, Fiscal 1998 Series C

	$250,000,000 Tax-Exempt Bonds			$150,000,000 Taxable Bonds(2)		
November 15	**Principal Amount**	**Interest Rate**	**Price or Yield**	**Principal Amount**	**Interest Rate**	**Price or Yield**
1999	$ 6,560,000	4½ %	4.05 %	$	%	%
2000	6,855,000	4½	4.25			
2001	7,170,000	5	4.40			
2002	4,465,000	5	4.60	3,060,000	6¾	6.37
2003	2,075,000	5	4.70	7,350,000	6¾	6.49
2004	3,265,000	5	4.80	6,755,000	6¾	6.56
2005	10,640,000	5¼	4.90			
2006	11,200,000	5¼	5.00			
2007	11,790,000	5¼	5.05			
2008	12,410,000	5	5.15			
2009	13,030,000	5½	5.25			
2010	13,740,000	5½	5.35			
2011	14,500,000	5⅛	5.40			
2012	3,275,000	5⅜	5.45			
2013	3,450,000	5⅜	5.50			
2014	3,635,000	5.40	5.55			
2015	3,830,000	5.40	5.60			
2017	21,145,000	5⅜	5.65			
2020				132,835,000	7.55	7.56
2021	11,620,000	5¼	5.69			
2027	40,800,000	5⅜	5.72			
2037	44,545,000	5½	5.76			

$812,230,000 General Obligation Bonds, Fiscal 1998 Series D

	$598,370,000 Tax-Exempt Bonds			$13,860,000 Taxable Bonds		
August 1	**Principal Amount**	**Interest Rate**	**Price or Yield**	**Principal Amount**	**Interest Rate**	**Price or Yield**
1998	$ 4,060,000	4½ %	3.97 %	$13,860,000	6 %	100%
1999	4,190,000	4½	4.05			
2000	4,775,000	4½	4.25			
2001	4,990,000	5	4.40			
2002	35,855,000	5	4.60			
2003	28,085,000	5¼	4.70			
2004	19,775,000	5¼	4.80			
2005	20,445,000	5¼	4.90			
2006	21,915,000(1)	5¼	4.75			
2007	23,055,000	5¾	5.05			
2008	24,500,000(1)	6	4.90			
2009	25,945,000(1)	5¾	5.00			
2010	27,395,000	5½	5.35			
2011	20,530,000	5.40	100			
2012	23,500,000	5¼	5.45			
2013	24,735,000	5¼	5.50			
2014	26,030,000	5¼	5.55			
2015	27,400,000	5¼	5.60			
2017	59,215,000	5⅜	5.65			
2021	138,535,000	5¼	5.69			
2022	33,440,000	5½	5.69			

	$200,000,000 Taxable Bonds(2)	
August (3)	**Principal Amount**	**Price or Yield**
1998	$34,891,000	99.88 %
1999	41,649,000	99.88 %
2000	48,129,000	99.88 %
2001	51,310,000	99.88 %
2002	24,021,000	99.88 %

(1) Insured by Financial Guaranty Insurance Company

(2) $150,000,000 fixed-rate Fiscal 1998 Series C Bonds and $200,000,000 variable-rate Fiscal 1998 Series D Bonds (the "Global Bonds") not being offered by this Official Statement

(3) As specified in such Global Bonds

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 or the Underwriters as to any offering 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.

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OFFICIAL STATEMENT
OF
THE CITY OF NEW YORK

This Official Statement provides certain information concerning The City of New York (the "City") in connection with the sale of $862,230,000 aggregate principal amount of the City's General Obligation Bonds, Fiscal 1998 Series C and D (the "Bonds"). The Bonds consist of $848,370,000 tax-exempt bonds (the "Tax-Exempt Bonds"), and $13,860,000 taxable bonds (the "Taxable Bonds"). The Bonds do not include the $150,000,000 fixed-rate Global Bonds and the $200,000,000 variable-rate Global Bonds, which are not being offered hereby.

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.

After noticeable improvements in the City's economy during calendar year 1994, economic growth slowed in calendar year 1995, and thereafter improved commencing in calendar year 1996, reflecting improved securities industry earnings and employment in other sectors. The City's current four-year financial plan assumes that moderate economic growth will exist through calendar year 2001, with moderating job growth and wage increases.

For each of the 1981 through 1997 fiscal years, the City achieved balanced operating results as reported in accordance with applicable generally accepted accounting principles ("GAAP"). See "SECTION VI: FINANCIAL OPERATIONS—1993-1997 Statement of Operations". The City has been required to close substantial gaps between forecast revenues and forecast expenditures in order to maintain balanced operating results. There can be no assurance that the City will continue to maintain balanced operating results 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 New York State Financial Emergency Act for The City of New York (the "Financial Emergency Act" or the "Act"), 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 a surplus in the 1998 fiscal year (before discretionary transfers) and substantial budget gaps for each of the 1999, 2000 and 2001 fiscal years. This pattern of current year surplus and projected subsequent year budget gaps has been consistent through virtually the entire period since 1982, during which the City has achieved balanced operating results for each fiscal year. For information regarding the current financial plan, as well as subsequent developments, see "SECTION I: RECENT FINANCIAL DEVELOPMENTS" and "SECTION VII: 1998-2001 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 the Act which provides 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*" and "*—Financial Control Board Oversight.*"

The City depends on aid from the State of New York (the "State") both to enable the City to balance its budget and to meet its cash requirements. There can be no assurance that there will not be reductions in State aid to the City from amounts currently projected; that State budgets will be adopted by the April 1 statutory deadline, or interim appropriations enacted; 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 which could have additional adverse effects on the City's cash flow or revenues. See "SECTION VII: 1998-2001 FINANCIAL PLAN—Assumptions," and "—Certain Reports".

The Mayor is responsible for preparing the City's four-year financial plan, including the City's current financial plan for the 1998 through 2001 fiscal years (the "1998-2001 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, the ability of the New York City Health and Hospitals Corporation ("HHC") to take actions to offset potential budget shortfalls, the ability to complete revenue generating transactions, provision of State and Federal aid and mandate relief and the impact on City revenues and expenditures of Federal and State welfare reform and any future legislation affecting Medicare or other entitlements. Despite these and similar risks and uncertainties, the City has achieved balanced operating results in each of its last seventeen fiscal years. See "SECTION VII: 1998-2001 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 1998 through 2001 contemplates the issuance of \$5.8 billion of general obligation bonds and \$7.1 billion of bonds to be issued by the New York City Transitional Finance Authority (the "Finance Authority") to finance City capital projects. The Finance Authority was created as part of the City's effort to assist in keeping the City's indebtedness within the forecast level of the constitutional restrictions on the amount of debt the City is authorized to incur. See "SECTION VIII: INDEBTEDNESS—City Indebtedness—*Limitations on the City's Authority to Contract Indebtedness*". See "SECTION IX: OTHER INFORMATION—Litigation" for a description of litigation seeking to have the New York City Transitional Finance Authority Act (the "Finance Authority Act") declared unconstitutional. 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, New York City Municipal Water Finance Authority ("Water Authority") bonds and Finance Authority bonds will be subject to prevailing market conditions. The City's planned capital and operating expenditures are dependent upon the sale of its general obligation bonds and notes, and the Water Authority and Finance Authority bonds. 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: 1998-2001 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

1998-2001 Financial Plan

The City's operating results for the 1997 fiscal year were balanced in accordance with GAAP. The 1997 fiscal year is the City's seventeenth consecutive year of GAAP balanced results. For changes in revenues and expenditures for the 1997 fiscal year since the financial plan submitted to the Control Board on June 21, 1996, see "SECTION VI: FINANCIAL OPERATIONS—1997 Results".

On June 10, 1997, the City submitted to the Control Board the Financial Plan for the 1998 through 2001 fiscal years, which relates to the City, the Board of Education ("BOE") and the City University of New York ("CUNY") and reflects the City's expense and capital budgets for the 1998 fiscal year, which were adopted on June 6, 1997. The Financial Plan projects revenues and expenditures for the 1998 fiscal year balanced in accordance with GAAP. The Financial Plan includes increased tax revenue projections; reduced debt service costs; the assumed restoration of Federal funding for programs assisting certain legal aliens; additional expenditures for textbooks, computers, improved education programs and welfare reform, law enforcement, immigrant naturalization, initiatives proposed by the City Council and other initiatives; and a proposed discretionary transfer in the 1998 fiscal year of $300 million of debt service due in the 1999 fiscal year for budget stabilization purposes. In addition, the Financial Plan reflects the discretionary transfer in the 1997 fiscal year of $1.3 billion of debt service due in the 1998 and 1999 fiscal years, and includes actions to eliminate a previously projected budget gap for the 1998 fiscal year. These gap closing actions include (i) additional agency actions totaling $621 million; (ii) the proposed sale of various assets; (iii) additional State aid of $294 million, including a proposal that the State accelerate a $142 million revenue sharing payment to the City from March 1999; and (iv) entitlement savings of $128 million which would result from certain of the reductions in Medicaid spending proposed in the Governor's 1997-1998 Executive Budget and the State making available to the City $77 million of additional Federal block grant aid, as proposed in the Governor's 1997-1998 Executive Budget. The Financial Plan also sets forth projections for the 1999 through 2001 fiscal years and projects gaps of $1.8 billion, $2.8 billion and $2.6 billion for the 1999 through 2001 fiscal years, respectively.

The Financial Plan assumes approval by the State Legislature and the Governor of (i) a tax reduction program proposed by the City totaling $272 million, $435 million, $465 million and $481 million in the 1998 through 2001 fiscal years, respectively, which includes a proposed elimination of the 4% City sales tax on clothing items under $500 as of December 1, 1997, and (ii) a proposed State tax relief program, which would reduce the City property tax and personal income tax, and which the Financial Plan assumes will be offset by proposed increased State aid totaling $47 million, $254 million, $472 million and $722 million in the 1998 through 2001 fiscal years, respectively.

The Financial Plan also assumes (i) approval by the Governor and the State Legislature of the extension of the 14% personal income tax surcharge, which is scheduled to expire on December 31, 1999 and the extension of which is projected to provide revenue of $166 million and $494 million in the 2000 and 2001 fiscal years, respectively, and of the extension of the 12.5% personal income tax surcharge, which is scheduled to expire on December 31, 1998 and the extension of which is projected to provide revenue of $188 million, $527 million and $554 million in the 1999 through 2001 fiscal years, respectively; and (ii) collection of the projected rent payments for the City's airports, totaling $385 million, $175 million, and $170 million in the 1999, 2000 and 2001 fiscal years, respectively, which may depend on the successful completion of negotiations with the Port Authority or the enforcement of the City's rights under the existing leases through pending legal actions. The Financial Plan provides no additional wage increases for City employees after their contracts expire in fiscal years 2000 and 2001. In addition, the economic and financial condition of the City may be affected by various financial, social, economic and political factors which could have a material effect on the City.

The City annually prepares a modification to its financial plan in October or November which amends the financial plan to accommodate any revisions to forecast revenues and expenditures and to specify any additional gap-closing initiatives to the extent required to offset decreases in projected revenues or increases in projected expenditures. The Mayor is expected to publish the first quarter modification (the "Modification") for the 1998 fiscal year in November. Since the preparation of the Financial Plan, the State has adopted its budget for the 1997-1998 fiscal year. The State budget enacted a smaller sales tax reduction than the tax reduction program assumed by the City in the Financial Plan, which will increase projected City sales tax revenues; provided for

State aid to the City which was less than assumed in the Financial Plan; and enacted a State funded tax relief program which begins a year later than reflected in the Financial Plan. In addition, the net effect of tax law changes made in the Federal Balanced Budget Act of 1997 are expected to increase tax revenues in the 1998 fiscal year. These changes will be reflected in the Modification.

The City's financial plans have been the subject of extensive public comment. The City Comptroller has issued a report commenting on certain developments since the release of the Financial Plan. In his report the City Comptroller noted, among other things, that tax revenues for the first quarter of the 1998 fiscal year were above projections in the Financial Plan. However, the report also noted that if the stock market decline which has occurred in recent days were to continue, tax revenue forecasts for subsequent fiscal years might have to be revised downward. See "SECTION VII: 1998-2001 FINANCIAL PLAN—Certain Reports".

Collective Bargaining Agreements

The projections for the 1998 through 2001 fiscal years reflect the costs of the settlements with the United Federation of Teachers ("UFT") and a coalition of unions headed by District Council 37 of the American Federation of State, County and Municipal Employees ("District Council 37"), which together represent approximately two-thirds of the City's workforce, and assume that the City will reach agreement with its remaining municipal unions under terms which are generally consistent with such settlements. 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. Costs associated with similar settlements for all City-funded employees would total $49 million, $459 million and $1.2 billion in the 1997, 1998 and 1999 fiscal years, respectively, and exceed $2 billion in each fiscal year after the 1999 fiscal year. Subsequently, the City reached settlements, through agreements or statutory impasse procedures, with bargaining units which, together with the UFT and District Council 37, represent approximately 86% of the City's workforce. See "SECTION VII: 1998-2001 FINANCIAL PLAN—Assumptions—*Expenditure Assumptions*—1. Personal Service Costs". The Financial Plan provides no additional wage increases for City employees after their contracts expire in fiscal years 2000 and 2001.

The State

The State's budget for the State's 1997-1998 fiscal year, commencing on April 1, 1997, which was adopted and originally enacted by the Legislature on August 4, 1997, is balanced on a cash basis. The State closed projected budget gaps of $5.0 billion, $3.9 billion and $2.3 billion for its 1995-1996, 1996-1997 and 1997-1998 fiscal years, respectively. The 1998-1999 budget gap was projected at $1.68 billion (before the application of any assumed efficiencies) in the out-year projections submitted to the Legislature in February 1997. As a result of changes made in the adopted budget, the 1998-1999 gap is now expected by the State to be about the same or smaller than the amount previously projected, after application of a $530 million reserve for future needs. The Governor has indicated that he will propose to close any potential imbalance primarily through General Fund expenditure reductions and without increases in taxes or deferrals of scheduled tax reductions.

If the State's budget for the State's 1998-1999 fiscal year is not adopted by the statutory deadline and interim appropriations are not enacted, the projected receipt by the City of State aid could be delayed. For further information concerning the State, including the State's credit ratings, see "SECTION VII: 1998-2001 FINANCIAL PLAN—Assumptions".

SECTION II: THE BONDS

General

The Bonds will be general obligations of the City issued pursuant to the Constitution and laws of the State and the New York City Charter (the ''City Charter'') and in accordance with a certificate of the Deputy Comptroller for Finance. The Bonds will mature and bear interest as described on the inside cover 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.

Payment Mechanism

Pursuant to the Financial Emergency 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 in recent years 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.

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.

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 money in the Fund, of the rights of holders of bonds and notes of the City to money in the Fund, of the obligations of the City under the City Covenants and of the State under the State Pledge and Agreement (in each case, as defined in ''SECTION II: THE BONDS—Certain Covenants and Agreements'') may be within the discretion of a court. For further information concerning rights of owners of Bonds against the City, see ''SECTION VIII: INDEBTEDNESS—City Indebtedness''.

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 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 (other than the Series D Bonds maturing in 2009) 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. The City Covenants, the Undertaking, the State Pledge and Agreement and the State Covenant shall be of no force and effect with respect to any Bond if there is a 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 such Bond.

Use of Proceeds

The proceeds from the sale of the Series C Bonds will be used for various municipal capital purposes and discrete municipal capital purposes. For further information concerning the City's capital projects, see "SECTION V: CITY SERVICES AND EXPENDITURES—Capital Expenditures" and "SECTION VII: 1998-2001 FINANCIAL PLAN—Long-Term Capital and Financing Program". Certain expenses of the City incurred in connection with the issuance and sale of the Series C Bonds, preliminary costs of surveys, maps, plans, estimates and hearings in connection with capital improvements and costs incidental to such improvements may be included in the above purposes.

The proceeds from the sale of the Series D Bonds will be used for refunding purposes including certain expenses of the City incurred in connection with the issuance and sale of the Series D Bonds. The proceeds from the sale of the Series D 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 D Bonds.

Redemption

Thirty days' notice shall be given to the holders of Bonds to be redeemed prior to maturity. The City may select the dates, 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 C Bonds will be subject to redemption at the option of the City on or after November 15, 2007, 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
November 15, 2007 through November 14, 2008	101 %
November 15, 2008 through November 14, 2009	100½
November 15, 2009 and thereafter	100

The Series D Bonds (except those due in 2008 and 2009) will be subject to redemption at the option of the City on or after August 1, 2007, 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
August 1, 2007 through July 31, 2008	101 %
August 1, 2008 through July 31, 2009	100½
August 1, 2009 and thereafter	100

Mandatory Redemption

The Series C Bonds maturing in 2017, 2021, 2027 and 2037 are Term Bonds subject to mandatory redemption, by lot within each stated maturity, on each November 15 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)			
November 15	2017 Maturity	2021 Maturity	2027 Maturity	2037 Maturity
2016	$ 4,040			
2017	17,105(1)			
2018		$ 4,485		
2019		50		
2020		50		
2021		7,035(1)		
2022			$ 5,715	
2023			6,020	
2024			6,345	
2025			7,180	
2026			7,565	
2027			7,975(1)	
2028				$ 3,340
2029				3,525
2030				3,720
2031				3,920
2032				4,140
2033				4,640
2034				4,895
2035				5,165
2036				5,450
2037				5,750(1)

The Series D Bonds maturing in 2017 and 2021 are Term Bonds subject to mandatory redemption, by lot within each stated maturity, on each August 1 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)	
August 1	2017 Maturity	2021 Maturity
2016	$28,825	
2017	30,390(1)	
2018		$32,020
2019		33,705
2020		35,475
2021		37,335(1)

(1) 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 Financial Guaranty Insurance Company (''Financial Guaranty'') has been supplied by Financial Guaranty. The City makes no representation as to the accuracy or adequacy of such information or as to the absence of material adverse changes in such information subsequent to the dates indicated. Summaries of or references to the insurance policy to be issued by Financial Guaranty are made subject to all the detailed provisions thereof to which reference is hereby made for further information and do not purport to be complete statements of any or all of such provisions. See ''APPENDIX E—SPECIMEN INSURANCE POLICY''.

Concurrently with the issuance of the Bonds, Financial Guaranty will issue its Municipal Bond New Issue Insurance Policy (the ''Policy'') for the Series D Tax-Exempt Bonds due in 2006, 2008 and 2009 (the ''Financial Guaranty Insured Bonds''). The Policy unconditionally guarantees the payment of that portion of the principal of and interest on the Financial Guaranty Insured Bonds which has become due for payment, but shall be unpaid by reason of nonpayment by the City. Financial Guaranty will make such payments to State Street Bank and Trust Company, N.A., or its successor as its agent (the ''Financial Guaranty's Fiscal Agent''), on the later of the date on which such principal and interest is due or on the business day next following the day on which Financial Guaranty shall have received telephonic or telegraphic notice, subsequently confirmed in writing, or written notice by registered or certified mail, from an owner of Financial Guaranty Insured Bonds or the City's Fiscal Agent of the nonpayment of such amount by the City. Financial Guaranty's Fiscal Agent will disburse such amount due on any Financial Guaranty Insured Bond to its owner upon receipt by Financial Guaranty's Fiscal Agent of evidence satisfactory to Financial Guaranty's Fiscal Agent of the owner's right to receive payment of the principal and interest due for payment and evidence, including any appropriate instruments of assignment, that all of such owner's rights to payment of such principal and interest shall be vested in Financial Guaranty. The term ''nonpayment'' in respect of a Financial Guaranty Insured Bond includes any payment of principal or interest made to an owner of a Financial Guaranty Insured Bond which has been recovered from such owner pursuant to the United States Bankruptcy Code by a trustee in bankruptcy in accordance with a final, nonappealable order of a court having competent jurisdiction.

The Policy is non-cancellable and the premium will be fully paid at the time of delivery of the Financial Guaranty Insured Bonds. The Policy covers failure to pay principal of the Financial Guaranty Insured Bonds on their respective stated maturity dates or dates on which the same shall have been duly called for mandatory sinking fund redemption, and not on any other date on which the Financial Guaranty Insured Bonds may have been otherwise called for redemption, accelerated or advanced in maturity, and covers the failure to pay an installment of interest on the stated date for its payment.

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

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

Financial Guaranty is a wholly-owned subsidiary of FGIC Corporation (the ''Corporation''), a Delaware holding company. The Corporaton is a subsidiary of General Electric Capital Corporation (''GE Capital''). Neither the Corporation nor GE Capital is obligated to pay the debts of or the claims against Financial Guaranty. Financial Guaranty is a monoline financial guaranty insurer domiciled in the State of New York and is subject to regulation by the State of New York Insurance Department. As of June 30, 1997, the total capital and surplus of Financial Guaranty was approximately $1,164,694,536. Financial Guaranty prepares financial statements on the basis of both statutory accounting principles and generally accepted accounting principles. Copies of such financial statements may be obtained by writing to Financial Guaranty at 115 Broadway, New York, New York 10006, Attention: Communications Department (telephone number: (212) 312-3000) or to the New York State Insurance Department at 25 Beaver Street, New York, New York 10004-2319, Attention: Financial Condition Property/Casualty Bureau (telephone number: (212) 480-5187).

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 fully-registered bonds 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.

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).

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.

Principal 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 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 to the registered owners thereof on the maturity date of the Bonds in immediately available funds at the office of the Fiscal Agent, The Chase Manhattan Bank, if by hand, One Chase Manhattan Plaza Level 1B, New York, New York 10081, Attn: Municipal Bond Redemption Window; if by mail, Corporate and Municipal Redemption, P.O. Box 1215 New York, New York 10116-1215, 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 (Series C) or the fifteenth day (Series D) 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 $72 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.

The City Charter provides 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 provision applies only to terms of office commencing on or after January 1. 1994.

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: 1998-2001 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 1996 fiscal year, which includes, among other things, the City's financial statements for the 1996 fiscal year, has received the GFOA award of the Certificate of Achievement for Excellence in Financial Reporting, the sixteenth 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 seventeen 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 trustees. As of June 30, 1997, aggregate pension assets were allocated approximately as follows: 57.0% U.S. equities; 29.1% U.S. fixed income; 12.0% international equities; 0.9% international fixed income; and 1.0% 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 the Municipal Assistance Corporation for The City of New York ("MAC") and the Office of the State Deputy Comptroller ("OSDC"), reviews and monitors revenues and expenditures of the City and the Covered Organizations. In addition, an independent budget office (the "IBO") has been established pursuant to the City Charter to provide analysis to elected officials and the public on relevant fiscal and budgetary issues affecting the City.

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, John A. Levin, President and Founder of John A. Levin & Co., Inc.; Heather L. Ruth, President of the Bond Market Association; 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.

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 1997, while unrestricted Federal aid has been sharply reduced. The City projects that local revenues will provide approximately 67.0% of total revenues in the 1998 fiscal year while Federal aid, including categorical grants, will provide 11.9%, and State aid, including unrestricted aid and categorical grants, will provide 21.1%. 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: 1998-2001 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 38.3% of its total tax revenues and 21.6% of its total revenues for the 1998 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—1993-1997 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 recent 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)							
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
1997	7,835.1	5,007.7	2,827.4	36.1	7,857.3	63.7	2.46	10.37
1998	7,890.4	6,017.5	1,872.9	23.7	7,599.7	79.2	2.55	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 the most recent market value surveys available and a projection of market value based on recent survey trends, in accordance with methodologies established by the State Board from time to time. Ratios, and therefore full values, may be revised when new surveys are completed. The ratios and full values used to compute the 1997 fiscal year operating limit and general debt limit which are shown in the table below, have been established by the State Board and include the results of the calendar year 1993 market value survey. These estimates of full value established by the State Board do not fully reflect the recent downturn in the real estate market. 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)
1994	$78,364,554,204		0.2853		$274,674,217,329
1995	76,202,446,309		0.2628		289,963,646,533
1996	76,029,436,876		0.2470		307,811,485,328
1997	75,668,457,434		0.2309		327,710,946,011
1998	76,188,390,641		0.2194		347,257,933,642
				Average:	309,483,645,769

(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 1998 fiscal year, the billable assessed value of real estate categorized by the City as exempt is $62.0 billion, or 44.9% of the $138.0 billion billable assessed value of all real estate (taxable and exempt).

(2) Figures for 1995 to 1998 are based on estimates of the special equalization ratio which are revised annually. These figures are derived from official City Council Tax Resolutions adopted with respect to the 1997 fiscal year. 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 veterans' 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 1998, 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 1998 tax rates were set on June 10, 1997 reflecting a provision of State law that limits the market value adjustment for 1998 to a 5% increase in any class's share compared to its share in 1997. For fiscal year 1998, the average tax rate is expected to be held at the current rate of $10.37, though individual class tax rates may vary.

Recent changes to the Real Property Tax Law will allow taxpayers to use sales prices to challenge the equality of assessments. This change, effective January 1, 1998, may result in significant refund exposure and reduce the City's real estate tax revenue accordingly.

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% from 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% and 2.8%, respectively. The bulk of the decline was due to continued weakness in class four. 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 four slowed and slight increases in the valuations of the other classes offset the class four decline. For the 1996 fiscal year, actual assessed valuation increased by 0.8%, the first improvement since fiscal year 1991. Billable assessed valuation for 1996 was essentially unchanged at $75.9 billion. Fiscal year 1997 actual assessed valuation on the final assessment roll increased by 0.1% or $86 million, while billable assessed valuation decreased by 0.5% or $356 million from fiscal year 1996 to $75.5 billion. Based on the fiscal year 1998 final roll, billable assessed valuation increased by 0.7% or $526 million from fiscal year 1997 to $76.0 billion, reflecting continued growth in class one and class two and continued weakness in class four. Billable assessed value is expected to achieve growth approaching the rate of inflation by fiscal year 2000, reflecting improved economic conditions.

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 primarily uses two methods to enforce the collection of real estate taxes. The City is authorized to sell real property tax liens on class one properties which are delinquent for at least three years and class two, three and four properties which are delinquent for at least one year. In addition, 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, 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 $223 million, with the City retaining a residual interest in the receivables. In fiscal years 1996 and 1997, the City sold to separate business trusts real property tax liens for which the City received approximately $182 million and $53 million, respectively. Amounts shown in the table below are adjusted as indicated in the notes.

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
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	(162.4)	(130.8)	(381.6)	4.84
1996	7,871.4	7,226.4	91.8	385.5	(399.7)	(275.5)	(289.1)	3.67
1997	7,835.1	7,354.1	93.9	164.0	(279.0)	(283.2)	(291.5)	3.72
1998(6) ..	7,890.4	7,338.1	93.0	97.8	(288.6)	(340.0)	(212.3)	2.69

(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 and for the 1996 and 1997 tax lien sales. Figures include $169.1 million of net proceeds from the 1996 sale of real property tax liens and a projected $70 million from the 1997 tax lien sale.
(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 the Criminal Justice Fund.
(6) Forecast.

Other Taxes

The City expects to derive 61.7% of its total tax revenues for the 1998 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% sales and use 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 1997 fiscal year have increased by $967 million or approximately 8.8% from the 1996 fiscal year. The following table sets forth, by category, revenues from taxes, other than the real property tax, for each of the City's 1993 through 1997 fiscal years.

	1993(1)	1994	1995	1996	1997
			(In Millions)		
Personal Income(2)	$3,451	$ 3,530	$ 3,591	$ 3,908	$ 4,361
General Corporation	978	1,193	1,079	1,209	1,478
Banking Corporation	362	497	250	361	360
Unincorporated Business Income	389	382	379	496	561
Sales	2,379	2,451	2,588	2,714	2,912
Commercial Rent	624	629	624	531	374
Real Property Transfer	125	149	167	175	215
Mortgage Recording	118	134	170	147	185
Utility	190	208	197	214	215
All Other(3)	588	622	593	628	695
Audits	519	570	601	657	651
Total	$9,723	$10,365	$10,239	$11,040	$12,007

(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—1993-1997 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, $167 million in fiscal year 1995, $185 million in fiscal year 1996 and $90 million in fiscal year 1997.

(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 1993 through 1997 fiscal years.

	1993	1994	1995	1996	1997
			(In Millions)		
Licenses, Permits and Franchises	$ 213	$ 225	$ 222	$ 237	$ 345
Interest Income	87	82	95	112	160
Charges for Services	397	389	396	415	428
Water and Sewer Payments	709	718	738	731	775
Rental Income	162	133	127	139	143
Fines and Forfeitures	380	369	417	417	491
Other	478	659	722	683	807
Total	$2,426	$2,575	$2,717	$2,734	$3,049

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").

The miscellaneous revenues for the 1993 fiscal year contain 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. Fiscal year 1996 includes an increase of $170 million resulting from actions at HHC, a one-time collection of $28 million from HFA and $55 million from the recovery of prior year FICA overpayments. Fiscal year 1997 includes a $250 million payment from the MTA and $207 million from the sale of WNYC.

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: 1998-2001 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 1993 through 1997 fiscal years.

	1993	1994	1995	1996	1997
			(In Millions)		
State Per Capita Aid	$535	$300	$325	$369	$322
State Shared Taxes(1)	8	27	16	17	6
Other(2)	164	340	262	235	326
Total	$707	$667	$603	$621	$654

(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 1993, 1994, 1995, 1996 and 1997 fiscal years are $88 million, $105 million, $126 million, $121 million and $133 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 and recent welfare legislation, see "SECTION VII: 1998-2001 FINANCIAL PLAN—Assumptions—*Revenue Assumptions*—6. Federal and State Categorical Grants" and "—Certain Reports".

The following table sets forth amounts of Federal and State categorical grants received by the City for each of the City's 1993 through 1997 fiscal years.

	1993	1994	1995	1996	1997
			(In Millions)		
Federal					
JTPA	$ 128	$ 106	$ 108	$ 105	$ 95
Community Development(1)	193	264	281	279	264
Welfare	2,111	2,321	2,318	2,241	2,284
Education	867	882	857	887	929
Other	311	387	442	682	561
Total	$3,610	$3,960	$4,006	$4,194	$4,133
State					
Welfare	$1,767	$1,897	$1,984	$1,720	$1,622
Education	3,309	3,380	3,769	3,746	3,908
Higher Education	117	134	125	118	121
Health and Mental Health	189	207	235	241	254
Other	279	285	317	254	309
Total	$5,661	$5,903	$6,430	$6,079	$6,264

(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—1993-1997 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. As of October 1, 1996, Aid to Families with Dependent Children was replaced by the Temporary Assistance for Needy Families ("TANF") block grant. New York State began receiving TANF funds in December 1996. TANF funds are supplemented by City and State contributions. In addition, Home Relief was replaced by Safety Net Assistance in August 1997 to provide support for those who do not qualify for TANF but are eligible for public assistance. The cost of Safety Net Assistance is borne equally by the City and the State.

On August 20, 1997, the State Welfare Reform Act of 1997 was signed into law creating the TANF funded Family Assistance program and the Safety Net Assistance program. The Family Assistance program provides benefits for households with minor children subject, in most cases, to a five-year limit. The Safety Net Assistance program provides benefits for adults without minor children, families who have reached the family assistance time limit and others, including certain immigrants, ineligible for Family Assistance. Cash assistance benefits under the Safety Net Assistance program are subject to time and eligibility limits, with recipients who reach the time limit or fail to satisfy eligibility requirements receiving non-cash assistance. Under the Welfare Reform Act of 1997, the City must achieve recipient work quotas and have all able-bodied recipients working after receiving assistance for two years, which could require the City to provide additional funding for workfare and day care.

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. 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 1999.

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. For further information regarding recent welfare legislation, see "SECTION VII: 1998-2001 FINANCIAL PLAN—Assumptions—*Revenue Assumptions*—6. Federal and State Categorical Grants" and "—Certain Reports".

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 1997-1998 school year is estimated to be 1,093,927. Actual enrollment in fiscal years 1993 through 1997 has been 995,465, 1,016,728, 1,034,235, 1,057,344, and 1,075,605 respectively. Between fiscal years 1995 and 1997, the percentage of the City's total budget allocated to BOE has remained relatively stable at approximately 26.2%; in fiscal year 1998 the percentage of the City's total budget allocated to BOE is projected to be 28.0%. See "SECTION VII: 1998-2001 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 30.1% of the costs of the Community Colleges in the 1998 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 and a network of neighborhood health centers. 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. HHC and PHS-NY, a private hospital management corporation, have agreed on a form of sublease by which HHC will sublease Coney Island Hospital to PHS-NY. On November 8, 1996, the Board of Directors of HHC approved the form of sublease and authorized the President of HHC to conclude negotiations on all related documents. On September 8, 1997, the Appellate Division of the State Supreme Court, Second Department, affirmed, in part, a lower court decision, in an action brought by the New York City Council and other plaintiffs against the Mayor and other defendants challenging such approval, that the sublease of Coney Island Hospital to PHS-NY exceeded HHC's statutory authority. The defendants intend to appeal the decision.

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 has assumed 81.2% of the non-Federal share of long-term care costs, all of the costs of providing medical assistance to the mentally disabled, and 53.1% of the non-Federal share of Medicaid costs for clients enrolled in managed care plans. The Federal government pays approximately 50% of Medicaid costs for Federally eligible recipients.

The City's expense budget has increased during the five-year period ended June 30, 1997, due to, among other factors, the costs of labor settlements, debt service costs 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 1993 through 1997 fiscal years.

	1993	1994	1995	1996	1997
Education	86,981	88,639	88,340	85,959	87,969
Police(1)	42,649	45,652	43,040	43,589	46,830
Social Services, Homeless and Children's Services	28,810	26,013	23,948	23,604	23,061
City University	3,682	4,071	3,579	3,581	3,667
Environmental Protection and Sanitation	16,714	16,046	15,258	15,313	14,624
Fire(2)	15,830	15,871	15,649	15,703	15,693
All Other	54,184	50,491	47,486	47,320	45,108
Total	248,850	246,783	237,300	235,069	236,952

(1) For comparison purposes, fiscal years 1993-1995 have been restated to include the Transit Authority and Housing Authority Police Departments.

(2) Fiscal year 1996 includes the impact of the EMS merger with the New York City Fire Department.

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 1993 through 1997 fiscal years.

	1993	1994	1995	1996	1997
Transit Authority(1)	44,388	44,949	44,954	42,802	42,687
Housing Authority(1)	13,698	13,837	13,820	14,273	14,170
HHC(2)	44,445	44,195	39,243	37,527	36,336
Total(3)	102,531	102,981	98,017	94,602	93,193

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(1) For comparison purposes, fiscal years 1993-1995 have been restated to exclude the Transit Authority and Housing Authority Police Departments.
(2) In fiscal year 1996, EMS merged with the New York City Fire Department.
(3) 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 1998-2001 Financial Plan, see "SECTION VII: 1998-2001 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: 1998-2001 FINANCIAL PLAN—Long-Term Capital and Financing Program" and "APPENDIX A—ECONOMIC AND SOCIAL FACTORS".

The City utilizes a three-tiered capital planning process consisting of the Ten-Year Capital Strategy (previously, the Ten-Year Capital Plan), the Four-Year Capital Program and the current-year Capital Budget. The Ten-Year Capital Strategy, which is published once every two years in conjunction with the Executive Budget, is a long-term planning tool designed to reflect fundamental allocation choices and basic policy objectives. The Four-Year Capital Program translates mid-range policy goals into specific projects. The Capital Budget defines for each fiscal year specific projects and the timing of their initiation, design, construction and completion.

On May 8, 1997, the City published a Ten-Year Capital Strategy for fiscal years 1998 through 2007 (the "Ten-Year Capital Strategy"). The Ten-Year Capital Strategy totaled $45.0 billion, of which approximately 94% would be financed with City funds. See "SECTION VIII: INDEBTEDNESS—City Indebtedness—*Limitations on the City's Authority to Contract Indebtedness*". The Ten-Year Capital Strategy provides $5.0 billion for the BOE for fiscal years 1998 through 2001. See "SECTION VII: 1998-2001 FINANCIAL PLAN". 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 $1.6 billion over the ten-year period due to increased capital program efficiency once the law is repealed.

The Ten-Year Capital Strategy includes (i) $12.6 billion to construct new schools and improve existing educational facilities; (ii) $4.2 billion for expanding and upgrading the City's housing stock; (iii) $2.9 billion for reconstruction or resurfacing of City streets; (iv) $1.3 billion for continued City-funded investment in mass transit; (v) $4.4 billion for the continued reconstruction and rehabilitation of all four East River bridges and 410 other bridge structures; (vi) $1.3 billion to expand current jail capacity; and (vii) $2.1 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 issued by the City and revenue bonds issued by the Finance Authority. 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: 1998-2001 FINANCIAL PLAN—Long-Term Capital and Financing Program".

The City's capital expenditures, including expenditures funded by State and Federal grants, totaled $18.3 billion during the 1993 through 1997 fiscal years. City-funded expenditures, which totaled $16.9 billion during the 1993 through 1997 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.

	1993	1994	1995	1996	1997	Total
			(In Millions)			
Education	$ 754	$ 722	$ 875	$ 807	$ 614	$ 3,772
Environmental Protection	746	616	705	1,004	973	4,049
Transportation	341	423	444	554	537	2,299
Transit Authority(1)	250	221	150	218	202	1,041
Housing	431	387	292	246	269	1,625
Hospitals	167	163	137	104	83	654
Sanitation	188	151	114	131	213	797
All Other(2)	740	660	977	732	963	4,072
Total Expenditures(3)	$3,617	$3,343	$3,694	$3,796	$3,859	$18,309
City-funded Expenditures(4)	$3,456	$3,301	$3,224	$3,413	$3,569	$16,902

(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 1993 through 1997 fiscal years include City, State and Federal funding and represent amounts which include an accrual for work-in-progress. The figures for the 1993 through 1997 fiscal years are derived from the Comprehensive Annual Financial Report of the Comptroller.

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

In December 1996, 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: 1998-2001 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, 1997, 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—1993-1997 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 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 revisions which may involve substantial change. Consequently, the City makes no representation or warranty that these estimates and projections will be realized.

1993-1997 Statement of Operations

The following table sets forth the City's results of operations for its 1993 through 1997 fiscal years in accordance with GAAP. The information regarding the 1993 through 1997 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 1996 and 1997 financial statements included in "APPENDIX B—FINANCIAL STATEMENTS". The 1993 through 1995 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)				
	1993(2)	1994	1995	1996	1997
			(In Millions)		
Revenues and Transfers					
Real Estate Tax(3)	$ 7,886	$ 7,773	$ 7,474	$ 7,100	$ 7,291
Other Taxes(4)(5)	9,723	10,365	10,239	11,040	12,007
Miscellaneous Revenues	2,426	2,575	2,717	2,734	3,049
Other Categorical Grants	129	128	143	343	379
Unrestricted Federal and State Aid(4)	707	667	603	621	654
Federal Categorical Grants	3,610	3,960	4,006	4,194	4,133
State Categorical Grants	5,661	5,903	6,430	6,079	6,264
Less: Disallowances Against Categorical Grants	(26)	(19)	(21)	(40)	(36)
Total Revenues and Transfers	$30,116	$31,352	$31,591	$32,071	$33,741
Expenditures and Transfers					
Social Services	$ 7,430	$ 8,030	$ 8,112	$ 7,902	$ 7,749
Board of Education	7,213	7,561	7,863	7,835	8,085
City University	571	353	348	348	354
Public Safety and Judicial	3,759	3,846	4,121	4,446	4,727
Health Services	1,452	1,620	1,737	1,829	1,448
Pensions	1,427	1,274	1,273	1,356	1,319
Debt Service(4)	2,103	2,136	2,320	2,512	4,184
MAC Debt Service Funding(4)	370	354	29	132	264
All Other	5,827	6,173	5,783	5,706	5,606
Total Expenditures and Transfers	$30,152	$31,347	$31,586	$32,066	$33,736
Surplus(6)	$ (36)	$ 5	$ 5	$ 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 1993, 1994, 1995, 1996 and 1997 fiscal years includes $128 million, $147.5 million, $147 million, $146 million and $223 million respectively, of Criminal Justice Fund revenues. Real Estate Tax for fiscal years 1994, 1995, 1996 and 1997 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, and $169 million and $62 million from the sale of real property tax liens, 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. Personal income taxes for the 1993 through 1997 fiscal years include $110 million, $200 million, $167 million, $185 million and $90 million of Criminal Justice Fund revenues, respectively.

(5) Other Taxes include transfers of net OTB revenues. For further information regarding the City's revenues from Other Taxes, see "SECTION IV: SOURCES OF CITY REVENUES—Other Taxes".

(6) The General Fund surplus is the surplus after discretionary transfers and expenditures. The City had General Fund operating surpluses of $1.367 billion, $229 million, $71 million, $72 million and $371 million before discretionary transfers and expenditures for the 1997, 1996, 1995, 1994 and 1993 fiscal years, respectively.

1997 Results

The following table compares the forecast for the 1997 fiscal year contained in the financial plan submitted to the Control Board on June 21, 1996 (the "June 1996 Forecast") with the actual operating results for the 1997 fiscal year (the "1997 Operating Results"). The June 1996 Forecast was prepared on a basis consistent with GAAP. For information regarding recent developments, see "SECTION I: RECENT FINANCIAL DEVELOPMENTS".

	June 1996 Forecast	1997 Operating Results	Increase (Decrease) from June 1996 Forecast
		(In Millions)	
REVENUES			
Taxes			
General Property Tax	$ 7,088	$ 7,291	$ 203 (1)
Other Taxes	10,407	11,266	859 (2)
Tax Audit Revenue	659	651	(8)
Criminal Justice Fund	—	90	90 (3)
Tax Reduction Program	(25)	—	25 (4)
Miscellaneous Revenues	4,468	3,732	(736) (5)
Unrestricted Intergovernmental Aid	523	654	131
Anticipated State Actions	50	—	(50)
Other Categorical Grants	293	379	86 (6)
Inter-Fund Revenues	260	245	(15)
Less: Intra-City Revenues	(647)	(683)	(36)
Disallowances Against Categorical Grants	(15)	(36)	(21)
Total City Funds	$23,061	$23,589	$ 528
Federal Categorical Grants	3,771	4,133	362
State Categorical Grants	6,149	6,264	115
Total Revenues	$32,981	$33,986	$1,005
EXPENDITURES			
Personal Services	$16,237	$16,495	$ 258 (7)
Other Than Personal Services	14,128	13,721	(407)(8)
Debt Service	2,735	4,184	1,449 (9)
MAC Debt Service Funding	328	264	(64)
General Reserve	200	0	(200)
	$33,628	$34,664	$1,036
Less: Intra-City Expenses	(647)	(683)	(36)
Total Expenditures	$32,981	$33,981	$1,000
SURPLUS	$ 0	$ 5	$ 5

(1) The increase in the property tax resulted from a decrease in the reserve for uncollectibles, an increase in lien sale proceeds and an increase in collections against prior year levies.

(2) The increase in Other Taxes resulted primarily from increases in the personal income tax of $270 million, business taxes of $402 million, the sales tax of $82 million and all other taxes of $105 million.

(3) The increase in Criminal Justice Fund resulted from the extension of the 12.5% personal income tax surcharge to December 31, 1998.

(4) The increase in Tax Reduction Program resulted from a postponement of various tax reductions.

(5) The decrease in Miscellaneous Revenues is due to decreases in rental income, resulting from a delay in the assumed receipt of revenues from the Port Authority for the City's airports and the elimination of the planned sale of the Water and Sewer system.

(6) The increase in Federal, State and Other Categorical Grants is due in part to budget modifications increasing such grants that were processed during the year.

(7) The increase in Personal Services is due to increased spending, primarily for overtime, offset by reductions from budget modifications processed during the year.

(8) The decrease in Other Than Personal Services is due in part to reductions proposed in the Financial Plan, including prior year payables and a reduction in spending due to the elimination of the planned sale of the Water and Sewer system offset by modifications processed during the year to reflect increased State, Federal and other categorical grants and increased spending of $70 million for school books.

(9) The increase in Debt Service is primarily due to discretionary transfers of $1.342 billion of Debt Service due in fiscal year 1998. It is anticipated that if the City has an operating surplus of $300 million in fiscal year 1998, such sum would be transferred to the General Debt Service Fund for Debt Service due in fiscal year 1999.

SECTION VII: 1998-2001 FINANCIAL PLAN

The following table sets forth the City's projected operations on a basis consistent with GAAP for the 1998 through 2001 fiscal years as contained in the 1998-2001 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".

	1998-2001 Fiscal Years(1)(2) (In Millions)			
	1998	1999	2000	2001
REVENUES				
Taxes				
General Property Tax(3)	$ 7,217	$ 7,333	$ 7,582	$ 7,876
Other Taxes(4)	10,825	11,176	11,732	12,258
Tax Audit Revenue	676	677	677	677
Criminal Justice Fund	185	—	—	—
State Tax Relief Program(5)	(47)	(254)	(472)	(722)
Miscellaneous Revenues	3,649	3,448	3,205	3,197
Unrestricted Intergovernmental Aid	788	853	1,071	1,321
Other Categorical Grants	292	292	293	294
Inter-Fund Revenues(6)	266	265	262	262
Less: Intra-City Revenues	(694)	(697)	(697)	(700)
Disallowances Against Categorical Grants	(15)	(15)	(15)	(15)
Total City Funds	$23,142	$23,078	$23,638	$24,448
Federal Categorical Grants	3,946	3,670	3,628	3,625
State Categorical Grants	6,285	6,273	6,295	6,319
Total Revenues	$33,373	$33,021	$33,561	$34,392
EXPENDITURES				
Personal Service(7)	$17,307	$17,640	$18,667	$18,853
Other Than Personal Service	14,273	14,128	14,272	14,524
Debt Service(4)	1,917	2,979	3,440	3,644
MAC Debt Service Funding(4)	370	551	488	512
General Reserve	200	200	200	200
Total Expenditures	$34,067	$35,498	$37,067	$37,733
Less: Intra-City Expenses	(694)	(697)	(697)	(700)
Net Total Expenditures	$33,373	$34,801	$36,370	$37,033
GAP TO BE CLOSED	$ 0	$(1,780)	$(2,809)	$(2,641)

(1) The four-year financial plan for the 1997 through 2000 fiscal years, as submitted to the Control Board on June 21, 1996, contained the following projections for the 1997-2000 fiscal years: (i) for 1997, total revenues of $32.981 billion and total expenditures of $32.981 billion; (ii) for 1998, total revenues of $32.155 billion and total expenditures of $33.839 billion, with a gap to be closed of $1.684 billion; (iii) for 1999, total revenues of $32.310 billion and total expenditures of $34.969 billion, with a gap to be closed of $2.659 billion; (iv) for fiscal year 2000, total revenues of $32.829 billion and total expenditures of $36.250 billion with a gap to be closed of $3.421 billion.

The four-year financial plan for the 1996 through 1999 fiscal years, as submitted to the Control Board on July 11, 1995, contained the following projections for the 1996-1999 fiscal years: (i) for 1996, total revenues of $31.460 billion and total expenditures of $31.460 billion; (ii) for 1997, total revenues of $31.620 billion and total expenditures of $32.508 billion, with a gap to be closed of $.888 billion; (iii) for 1998, total revenues of $32.055 billion and total expenditures of $33.514 billion, with a gap to be closed of $1.459 billion; (iv) for 1999, total revenues of $32.906 billion and total expenditures of $34.344 billion with a gap to be closed of $1.438 billion.

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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 $31.635 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.

(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 $70 million, $44 million, $38 million and $38 million for the sale of real property tax liens in fiscal years 1998 through 2001, respectively, and property tax relief for owners of condominiums and co-operatives totaling $88 million in the 1998 fiscal year, $140 million in the 1999 fiscal year, $146 million in fiscal year 2000 and $152 million in fiscal year 2001.

(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. This also includes the extension of the 12½% personal income tax surcharge, the 14% personal income tax surcharge, and the base resident and non-resident rate schedule through tax year 2001. Revenues include amounts that are now expected to be paid to the Finance Authority. Personal income taxes will flow directly from the State to the Finance Authority, and flow to the City only to the extent not required by the Finance Authority for debt service, reserves and operating expenses. Sales taxes will flow directly from the State to the Finance Authority, after required payments are made to MAC, to the extent necessary to provide statutory coverage. Estimates of City "Debt Service" include amounts equal to anticipated payments of debt service on Finance Authority obligations.

(5) State Tax Relief Program includes the proposed reduction of property and personal income taxes funded by proposed increased State aid.

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

(7) For an explanation of projected expenditures for personal service costs, see "SECTION VII: 1998-2001 FINANCIAL PLAN—Assumptions—*Expenditure Assumptions*—1. PERSONAL SERVICE COSTS".

Various actions proposed in the Financial Plan are uncertain. 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: 1998-2001 FINANCIAL PLAN—Certain Reports" and "—Assumptions".

Actions to Close the Gaps

In connection with the Financial Plan, the City has outlined a gap-closing program for the 1999, 2000 and 2001 fiscal years to eliminate the remaining $1.8 billion, $2.8 billion and $2.6 billion projected budget gaps for such fiscal years. This program, which is not specified in detail, assumes for the 1999, 2000 and 2001 fiscal years, respectively, additional agency programs to reduce expenditures or increase revenues by $580 million, $853 million and $762 million; savings from restructuring City government and privatization and procurement initiatives of $285 million, $550 million and $550 million; additional revenue initiatives and asset sales of $180 million, $135 million and $60 million; additional State aid of $350 million, $500 million and $500 million; additional entitlement cost containment initiatives of $300 million, $675 million and $675 million; and the availability of $100 million, $100 million and $100 million of the General Reserve.

The City's projected budget gaps for the 2000 and 2001 fiscal years do not reflect the savings expected to result from the 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 1999 budget are not taken into account in projecting the budget gaps for the 2000 and 2001 fiscal years.

Although the City has maintained balanced budgets in each of its last seventeen fiscal years and is projected to achieve balanced operating results for the 1998 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 1998-2001 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 1998-2001 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 1998 through 2001 fiscal years; continuation of projected 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; 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; the impact on City revenues and expenditures of Federal and State welfare reform and any future legislation affecting Medicare or other entitlement programs; 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; 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: 1998-2001 FINANCIAL PLAN—Certain Reports".

The State's budget for the State's 1997-1998 fiscal year, commencing on April 1, 1997, was adopted by the Legislature on August 4, 1997. Prior to adoption of the budget, the Legislature enacted appropriations for disbursements for its 1997-1998 fiscal year considered to be necessary for State operations and other purposes. The State Financial Plan for the 1997-1998 fiscal year was formulated on August 11, 1997 and is based on the State's budget as enacted by the Legislature, as well as actual results for the first quarter of the current fiscal year. The 1997-1998 State Financial Plan is expected to be updated in October and January. The 1997-1998 State Financial Plan is projected to be balanced on a cash basis. Total General Fund receipts and transfers from other funds are projected to be $35.09 billion, while total General Fund disbursements and transfers to other funds are projected to be $34.60 billion. The adopted 1997-1998 budget projects a year-over-year increase in General Fund disbursements of 5.2 percent. As compared to the Governor's proposed budget amended in February 1997, the State's adopted budget for 1997-1998 increases General Fund spending by $1.7 billion, primarily due to increases for local assistance ($1.3 billion). Resources used to fund these additional expenditures include increased revenues projected for the 1997-1998 fiscal year, increased resources produced in the 1996-1997 fiscal year that will be utilized in 1997-1998, reestimates of social service, fringe benefit and other spending, and certain non-recurring resources.

The 1997-1998 adopted budget includes multi-year tax reductions, including a State funded property and local income tax reduction program, estate tax relief, utility gross receipts tax reductions, permanent reductions in the State sales tax on clothing, and elimination of assessments on medical providers. The various elements of the State and local tax and assessment reductions have little or no impact on the 1997-1998 Financial Plan, and do not begin to materially affect the out-year projections until the State's 1999-2000 fiscal year.

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, may vary from fiscal year to fiscal year, and are frequently the result of actions taken not only by the State and its agencies and instrumentalities, but also by entities, such as the Federal government, that are not under the control of the State. In addition, the State Financial Plan is based upon forecasts of national and State economic activity. Economic forecasts have frequently failed to predict accurately the timing and magnitude of changes in the national and the State economies. Actual results could differ materially and adversely from projections and those projections may be changed materially and adversely from time to time.

The State closed projected budget gaps of $5.0 billion, $3.9 billion and $2.3 billion for its 1995-1996, 1996-1997 and 1997-1998 fiscal years, respectively. The 1998-1999 budget gap was projected at $1.68 billion (before the application of any assumed efficiencies) in the out-year projections submitted to the Legislature in February 1997. As a result of changes made in the adopted budget, the 1998-1999 gap is now expected by the State to be about the same or smaller than the amount previously projected, after application of the $530 million reserve for future needs. The Governor has indicated that he will propose to close any potential imbalance primarily through General Fund expenditure reductions and without increases in taxes or deferrals of scheduled tax reductions. The revised expectations for the 1998-1999 fiscal year reflect the loss of $1.4 billion in surplus resources from 1996-1997 operations that are being utilized to finance current year spending, an incremental effect of approximately $300 million in legislated State and local tax reductions in the out-year and other factors.

In recent years, State actions affecting the level of receipts and disbursements, the relative strength of the State and regional economy, actions of the Federal government and other factors have created structural budget gaps for the State. These gaps resulted from a significant disparity between recurrent revenues and the costs of maintaining or increasing the level of support for State programs. To address a potential imbalance in any given fiscal year, the State would be required to take actions to increase receipts and/or reduce disbursements as it enacts the budget for that year, and under the State Constitution, the Governor is required to propose a balanced budget each year. There can be no assurance, however, that the Legislature will enact the Governor's proposals or that the State's actions will be sufficient to preserve budgetary balance in a given fiscal year or to align recurring receipts and disbursements in future fiscal years.

Other actions taken in the 1997-1998 adopted budget add further pressure to future State budget balance. For example, the fiscal effects of tax reductions adopted in the 1997-1998 budget are projected to grow more substantially beyond the 1998-1999 fiscal year. The full annual cost of the enacted tax reduction package is estimated by the State at approximately $4.8 billion when fully effective in State fiscal year 2001-2002. In addition, the 1997-1998 budget included multi-year commitments for school aid and pre-kindergarten early learning programs which could add as much as $1.4 billion in costs when fully annualized in fiscal year 2001-2002. These spending commitments are subject to annual appropriation.

On September 11, 1997, the New York State Comptroller issued a report which noted that the ability to deal with future budget gaps could become a significant issue in the State's 2000-2001 fiscal year, when the cost of tax cuts increases by $1.9 billion. The report contained projections that, based on current economic conditions and current law for taxes and spending, showed a gap in the 2000-2001 State fiscal year of $5.6 billion and of $7.4 billion in the 2001-2002 State fiscal year. The report noted that these gaps would be smaller if recurring spending reductions produce savings in earlier years. The State Comptroller has also stated that if Wall Street earnings moderate and the State experiences a moderate recession, the gap for the 2001-2002 State fiscal year could grow to nearly $12 billion.

The State intends to issue its second quarterly update to the 1997-1998 State Financial Plan on October 30, 1997.

In recent years, the State has failed to adopt a budget prior to the beginning of its fiscal year. A prolonged delay in the adoption of the State's budget beyond the statutory April 1 deadline without interim appropriations 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.

The State's Annual Information Statement, updates and any supplements thereto may be obtained by contacting the Division of the Budget, State Capitol, Albany, New York 12224, Tel.: (518) 473-8705.

On August 28, 1997, Standard & Poor's Ratings Services, a division of The McGraw-Hill Companies, Inc. ("Standard & Poor's") revised its ratings on the State's general obligation bonds from A- to A and, in addition, revised its ratings on the State's moral obligation, lease purchase, guaranteed and contractual obligation debt. On January 6, 1992, Moody's Investors Service ("Moody's") reduced its ratings on outstanding limited-liability State lease purchase and contractual obligations from A to Baa1. On February 10, 1997, Moody's confirmed its A2 rating on the State's general obligation long-term indebtedness.

The projections and assumptions contained in the 1998-2001 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 June 1997. 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 years 1996 and 1997, economic growth will slow, with local employment increasing modestly through fiscal year 2001. This assumption is based on continuing restrictive monetary policy. 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 1997 through 2001. This forecast is based upon information available in June 1997.

Forecast of Key Economic Indicators

	Calendar Years				
U.S. ECONOMY	**1997**	**1998**	**1999**	**2000**	**2001**
Economic Activity and Income					
Real GDP (billions of 1992 dollars)	7,111.9	7,251.7	7,399.9	7,559.9	7,699.0
Percent Change	3.0	2.0	2.0	2.2	1.8
Pre-tax Corporate Profits ($ billions)	669.9	690.0	720.4	754.3	785.2
Percent Change	4.7	3.0	4.4	4.7	4.1
Personal Income ($ billions)	6,807.0	7,131.7	7,453.7	7,812.4	8,170.0
Percent Change	5,5	4.8	4.5	4.8	4.6
Employment (millions)	122.0	124.0	125.7	127.6	129.6
Change From Prior Year	2.5	2.0	1.7	1.9	2.0
Unemployment Rate	5.3	5.3	5.5	5.6	5.7
CPI-All Urban (1982-84=100)	161.0	165.4	170.1	175.4	181.0
Percent Change	2.6	2.7	2.9	3.1	3.2
Wage Rate ($ per year)	31,437	32,375	33,312	34,272	35,217
Percent Change	3.5	3.0	2.9	2.9	2.8
3-month Treasury Bill Rate	5.3	5.4	5.2	5.1	4.8
Federal Funds Rate	5.6	5.9	5.5	5.4	5.0
NEW YORK CITY ECONOMY					
Personal Income ($ billions)	241.4	251.0	261.2	273.4	285.5
Percent Change	5.5	4.0	4.1	4.7	4.4
Non-Agricultural Employment (thousands)	3,397.9	3,417.2	3,439.6	3,458.7	3,475.6
Change From Prior Year	40.4	19.4	22.4	19.1	16.9
Real Gross City Product (billions of 1992 dollars)	321.5	325.5	332.3	341.3	349.2
Percent Change	2.7	1.2	2.1	2.7	2.3
Wage Rate ($ per year)	48,285	49,828	51,577	53,787	55,998
Percent Change	4.9	3.2	3.5	4.3	4.1
CPI-All Urban NY-NJ Area (1982-84=100)	171.3	175.7	180.4	185.6	191.1
Percent Change	2.6	2.6	2.7	2.9	3.0

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 1997 fiscal year was 3.72%. The 1998-2001 Financial Plan projects delinquency rates of 2.69%, 2.68%, 2.68% and 2.34%, respectively, for the 1998 through 2001 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 1998-2001 Financial Plan. The amounts set forth below include projected tax program revenues and excludes the Criminal Justice Fund and audit revenues.

	1998	1999	2000	2001
		(In Millions)		
Personal Income(1)	$ 4,187	$ 4,525	$ 4,796	$ 5,056
General Corporation	1,221	1,191	1,243	1,279
Banking Corporation	377	380	390	403
Unincorporated Business Income	507	555	592	630
Sales	2,888	2,854	2,996	3,123
Commercial Rent	379	365	368	388
Real Property Transfer	214	228	244	252
Mortgage Recording	184	196	208	216
Utility	219	223	228	233
All Other(2)	649	658	667	678
Total	$10,825	$11,175	$11,732	$12,258

(1) Personal Income includes revenues which would be generated by extension of the 14% personal income tax surcharge beyond calendar year 1999 and extension of the 12.5% personal income tax surcharge beyond calendar year 1998, resulting in revenues aggregating to $188 million, $693 million and $1,048 million in the 1999, 2000 and 2001 fiscal years, respectively, and the Personal Income projections assume renewal of both surcharges, which requires enactment of State legislation.

(2) All Other includes, among others, stock transfer tax, the OTB net revenues, cigarette, beer and liquor taxes, the hotel tax and the automobile use tax. Stock transfer tax is $114 million in each of the 1997 through 2001 fiscal years.

The 1998-2001 Financial Plan reflects the following assumptions regarding projected baseline revenues from Other Taxes: (i) with respect to personal income tax revenues, slower income growth commencing in the 1998 fiscal year, reflecting moderation in securities industry profits, and no change in the Federal tax treatment of capital gains; (ii) with respect to the general corporation tax, a slowdown in the outlook for the securities industry in fiscal year 1998 and subsequent years, an increase in refunds in the 1998 fiscal year 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 starting in 1998, reflecting a slowdown in securities activities and loan growth; (iv) with respect to the unincorporated business tax, a decline in 1998 reflecting lower profits on Wall Street; (v) with respect to the sales tax, a slowdown in the economy and securities industry wage income growth in fiscal year 1998; (vi) with respect to the mortgage recording and real property transfer taxes, modest growth in fiscal year 1998 reflecting moderating growth in employment and the local economy; (vii) with respect to the commercial rent tax, continuing improvement in occupancy and rental rates; and (viii) with respect to the All Other category, the current general economic forecast. The 1998-2001 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 (including two temporary surcharges), for the general corporation tax, for the two special sales taxes and for the cigarette tax. Legislation extending the general corporation tax, the two special sales taxes and the cigarette tax to December 31, 1997 has been enacted. Legislation has been enacted extending the current rate structure for the non-resident earnings tax and the resident personal income tax (excluding the 12.5% personal income tax surcharge) to December 31, 1999. On December 31, 1999, a lower rate schedule for the resident personal income tax with a maximum rate of 1.61% is to become effective, unless the current rate schedule is extended, as has been the case since 1989. The rate schedule for the resident personal income tax is scheduled to further decline to 1.48% on January 1, 2001. The Financial Plan assumes the timely extension of the current maximum rate of 3.4% for the resident personal income tax. Legislation extending the 12.5% personal income tax surcharge to December 31, 1998, was enacted in March 1997. Legislation extending the 14% personal income tax surcharge to December 31, 1999 was also enacted. Under current legislation, the City's 4% sales tax would be reduced to 3% on July 1, 2008 or earlier if MAC's funding requirements for the payment of outstanding debt and other expenses are met prior to July 1, 2008. The Financial Plan reflects the continuation of the sales tax at the rate of 4%. The 1998-2001 Financial Plan also assumes that the State Legislature will approve the proposed elimination of the City's 4% sales tax on clothing items under $500, increase in the unincorporated business tax credit, the creation of an unincorporated business tax credit against the resident personal income tax, further reduction of the effective commercial rent tax rate, exemption from the real property transfer tax for assumable mortgages and elimination of the vault charge and the tax on coin operated amusement machines.

4. Miscellaneous Revenues

The following table sets forth amounts of miscellaneous revenues projected to be received by the City in the 1998-2001 Financial Plan.

	1998	1999	2000	2001
		(In Millions)		
Licenses, Permits and Franchises	$ 249	$ 247	$ 247	$ 248
Interest Income	119	107	99	100
Charges for Services	409	400	399	399
Water and Sewer Payments(1)	847	772	766	774
Rental Income	137	476	262	253
Fines and Forfeitures	506	488	481	475
Other	688	261	254	248
Intra-City Revenues	694	697	697	700
Total	$3,649	$3,448	$3,205	$3,197

(1) Received from the Water Board. For further information regarding the Water Board, see "Section VII: 1998-2001 Financial Plan—Long-Term Capital and Financing Program".

The 1998-2001 Financial Plan projects that aggregate miscellaneous revenues categories will remain relatively stable with offsetting increases and declines. Rental Income in the 1999 through 2001 fiscal years includes $385 million, $175 million and $170 million from the Port Authority as rent payments for the City's airports, of which $350 million, $140 million and $135 million in the 1999 through 2001 fiscal years, respectively, is currently the subject of a dispute with the Port Authority. Other revenues include a $200 million payment in the 1998 fiscal year from the MTA.

Among the rent claims which the City has asserted in an arbitration against the Port Authority is a $187 million claim resulting from the Port Authority's exclusion from the City rent calculation of the sum of passenger facility charges ("PFCs") which the Port Authority has collected since 1992. On June 27, 1996, the Appellate Division of the New York Supreme Court held that the PFC claim does not raise any issue of Federal law so long as any additional rent to be paid on the claim would be paid from funds other than PFCs. On November 20, 1996, the Chief Counsel of the Federal Aviation Administration ("FAA") issued a letter, at the Port Authority's request, stating that it was the FAA's position that under Federal law the sums of PFCs collected by the Port Authority could not be included in the determination of rent. On January 21, 1997, the Chief Counsel stated in a letter to the City's Corporation Counsel that his prior letter was an "advisory opinion" that by its terms was not binding. If the City prevails on the PFC claim, the additional rent resulting from that claim would not be paid from PFCs; rather, such payment would be made from the Port Authority's consolidated operating funds.

5. Unrestricted Intergovernmental Aid

The following table sets forth amounts of unrestricted intergovernmental aid projected to be received by the City in the 1998-2001 Financial Plan.

	1998	1999	2000	2001
		(In Millions)		
State Revenue Sharing	$503	$330	$ 330	$ 330
Other Aid	285	523	741	991
Total	$788	$853	$1,071	$1,321

The Other Aid category primarily consists of approximately $ 134 million annually from aid associated with the State takeover of long-term care Medicaid costs, $35 million annually from New York State audits, $23 million annually in inter-governmental transfers, $25 million annually from the Stock Transfer Incentive Fund and proposed State aid for tax relief of $47 million to $722 million in fiscal years 1998 through 2001. In addition, collections in fiscal year 1998 include $12 million in prior year claim 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: 1998-2001 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 1998-2001 Financial Plan.

	1998	1999	2000	2001
	(In Millions)			
Federal				
JTPA	$ 92	$ 93	$ 93	$ 93
Community Development(1)	276	259	257	257
Welfare	2,380	2,280	2,263	2,273
Education	767	767	767	767
Other	431	271	248	235
Total	$3,946	$3,670	$3,628	$3,625
State				
Welfare	$1,632	$1,581	$1,544	$1,550
Education	3,993	4,032	4,121	4,132
Higher Education	155	155	155	155
Health and Mental Health	263	263	234	234
Other	242	242	241	248
Total	$6,285	$6,273	$6,295	$6,319

(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 1998-2001 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 projected State budget gaps and the possible impact on State aid to the City, see "Section VII: 1998-2001 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 June 30, 1997, approximately 15.31% of the City's full-time employees (consisting of employees of the mayoral agencies and BOE) were paid by JTPA funds, Community Development funds, water and sewer funds and from other sources not funded by unrestricted revenues of the City. In the 1998 fiscal year, the City will receive $222.5 million from the Community Development Block grant. This is $6.5 million less than the amount received in the 1997 fiscal year.

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 1998-2001 Financial Plan. The amounts of such disallowances attributable to prior years declined from $124 million in the 1977 fiscal year to $87 million in the 1997 fiscal year. This decrease reflects favorable experience with the level of disallowances in recent years, which may not continue. As of June 30, 1997, the City had an accumulated reserve of $168 million for future disallowances of categorical aid.

On August 5, 1997 the President signed the Balanced Budget Act of 1997 into law. The Act includes various tax reductions, reinstates SSI and Medicaid eligibility for some immigrants, adds significant funding for State Welfare to Work programs and reduces Medicaid Disproportionate Share payments. The House and the Senate are in the process of completing the appropriation bills for the 1998 fiscal year.

On August 22, 1996 the President signed the Personal Responsibility and Work Opportunity Reconciliation Act of 1996 (the ''1996 Welfare Act''). This new law made significant changes to welfare and other benefit programs. Major changes included conversion of AFDC into the TANF block grant to states, new work requirements and durational limits on recipients of TANF, and limits on assistance provided to immigrants. City expenditures as a result of welfare reform are estimated in the Financial Plan at $49 million in fiscal year 1998, $45 million in fiscal year 1999, $38 million in fiscal year 2000 and $44 million in fiscal year 2001. In addition, the City's naturalization initiative, CITIZENSHIP NYC, will assist immigrants made ineligible under Federal law to regain eligibility for benefits, by helping them through the application process for citizenship. The Financial Plan assumes that 75% of those immigrants who otherwise would have lost benefits will become citizens, resulting in projected savings to the City in public assistance expenditures of $6 million in fiscal year 1999, $24 million in fiscal year 2000 and $25 million in fiscal year 2001. Federal legislation enacted August 5, 1997, reinstated eligibility for even more immigrants currently on the rolls than projected. The outyear estimates made by OMB are preliminary and depend on a variety of factors, which are impossible to predict, including the implementation of workfare and child care programs modified by newly enacted State law, the impact of possible litigation challenging the law, and the impact of adverse economic developments on welfare and other benefit programs. In accordance with the Federal welfare reform law, the Governor submitted a State plan to the Federal government and such plan was deemed complete as of December 2, 1996. New York State's welfare reform, bringing the State into compliance with the 1996 Welfare Act and making changes to the Home Relief program, was signed into law on August 20, 1997. The Governor submitted an amended State plan to the Federal government, reflecting these changes, on September 20, 1997. Implementation of the changes at the State level will in part determine the possible costs or savings to the City. It is expected that OMB's preliminary estimates of potential costs will change, based on new policies to be developed by the State and City with respect to benefits no longer funded as Federal entitlements. For information concerning litigation relating to the City's workfare program, see ''SECTION VII: ASSUMPTIONS—*Expenditure Assumptions*—2. Other Than Personal Service Costs—*Public Assistance*''.

Expenditure Assumptions

1. PERSONAL SERVICE COSTS

The following table sets forth projected expenditures for personal service costs contained in the 1998-2001 Financial Plan.

	1998	1999	2000	2001
		(In Millions)		
Wages and Salaries	$12,296	$12,127	$12,222	$12,292
Pensions	1,529	1,438	1,501	1,471
Other Fringe Benefits	3,176	3,283	3,534	3,592
Reserve for Collective Bargaining(1)	306	792	1,410	1,498
Total	$17,307	$17,640	$18,667	$18,853

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

The 1998-2001 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 or water and sewer funds, will increase from an estimated level of 203,401 on June 30, 1997 to an estimated level of 203,465 by June 30, 2001, 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. The City has reached settlements with unions representing approximately 86% of the City's workforce. The Financial Plan reflects the costs of the settlements and assumes similar increases for all other City-funded employees. For additional information 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.

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

2. OTHER THAN PERSONAL SERVICE COSTS

The following table sets forth projected OTPS expenditures contained in the 1998-2001 Financial Plan.

	1998	1999	2000	2001
		(In Millions)		
Administrative OTPS	$ 7,207	$ 7,114	$ 7,228	$ 7,304
Public Assistance	2,554	2,431	2,377	2,398
Medical Assistance (Excluding City Medicaid Payments to HHC)	2,230	2,286	2,349	2,432
HHC Support	760	780	799	820
Other	1,522	1,517	1,519	1,570
Total	$14,273	$14,128	$14,272	$14,524

Legislation has been passed by the State which prohibits the disposal of solid waste in any landfill located within the City after December 31, 2001. The Financial Plan reflects estimated costs of phasing out the use of landfills located within the City. In addition, certain elected officials from Staten Island have commenced a lawsuit against the Mayor, the Governor, and certain appointed City and State officials alleging improper operation of the Fresh Kills landfill, located in Staten Island, New York, without certain permits required by the Clean Air Act and seeking to enjoin such operation. A settlement has been negotiated by the parties to the lawsuit and will be submitted to the court for approval. The settlement will not involve closure of the Fresh Kills landfill earlier than required by State legislation. Further, a suit has been commenced against the City by private individuals under the Resource Conservation and Recovery Act seeking to compel the City to take certain measures or, alternatively, to close the Fresh Kills landfill. If, as a result of such litigation, the City is required to close the landfill earlier than required by State legislation, the City could incur additional costs during the Financial Plan period.

Administrative OTPS

The 1998-2001 Financial Plan contains estimates of the City's administrative OTPS expenditures for general supplies and materials, equipment and selected contractual services in the 1997 and 1998 fiscal years. Thereafter, to account for inflation, selected OTPS expenditures are projected to rise by approximately 2.6%, 2.8% and 2.9% in fiscal years 1999 through 2001, respectively. 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 1998-2001 Financial Plan assumes different rates of inflation for energy costs for each of the 1998 through 2001 fiscal years. Inflation rates for each of the 1998 through 2001 fiscal years are set forth in the following table.

	1998	1999	2000	2001
Gasoline and Fuel Oil	0.0%	1.0%	2.0%	4.5%
Electricity	1.0	1.0	1.0	1.5
Natural Gas	6.0	4.0	3.0	1.5

Total energy expenditures are projected at $496 million in the 1998 fiscal year, rising to $512 million in fiscal year 2001. 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 1998 adjustments, where applicable.

Public Assistance

The average number of persons receiving income benefits under public assistance is projected to be 849,224 per month in the 1998 fiscal year. The 1998-2001 Financial Plan projects that the average number of recipients will decrease by 9.8% in the 1998 fiscal year from the average number of recipients in the 1997 fiscal year. The Financial Plan assumes that public assistance grant levels will remain flat in the 1998 fiscal year. Of total public assistance expenditures in the City for the 1998 fiscal year, the City-funded portion is projected to be $521.0 million, a decrease of 20.2% from the 1997 fiscal year, and continues to decrease to $452.4 million in fiscal year 2001.

The City operates a workfare program for recipients of TANF and Safety Net Assistance (formerly Home Relief). Recipients are assigned to work a certain number of hours each month, determined in relation to the amount of their grant. The State Supreme Court, New York County has recently ruled that the City has not been determining the number of hours which workfare participants must work in a manner consistent with requirements of the State Constitution and the Social Services Law (since amended by legislation enacted August 20, 1997) which, among other things, could result in workfare participants working fewer hours. The City has filed a notice of appeal.

Medical Assistance

Medical assistance payments projected in the 1998-2001 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 $2.119 billion for the 1998 fiscal year and is expected to increase to $2.341 billion in fiscal year 2001. 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 1998-2001 Financial Plan do not include 81.2% of the non-Federal share of long-term care costs which have been assumed by the State. The 1998-2001 Financial Plan projects savings of $786 million in the 1998 fiscal year due to the State having assumed such costs, and projects such savings will increase to $875 million in fiscal year 2001.

Health and Hospitals Corporation

Support for HHC in the 1998-2001 Financial Plan includes City-funded Medicaid payments to HHC as well as other subsidies to HHC.

HHC operates under its own section of the 1998-2001 Financial Plan as a Covered Organization. HHC's financial plan projects City-funded expenditures of $759 million for the 1998 fiscal year, increasing to $820 million in fiscal year 2001. The City-funded expenditures in the 1998 fiscal year include $48 million for the care of prisoners and uniformed personnel, $7 million of general City support, $647 million of Medicaid payments to HHC and $57 million for certain intra-city payments. A positive closing cash balance is 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. The HHC plan projects total receipts of $3,254 million in the 1998 fiscal year, increasing to $3,470 million in fiscal year 2001. The HHC plan projects total disbursements of $3,292 million in the 1998 fiscal year, increasing to $3,447 million in the fiscal year 2001. These projections assume: (i) collective bargaining increases in personal service and fringe benefits that correspond to the agreements reached with the coalition of unions of City employees, offset by attrition of 1%, 0.9% and 1.2% in fiscal years 1998 through 2000, respectively; (ii) increases in other than personal service costs of 3% in fiscal years 1998 and 1999 and 2% and 1% in fiscal years 2000 and 2001, respectively; (iii) decreases in affiliation contract costs of 5%, 4.5%, 3% and 1.5% in fiscal years 1998 through 2001; and (iv) Medicaid increases of 2.3% in fiscal year 1998, 2.9% in fiscal year 1999 (net of a 53rd weekly payment), 1.5% and 1.7% in fiscal years 2000 and 2001, respectively. In addition, significant changes have been and may be made in Medicaid, Medicare and other third-party payor programs, and significant changes are being proposed in the State's 1997-1998 Executive Budget in Medicaid programs, which would have a material adverse impact on HHC's financial condition. For additional information concerning HHC see "SECTION VII: 1998-2001 FINANCIAL PLAN—*Certain Reports*".

Other

The projections set forth in the 1998-2001 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

In early May 1997 the City published a financial plan for NYCT covering its 1997 through 2001 fiscal years (the "NYCT Financial Plan"). NYCT's fiscal year is the calendar year. The NYCT Financial Plan projects for its 1997 fiscal year, among other things, a surplus of $2.1 million, with operating expenses of approximately $3.7 billion. City assistance to NYCT is $231 million for NYCT's 1997 fiscal year. A restoration of $45 million was made in each of the City's 1998-2001 fiscal years for the City's share of school fare subsidy.

The NYCT Financial Plan forecasts a surplus of $1.2 million in 1998 and gaps of $50.9 million in 1999, $90.8 million in 2000 and $130.8 million in 2001 before implementation of additional gap-closing actions. These out-year gaps are not required to be funded in the City's financial plans. The plan assumes that the gaps in the 1999 through 2001 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 July 13, 1996, the State Legislature approved, and the Governor subsequently signed into law, legislation authorizing a five-year $11.9 billion capital plan for the MTA for 1995 through 1999, including approximately $9 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 City pledged $1.06 billion towards this five-year capital program. The MTA submitted the 1995-1999 Capital Program based on this legislation to its own Board, which approved the program in November 1995 and modified it in April 1996. The program was later submitted to the MTA Capital Program Review Board (the "CPRB"), as State law requires, and was approved on July 11, 1997.

The MTA 1995-1999 Capital Program supersedes the previous capital program for the period covering 1992-1996, which totaled $9.56 billion in cost, with $7.4 billion in projects for NYCT. The program for the years 1995 and 1996 experienced minimal changes in the 1995-1999 capital program, under the new five-year cycle. Under the old five-year cycle, there were two previous capital programs covering the periods 1987-1991 and 1982-1986.

There can be no assurance that all the necessary governmental actions for the MTA's future capital programs will be taken, that funding sources currently identified will not be reduced or eliminated, or that parts of the capital program, 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.

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 28.0% of the City's budget is allocated to BOE for the 1998 fiscal year, exceeding the amount required by the Stavisky-Goodman Act.

The 1998-2001 Financial Plan assumes student enrollment to be 1,093,927, 1,106,395, 1,117,483 and 1,124,832 in the 1998 through 2001 fiscal years, respectively.

Judgments and Claims

In the fiscal year ended on June 30, 1997, the City expended $327 million for judgments and claims. The 1998-2001 Financial Plan includes provisions for judgments and claims of $325 million, $348 million, $373 million and $405 million for the 1998 through 2001 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, 1997 amounted to approximately $3.5 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 1997 Financial Statements include an estimate that the City's liability in the *certiorari* proceedings, as of June 30, 1997, could amount to approximately $378 million. Provision has been made in the Financial Plan for estimated refunds of $288.6 million, $262 million, $213.5 million and $208.5 million for the 1998 through 2001 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 1998 through 2001 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 1998-2001 Financial Plan includes a reserve of $200 million for fiscal years 1998 through 2001.

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.

On July 16, 1997, the City Comptroller issued a report on the Financial Plan. With respect to the 1998 fiscal year, the report identified a possible $112 million surplus or a possible total net budget gap of up to $440 million, depending primarily on whether the tax reduction program proposed in the Financial Plan is implemented and the 14% personal income tax surcharge is extended beyond December 31, 1997. The risks identified in the report for the 1998 fiscal year include (i) $178 million related to BOE, resulting primarily from unidentified expenditure reductions and prior year State aid receivables; (ii) State aid totaling $115 million which is assumed in the Financial Plan but not provided for in the Governor's Executive Budget; (iii) State approval of the extension of the 14% personal income tax surcharge beyond December 31, 1997, which would generate $169 million in the 1998 fiscal year; (iv) City proposals for State aid totaling $271 million, including the acceleration of $142 million of State revenue sharing payments from the 1999 fiscal year to the 1998 fiscal year, which are subject to approval by the Governor and/or the State Legislature; and (v) the assumed sale of the Coliseum for $200 million, which may be delayed. The report noted that these risks could be partially offset by between $597 million and $765 million in potentially available resources, including $200 million of higher projected tax revenues, $150 million of possible additional State education aid and the possibility that the proposed sales tax reduction will not be enacted, which would result in $157 million of additional tax revenues in the 1998 fiscal year. With respect to the 1998 fiscal year, the report stated that the City has budgeted $200 million in the General Reserve and included in the Financial Plan a $300 million surplus to be used in the 1999 fiscal year, making the potential $440 million budget gap manageable. However, the report also expressed concern as to the sustainability of profits in the securities industry.

With respect to the 1999 and subsequent fiscal years, the report identified total net budget gaps of between $1.9 billion and $2.8 billion, $2.6 billion and $4.0 billion, and $2.4 billion and $3.8 billion for the 1999 through 2001 fiscal years, respectively, which include the gaps set forth in the Financial Plan. The potential risks and potential available resources identified in the report for the 1999 through 2001 fiscal years include most of the risks and resources identified for the 1998 fiscal year, except that the additional risks for the 1999 through 2001 fiscal years include (i) assumed payments from the Port Authority relating to the City's claim for back rentals and an increase in future rentals, part of which are the subject of arbitration, totaling $350 million, $140 million and $135 million in the 1999-2001 fiscal years, respectively; and (ii) State approval of the extension of the 12.5% personal income tax surcharge beyond December 31, 1998, which would generate $190 million, $527 million and $554 million in the 1999 through 2001 fiscal years, respectively.

On September 18, 1997, the City Comptroller issued a report commenting on developments with respect to the 1998 fiscal year. The report noted that the City's adopted budget, which is reflected in the Financial Plan, had assumed additional State resources of $612 million in the 1998 fiscal year, and that the approved State budget provided resources of only $216 million for gap-closing purposes. The report further noted that, while the City will receive $322 million more in education aid in the 1998 fiscal year than assumed in the City's adopted budget, it is unlikely that the funding will be entirely available for gap-closing purposes. In addition, the report noted that the City's financial statements currently contain approximately $643 million in uncollected State education aid receivables from prior years as a result of the failure of the State to appropriate funds to pay these claims, and that the staff of BOE has indicated that an additional $302 million in prior year claims is available for accrual. The report stated that the City Comptroller maintains the position that no further accrual of prior year aid will take place, including $75 million in aid assumed in the City's adopted budget for the 1998 fiscal year, unless the State makes significant progress to retire the outstanding prior year receivables. On October 28, 1997, the City Comptroller issued a subsequent report commenting on recent developments. With respect to the 1997 fiscal year, the report noted that the City ended the 1997 fiscal year with an operating surplus of $1.367 billion, before certain expenditures and discretionary transfers, of which $1.362 billion was used for expenditures due in the 1998 fiscal year. With respect to tax revenues for the 1998 fiscal year, the report noted that total tax revenues in the first quarter of the 1998 fiscal year were $244.3 million above projections in the Financial Plan, excluding audit collections which were $31.2 million less than projected. The report stated that the increased tax revenues included $110.3 million of greater than projected general property tax receipts, which resulted, in part, from a prepayment discount program, and increased revenues from the personal income, banking corporation, general corporation and unincorporated business taxes. The report noted that Wall Street profits exceeded expectations in the first half of the 1997 calendar year. However, the report noted that the stock market in the last two weeks of October has declined as a result of currency turmoil in Southeast Asia. The report noted that, while tax revenues in the 1998 fiscal year should not be significantly affected by the recent stock market decline, since there is a lag between activity on Wall Street and City tax revenues, if the current stock market decline persists, tax revenue forecasts for subsequent years will have to be revised downward. The report noted that the City was not affected by the October 1987 stock market crash until the 1990 fiscal year, when revenues from the City's business and real estate taxes fell by 20% over the 1989 fiscal year. The report also noted that expenditures for short-term and long-term debt issued during the first half of the 1998 fiscal year are estimated to be between approximately $53.9 million and $58.8 million below levels anticipated in the City's adopted budget for the 1998 fiscal year, approximately $20 million below anticipated levels in the 1999 fiscal year and approximately $30 million below anticipated levels in each of fiscal years 2000 and 2001 due to less borrowing and lower interest rates than assumed.

On July 2, 1997, the staff of the OSDC issued a report on the Financial Plan. The report projected a potential surplus for the 1998 fiscal year of $190 million, due primarily to the potential for greater than forecast tax revenues, and projected budget gaps for the 1999 through 2001 fiscal years which are slighly less than the gaps set forth in the Financial Plan for such years. The report also identified risks of $518 million, $1.1 billion, $1.3 billion and $1.4 billion for the 1998 through 2001 fiscal years, respectively. The additional risks identified in the report relate to: (i) the receipt of Port Authority lease payments totaling $350 million, $140 million and $135 million in the 1999 through 2001 fiscal years, respectively; (ii) City proposals for State aid totaling $271 million, $121 million, $125 million and $129 million in the 1998 through 2001 fiscal years, respectively, including the acceleration of $142 million of State revenue sharing payments from the 1999 fiscal year to the 1998 fiscal year, which are subject to approval by the Governor and/or the State Legislature; (iii) the receipt of $200 million in the 1998 fiscal year in connection with the proposed sale of the New York Coliseum; (iv) the receipt of $47 million in the 1998 fiscal year from the sale of certain other assets; (v) uncertain State education aid and expenditure reductions relating to BOE totaling $325 million in each of the 1999 through 2001 fiscal years; (vi) State approval of a three-year extension to the City's 12.5% personal income tax surcharge, which is scheduled to expire on December 31, 1998 and which would generate revenues of $230 million, $525 million and

$550 million in the 1999 through 2001 fiscal years, respectively; and (vii) the potential for additional funding needs for the City's labor reserve totaling $104 million, $225 million and $231 million in the 1999 through 2001 fiscal years, respectively, to pay for collective bargaining increases for the Covered Organizations, which the Financial Plan assumes will be paid for by the Covered Organizations, rather than the City. The report also noted that the Financial Plan assumes that the State will extend the 14% personal income tax that is scheduled to expire in December 1997, which would generate revenues of $200 million in the 1998 fiscal year and $500 million annually in subsequent fiscal years, and that the Financial Plan makes no provision for wage increases after the expiration of current contracts in fiscal year 2000, which would add $430 million to the 2001 fiscal year budget gap if employees receive wage increases at the projected rate of inflation. The report noted that the Financial Plan includes an annual General Reserve of $200 million and sets aside an additional $300 million in the 1998 fiscal year to reduce the budget gap for the 1999 fiscal year if such funds are not needed in the 1998 fiscal year. With respect to the gap-closing program for the 1999 through 2001 fiscal years, the report noted that the City has broadly outlined a program that relies heavily on unspecified agency actions, savings from reinvention and other unspecified initiatives and uncertain State aid and entitlement program reductions which depend on the cooperation of others.

The report concluded that while 1997 was an unexpectedly good fiscal year for City revenues, the City projects that the rate of spending for the 1998 fiscal year will grow substantially faster than the rate of revenues, reflecting increasing costs for labor, debt service, Medicaid and education, and that the gaps for the subsequent fiscal years continue to present a daunting challenge. With respect to the economy, the report noted that the major risks to the City's economic and revenue forecasts continue to relate to the pace of both the national economy and activity on Wall Street, that the potential exists for a national recession over the next four years, and that Wall Street volatility can have a negative effect, as was apparent in 1994 when the Federal Reserve repeatedly raised interest rates and the profits of securities firms fell. Other concerns identified in the report include: (i) $76 million in retroactive claims for State education aid included in the Financial Plan for the 1998 fiscal year which may not be realized; (ii) a potential risk of $698 million in State education aid owed to the City by the State for prior years, all or a portion of which the City could be forced to write-off if further delays occur in the State agreeing to fund these claims; and (iii) the potential adverse impact on HHC over the long-term of the planned expansion of managed care which emphasizes out-patient services with fixed monthly fees, uncertainty covering projected savings from a proposal that most Medicaid recipients be required to enroll in managed care, which is subject to approval by the Federal Government, and the possibility that the recent Federal budget agreement could substantially reduce aid to hospitals which serve a large number of medically indigent patients.

On July 15, 1997, the staff of the Control Board issued a report commenting on the Financial Plan. The report stated that, while the City should end the 1998 fiscal year with its budget in balance, the Financial Plan still contains large gaps beginning in the 1999 fiscal year, reflecting revenues which are not projected to grow during the Financial Plan Period and expenditures which are projected to grow at about the rate of inflation. The report identified net risks totaling $485 million, $930 million, $1.2 billion and $1.4 billion for 1998 through 2001 fiscal years, respectively, in addition to the gaps projected in the Financial Plan for fiscal years 1999 through 2001. The principal risks identified in the report included (i) potential tax revenues shortfalls totaling $150 million, $300 million and $400 million for the 1999 through 2001 fiscal years, respectively, based on historical average trends; (ii) BOE's structural gap, uncertain State funding of BOE and implementation by BOE of various unspecified actions, totaling $163 million, $209 million, $218 million and $218 million in the 1998 through 2001 fiscal years, respectively; (iii) the proposed sale of certain assets in the 1998 fiscal year totaling $248 million, which could be delayed; (iv) assumed additional State actions totaling $271 million, $121 million, $125 million and $129 million in the 1998 through 2001 fiscal years, respectively; (v) revenues from the extension of the 12.5% personal income tax surcharge beyond December 31, 1998, totaling $188 million, $527 million and $554 million in the 1999 through 2001 fiscal years, respectively, which requires State legislation; and (vi) the receipt of $350 million, $140 million and $135 million from the Port Authority in the 1999 through 2001 fiscal years, respectively, which is the subject of arbitration. Taking into account the risks identified in the report and the gaps projected in the Financial Plan, the report projected a gap of $485 million for the 1998 fiscal year, which could be offset by available reserves, and gaps $2.7 billion, $4.1 billion and $4.0 billion for the 1999 through 2001 fiscal years, respectively. The report also noted that (i) if the securities industry or economy slows down to a greater extent than projected, the City could face sudden and unpredictable changes to its forecast; (ii) the City's entitlement reduction assumptions require a decline of historic proportions in the number of eligible welfare recipients; (iii) the City has not yet shown how the City's projected debt service, which would consume

20% of tax revenues by the 1999 fiscal year, can be accomodated on a recurring basis; (iv) the City is deferring recommended capital maintenance; and (v) continuing growth in enrollment at BOE has helped create projected gaps of over $100 million annually at BOE. However, the report noted that if proposed tax reductions are not approved, additional revenue will be realized, ranging from $272 million in the 1998 fiscal year to $481 million in the 2001 fiscal year.

On May 27, 1997, the IBO released a report analyzing the financial plan published on May 8, 1997 (the "May Financial Plan"). In its report, the IBO estimated gaps of $27 million, $91 million, $2.1 billion, $2.9 billion and $2.9 billion for the 1997 through 2001 fiscal years, respectively, which include the gaps set forth in the May Financial Plan for fiscal years 1999 through 2001. The gaps estimated in the IBO report reflect (i) uncertainty concerning the size and timing of projected airport rents of $270 million and $215 million in the 1998 and 1999 fiscal years, respectively, which are the subject of an ongoing dispute between the Port Authority and the City; and (ii) additional funding needs for the City's labor reserve totaling $104 million, $224 million and $231 million in the 1999 through 2001 fiscal years, respectively, to pay for collective bargaining increases for the Covered Organizations, which the May Financial Plan assumes will be paid for by the Covered Organizations, rather than the City. These reduced revenues and increased expenditures identified in the IBO report are substantially offset by tax revenue forecasts which exceed those in the May Financial Plan. However, the report noted that the May Financial Plan assumes continued strong revenue growth and that, in the event of an economic downturn, the City will be required to increase taxes in a slow economy or reduce spending when it is most needed. With respect to the tax reductions proposed in the May Financial Plan, the IBO stated that the principal question is whether the City will be able to afford the tax reductions. In addition, the report discussed various issues with implications for the City's 1998 budget. These issues include the reliance in the budget on a number of State legislative actions, including (i) $294 million from legislation the City has requested to increase State aid; (ii) $128 million in savings attributable to both a larger City share of Federal welfare grant funds and State reforms to Medicaid; and (iii) $115 million to restore expenditure reductions proposed in the Governor's Executive Budget. The report also noted that the City's claim for $900 million of State reimbursement of prior year education expenditures remains unresolved, that proposals affecting the MTA, including proposals to eliminate two-fare zones for bus and subway riders, will result in a significant reduction in revenues for the MTA, and that the implementation of changes in the City's computer system, resulting from the inability of the current computer system to recognize the year 2000, could cost the City up to $150 million to $200 million over the next three years. In a subsequent report released on June 16, 1997, the IBO noted that in the Financial Plan the City had deferred to fiscal years 1999 through 2001 the assumed receipt of back airport rents, and that the tax revenue forecasts for the 1998 fiscal year in the Financial Plan are closer than the forecasts in the May Financial Plan to the IBO's forecast of City tax revenues in its May report.

On October 31, 1996, the IBO released a report assessing the costs that could be incurred by the City in response to the 1996 Welfare Act, which, among other things, replaces the AFDC entitlement program with TANF, imposes a five-year time limit on TANF assistance, requires 50% of states' TANF caseload to be employed by 2002, and restricts assistance to legal aliens. The report noted that if the requirement that all recipients work after two years of receiving benefits is enforced, these additional costs could be substantial starting in 1999, reflecting costs for worker training and supervision of new workers and increased child care costs. The report further noted that, if economic performance weakened, resulting in an increased number of public assistance cases, potential costs to the City could substantially increase. States are required to develop plans during 1997 to implement the new law. The report noted that decisions to be made by the State which will have a significant impact on the City budget include the allocation of block grant funds between the State and New York local governments such as the City and the division between the State and its local governments of welfare costs not funded by the Federal government.

Finally, the report noted that the new welfare law's most significant fiscal impact is likely to occur in the years 2002 and beyond, reflecting the full impact of the lifetime limit on welfare participation which only begins to be felt in 2002 when the first recipients reach the five-year limit and are assumed to be covered by Home Relief. In addition, the report noted that, given the constitutional requirement to care for the needy, the 1996 Welfare Act might well prompt a migration of benefit-seekers into the City, thereby increasing City welfare expenditures in the long run. The report concluded that the impact of the 1996 Welfare Act on the City will ultimately depend on the decisions of State and City officials, the performance of the local economy and the behavior of thousands of individuals in response to the new system.

On August 25, 1997, the IBO issued a report relating to recent developments regarding welfare reform. The report noted that Federal legislation adopted in August 1997, modified certain aspects of the 1996 Welfare Act, by reducing SSI eligibility restrictions for certain legal aliens residing in the country as of August 22, 1996, resulting in the continuation of Federal benefits, by providing funding to the states to move welfare recipients from public assistance and into jobs and by providing continued Medicaid coverage for those children who lose SSI due to stricter eligibility criteria. In addition, the report noted that the State had enacted the Welfare Reform Act of 1997 which, among other things, requires the City to achieve work quotas and other work requirements and requires all able-bodied recipients to work after receiving assistance for two years. The report noted that this provision could require the City to spend substantial funds over the next several years for workfare and day care in addition to the funding reflected in the Financial Plan. The report also noted that the State Welfare Reform Act of 1997 established a Food Assistance Program designed to replace Federal food stamp benefits for certain classes of legal aliens denied eligibility for such benefits by the 1996 Welfare Act. The report noted that if the City elects to participate in the Food Assistance Program, it will be responsible for 50% of the costs for the elderly and disabled. The IBO has stated that it will release an updated report to provide a detailed analysis of these developments and their likely impact on the City.

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. 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 Plan 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 $4.2 billion in 1998. City-funded expenditures, which more than tripled between fiscal years 1980 and 1985, are forecast at $4.0 billion in the 1998 fiscal year; total expenditures are forecast at $4.6 billion in 1998. For additional information concerning the City's capital expenditures and the Ten-Year Capital Strategy covering fiscal years 1998 through 2007, see "SECTION V: CITY SERVICES AND EXPENDITURES—Capital Expenditures".

The following table sets forth the major areas of capital commitment projected for the 1998 through 2001 fiscal years. See "SECTION V: CITY SERVICES AND EXPENDITURES—Capital Expenditures". See "SECTION VIII: INDEBTEDNESS—City Indebtedness—*Limitations on the City's Authority to Contract Indebtedness*".

1998-2001 CAPITAL COMMITMENT PLAN

	1998		1999		2000		2001	
	City Funds	All Funds	City Funds	All Funds	City Funds	All Funds	City Funds	All Funds
				(In Millions)				
Mass Transit(1)	$ 231	$ 231	$ 206	$ 206	$ 106	$ 106	$ 106	$ 106
Roadway, Bridges	667	668	886	1,102	625	723	520	620
Environmental Protection(2)	1,158	1,219	1,281	1,448	1,444	1,489	1,203	1,203
Education	1,200	1,225	1,018	1,268	1,001	1,001	1,524	1,524
Housing	233	374	179	315	228	329	345	446
Sanitation	139	160	214	218	201	201	438	438
City Operations/Facilities	1,738	1,933	932	1,017	537	555	1,145	1,177
Economic and Port Development	187	224	46	58	55	56	59	59
Reserve for Unattained Commitments	(1,385)	(1,385)	(477)	(477)	(98)	(98)	(543)	(543)
Total Commitments(3)(4)	$4,165	$4,650	$4,285	$5,157	$4,098	$4,362	$4,796	$5,029
Total Expenditures(4)(5)	$4,003	$4,593	$3,394	$3,943	$3,844	$4,341	$4,180	$4,633

(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) Numbers may not tally due to rounding.

The following table sets forth the City's current estimates of 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 1998 through 2001 fiscal years.

1998-2001 FINANCING PROGRAM

	1998	1999	2000	2001	Total
			(In Millions)		
SOURCES OF FUNDS:					
City General Obligation Bonds	$2,527	$1,032	$1,084	$1,110	$ 5,754
Finance Authority	1,775	1,775	1,775	1,775	7,100
Water Authority Financing(1)	1,697	768	921	1,099	4,485
HHC Financing(2)	0	0	0	0	0
DASNY Courts Financing(3)	0	20	207	247	474
Other Sources(4)	354	(39)	53	173	541
Total(7)	$6,353	$3,556	$4,040	$4,404	$18,353
USES OF FUNDS:					
City Capital Improvements(5)	$4,003	$3,394	$3,845	$4,180	$15,422
City General Obligation Refunding	1,416	0	0	0	1,416
Water Authority Refunding	765	0	0	0	765
Reserve Funds and Other(6)	169	162	195	224	749
Total(7)	$6,353	$3,556	$4,040	$4,404	$18,353

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(1) Reflects Water Authority commercial paper and revenue bonds issued to finance the water and sewer system's capital program, including reserve amounts. Does not include revenue bonds issued to permanently finance previously issued commercial paper.

(2) The financing program assumes that HHC will finance 100% of its capital commitments. Amounts do not reflect a specific borrowing schedule. The amounts presently shown are zero due to the availability of $300 million from a completed HHC bond issuance. The sources for projected HHC program commitments is contained in Other Sources in the amounts of $88 million, $54 million, $46 million and $50 million for fiscal years 1998 through 2001, respectively.

(3) The financing program assumes that Dormitory Authority ("DASNY") will finance 100% of the City Courts capital program. The amounts reflected in fiscal years 1998 through 2001 reflect actual spending of $599 million and allocations for reserve funds and other costs of issuance of $62 million less $187 million remaining from the proceeds of the December 1993 issuance. The restricted balances from such bond issuance are included in Other Sources.

(4) Other Sources consists primarily of changes in restricted balances and MAC program funding.

(5) 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.

(6) Reserve Funds and Other comprises amounts necessary to fund certain reserves in connection with Water Authority and DASNY revenue bonds, amounts to provide for certain costs of issuance of securities and allocations for original issue discounts and other uses in connection with the issuance of City general obligation bonds and DASNY bonds. The amounts allocated for City original issue discounts are 2% of the City capital cash needs in the 1998 through 2001 fiscal years.

(7) Numbers may not tally due to rounding.

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. In addition, the City could incur substantial additional capital expenditures for school construction if alternative proposals to relieve overcrowding in the public schools are not developed and implemented. See "SECTION VII: 1998-2001 FINANCIAL PLAN—Certain Reports".

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 four-year financing program and capital program includes the issuance of revenue bonds by the Finance Authority to provide for capital financing needs of the City. The bonds issued by the Finance Authority are secured by the City's personal income tax revenue, and other revenues if personal income tax revenues do not satisfy specified debt service ratios, and will not be subject to the constitutional debt limitation. See "SECTION VIII: INDEBTEDNESS—City Indebtedness—*Limitations on the City's Authority to Contract Indebtedness*".

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 1998 through 2007 projects City-funded water and sewer investment (which is expected to be financed with proceeds of Water Authority debt) at approximately $8.6 billion of the $43.4 billion City-funded portion of the plan.

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 construction expenditures required could be between $4 billion and $5 billion. In accordance with the New York City Watershed Memorandum of Agreement which was signed on January 21, 1997, among the City, the State, the U.S. Environmental Protection Agency ("USEPA"), the communities in the watershed area and several environmental groups, on May 6, 1997, USEPA granted the City a filtration avoidance waiver through April 15, 2002 in response to the City's adoption of certain watershed regulations, which became effective on May 1, 1997. The estimated incremental cost to the City of implementing this Watershed Memorandum of Agreement, beyond investments in the watershed which were planned independently, is approximately $400 million. The New York City Department of Environmental Protection has estimated that the cost of the Watershed Memorandum of Agreement, including investments in the watershed which were previously included in the capital plan, is $1.25 billion. The estimated cost does not include certain future administrative, construction, operating and maintenance costs which have not yet been determined.

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, Finance 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 1998 through 2007 totals $45.0 billion, of which approximately 94% is to be financed with City funds. See "SECTION VIII: INDEBTEDNESS—City Indebtedness—*Limitations on the City's Authority to Contract Indebtedness*". 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 December 1996, 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 1997, the City issued a report that compares the recommended capital investment with the capital spending allocated by the City in the Four-Year Capital Plan 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 Plan and the Ten-Year Capital Strategy. Only a portion of the funding set forth in the Four-Year Capital Plan 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 Plan. OMB estimates that amounts allocated in the Ten-Year Capital Strategy published on May 8, 1997 funded approximately 85% of the total $3.32 billion investment (excluding HHC) recommended in the report, although the report concludes that the capital investment in the Four-Year Capital Plan for the specifically identified inventoried assets funds 65% of the recommended investment. In addition, the report sets forth operating maintenance recommendations for the inventoried assets totalling $125 million, $82 million, $93 million and $93 million for the 1998 through 2001 fiscal years, respectively. OMB has estimated that approximately 40% of such maintenance activities for fiscal year 1997 were included in the then current 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. Although the City's current financial plan projects $2.4 billion of seasonal financing for the 1998 fiscal year, the City expects to undertake only approximately $1.4 billion of seasonal financing. The City has issued $1.075 billion of short-term obligations on October 15, 1997 and expects to issue additional short-term obligations to finance the City's projected cash flow needs for the 1998 fiscal year. The City issued $2.4 billion of short-term obligations in fiscal year 1997. Seasonal financing requirements for the 1996 fiscal year increased to $2.4 billion from $2.2 billion and $1.75 billion in the 1995 and 1994 fiscal years, respectively. Seasonal financing requirements were $1.4 billion in the 1993 fiscal year. The delay in the adoption of the State's budget in certain past fiscal years has required the City to issue short-term notes in amounts exceeding those expected early in such fiscal years. See "SECTION VII: 1998-2001 FINANCIAL PLAN—Assumptions".

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 June 30, 1997.

(In Thousands)

Gross City Long-Term Indebtedness	$27,148,179	
Less: Assets Held for Debt Service(1)	907,846	
Net City Long-Term Indebtedness		$26,180,333
Gross MAC Long-Term Indebtedness(2)	4,266,930	
Less: Assets Held for Debt Service(2)	549,922	
Net MAC Long-Term Indebtedness		3,717,008
PBC Indebtedness(3)		
Bonds Payable	554,679	
Capital Lease Obligations	776,093	
Gross PBC Indebtedness	1,330,772	
Less: Assets Held for Debt Service	175,872	
Net PBC Indebtedness		1,154,900
Combined Net City, MAC and PBC Indebtedness		$31,052,241

(1) With respect to City long-term indebtedness, "Assets Held for Debt Service" consists of General Debt Service Fund assets, and $191.0 million principal amount of City serial bonds held by MAC.

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

(3) "PBC Indebtedness" refers to City obligations to PBCs. For further information regarding the indebtedness of certain PBCs, see "Public Benefit Corporation Indebtedness" below and "APPENDIX B—FINANCIAL STATEMENTS—Notes to Financial Statements—Notes G and H". "PBC Indebtedness" does not include the indebtedness of individual PBCs which are Enterprise Funds. For further information regarding the indebtedness of Enterprise Funds PBCs, see "APPENDIX B—FINANCIAL STATEMENTS—Notes to Financial Statements—Notes J, K, L, M and N".

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 fiscal years 1989 through 1997, except for short-term debt information, which is as of October 15, 1997.

	City(1)		MAC(2)		Component Unit and City	
	Long-Term Net Debt(3)	Short-Term Debt	Long-Term Net Debt(4)	Short-Term Debt	Guaranteed Debt(3)	Total
	(In Millions)					
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
1996	25,052	—	3,936	—	1,155	30,143
1997	26,180	1,075	3,717	—	1,155	32,127

(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: $7,307 million, $6,901 million, $6,471 million, $5,559 million, $5,304 million, $4,891 million, $4,694 million and $4,563 million as of June 30 of each of the years 1989 through 1996.

(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 June 30, 1997, 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	23.04%
10 years	45.81
15 years	66.31
20 years	82.00
25 years	94.38
30 years	99.99

City, MAC and City-guaranteed PBC Debt Service Requirements

The following table summarizes future debt service requirements, as of June 30, 1997, on City and MAC term and serial bonds outstanding and City-guaranteed debt of and capital lease obligations to certain PBCs.

Fiscal Years	City Long-Term Debt: Principal Serial Bonds(1)	City Long-Term Debt: Interest(1)	Component Unit and City Guaranteed Debt(2)	MAC Funding Requirements	Total
			(In Thousands)		
1998	$ 1,137,971	$ 1,553,917	$ 118,279	$ 522,532	$ 3,332,699
1999	1,278,774	1,495,728	127,306	626,542	3,528,350
2000	1,227,004	1,427,469	127,362	561,794	3,343,629
2001	1,238,050	1,363,787	127,279	562,093	3,291,209
2002	1,292,605	1,301,569	126,920	562,438	3,283,532
2003 through 2147	20,752,765	12,251,364	1,548,668	3,331,002(3)	37,883,799
Total	$26,957,169	$19,393,834	$2,175,814	$6,166,401	$54,693,218

(1) Excludes debt service on $191.0 million principal amount of serial bonds held by MAC.

(2) Component Units are PBCs included in the City's financial statements other than PBCs which are Enterprise Funds. For additional information concerning these PBCs, see "Public Benefit Corporation Indebtedness" below and "APPENDIX B—FINANCIAL STATEMENTS—Notes to Financial Statements—Notes G and H". For more information concerning Enterprise Funds PBCs, see "APPENDIX B—FINANCIAL STATEMENTS—Notes to Financial Statements—Notes J, K, L, M and N".

(3) Amount shown is for fiscal years 2003 through 2008.

Certain Debt Ratios

The following table sets forth information, as of December 31, for each of the fiscal years 1989 through 1997, with respect to the approximate ratio of the City's debt to certain economic factors. As used in this table, debt includes net City, MAC and PBC debt.

Fiscal Year	Debt Per Capita	Debt as % of Total Taxable Real Property By: Assessed Valuation	Debt as % of Total Taxable Real Property By: Estimated Full Valuation(1)
1989	$2,202	25.4%	4.6%
1990	2,490	26.0	4.5
1991	2,918	28.0	4.5
1992	3,192	27.9	3.9
1993	3,389	30.4	3.8
1994	3,691	34.1	3.7
1995	3,911	37.2	4.1
1996	4,150	39.2	7.1
1997	4,219	40.2	8.3

Source: Comprehensive Annual Financial Report of the Comptroller for the Fiscal Year Ended June 30, 1997.

(1) Based on full valuations for each fiscal year derived from the application of the special equalization ratio reported by the State Board for such fiscal year.

Ratio of Debt to Personal Income

The following table sets forth, for each of fiscal years 1984 through 1995, 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	18,318	10.01
1987	1,893	19,567	9.67
1988	2,041	21,463	9.51
1989	2,202	22,937	9.60
1990	2,490	24,572	10.13
1991	2,917	25,242	11.56
1992	3,188	26,985	11.83
1993	3,379	27,098	12.47
1994	3,675	28,133	13.06
1995	3,878	29,743	13.04

Source: Comprehensive Annual Financial Report of the Comptroller for the Fiscal Year Ended June 30, 1997.

(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 Act, the proceeds of City bond issues, other than refunding issues, 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.

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 October 29, 1997, the maximum amount of additional short-term debt which the City could issue was $6.28 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, subject to the other restrictions and requirements described above, as of October 29, 1997, 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 $584.2 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, including contracts for capital projects to be paid with the proceeds of City bonds ("contracts for capital projects"), 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"). See "SECTION IV: SOURCE OF CITY REVENUES—Real Estate Tax—*Assessment*". 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, subject to legislative implementation, 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.

This City's projection of its capital financing need pursuant to the Mayor's Declaration of Need and Proposed Transitional Capital Plan of June 30, 1997 indicates additional projected debt and contract liabilities of approximately $3 billion for fiscal year 1998. To provide for the City's capital program, State legislation was enacted which created the Finance Authority, the debt of which is not subject to the general debt limit. Without the Finance Authority or other legislative relief, new contractual commitments for the City's general obligation financed capital program would have been virtually brought to a halt during the Financial Plan period beginning early in the 1998 fiscal year. By utilizing projected Finance Authority borrowing and including the Finance Authority's projected borrowing as part of the total debt-incurring power set forth in the following table, the City's total debt-incurring power has been increased. Even with the increase, the City may reach the limit of its capacity to enter into new contractual commitments in fiscal year 2000.

The following table sets forth the calculation of the debt-incurring power of the City as of September 30, 1997 and of the Finance Authority.

Total City Debt-Incurring Power under General Debt Limit		$30,948,364,577
Gross Debt—Funded	$26,719,583,184	
Less: Excluded Debt	992,737,619	
	25,726,845,565	
Less: Fiscal Year 1998 Appropriations for Principal of Debt	360,381,098	25,366,464,467
		5,581,900,110
Contracts and Other Liabilities, Net of Restricted Cash	6,444,915,836	
Less: Finance Authority Financing of Liabilities Incurred Through Fiscal Year 1998	3,068,000,000	
Net Contracts and Other Liabilities Charged to General Debt Limit		3,376,915,836
Remaining City Debt-Incurring Power under General Debt Limit		2,204,984,274(1)
Remaining Finance Authority Debt-Incurring Power		4,432,000,000
City and Finance Authority Debt-Incurring Power		$ 6,636,984,274

(1) Without the creation of the Finance Authority, the debt-incurring power of the City under the general debt limit, as of September 30, 1997, would have been exceeded by $863 million.

For purposes of the general debt limit, the principal amounts of the Series C Bonds will be applied to reduce contract liabilities, and of the Series D Bonds will be offset by reductions in outstanding bonds approximately to the extent indicated in Appendix C. The Finance Authority is authorized to borrow up to $7.5 billion. The first Finance Authority bond sale was completed on October 9, 1997. The State legislation creating the Finance Authority contemplates that a constitutional amendment changing the methodology used to calculate the debt limit will be passed in fiscal year 2000, which will enable the City to implement the Preliminary Ten-Year Capital Strategy in compliance with the general debt limit. If the State constitution is not amended to increase the City's general obligation debt limitation, the State may, but is not required to, amend the act creating the Finance Authority to increase the amount of debt the Finance Authority is authorized to issue. In order to provide financing for the City's current capital plan through fiscal year 2007, the State may need to increase the Finance Authority's current authorization level by $4.5 billion for a total of $12 billion. A proposed amendment to the State constitution may be considered by the State Legislature in 1998 and 1999, and if approved by the State Legislature in two consecutive legislative sessions and approved by voter referendum could have an effective date in the year 2000. See "SECTION IX: OTHER INFORMATION—Litigation" for a description of litigation seeking to have the Finance Authority Act declared unconstitutional.

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, except for the stock transfer tax revenues, which are rebated to the payers of the tax. 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 June 30, 1997, MAC had outstanding an aggregate of approximately $4.267 billion of its bonds. MAC is authorized to issue bonds and notes to refund its outstanding bonds and notes and to fund certain reserves. For additional information regarding MAC indebtedness, see "APPENDIX B—FINANCIAL STATEMENTS—NOTES TO FINANCIAL STATEMENTS—NOTES C AND H".

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 ECF and the CUCF. 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 June 30, 1997, approximately $164.7 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 June 30, 1997, the City had guaranteed $26.0 million principal amount of HA bonds. The Federal government has agreed to pay debt service on $16.0 million principal amount of additional HA indebtedness guaranteed by the City. The City has also guaranteed the repayment of $179.8 million principal amount of HA indebtedness to the State, of which the Federal government has agreed to pay debt service on $80.0 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 $33.8 million in the 1996 fiscal year and to $32.4 million in the 1997 fiscal year.

New York State Housing Finance Agency

As of June 30, 1997, $302.4 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 June 30, 1997, $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 March 31, 1997, $704.5 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 June 30, 1997, $56.5 million principal amount of UDC bonds subject to executed or proposed lease arrangements was outstanding. This amount differs from the amount calculated by UDC ($68.0 million) because UDC has included certain interest costs relating to Public School 50 and Intermediate School 229 in Manhattan in its calculation. The City leases schools and certain other facilities from UDC.

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, 1996 consisted of approximately 309,000 current employees, of whom approximately 76,000 were employees of certain independent agencies whose pension costs in some cases are provided by City appropriations. In addition, there are approximately 235,000 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 a non-actuarial retirement system for 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 1998 fiscal year are expected to approximate $1.5 billion. In fiscal years 1999 through 2001, these expenditures are expected to approximate $1.4 billion, $1.5 billion and $1.5 billion, respectively. These expenditures primarily reflect revised actuarial assumptions and methods 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 1997 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, were approximately 19.42% of total payroll costs. In addition, contributions are also made by certain component units of the City and other government units directly to the three cost sharing multiple employer 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.

As of June 30, 1996, four of the five major actuarial systems were 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 of June 30, 1991 through June 30, 1994, 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. In addition, such excess as of June 30, 1995 and June 30, 1996, for the five major actuarial pension systems other than New York City Employees' Retirement System, whose actuarial value of assets exceeded its actuarial accrued liability as of such dates, is set forth in the following table.

June 30	Amount(1) (In Billions)
1991	$4.16
1992	2.67
1993	0.49
1994	5.94(2)
1995	4.03
1996	4.29

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

Litigation

The following paragraphs describe certain material legal proceedings and claims involving the City and Covered Organizations other than routine litigation incidental to the performance of their governmental and other functions and certain other litigation arising out of alleged constitutional violations, torts, breaches of contract and other violations of law and condemnation proceedings. While the ultimate outcome and fiscal impact, if any, on the City of the proceedings and claims described below are not currently predictable, adverse determinations in certain of them might have a material adverse effect upon the City's ability to carry out the 1998-2001 Financial Plan. The City has estimated that its potential future liability on account of outstanding claims against it as of June 30, 1997 amounted to approximately $3.5 billion. See "SECTION VII: 1998-2001 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 $378 million at June 30, 1997. 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. A group of real property taxpayers have brought a series of declaratory judgment actions charging that Tax Resolutions adopted by the City Council violate the State Constitution. Plaintiffs allege that the special equalization ratios calculated by the State Board resulted in the overstatement of the average full valuation of real property in the City with the result that the City's real estate tax levy is in excess of the State Constitution's real estate tax limit. Actions relating to the real estate tax levies for fiscal years 1993, 1994, 1995 and 1996 have been commenced by groups of taxpayers and are pending in State Supreme Court, Albany County and New York County. The first such action was dismissed on standing grounds. Although plaintiffs do not specify the extent of the alleged real property overvaluation, an adverse determination significantly reducing such limit could subject the City to substantial liability for real property tax refunds and could have an adverse impact on the amount of debt the City can have outstanding under the general debt limit (defined as 10% of the average full value of taxable real estate in the City for the most recent five years).

Miscellaneous

1. 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. On April 16, 1997, the trial court held that the current shelter allowance is not reasonably related to the cost of housing. The State received notice of entry of a settlement order relating to the allowance, which the State intends to appeal. 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 ("HRA") 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 (the "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 home 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 a proceeding on this issue before the IBA. On May 28, 1997, the IBA found in favor of HRA and the corporations it contracts with who provide the sleep-in home attendants. The IBA revoked the Notices of Labor Law violation, which had been issued by the State Department of Labor, which asserted that the sleep-in home attendants had been underpaid. On July 21, 1997, the union brought an action in Supreme Court, New York County challenging the IBA's determination. On September 5, 1997, the State Attorney General, on behalf of the IBA, made a motion to dismiss the union's action on several grounds, including failure to join the City and HRA (among others) as necessary parties. On September 25, 1997, the union commenced an additional action in the same court seeking the same relief as in its action brought on July 21, 1997. While naming only the IBA as the sole respondent, the petition in this new action describes the City and HRA (among others) as parties in interest. The City and HRA intend to respond to each action in a timely fashion.

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 two pending actions plaintiffs seek broad injunctive relief directed toward the City's lead paint poisoning prevention activities. In the Federal action, a class has been certified consisting of children under the age of seven and pregnant women residing in housing owned by the City or where the City administers community development funds. In the state action, the Appellate Division, First Department, in June 1997, vacated certification of the plaintiff class consisting of children under the age of seven living in multiple dwellings in New York City where a complaint of lead paint has been made which the City allegedly has not timely and adequately inspected and abated. Plaintiffs are seeking further review of that order. A preliminary injunction was issued in the state action which directed the City's Department of Housing Preservation and Development ("HPD") to issue regulations in conformance with the court's interpretation of local law governing the removal of lead paint in residential buildings. HPD issued regulations which the court found to be inadequate. As a result, the City and various officials have been held in civil and criminal contempt for failing to comply with the court order. The later findings of contempt are being appealed. The City Council has considered several bills to amend the local law and discussions are ongoing.

The State action also challenges the City's activities relating to the screening of children for lead poisoning, the timeliness and adequacy of enforcement efforts, and inspection of day care facilities. The Federal action seeks warnings to tenants of lead paint hazards, abatement of lead paint hazards, and medical monitoring of class members. Adverse determinations on these issues could result in substantial additional costs to the City.

In addition, nearly 1,200 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 paint hazards in City-owned 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.

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 such 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. 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 in Federal court challenging legislation that provides, among other things, for the payment of variable supplement fund benefits only to retirees who did not retire by reason of a disability. They seek to have the legislation declared void or to be provided with benefits equivalent to those to which the statutory beneficiaries are entitled. In September 1995, Transit Police retirees brought a similar action in Federal court. All these actions were subsequently dismissed, and the plaintiffs have appealed to the Second Circuit Court of Appeals. A similar action with respect to New York City Fire Department retirees has been filed in State court.

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. On June 26, 1996, petitioners moved to enforce the recycling tonnage requirements, arguing that the City was out of compliance with them. On January 16, 1997, the Court rejected the City's argument that the City may count construction and demolition debris in the total amount of recycled material to comply with the current tonnage mandates of Local Law No. 19. The City intends to appeal the Court's decision. In May 1997, the Court signed an order (the "1997 Order") which extends the time for the City to comply with the recycling tonnage requirements of Local Law No. 19. As of July 1997, the City is required to recycle 2100 tons per day of Department of Sanitation collected solid waste. The City is currently recycling slightly over 2100 tons per day of solid waste, not counting construction and demolition debris. Under the 1997 Order, the City is required to recycle 3400 tons per day of solid waste by July 1999 and 4,250 tons per day by July 2001. 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 a certain future date, to be determined in accordance with U.S. Department of Justice regulations. 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. Six separate actions are pending in the State Supreme Court in Putnam County seeking damages in the amount of approximately $10.5 billion in the aggregate for alleged injury to property caused by regulations enacted for the protection of the water supply of the City. The City has also received approximately 80 additional claims from property owners not party to the litigation, seeking similar relief. In response to a motion to dismiss brought by the City, on June 24, 1997, the Court ruled that plaintiffs could assert claims against the City for any diminution in the value of their property caused by a chilling effect on the real estate market from the City's watershed regulations. The Court further ruled that plaintiffs with development plans not approved by the City under the watershed regulations could assert claims for additional damages beyond any general effect of the City's watershed regulations on the real estate market. The City intends to appeal the Court's decision. If plaintiffs were to prevail, the City could face numerous claims from other property owners in the upstate watershed.

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. As part of the Watershed Memorandum of Agreement, the coalition has agreed to discontinue its action after the State has issued the City a permit for its land acquisition program, which it has done, and has adopted the City's land use regulations as State regulations, which it is in the process of doing, in accordance with the Watershed Memorandum of Agreement.

12. 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 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. On June 14, 1996, the City moved to dismiss the complaint and for summary judgment.

13. On April 15, 1996, Stanley Hill, Executive Director of District Council 37, representatives of certain other unions, certain Federal, City and State elected officials and other plaintiffs filed an action in the Supreme Court of the State of New York, County of New York, against the Mayor which asserted, among other things, that the City has violated the provisions of the Health and Hospitals Corporation Act by failing to subsidize HHC at the minimum funding levels required for the 1994 through 1997 fiscal years, and failed to pay HHC for the value of services rendered to the City for indigent care and for prisoners, uniformed services and mortuary care to the extent that such services are not reimbursed. On July 15, 1997, the Court permitted the plaintiffs to amend the complaint and seek an order requiring the City to pay to HHC at least $949 million, $931 million and $831 million for the 1994, 1995 and 1996 fiscal years, respectively, and an amount to be determined by the Court for the 1997 fiscal year. The Court denied plaintiff's motion to preliminarily enjoin the defendant from further reducing the City's subsidy to HHC for the 1996 and 1997 fiscal years from the amount originally budgeted for the 1996 fiscal year.

14. The City has been notified that an investigation of the Emergency Medical Service ("EMS") billing practices for Medicare patients has been initiated by the United States. The investigation is pursuant to the False Claims Act, 31 U.S.C. Sections 3729-3733, and concerns allegations that EMS and HHC submitted false claims to the United States relating to ambulance transportation in connection with the Medicare program. It cannot be determined at this time what, if any, financial impact that investigation may have on HHC or on the City.

15. On June 2, 1997, Robert L. Schulz and Gary T. Loughrey served an order to show cause with respect to an action in the State Supreme Court, Albany County against the State Legislature, Sheldon Silver, Speaker of the Assembly, Joseph Bruno, Senate Majority Leader, and the Governor. On June 24, 1997, the plaintiffs added State Comptroller H. Carl McCall as a defendant. The action seeks a declaratory judgment declaring the Finance Authority Act to be unconstitutional as allowing the City to issue debt in avoidance of the City's constitutional debt limit and also seeks to enjoin issuance of the Finance Authority's initial bond offering. At their request, the Finance Authority and the City were joined as defendants. The State, the Finance Authority and the City have moved to dismiss. The plaintiffs' application for a temporary restraining order ("TRO") enjoining the Finance Authority from issuing bonds was denied by the State Supreme Court. The plaintiffs also made application to the State Supreme Court, Appellate Division, Third Department for a TRO enjoining the Finance Authority from issuing bonds. On September 29, 1997, the Appellate Division also denied plaintiffs' request for a TRO. If the Finance Authority Act were voided, projected contracts for capital projects and debt issuance would exceed the general debt limit during the 1998 fiscal year and, depending on whether the State Legislature takes other action that would provide relief under the general debt limit, the City might be required to curtail its currently defined capital program. Without the Finance Authority or other legislative relief, new contractual commitments for the City's general obligation financed capital program would be virtually brought to a halt during the Financial Plan period, although general obligation borrowing would continue to reimburse the City's general fund for ongoing costs for existing contractual commitments.

Tax Exemption

In the opinion of Brown & Wood LLP, New York, New York, as Bond Counsel, except as provided in the following sentence, interest on the Tax-Exempt Bonds will not be includable in the gross income of the owners of the Tax-Exempt Bonds for purposes of Federal income taxation under existing law. Interest on the Tax-Exempt Bonds will be includable in the gross income of the owners thereof retroactive to the date of issue of the Tax-Exempt Bonds in the event of a failure by the City 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; and no opinion is rendered by Brown & Wood LLP 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.

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

Interest on the Tax-Exempt Bonds will not be a specific preference item for purposes of the Federal individual or corporate alternative minimum tax. The Code contains other provisions that could result in tax consequences, upon which Brown & Wood LLP 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) 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.

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. Corporate investors should note that the President's budget proposal for fiscal year 1998 would reinstate the corporate environmental income tax for taxable years beginning after December 31, 1996, and before January 1, 2008. Prospective purchasers of the Tax-Exempt Bonds should consult their tax advisors as to applicability of any such collateral consequences.

The excess, if any, of the amount payable at maturity of any maturity of Tax-Exempt Bonds over the initial public offering price to the public (excluding bond houses, brokers or similar persons acting in the capacity of underwriters or wholesalers) at which price a substantial amount of such maturity is sold 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. In addition, original issue discount that accrues in each year to an owner of a Tax-Exempt OID Bond is included in the calculation of the distribution requirements of certain regulated investment companies and may result in some of the collateral Federal income tax consequences discussed above. Consequently, 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, additional distribution requirements or other collateral Federal income tax consequences 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 other state and local tax consequences of holding such Tax-Exempt OID Bonds.

The excess, if any, of the tax basis of Tax-Exempt Bonds to a purchaser (other than a purchaser who holds such Tax-Exempt Bonds as inventory, stock in trade or for sale to customers in the ordinary course of business) over the amount payable at maturity is "bond premium". Bond premium is amortized over the term of such Tax-Exempt Bonds for Federal income tax purposes. Owners of such Tax-Exempt Bonds are required to decrease their adjusted basis in such Tax-Exempt Bonds by the amount of amortizable bond premium attributable to each taxable year such Tax-Exempt Bonds are held. The amortizable bond premium on such Tax-Exempt Bonds attributable to a taxable year is not deductible for Federal income tax purposes. Owners of such Tax-Exempt Bonds should consult their tax advisors with respect to the determination for Federal income tax purposes of the treatment of bond premiums upon sale or other disposition of such Tax-Exempt Bonds and with respect to the state and local tax consequences of owning and disposing of such Tax-Exempt 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 Tax-Exempt 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 Tax-Exempt Bonds.

Taxable Bonds

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

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

Ratings

Moody's has rated the Bonds Baa1. Standard & Poor's has rated the Bonds BBB+. Fitch Investors Service, L.P. ("Fitch") has rated the Bonds A-. IBCA Limited ("IBCA") 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 Financial Guaranty Insured Bonds will be received prior to November 18, 1997. The ratings on the Financial Guaranty Insured Bonds will be based on the insurance policy to be issued by Financial Guaranty. Bonds insured to maturity by Financial Guaranty 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, Fitch and IBCA 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 City bonds downward to BBB+.

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 July 17, 1997, Moody's changed its outlook on City bonds to positive from stable. Since July 15, 1993, Fitch has rated City bonds A–. Since July 8, 1997, IBCA Limited has rated City bonds A.

Underwriting

The Bonds are being purchased for reoffering by the Underwriters, for whom Goldman, Sachs & Co.; J.P. Morgan & Co.; and Smith Barney Inc. are acting as lead Managers.

The compensation for services rendered in connection with the underwriting of the Bonds shall be $5,487,835.32. All of the Bonds will be purchased 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 payments or prepayments thereon.

Legal Opinions

The legality of the authorization and issuance of the Bonds will be covered by the approving legal opinion of Brown & Wood LLP, 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.

Verification

The accuracy of (i) the mathematical computations of the adequacy of the maturing principal of and interest earned on the government obligations to be held in escrow to provide for the payment of the principal of and interest and redemption premiums, if any, on the bonds identified in Appendix C hereof 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.

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 or the original purchasers to determine, as a condition to purchasing the Bonds, that the City will covenant to the effect of 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 each 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 ''1993-1997 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''.

Events (4) and (5). 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 Exchange 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 the date hereof, 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; Thomson NRMSIR, 395 Hudson Street, New York, New York 10004, Attn: Municipal Disclosure;

Donnelly Financial, Municipal Securities Disclosure Archive, 559 Main Street, Hudson, Massachusetts 01749; and DPC Data Inc., One Executive Drive, Fort Lee, New Jersey 07024.

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; and 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. An assertion of beneficial ownership must be filed, with full documentary support, as part of the written request to the Corporation Counsel described above.

Financial Advisor

The City retains Public Resources Advisory Group (''PRAG'') to act as financial advisor with respect to the City's financing program. PRAG is acting as financial advisor for the issuance of the Bonds.

Further Information

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

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 Financial 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 Financial 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	7,071,639	89.6	1,168,972	2,231,028	1,428,285	1,891,325	352,029
1984(1)	7,234,514	91.6	1,179,413	2,288,807	1,457,879	1,943,568	364,847
1985(1)	7,274,054	92.1	1,187,894	2,304,368	1,464,286	1,949,579	367,927
1986(1)	7,319,246	92.7	1,198,837	2,320,507	1,475,202	1,953,616	371,084
1987(1)	7,342,476	93.0	1,210,712	2,324,361	1,481,531	1,952,640	373,232
1988(1)	7,353,719	93.1	1,215,834	2,326,439	1,484,183	1,951,557	375,706
1989	7,344,175	93.0	1,213,675	2,316,966	1,486,046	1,950,425	377,063
1990	7,322,564	92.7	1,203,789	2,300,664	1,487,536	1,951,598	378,977
1991	7,307,632	92.6	1,199,483	2,287,814	1,483,602	1,951,374	385,359
1992	7,306,182	92.5	1,194,250	2,281,404	1,486,579	1,953,066	390,883
1993	7,325,648	92.8	1,195,516	2,279,152	1,495,353	1,959,993	395,634
1994	7,330,683	92.8	1,191,303	2,271,000	1,506,430	1,964,270	397,680

(1) 1984-1988 based on midyear population estimate of the Bureau of the Census as of September 1989.
Note: Does not include an undetermined number of undocumented aliens.
Source: U.S. Department of Commerce, Bureau of the Census.

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

DISTRIBUTION OF POPULATION BY AGE
(In Thousands)

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

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

Economic Activity, 1969-1994

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 1969-95

	Levels				Average Annual Percentage Change		
	1969	1976	1988	1995	1969-76	1976-88	1988-95
NYC							
Population(1) (millions)	7.9	7.4	7.3	7.4	(0.9)	(0.1)	0.0
Employment(2) (millions)	3.8	3.2	3.6	3.3	(2.4)	1.0	(1.2)
Personal Income(3) (billions)	$ 38.9	$ 58.2	$ 156.5	$ 218.3	6.0	8.3	4.9
Real Per Capita Personal Income(4)	$12,861.0	$12,853.6	$17,202.8	$18,341.9	0.0	2.2	0.9
United States							
Population(1) (millions)	201.3	217.6	244.5	263.2	1.1	1.0	1.0
Employment(2) (millions)	70.4	79.4	105.2	117.2	1.7	2.4	1.6
Personal Income(3) (billions)	$ 778.2	$ 1,459.4	$ 4,184.6	$ 6,150.8	9.4	9.1	5.7
Real Per Capita Personal Income(4)	$10,464.2	$11,756.3	$14,480.7	$15,328.3	1.6	1.6	0.9

(1) 1970, 1980 and 1990 figures are based on final census count. All other years are estimates. Source: U.S. Department of Commerce, Bureau of the Census.

(2) Payroll employment based on Bureau of Labor Statistics (''BLS'') establishment survey. Source: U.S. Department of Labor, Bureau of Labor Statistics and New York State Department of Labor, Division of Research and Statistics.

(3) In current dollars. Income by place of residence. Source: U.S. Department of Commerce, Bureau of Economic Analysis.

(4) In average dollars for 1982-1984.

Employment Trends

From 1969 to 1977, economic activity in the City declined sharply while the U.S. economy expanded, despite two national recessions (1969 to 1970 and 1973 to 1975) during this period. Locally, total employment dropped 16.1 percent, from 3,798,000 jobs to 3,188,000 jobs, or 2.2 percent per year over the eight-year period. A loss of 287,000 jobs, or 5.2 percent per year, to 539,000 jobs in the manufacturing sector accounted for nearly half of the City's total employment loss during this period. Employment in the finance, insurance and real estate (''FIRE'') sector declined by 50,000 jobs, or 1.4 percent per year, to 414,000 jobs, while service sector employment remained relatively constant at 783,000 jobs.

The ripple effects of the decline in the manufacturing and FIRE sectors of the City's economy, along with stagnation in the services sector, caused declines during the 1969 to 1977 period in other sectors sensitive to the health of the rest of the local economy. In particular, government employment fell 0.9 percent per year to 508,000 jobs; transportation and public utilities employment dropped 2.8 percent per year to 258,000 jobs; wholesale and retail trade employment declined 2.3 percent per year to 620,000 jobs; and construction employment decreased 6.0 percent per year to 64,000 jobs.

Conversely, from 1969 to 1977, U.S. real GDP rose on average 2.6 percent per year and employment increased at an average annual rate of 2.0 percent. Thus, as the nation emerged from the OPEC-induced recession in 1973 to 1975, a continuing local economic decline plunged the City into a fiscal crisis that led it to the brink of bankruptcy.

The City's economy during the period from 1977 to 1987 contrasts sharply with the 1969 to 1977 period. During the 1977 to 1987 period, the City's economy expanded along with that of the nation. From the late 1970s to the late 1980s, U.S. real GDP rose 2.5 percent per year, despite a severe recession from 1980 to 1982. But unlike growth in the 1969 to 1977 period when U.S. inflation accelerated and interest rates rose, in the 1977 to 1987 period, inflation generally decelerated and interest rates dropped by 50 percent from their 1981 peak. This provided a powerful impetus to the financial markets and the result was a bull market which nearly tripled stock prices and increased the volume of shares traded by 800 percent. As a consequence, the City's FIRE sector employment grew dramatically and carried the rest of the local economy along with it.

Due to the strong growth in the FIRE and service sectors, total City employment rose 1.2 percent a year to reach 3,590,000 in 1987, the highest level in a decade and a half. More specifically, during the 1977 to 1987 period, FIRE employment grew 2.9 percent per year to 550,000 jobs; service sector employment rose 3.5 percent per year to 1,108,000 jobs; wholesale and retail trade employment increased 0.3 percent per year to 638,000 jobs; government employment grew 1.3 percent per year to 580,000 jobs; and construction employment increased 6.3 percent per year to 119,000 jobs. Meanwhile, manufacturing employment continued its long-term decline, dropping 3.4 percent per year to 380,000 jobs, and transportation and public utilities employment also continued to decline, decreasing nearly 1.8 percent per year to 215,000 jobs.

Another turning point in the City's economy was the October 1987 stock market crash. During 1988, the U.S. economy boomed with real GDP growth of 3.8 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 strongly with an increase in real GDP of 3.4 percent and an increase in employment of 2.6 percent. The City's economy, however, continued to stagnate, with continued declines in employment in the FIRE and manufacturing sectors and very weak growth in government employment.

The national economic downturn which began in July 1990 adversely affected the local economy, which had been declining since late 1989. As a result, the City experienced significant job losses in 1990 with total employment declining by 1.2 percent or 42,000 jobs. Employment increased only in the service, transportation and public utilities and government sectors, at rates of 0.2 percent, 5.1 percent (due to a strike in 1989) and 1.0 percent, respectively. These increases were, however, more than offset by the job losses in the other major sectors, specifically, the FIRE, wholesale and retail trade, manufacturing and construction sectors which experienced decreases of 2.1 percent, 3.5 percent, 6.1 percent and 4.9 percent, respectively.

During 1991, both the national and local economies continued to decline, with the City declining at a faster rate than the nation. Local employment decreased by 191,000 jobs, or 5.4 percent, and the nation experienced job losses totalling 1.1 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 by 27,000 jobs, the first significant gain since 1987 and in 1995, City employment increased by only 12,200 jobs due to the government sector cutbacks of 23,000 jobs. In 1996, with continued government sector cutbacks of 9,900 jobs, total employment in the City increased by 34,600 jobs. U.S. employment increased by 2.3 million jobs in 1996 after adding 3.1 million jobs in 1995 and 3.4 million jobs in 1994. As of September 1997, employment in the U.S. has increased by 2.7 million jobs and employment in the City increased by 47,800 jobs from September 1996.

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)

	Peak Employment(1)		Average Annual Employment								
Sector	Year	Level	1988	1989	1990	1991	1992	1993	1994	1995	1996
Private Sector											
Non-Manufacturing	1989	2647.2	2638.8	2647.2	2621.1	2474.3	2404.4	2414.8	2463.6	2505.7	2559.2
Services	1996	1229.0	1123.1	1147.2	1149.0	1096.9	1093.1	1115.8	1148.0	1183.6	1229.0
Wholesale and Retail Trade	1969	749.1	634.3	630.2	608.3	565.3	545.6	537.9	544.1	555.4	561.9
Finance, Insurance and Real Estate	1987	549.7	542.4	530.5	519.6	493.6	473.5	471.6	480.3	473.4	472.3
Transportation and Public Utilities	1969	323.9	218.4	218.1	229.1	218.4	204.8	203.4	201.5	202.9	204.6
Contract Construction	1962	139.1	120.1	120.8	114.9	99.8	87.1	85.8	89.3	90.2	91.2
Mining	1967	2.5	0.5	0.3	0.3	0.3	0.4	0.3	0.3	0.3	0.3
Manufacturing	1960	946.8	370.1	359.5	337.5	307.8	292.8	288.8	280.5	273.5	264.5
Durable	1960	303.6	97.7	94.3	88.0	77.3	72.5	70.8	69.3	67.9	65.4
Non-Durable	1960	643.2	272.4	265.2	249.5	230.5	220.3	218.0	211.2	205.7	199.1
Government(2)	1990	607.6	596.1	601.5	607.6	592.6	584.1	579.7	566.6	543.6	533.8
Total Non-Agricultural	1969	3797.7	3605.0	3608.2	3566.2	3374.8	3281.3	3283.4	3310.7	3322.9	3357.5

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	3305.4	3214.7	3321.1	3305.6	3305.2	3310.1	3337.0	3359.2	3372.2
1995	3268.1	3281.9	3310.7	3313.5	3326.2	3335.0	3301.1	3303.7	3321.0	3349.7	3375.3	3388.1
1996	3269.1	3308.9	3336.5	3341.5	3361.4	3375.2	3351.7	3346.5	3364.4	3392.7	3413.5	3428.5
1997	3333.7	3350.8	3382.9	3391.0	3401.1	3410.4	3394.3	3391.1	3412.2			

(1) For the period 1960 through 1996.

(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	2,966	262	56.1	65.1	8.1	7.2
1986	3,219	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	3,210	3,050	160	55.0	66.2	5.0	5.5
1989	3,364	3,132	232	58.8	66.8	6.9	5.3
1990	3,334	3,103	231	57.0	66.7	6.9	5.5
1991	3,276	2,991	285	56.4	66.3	8.7	6.8
1992	3,262	2,902	360	56.3	66.8	11.0	7.6
1993	3,237	2,901	335	55.9	66.7	10.4	7.4
1994	3,198	2,919	278	55.5	66.6	8.7	6.1
1995	3,171	2,912	259	55.2	66.6	8.2	5.6
1996	3,212	2,935	277	56.7	66.8	8.8	5.4

RECENT MONTHLY TRENDS

Year	Unemployment											
	Jan.	Feb.	Mar.	Apr.	May	June	July	Aug.	Sept.	Oct.	Nov.	Dec.
1985	8.9	9.0	8.8	8.4	8.1	7.7	7.9	7.8	7.8	8.1	7.6	7.3
1986	8.0	8.1	8.0	7.8	7.6	7.3	7.8	7.2	6.8	7.0	6.5	6.2
1987	7.0	6.5	6.1	5.6	5.6	5.7	6.0	5.4	5.0	5.6	5.5	4.9
1988	5.2	4.8	4.7	4.4	4.5	4.5	5.2	5.2	5.2	5.5	5.3	5.3
1989	6.3	6.1	5.7	7.5	7.5	7.2	7.4	7.2	7.1	7.2	6.8	6.6
1990	7.2	7.0	6.8	6.4	6.5	6.4	7.1	6.9	7.2	7.5	7.2	6.8
1991	7.8	7.9	8.2	8.3	8.5	8.5	9.1	9.0	8.7	9.3	9.6	9.5
1992	10.6	10.7	10.7	10.4	10.7	11.1	11.8	11.5	11.3	11.5	11.1	11.0
1993	11.9	11.4	10.7	10.2	10.1	9.9	10.3	9.9	9.7	10.3	10.1	9.8
1994	10.3	10.0	9.7	9.1	8.7	8.5	8.9	8.4	7.8	8.1	7.6	7.2
1995	8.1	8.3	8.3	8.0	8.0	8.0	8.4	8.2	8.1	8.3	8.1	8.1
1996	8.9	8.9	9.2	8.7	8.5	8.5	9.1	8.7	8.4	8.8	8.9	8.8
1997	9.9	9.8	10.1	9.7	9.4	9.8	9.9	9.5	8.9			

(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.

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. In 1996, the local rate of inflation was 2.9% matching the U.S. rate of inflation. In September 1997, the local rate of inflation was 2.7%, discounting the U.S. rate one tenth of a point.

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 3.3%. As the stock market stabilized, local wage rates increased 6.6% versus 4.7% 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 1.5% for the nation). In 1995 and 1996, local wage rates increased 6.2% and 6.6%, respectively, compared to 3.1% and 3.0% for the nation.

The following table presents information on consumer price trends for the New York-Northeastern New Jersey and four other metropolitan areas, and the nation.

CHANGES IN CONSUMER PRICE INDEX: SELECTED AREAS

Area(1)	Percent Increase Over Prior Year																		
	1970	1975	1980	1981	1982	1983	1984	1985	1986	1987	1988	1989	1990	1991	1992	1993	1994	1995	1996
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	2.9
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	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	2.7
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	2.3
L.A.-Long Beach, Anaheim Calif.	5.2	10.6	15.8	9.7	6.0	1.8	4.6	4.6	3.3	4.2	4.6	5.1	5.9	4.1	3.6	2.5	1.4	1.5	1.8
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	2.9

(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 1986-1996		% Increase 1996		% Increase September 1997 over September 1996	
	U.S.	New York-NE. N.J.	U.S.	New York-NE. N.J.	U.S.	New York-NE. N.J.
All Items	3.6	4.0	2.9	2.9	2.2	2.1
Food and Beverages	3.5	3.6	3.2	2.4	2.5	1.6
Housing	3.2	4.0	2.9	2.6	2.5	2.5
Apparel and Upkeep	2.2	2.1	(0.2)	1.4	1.2	(0.3)
Transportation	3.4	3.8	2.8	4.5	0.7	0.8
Medical Care	6.5	6.5	3.5	3.8	2.6	3.3
Entertainment	3.6	3.6	3.4	3.0	2.0	2.1
Other Goods and Services	5.9	6.0	4.1	3.8	4.1	3.8

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 1995 (the most recent year for which local personal income data are available), New York City personal income averaged 6.5 percent growth, the same rate as the nation. The following table sets forth recent information regarding personal income in the City.

Personal Income in New York City(1)

Year	Personal Income: NYC Total (In Billions)	Personal Income: Average Annual % Change NYC	Personal Income: Average Annual % Change U.S.	Per Capita Personal Income: NYC	Per Capita: Average Annual % Change NYC	Per Capita: Average Annual % Change U.S.	New York City as a Percent of: U.S.	New York City as a Percent of: Suburban Counties(2)	New York City as a Percent of: Metropolitan Area(3)
1983	$104.1	7.5%	6.4%	$14,490	6.4%	5.4%	117.0%	93.9%	95.9%
1984	116.2	11.6	10.8	16,057	10.8	9.9	118.0	93.5	95.8
1985	124.2	6.9	7.3	17,075	6.3	6.3	118.0	93.2	95.7
1986	133.3	7.3	6.0	18,212	6.7	5.1	119.8	93.0	95.5
1987	142.7	7.0	6.3	19,434	6.7	5.4	121.3	92.8	95.6
1988	156.5	9.7	7.6	21,277	9.5	6.6	124.6	93.2	95.6
1989	167.8	7.2	7.6	22,842	7.4	6.5	125.5	93.6	95.9
1990	179.9	7.2	6.7	24,570	7.6	5.6	127.8	94.4	96.2
1991	184.5	2.5	3.7	25,242	2.7	2.6	128.0	94.7	96.2
1992	197.4	7.0	5.9	26,985	6.9	4.8	130.6	95.7	96.5
1993	199.1	0.9	4.6	27,098	0.4	3.5	126.7	95.3	96.2
1994	207.2	4.0	4.9	28,133	3.8	3.9	126.6	95.3	96.3
1995	219.3	5.9	6.2	29,743	5.7	5.2	127.3	95.4	96.3

(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		1996		1977		1994	
Sector	NYC	U.S.	NYC	U.S.	NYC	U.S.	NYC	U.S.
Private Sector								
Non-Manufacturing	67.2%	57.8%	76.2%	68.4%	70.8%	57.2%	79.6%	64.6%
Services	24.6	18.6	36.6	28.7	24.9	17.9	35.0	27.9
Wholesale and Retail Trade	19.5	22.4	16.7	23.6	16.0	17.2	11.0	16.0
Finance, Insurance and Real Estate	13.0	5.4	14.1	5.8	16.0	5.8	24.9	7.5
Transportation and Public Utilities	8.1	5.7	6.1	5.3	10.9	7.7	6.0	6.8
Contract Construction	2.0	4.7	2.7	4.5	2.4	6.5	2.7	5.4
Mining	0.0	1.0	0.0	0.5	0.4	1.8	0.0	0.9
Manufacturing	16.9	23.9	7.9	15.3	14.8	25.9	7.5	18.5
Durable	5.1	14.0	1.9	8.9	4.3	16.4	1.8	11.3
Non-Durable	11.8	9.8	5.9	6.4	10.5	9.5	5.7	7.3
Government(3)	15.9	18.3	15.9	16.3	14.4	16.9	12.7	16.2
Total Non-Agricultural	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0

(1) The sectoral distributions are obtained by dividing each industry's employment or earnings by total non-agricultural employment or earnings.

(2) Includes the sum of wage and salary disbursements, other labor income, and proprietors' income. The latest information available for New York City is 1994 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 showed a decrease in public assistance recipients, the number of recipients then increased again, peaking in March 1995. Since then the caseload has decreased by 26.3%. The decline has been attributable to the implementation of the NYC WAY workfare program.

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
1996	1,003.3	(9.6)	161.5	753.3	41.6	46.9

(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
1996	1,041.4	1,045.1	1,042.7	1,037.7	1,025.1	1,007.9	1,004.2	994.6	978.0	971.4	951.3	940.6
1997	925.2	916.5	912.4	908.3	897.1	880.1	870.5	855.8	839.4			

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 1992-1996 are based on a different sample of data than for 1991; therefore, year over year comparisons for 1992 may be distorted. Beginning in 1997, the Department of Commerce discontinued the collection of New York City data. Trends in the City's retail sales for 1983-1996 are shown in the table below.

RETAIL SALES IN NEW YORK CITY

	Total Retail Sales (In Billions)		Annual Percent Change					
			Total Retail Sales		Non-Durable(1)		Durable(2)	
Year	NYC	U.S.	NYC	U.S.	NYC	U.S.	NYC	U.S.
1983	$29.0	$1,167.4	9.8%	9.4%	5.5%	6.2%	20.0%	16.3%
1984	30.9	1,283.8	6.3	10.0	4.5	6.8	10.0	16.2
1985	33.8	1,373.8	9.4	7.0	6.4	5.6	15.3	9.7
1986	39.6	1,449.2	17.3	5.5	9.1	3.7	32.1	8.6
1987	39.6	1,538.8	(0.2)	6.2	1.0	6.1	(2.0)	6.3
1988	43.7	1,648.6	10.6	7.1	9.7	5.9	11.9	9.2
1989	43.7	1,758.4	(0.2)	6.7	1.6	7.8	(2.9)	4.9
1990	42.9	1,845.1	(1.7)	4.9	1.8	6.8	(7.3)	1.8
1991	40.7	1,856.1	(5.2)	0.6	(0.8)	2.6	(12.9)	(2.9)
1992	38.8	1,944.6	(4.7)	4.8	2.5	3.1	(19.0)	7.9
1993	37.8	2,072.6	(2.4)	6.6	(3.2)	4.2	(0.5)	10.7
1994	38.9	2,224.9	2.7	7.4	1.4	4.4	5.9	12.4
1995	40.4	2,326.5	3.9	4.6	(0.7)	3.5	14.6	6.2
1996	41.5	2,439.8	2.9	4.9	(0.3)	3.5	9.3	6.9

(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 averaging 12.0% in 1996.

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 1996, the City hosted a record number of tourist and business visitors, 31.2 million, who injected $13.1 billion into the local economy and filled the City's hotels to 81.8 percent of capacity. A significant rise in overseas visitor business occurred, with the number of international visitors increasing to 5.6 million in 1996, a three percent increase from 1995. The number of conventions in 1996 was 243, and the number of delegates attending stood at 1.7 million. The table below shows the number of visitors to the City and the City's hotel occupancy rate for each year since 1991.

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
1991	29.1	67.6%
1992	30.7	68.7
1993	30.3	69.5
1994	28.9	75.7
1995	29.7	78.6
1996	31.2	81.8

(1) Source: New York City Convention & Visitors Bureau, Inc.

(2) Source: Pannell, Kerr, Forster & Company, Statistics and Trend of Hotel and Motor Hotel Survey and Report.

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 6,000 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 6,400 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 expected to close in 2002. 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. For current developments on the Fresh Kills landfill see "SECTION VII: 1998-2001 FINANCIAL PLAN—Assumptions—*Expenditure Assumptions*—2. Other Than Personal Service Costs".

In November 1996, the U.S. Environmental Protection Agency published final rules pertaining to Financial Assurance Mechanisms for Local Government Owners and Operators of Municipal Solid Waste Landfill Facilities under the Resource Conservation and Recovery Act, which became effective April 9, 1997. The City has filed a Financial Assurance Plan for the Fresh Kills Landfill to assure that the Financial Assurance Criteria of such rules are satisfied by demonstrating that adequate funds will be readily available for the costs estimated for the closure, corrective measures, and 30 year post-closure care of the Fresh Kills Landfill. The related liabilities have been included in the City's financial statements and the notes thereto in accordance with Governmental Accounting Standards Board Statement No. 18.

The City's mass transit system includes a subway system which covers over 238 route-miles with 468 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 over 50 years ago.

The City has developed a ten-year capital program, the Ten-Year Capital Strategy, for fiscal years 1996-2005 which projects capital funding over this period of $40.6 billion, of which approximately 92% would be financed with City sources. A portion of these funds is for rehabilitation or replacements of various elements of the infrastructure. For information concerning the impact of the constitutional restrictions on the amount of debt the City is authorized to incur on the City's capital program see "INTRODUCTORY STATEMENT" and "SECTION VIII: INDEBTEDNESS—City Indebtedness—*Limitations on the City's Authority to Contract Indebtedness*".

Housing

In 1993, the most recent year for which data are available, the housing stock in the City consisted of 2,985,527 housing units, excluding certain special types of units primarily in institutions such as hospitals and universities. The 1993 housing inventory represented an increase of 4,765 units, or .2%, since 1991. The 1991 housing inventory of 2,980,762 housing units represented an increase of 140,505 units, or 5.0% since 1987. Although the total population of the City was essentially unchanged at 7.1 million between 1991 and 1993 and 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	1993
Total Housing Units	2,792	2,803	2,840	2,980	2,986
Owner Units	755	807	837	858	827
Owner-Occupied	746	795	817	829	806
Vacant for Sale	9	12	19	10	21
Rental Units	1,976	1,940	1,932	2,027	2,047
Renter-Occupied	1,934	1,901	1,884	1,951	1,977
Vacant for Rent	42	40	47	76	70
Vacant Not Available for Sale or Rent(1)	62	56	72	94	112

(1) 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: U.S. Bureau of the Census, 1981, 1984, 1987, 1991 and 1993 New York City Housing and Vacancy Surveys, as quoted in Blackburn, Anthony J., "Housing New York City", The City of New York Department of Housing Preservation and Development (New York, June 1995)

The 1993 Housing and Vacancy Report indicates that rental housing units predominate in the City. Of all occupied housing units in 1993, 29.1% were conventional home-ownership units, cooperatives or condominiums and 71% 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 3.44% in 1993, and median rent consumed 30.8% 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.

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 1993	1994	1995	1996	1997	1998
Bronx (The Bronx)	$ 4,719	$ 4,983	$ 4,831	$ 4,789	$ 4,830	$ 4,822
Kings (Brooklyn)	9,950	10,440	10,390	10,423	10,546	10,893
New York (Manhattan)	49,143	46,892	44,956	44,747	44,003	44,062
Queens (Queens)	12,776	13,185	13,112	13,173	13,352	13,473
Richmond (Staten Island)	2,590	2,678	2,730	2,720	2,764	2,771
Total	$79,179	$78,178	$76,019	$75,852	$75,495	$76,021

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 1993		Fiscal Year 1994		Fiscal Year 1995		Fiscal Year 1996		Fiscal Year 1997		Fiscal Year 1998	
	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	$ 4,092.4	5.2%	$ 3,918.7	5.0%	$ 4,013.2	5.3%	$ 4,096.1	5.4%	$ 4,152.5	5.5%	$ 4,247.7	5.6%
Two Family Dwellings	3,100.2	3.9	3,046.8	3.9	3,104.0	4.1	3,158.9	4.2	3,188.7	4.2	3,254.6	4.3
Walk-Up Apartments	6,576.8	8.3	6,720.1	8.6	6,737.8	8.9	6,778.7	8.9	6,813.6	9.0	6,936.6	9.1
Elevator Apartments	15,517.8	19.6	14,914.0	19.1	14,429.4	19.0	14,467.6	19.1	14,427.9	19.1	14,557.9	19.1
Warehouses	989.8	1.3	1,031.5	1.3	1,044.4	1.4	1,071.4	1.4	1,084.1	1.4	1,114.3	1.5
Factory and Industrial Buildings	1,702.9	2.2	1,633.7	2.1	1,550.4	2.0	1,480.8	2.0	1,452.9	1.9	1,404.5	1.8
Garages and Gasoline Stations	1,191.3	1.5	1,248.2	1.6	1,278.8	1.7	1,323.6	1.7	1,365.5	1.8	1,391.7	1.8
Hotels	1,821.7	2.3	1,742.8	2.2	1,792.6	2.4	1,822.4	2.4	1,865.9	2.5	1,917.4	2.5
Hospitals and Health	425.2	0.5	481.0	0.6	438.6	0.6	530.3	0.7	415.6	0.6	486.6	0.6
Theatres	186.9	0.2	189.1	0.2	159.3	0.2	182.2	0.2	180.8	0.2	180.9	0.2
Store Buildings	4,416.4	5.6	4,360.2	5.6	4,349.7	5.7	4,365.4	5.8	4,383.2	5.8	4,513.0	5.9
Loft Buildings	2,317.8	2.9	2,100.3	2.7	1,916.8	2.5	1,867.4	2.5	1,828.5	2.4	1,776.1	2.3
Churches, Synagogues, etc.	53.8	0.1	68.1	0.1	52.0	0.1	50.9	0.1	58.7	0.1	76.7	0.1
Asylums and Homes	94.5	0.1	101.2	0.1	57.7	0.1	63.3	0.1	60.7	0.1	66.0	0.1
Office Buildings	23,907.6	30.2	21,817.1	27.9	20,342.7	26.8	19,685.6	26.0	18,785.9	24.9	18,143.4	23.9
Places of Public Assembly	138.3	0.2	145.2	0.2	146.0	0.2	150.3	0.2	152.9	0.2	155.2	0.2
Outdoor Recreation Facilities	84.5	0.1	108.3	0.1	88.2	0.1	87.4	0.1	92.1	0.1	95.4	0.1
Condominiums	4,322.8	5.5	4,195.9	5.4	4,363.2	5.7	4,549.2	6.0	4,831.9	6.4	5,244.8	6.9
Residence Multi-Use	1,034.6	1.3	1,111.1	1.4	1,137.6	1.5	1,144.0	1.5	1,157.6	1.5	1,188.2	1.6
Transportation Facilities	35.4	0	44.2	0.1	43.3	0.1	43.1	0.1	42.6	0.1	48.0	0.1
Utility Bureau Properties	0	0	0	0	0.7	0	0	0	0	0	0.0	0.0
Vacant Land	906.8	1.1	916.2	1.2	863.1	1.1	789.8	1.0	771.5	1.0	733.8	1.0
Educational Structures	170.1	0.2	175.1	0.2	214.3	0.3	261.6	0.3	303.5	0.4	288.1	0.4
Selected Government Installations	8.1	0	17.4	0	85.9	0.1	71.4	0.1	57.0	0.1	51.4	0.1
Miscellaneous	275.7	0.3	264.1	0.3	287.7	0.4	296.0	0.4	283.3	0.4	286.4	0.4
Real Estate of Utility Corporations and Special Franchises	5,807.8	7.3	7,827.2	10.0	7,522.0	9.9	7,514.3	9.9	7,737.8	10.2	7,862.0	10.3
Total	$79,179.1	100.0%	$78,177.5	100.0%	$76,019.3	100.0%	$75,851.6	100.0%	$75,495.0	100.0%	$76,020.7	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 1998 fiscal year, the assessed valuation of real estate of utility corporations is $6.5 billion. The following table presents the 40 non-utility properties having the greatest assessed valuation in the 1998 fiscal year as indicated in the tax rolls.

Largest Real Estate Taxpayers

Property	1998 Fiscal Year Assessed Valuation	Property	1998 Fiscal Year Assessed Valuation
MetLife Building	$244,150,000	Waldorf Astoria	$108,200,000
Empire State Building	183,600,000	595 Lexington Avenue	105,930,000
General Motors Building	181,752,000	Celanese Building	105,740,000
Bear Stearns Building	175,500,000	Chemical Plaza	105,170,000
Sperry Rand Building	168,750,000	Chase Manhattan	105,050,000
Stuyvesant Town	161,170,000	Carpet Center	101,250,000
McGraw-Hill Building	158,670,000	666 Fifth Avenue	101,060,000
Bristol Myers	155,205,000	Kalikow Building	99,000,000
Whitney Museum	144,720,000	Park Avenue Atrium	96,136,000
Paine Webber	140,000,000	New York Hilton	92,540,000
Time Life Building	139,870,000	617 Lexington Avenue	92,250,000
Credit Lyonnais	133,920,000	Shearson Lehman	89,100,000
Morgan Guaranty	132,610,000	W.R. Grace Building	87,750,000
International Building	128,250,000	Simon & Schuster Building	87,750,000
One Liberty Plaza	122,220,000	Park Avenue Plaza	87,750,000
Worldwide Plaza	121,350,000	North Shore Towers	85,768,000
Solow Building	118,350,000	Continental Illinois	83,250,000
Alliance Capital	117,270,000	Sony Building	81,880,000
One Penn Plaza	116,860,000	55 Water Street	80,650,000
Paramount Plaza Building	109,540,000	399 Park Avenue	80,100,000

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

APPENDIX B

GENERAL PURPOSE

FINANCIAL STATEMENTS
OF
THE CITY OF NEW YORK

June 30, 1997 and 1996

INDEX

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KPMG Peat Marwick LLP

Watson Rice LLP

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, 1997 and 1996, 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 audits 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, 1997 and 1996, 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 1997 The City adopted GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools.*

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

October 24, 1997
New York, New York

THE CITY OF NEW YORK

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

JUNE 30, 1997
(in thousands)

	Governmental Fund Types			Fiduciary Fund Type	Account Groups		Total (Memorandum Only)	Discretely	Total (Memorandum
	General	Capital Projects	Debt Service	Trust and Agency	General Fixed Assets	General Long-term Obligations	Primary Government	Presented Component Units	Only) Reporting Entity
ASSETS:									
Cash and cash equivalents	$ 190,612	$ 154	$ 103,978	$ 415,247	$ —	$ —	$ 709,991	$ 390,470	$ 1,100,461
Investments, including accrued interest	2,527,567	579,759	2,289,797	87,936,058	—	—	93,333,181	1,101,593	94,434,774
Investments, collateral from securities lending transactions	—	—	—	9,552,293	—	—	9,552,293	—	9,552,293
Accounts receivable:									
Real estate taxes (less allowance for uncollectible amounts of $336,808)	563,747	—	—	—	—	—	563,747	—	563,747
Federal, State and other aid	3,692,369	329,691	—	—	—	—	4,022,060	—	4,022,060
Patient service, net	—	—	—	—	—	—	—	784,201	784,201
Other	969,855	—	—	3,265,700	—	—	4,235,555	562,135	4,797,690
Mortgage loans and interest receivable, net	—	—	44,162	—	—	—	44,162	2,303,202	2,347,364
Due from other funds	1,690,799	941,202	75,000	—	—	—	2,707,001	—	2,707,001
Due from Primary Government	—	—	—	—	—	—	—	6,332	6,332
Due from Discretely Presented Component Units	158,100	277,488	3,074	—	—	—	438,662	—	438,662
Property, plant and equipment	—	—	—	—	19,856,267	—	19,856,267	24,818,928	44,675,195
Accumulated depreciation and amortization	—	—	—	—	(6,527,155)	—	(6,527,155)	(8,525,833)	(15,052,988)
Restricted cash and investments	—	—	—	—	—	—	—	1,762,961	1,762,961
Other	—	214,477	541	14,225	—	—	229,243	292,670	521,913
Amounts available in debt service funds	—	—	—	—	—	2,361,478	2,361,478	—	2,361,478
Amounts to be provided for general long-term obligations	—	—	—	—	—	39,662,165	39,662,165	—	39,662,165
Total assets	$9,793,049	$2,342,771	$2,516,552	$101,183,523	$13,329,112	$42,023,643	$171,188,650	$23,496,659	$194,685,309

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, 1997
(in thousands)

	Governmental Fund Types			Fiduciary Fund Type	Account Groups		Total (Memorandum Only)	Discretely	Total (Memorandum Only)
	General	Capital Projects	Debt Service	Trust and Agency	General Fixed Assets	General Long-term Obligations	Primary Government	Presented Component Units	Reporting Entity
LIABILITIES:									
Accounts payable and accrued liabilities	$5,044,088	$1,133,818	$ 82,789	$ 11,045,774	$ —	$ —	$ 17,306,469	$ 1,428,702	$ 18,735,171
Bonds and notes payable	—	—	—	—	—	31,963,951	31,963,951	12,381,069	44,345,020
Capital lease obligations	—	—	—	—	—	1,099,279	1,099,279	—	1,099,279
Accrued real estate tax refunds	27,460	—	—	—	—	377,932	405,392	—	405,392
Accrued tax refunds—other	40,217	—	—	—	—	—	40,217	—	40,217
Accrued judgments and claims	120,572	104,818	—	—	—	3,490,851	3,716,241	—	3,716,241
Accrued vacation and sick leave	—	—	—	—	—	1,734,830	1,734,830	328,833	2,063,663
Deferred wages	—	—	—	—	—	—	—	—	—
Accrued pension liability	—	—	—	—	—	2,479,390	2,479,390	105,866	2,585,256
Landfill closure and post-closure care costs	—	—	—	—	—	877,410	877,410	—	877,410
Accrued interest payable	—	—	—	—	—	—	—	440,319	440,319
Deferred revenues	2,991,900	200,485	—	—	—	—	3,192,385	178,824	3,371,209
Due to other funds	1,016,202	1,660,914	29,885	—	—	—	2,707,001	—	2,707,001
Due to Primary Government	—	—	—	—	—	—	—	438,662	438,662
Due to Discretely Presented Component Units	6,332	—	—	—	—	—	6,332	—	6,332
Estimated disallowances of Federal, State and other aid	168,306	—	—	—	—	—	168,306	—	168,306
Securities lending transactions	—	—	—	9,552,293	—	—	9,552,293	—	9,552,293
Other	—	—	—	675,656	—	—	675,656	100,373	776,029
Total liabilities	9,415,077	3,100,035	112,674	21,273,723	—	42,023,643	75,925,152	15,402,648	91,327,800
EQUITY AND OTHER CREDITS:									
Investment in general fixed assets	—	—	—	—	13,329,112	—	13,329,112	—	13,329,112
Contributed capital	—	—	—	—	—	—	—	8,941,553	8,941,553
Retained earnings:									
Reserved for capital improvement	—	—	—	—	—	—	—	55,662	55,662
Reserved for loans and programs	—	—	—	—	—	—	—	89,687	89,687
Reserved for donor restrictions	—	—	—	—	—	—	—	10,732	10,732
Reserved for debt retirement	—	—	—	—	—	—	—	330,355	330,355
Unreserved deficit	—	—	—	—	—	—	—	(1,333,978)	(1,333,978)
Fund balance/Plan net assets:									
Reserved for debt service	—	—	2,361,478	—	—	—	2,361,478	—	2,361,478
Reserved for non-current mortgage loans	—	—	42,400	—	—	—	42,400	—	42,400
Reserved for supplemental benefit payments	—	—	—	2,761,028	—	—	2,761,028	—	2,761,028
Reserved for pension benefits	—	—	—	77,148,772	—	—	77,148,772	—	77,148,772
Unreserved, undesignated (deficit)	377,972	(757,264)	—	—	—	—	(379,292)	—	(379,292)
Total equity (deficit) and other credits	377,972	(757,264)	2,403,878	79,909,800	13,329,112	—	95,263,498	8,094,011	103,357,509
Commitments and contingencies									
Total liabilities, equity and other credits	$9,793,049	$2,342,771	$2,516,552	$101,183,523	$13,329,112	$42,023,643	$171,188,650	$23,496,659	$194,685,309

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, 1996
(in thousands)

	Governmental Fund Types			Fiduciary Fund Type	Account Groups				
	General	Capital Projects	Debt Service	Trust and Agency	General Fixed Assets	General Long-term Obligations	Total (Memorandum Only) Primary Government	Discretely Presented Component Units	Total (Memorandum Only) Reporting Entity
ASSETS:									
Cash and cash equivalents	$ 474,781	$ 210	$ 54,822	$ 502,008	$ —	$ —	$ 1,031,821	$ 442,211	$ 1,474,032
Investments, including accrued interest	2,061,414	622,502	1,340,685	75,163,550	—	—	79,188,151	898,382	80,086,533
Investments, collateral from securities lending transactions	—	—	—	7,336,120	—	—	7,336,120	—	7,336,120
Accounts receivable:									
Real estate taxes (less allowance for uncollectible amounts of $331,871)	570,197	—	—	—	—	—	570,197	—	570,197
Federal, State and other aid	3,911,804	276,033	—	—	—	—	4,187,837	—	4,187,837
Patient service, net	—	—	—	—	—	—	—	751,552	751,552
Other	958,542	—	—	611,062	—	—	1,569,604	575,265	2,144,869
Mortgage loans and interest receivable, net	—	—	46,112	—	—	—	46,112	2,219,537	2,265,649
Due from other funds	1,715,927	921,417	105,993	475,289	—	—	3,218,626	—	3,218,626
Due from Primary Government	—	—	—	—	—	—	—	28,329	28,329
Due from Discretely Presented Component Units	175,231	228,259	10,879	—	—	—	414,369	—	414,369
Property, plant and equipment	—	—	—	—	18,419,745	—	18,419,745	23,499,346	41,919,091
Accumulated depreciation and amortization	—	—	—	—	(5,895,541)	—	(5,895,541)	(8,051,560)	(13,947,101)
Restricted cash and investments	—	—	—	—	—	—	—	1,198,084	1,198,084
Other	—	108,451	931	38,433	—	—	147,815	259,860	407,675
Amounts available in debt service funds	—	—	—	—	—	1,241,354	1,241,354	—	1,241,354
Amounts to be provided for general long-term obligations	—	—	—	—	—	38,501,198	38,501,198	—	38,501,198
Total assets	$9,867,896	$2,156,872	$1,559,422	$84,126,462	$12,524,204	$39,742,552	$149,977,408	$21,821,006	$171,798,414

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, 1996
(in thousands)

	Governmental Fund Types			Fiduciary Fund Type	Account Groups				
	General	Capital Projects	Debt Service	Trust and Agency	General Fixed Assets	General Long-term Obligations	Total (Memorandum Only) Primary Government	Discretely Presented Component Units	Total (Memorandum Only) Reporting Entity
LIABILITIES:									
Accounts payable and accrued liabilities	$5,075,277	$1,146,678	$ 57,236	$ 6,724,089	$ —	$ —	$13,003,280	$ 1,539,494	$ 14,542,774
Bonds and notes payable	—	—	—	—	—	30,511,685	30,511,685	11,250,974	41,762,659
Capital lease obligations	—	—	—	—	—	1,067,729	1,067,729	—	1,067,729
Accrued real estate tax refunds	62,045	—	—	—	—	336,498	398,543	—	398,543
Accrued tax refunds—other	44,140	—	—	—	—	—	44,140	—	44,140
Accrued judgments and claims	132,984	103,463	—	—	—	2,841,839	3,078,286	—	3,078,286
Accrued vacation and sick leave	—	—	—	—	—	1,674,888	1,674,888	312,412	1,987,300
Deferred wages	—	—	—	—	—	24,884	24,884	—	24,884
Accrued pension liability	—	—	—	—	—	2,531,193	2,531,193	108,196	2,639,389
Landfill closure and post-closure care costs	—	—	—	—	—	753,836	753,836	—	753,836
Accrued interest payable	—	—	—	—	—	—	—	592,905	592,905
Deferred revenues	2,904,318	203,894	—	—	—	—	3,108,212	115,279	3,223,491
Due to other funds	1,027,410	1,498,660	217,267	475,289	—	—	3,218,626	—	3,218,626
Due to Primary Government	—	—	—	—	—	—	—	414,369	414,369
Due to Discretely Presented Component Units	28,329	—	—	—	—	—	28,329	—	28,329
Estimated disallowances of Federal, State and other aid	220,255	—	—	—	—	—	220,255	—	220,255
Securities lending transactions	—	—	—	7,336,120	—	—	7,336,120	—	7,336,120
Other	—	—	—	1,028,542	—	—	1,028,542	101,737	1,130,279
Total liabilities	9,494,758	2,952,695	274,503	15,564,040	—	39,742,552	68,028,548	14,435,366	82,463,914
EQUITY AND OTHER CREDITS:									
Investment in general fixed assets	—	—	—	—	12,524,204	—	12,524,204	—	12,524,204
Contributed capital	—	—	—	—	—	—	—	8,563,633	8,563,633
Retained earnings:									
Reserved for capital improvement	—	—	—	—	—	—	—	55,396	55,396
Reserved for loans and programs	—	—	—	—	—	—	—	75,506	75,506
Reserved for donor restrictions	—	—	—	—	—	—	—	10,814	10,814
Reserved for debt retirement	—	—	—	—	—	—	—	306,837	306,837
Unreserved deficit	—	—	—	—	—	—	—	(1,626,546)	(1,626,546)
Fund balance/Plan net assets:									
Reserved for debt service	—	—	1,241,354	—	—	—	1,241,354	—	1,241,354
Reserved for non-current mortgage loans	—	—	43,565	—	—	—	43,565	—	43,565
Reserved for supplemental benefit payments	—	—	—	2,458,060	—	—	2,458,060	—	2,458,060
Reserved for pension benefits	—	—	—	66,104,362	—	—	66,104,362	—	66,104,362
Unreserved, undesignated (deficit)	373,138	(795,823)	—	—	—	—	(422,685)	—	(422,685)
Total equity (deficit) and other credits	373,138	(795,823)	1,284,919	68,562,422	12,524,204	—	81,948,860	7,385,640	89,334,500
Commitments and contingencies									
Total liabilities, equity and other credits	$9,867,896	$2,156,872	$1,559,422	$84,126,462	$12,524,204	$39,742,552	$149,977,408	$21,821,006	$171,798,414

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, 1997
(in thousands)

	Governmental Fund Types			Total (Memorandum Only)
	General	Capital Projects	Debt Service	Primary Government
REVENUES:				
Real estate taxes	$ 7,290,685	$ —	$ —	$ 7,290,685
Sales and use taxes	3,346,458	—	—	3,346,458
Income taxes	7,567,224	—	—	7,567,224
Other taxes	1,063,261	—	—	1,063,261
Federal, State and other categorical aid	10,740,750	377,303	226,779	11,344,832
Unrestricted Federal and State aid	653,569	—	—	653,569
Charges for services	1,364,083	—	—	1,364,083
Other	1,684,450	959,876	156,733	2,801,059
Total revenues	33,710,480	1,337,179	383,512	35,431,171
OTHER FINANCING SOURCES:				
Transfer from Discretely Presented Component Units	30,506	—	—	30,506
Transfers and other payments for debt service	—	—	4,386,771	4,386,771
Net proceeds from sale of notes and bonds	—	2,519,180	13,608	2,532,788
Capitalized leases	—	40,778	—	40,778
Refunding bond proceeds	—	—	6,386,543	6,386,543
Total revenues and other financing sources	33,740,986	3,897,137	11,170,434	48,808,557
EXPENDITURES:				
Current Operations:				
General government	846,778	—	—	846,778
Public safety and judicial	4,727,205	—	—	4,727,205
Board of Education	8,085,127	—	—	8,085,127
City University	354,056	—	—	354,056
Social services	7,748,606	—	—	7,748,606
Environmental protection	1,116,699	—	—	1,116,699
Transportation services	600,769	—	—	600,769
Parks, recreation and cultural activities	235,795	—	—	235,795
Housing	455,585	—	—	455,585
Health (including payments to HHC)	1,448,483	—	—	1,448,483
Libraries	107,577	—	—	107,577
Pensions	1,318,556	—	—	1,318,556
Judgments and claims	326,293	—	—	326,293
Fringe benefit and other benefit payments	1,732,249	—	—	1,732,249
Other	241,305	—	66,718	308,023
Capital Projects	—	3,858,578	—	3,858,578
Debt Service:				
Interest	—	—	1,868,269	1,868,269
Redemptions	—	—	1,358,219	1,358,219
Lease payments	—	—	205,696	205,696
Refunding escrow	—	—	166,030	166,030
Total expenditures	29,345,083	3,858,578	3,664,932	36,868,593
OTHER FINANCING USES:				
Transfers and other payments for debt service	4,391,069	—	—	4,391,069
Payment to refunded bond escrow holder	—	—	6,386,543	6,386,543
Total expenditures and other financing uses	33,736,152	3,858,578	10,051,475	47,646,205
EXCESS OF REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES AND OTHER FINANCING USES	4,834	38,559	1,118,959	1,162,352
FUND BALANCES (DEFICIT) AT BEGINNING OF YEAR	373,138	(795,823)	1,284,919	862,234
FUND BALANCES (DEFICIT) AT END OF YEAR	$ 377,972	$ (757,264)	$2,403,878	$ 2,024,586

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, 1996
(in thousands)

	Governmental Fund Types			Total (Memorandum Only)
	General	Capital Projects	Debt Service	Primary Government
REVENUES:				
Real estate taxes	$ 7,100,360	$ —	$ —	$ 7,100,360
Sales and use taxes	3,110,850	—	—	3,110,850
Income taxes	6,807,762	—	—	6,807,762
Other taxes	1,095,120	—	—	1,095,120
Federal, State and other categorical aid	10,880,081	262,277	216,458	11,358,816
Unrestricted Federal and State aid	620,806	—	—	620,806
Charges for services	1,312,440	—	—	1,312,440
Other	1,118,065	1,028,455	333,273	2,479,793
Total revenues	32,045,484	1,290,732	549,731	33,885,947
OTHER FINANCING SOURCES:				
Transfer from Discretely Presented Component Units	25,811	—	—	25,811
Transfers and other payments for debt service	—	—	2,569,929	2,569,929
Net proceeds from sale of notes and bonds	—	2,552,979	—	2,552,979
Capitalized leases	—	123,142	—	123,142
Refunding bond proceeds	—	—	4,137,265	4,137,265
Total revenues and other financing sources	32,071,295	3,966,853	7,256,925	43,295,073
EXPENDITURES:				
Current Operations:				
General government	854,884	—	—	854,884
Public safety and judicial	4,445,658	—	—	4,445,658
Board of Education	7,835,002	—	—	7,835,002
City University	347,715	—	—	347,715
Social services	7,901,581	—	—	7,901,581
Environmental protection	1,138,363	—	—	1,138,363
Transportation services	731,890	—	—	731,890
Parks, recreation and cultural activities	244,288	—	—	244,288
Housing	454,664	—	—	454,664
Health (including payments to HHC)	1,828,756	—	—	1,828,756
Libraries	252,999	—	—	252,999
Pensions	1,356,476	—	—	1,356,476
Judgments and claims	308,663	—	—	308,663
Fringe benefit and other benefit payments	1,581,649	—	—	1,581,649
Other	209,771	—	71,131	280,902
Capital Projects	—	3,878,108	—	3,878,108
Debt Service:				
Interest	—	—	1,786,313	1,786,313
Redemptions	—	—	1,293,709	1,293,709
Lease payments	—	—	187,634	187,634
Refunding escrow	—	—	21,322	21,322
Total expenditures	29,492,359	3,878,108	3,360,109	36,730,576
OTHER FINANCING USES:				
Transfers and other payments for debt service	2,574,227	—	—	2,574,227
Payment to refunded bond escrow holder	—	—	4,137,265	4,137,265
Total expenditures and other financing uses	32,066,586	3,878,108	7,497,374	43,442,068
EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES AND OTHER FINANCING USES	4,709	88,745	(240,449)	(146,995)
FUND BALANCES (DEFICIT) AT BEGINNING OF YEAR	368,429	(884,568)	1,525,368	1,009,229
FUND BALANCES (DEFICIT) AT END OF YEAR	$ 373,138	$ (795,823)	$1,284,919	$ 862,234

See accompanying notes to financial statements.

THE CITY OF NEW YORK

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

FOR THE YEARS ENDED JUNE 30, 1997 AND 1996
(in thousands)

	1997			1996		
	Budget			Budget		
	Adopted	Modified	Actual	Adopted	Modified	Actual
REVENUES:						
Real estate taxes	$ 7,088,000	$ 7,245,000	$ 7,290,685	$ 7,274,000	$ 7,274,000	$ 7,100,360
Sales and use taxes	3,211,300	3,310,300	3,346,458	3,096,700	3,120,700	3,110,850
Income taxes	6,918,555	7,730,020	7,567,224	6,501,900	6,385,100	6,807,762
Other taxes	906,718	975,800	1,063,261	1,028,700	1,121,500	1,095,120
Federal, State and other categorical aid	10,197,548	11,117,681	10,740,750	9,891,198	11,433,559	10,880,081
Unrestricted Federal and State aid	523,453	686,354	653,569	548,896	548,896	620,806
Charges for services	1,494,500	1,351,201	1,364,083	1,253,178	1,276,125	1,312,440
Other	2,350,955	1,860,336	1,684,450	1,578,085	1,578,085	1,118,065
Total revenues	32,691,029	34,276,692	33,710,480	31,172,657	32,737,965	32,045,484
OTHER FINANCING SOURCES:						
Transfers from Discretely Presented Component Units	29,000	29,900	30,506	30,600	30,600	25,811
Total revenues and other financing sources	32,720,029	34,306,592	33,740,986	31,203,257	32,768,565	32,071,295
EXPENDITURES:						
General government	821,614	880,787	846,778	810,643	902,807	854,884
Public safety and judicial	4,456,709	4,792,919	4,727,205	4,225,975	4,503,091	4,445,658
Board of Education	7,833,689	8,219,710	8,085,127	7,285,825	7,890,742	7,835,002
City University	389,092	391,169	354,056	362,814	396,524	347,715
Social services	7,799,586	7,943,635	7,748,606	7,521,862	8,192,520	7,901,581
Environmental protection	1,117,470	1,136,790	1,116,699	1,095,985	1,166,366	1,138,363
Transportation services	611,495	641,627	600,769	666,882	754,330	731,890
Parks, recreation and cultural activities	227,311	235,834	235,795	238,609	243,011	244,288
Housing	437,577	478,522	455,585	399,071	486,364	454,664
Health (including payments to HHC)	1,400,442	1,515,067	1,448,483	1,544,494	1,879,644	1,828,756
Libraries	105,996	107,661	107,577	176,287	253,112	252,999
Pensions	1,349,420	1,323,458	1,318,556	1,555,103	1,356,800	1,356,476
Judgments and claims	289,592	326,592	326,293	279,005	309,005	308,663
Fringe benefits and other benefit payments	1,752,304	1,741,398	1,732,249	1,227,288	1,596,934	1,581,649
Other	1,138,457	264,958	241,305	948,572	245,019	209,771
Total expenditures	29,730,754	30,000,127	29,345,083	28,338,415	30,176,269	29,492,359
OTHER FINANCING USES:						
Transfers and other payments for debt service	2,989,275	4,306,465	4,391,069	2,864,842	2,592,296	2,574,227
Total expenditures and other financing uses	32,720,029	34,306,592	33,736,152	31,203,257	32,768,565	32,066,586
EXCESS OF REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES AND OTHER FINANCING USES	$ —	$ —	4,834	$ —	$ —	4,709
FUND BALANCES AT BEGINNING OF YEAR			373,138			368,429
FUND BALANCES AT END OF YEAR			$ 377,972			$ 373,138

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, 1997

(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 Entities	Water and Sewer System	Total Component Units	Total (Memorandum Only) Reporting Entity
ADDITIONS TO PLAN NET ASSETS AND OPERATING REVENUES:							
Patient service revenues, net	$ —	$3,775,931	$ —	$ —	$ —	$3,775,931	$3,775,931
Charges for services	—	—	—	—	1,426,690	1,426,690	1,426,690
Rental income	—	—	—	545,269	—	545,269	545,269
Other	—	293,510	220,469	1,762,601	—	2,276,580	2,276,580
Employer, employee contributions	1,829,314	—	—	—	—	—	1,829,314
Investment income, net	14,546,497	—	—	28,963	64,676	93,639	14,640,136
Total additions to plan net assets and operating revenues	16,375,811	4,069,441	220,469	2,336,833	1,491,366	8,118,109	24,493,920
DEDUCTIONS FROM PLAN NET ASSETS AND OPERATING EXPENSES:							
Personal services	—	1,948,917	70,842	702,076	—	2,721,835	2,721,835
Affiliated institutions	—	470,765	—	—	—	470,765	470,765
Racing industry compensation	—	—	72,034	—	—	72,034	72,034
Operations and maintenance	—	846,210	—	—	775,318	1,621,528	1,621,528
Interest expense	—	—	—	177,835	407,997	585,832	585,832
Administrative and program	—	—	6,190	1,218,601	13,375	1,238,166	1,238,166
Depreciation and amortization	—	145,654	3,353	192,209	287,546	628,762	628,762
Benefit payments and withdrawals	4,990,569	—	—	—	—	—	4,990,569
Provision for bad debts	—	542,390	—	—	189,775	732,165	732,165
Other	37,864	—	22,893	302,785	—	325,678	363,542
Distributions to the State and other local governments	—	—	16,541	—	—	16,541	16,541
Total deductions from plan net assets and operating expenses	5,028,433	3,953,936	191,853	2,593,506	1,674,011	8,413,306	13,441,739
Operating income (loss)	11,347,378	115,505	28,616	(256,673)	(182,645)	(295,197)	11,052,181
NON-OPERATING REVENUES (EXPENSES):							
Interest and dividend income	—	2,521	1,201	32,319	3,516	39,557	39,557
Interest expense	—	(89,193)	—	—	—	(89,193)	(89,193)
Amounts from other OTB communities	—	—	3,664	—	—	3,664	3,664
Other	—	—	—	(2,855)	—	(2,855)	(2,855)
Total non-operating revenues (expenses)	—	(86,672)	4,865	29,464	3,516	(48,827)	(48,827)
Income (loss) before transfers	11,347,378	28,833	33,481	(227,209)	(179,129)	(344,024)	11,003,354
OPERATING TRANSFERS:							
Transfer from Primary Government for debt service	—	—	—	4,298	—	4,298	4,298
Transfer to Primary Government	—	—	(30,506)	—	—	(30,506)	(30,506)
Net additions to plan net assets and net income (loss)	11,347,378	28,833	2,975	(222,911)	(179,129)	(370,232)	10,977,146
PLAN NET ASSETS/FUND EQUITY AT BEGINNING OF YEAR	68,562,422	1,013,731	10,916	1,094,123	5,266,870	7,385,640	75,948,062
Contributed fixed assets and debt service	—	74,976	—	953,094	50,615	1,078,685	1,078,685
Net decrease in donor restricted funds	—	(82)	—	—	—	(82)	(82)
PLAN NET ASSETS/FUND EQUITY AT END OF YEAR	$79,909,800	$1,117,458	$ 13,891	$1,824,306	$5,138,356	$8,094,011	$88,003,811
PLAN NET ASSETS/COMPONENTS OF FUND EQUITY AT END OF YEAR:							
Reserved	$ —	$ 461,690	$ 19,289	$4,039,359	$4,907,650	$9,427,988	$ 9,427,988
Reserved for Supplemental Benefits	2,761,028	—	—	—	—	—	2,761,028
Reserved for Pension Benefits	77,148,772	—	—	—	—	—	77,148,772
Unreserved (deficit)	—	655,768	(5,398)	(2,215,053)	230,706	(1,333,977)	(1,333,977)
PLAN NET ASSETS/FUND EQUITY AT END OF YEAR	$79,909,800	$1,117,458	$ 13,891	$1,824,306	$5,138,356	$8,094,011	$88,003,811

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, 1996

(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 Entities	Water and Sewer System	Total Component Units	Total (Memorandum only) Reporting Entity
ADDITIONS TO PLAN NET ASSETS AND OPERATING REVENUES:							
Patient service revenues, net	$ —	$4,281,068	$ —	$ —	$ —	$4,281,068	$ 4,281,068
Charges for services	—	—	—	—	1,370,230	1,370,230	1,370,230
Rental income	—	—	—	545,907	—	545,907	545,907
Other	—	179,382	212,098	1,481,134	—	1,872,614	1,872,614
Employer, employee contributions	1,879,315	—	—	—	—	—	1,879,315
Investment income, net	10,153,087	—	—	25,319	61,945	87,264	10,240,351
Total additions to plan net assets and operating revenues	12,032,402	4,460,450	212,098	2,052,360	1,432,175	8,157,083	20,189,485
DEDUCTIONS FROM PLAN NET ASSETS AND OPERATING EXPENSES:							
Personal services	—	2,091,338	69,868	676,047	—	2,837,253	2,837,253
Affiliated institutions	—	504,545	—	—	—	504,545	504,545
Racing industry compensation	—	—	68,774	—	—	68,774	68,774
Operations and maintenance	—	886,931	—	—	730,963	1,617,894	1,617,894
Interest expense	—	—	—	193,427	358,153	551,580	551,580
Administrative and program	—	—	6,587	1,192,309	14,490	1,213,386	1,213,386
Depreciation and amortization	—	159,070	3,042	164,840	251,218	578,170	578,170
Benefit payments and withdrawals	4,576,711	—	—	—	—	—	4,576,711
Provision for bad debts	—	536,396	—	—	317,051	853,447	853,447
Other	18,536	56,869	22,955	114,976	—	194,800	213,336
Distributions to the State and other local governments	—	—	16,833	—	—	16,833	16,833
Total deductions from plan net assets and operating expenses	4,595,247	4,235,149	188,059	2,341,599	1,671,875	8,436,682	13,031,929
Operating income (loss)	7,437,155	225,301	24,039	(289,239)	(239,700)	(279,599)	7,157,556
NON-OPERATING REVENUES (EXPENSES):							
Interest and dividend income	—	3,733	1,055	29,710	5,701	40,199	40,199
Interest expense	—	(85,643)	—	—	—	(85,643)	(85,643)
Amounts from other OTB communities	—	—	3,467	—	—	3,467	3,467
Other	—	—	—	(4,533)	—	(4,533)	(4,533)
Total non-operating revenues (expenses)	—	(81,910)	4,522	25,177	5,701	(46,510)	(46,510)
Income (loss) before transfers	7,437,155	143,391	28,561	(264,062)	(233,999)	(326,109)	7,111,046
OPERATING TRANSFERS:							
Transfer from Primary Government for Debt Service	—	—	—	4,298	—	4,298	4,298
Transfer to Primary Government	—	—	(25,811)	—	—	(25,811)	(25,811)
Net additions to plan net assets and net income (loss)	7,437,155	143,391	2,750	(259,764)	(233,999)	(347,622)	7,089,533
PLAN NET ASSETS/FUND EQUITY AT BEGINNING OF YEAR	61,125,267	866,864	8,166	941,261	5,448,946	7,265,237	68,390,504
Contributed fixed assets and debt service	—	3,000	—	412,626	51,923	467,549	467,549
Net increase in donor restricted funds	—	476	—	—	—	476	476
PLAN NET ASSETS/FUND EQUITY AT END OF YEAR	$68,562,422	$1,013,731	$ 10,916	$1,094,123	$5,266,870	$7,385,640	$75,948,062
PLAN NET ASSETS/COMPONENTS OF FUND EQUITY (DEFICIT) AT END OF YEAR:							
Reserved	$ —	$ 782,937	$ 18,136	$3,240,213	$4,970,900	$9,012,186	$ 9,012,186
Reserved for Supplemental Benefits	2,458,060	—	—	—	—	—	2,458,060
Reserved for Pension Benefits	66,104,362	—	—	—	—	—	66,104,362
Unreserved (deficit)	—	230,794	(7,220)	2,146,090	295,970	(1,626,546)	(1,626,546)
PLAN NET ASSETS/FUND EQUITY AT END OF YEAR	$68,562,422	$1,013,731	$ 10,916	$1,094,123	$5,266,870	$7,385,640	$75,948,062

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, 1997
(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)	$ 115,505	$ 28,616	$(256,673)	$ (182,645)	$ (295,197)
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:					
Depreciation and amortization	145,654	3,353	192,209	287,546	628,762
Provision for bad debts	542,390	—	—	189,775	732,165
Increase in patient service receivables	(649,594)	—	—	—	(649,594)
Decrease (increase) in accounts and other receivables	8,335	860	21,216	(270,399)	(239,988)
Increase (decrease) in accounts payable and accrued liabilities	(123,037)	893	107,084	(6,757)	(21,817)
Increase (decrease) in accrued vacation and sick leave	16,060	(81)	442	—	16,421
Decrease in accrued pension liability	(2,156)	(174)	—	—	(2,330)
Increase in deferred revenues	—	—	10,152	10,294	20,446
Distribution to Primary Government	—	(30,090)	—	—	(30,090)
Increase in program loans issued	—	—	(125,830)	—	(125,830)
Receipt from collections of program loans	—	—	38,725	—	38,725
Increase in distribution to State and local governments	—	(191)	—	—	(191)
Increase in payable to Primary Government	—	—	—	71,226	71,226
Transfers from Primary Government for debt service	—	—	4,298	—	4,298
Other	(248,041)	(49)	(34,918)	275	(282,733)
Total adjustments	(310,389)	(25,479)	213,378	281,960	159,470
Net cash provided by (used in) operating activities	(194,884)	3,137	(43,295)	99,315	(135,727)
NONCAPITAL FINANCING ACTIVITIES:					
Proceeds from issuing bonds, notes and other borrowings	—	—	371,465	—	371,465
Repayments of bonds, notes and other borrowings	—	—	(256,681)	—	(256,681)
Amounts from other OTB communities	—	3,664	—	—	3,664
Net cash provided by noncapital financing activities	—	3,664	114,784	—	118,448
CAPITAL AND RELATED FINANCING ACTIVITIES:					
Additions to fixed assets	(133,491)	(4,142)	(392,113)	(820,898)	(1,350,644)
Proceeds from issuing bonds, notes and other borrowings	320,000	—	17,029	1,854,390	2,191,419
Repayments of bonds, notes and other borrowings	(11,570)	—	(70,837)	(831,146)	(913,553)
Contributed capital other than for operations	73,847	—	514,438	—	588,285
Interest paid on bonds, notes and other borrowings	(89,193)	—	—	—	(89,193)
Net cash provided by (used in) capital and related financing activities	159,593	(4,142)	68,517	202,346	426,314
INVESTING ACTIVITIES:					
Proceeds from sales and maturities of investments	—	—	13,881,919	27,521,461	41,403,380
Purchase of investments	—	—	(14,074,969)	(27,624,046)	(41,699,015)
Interest on investments	2,521	1,201	30,755	4,626	39,103
Net cash provided by (used in) investing activities	2,521	1,201	(162,295)	(97,959)	(256,532)
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(32,770)	3,860	(22,289)	203,702	152,503
CASH AND CASH EQUIVALENTS BEGINNING OF YEAR	232,737	18,028	246,455	481,409	978,629
CASH AND CASH EQUIVALENTS END OF YEAR	$ 199,967	$ 21,888	$ 224,166	$ 685,111	$ 1,131,132
Cash and cash equivalents	$ 189,163	$ 19,107	$ 177,474	$ 4,726	$ 390,470
Restricted cash and investments	410,925	2,781	85,878	1,263,377	1,762,961
Less restricted investments	400,121	—	39,186	582,992	1,022,299
Cash and cash equivalents end of year	$ 199,967	$ 21,888	$ 224,166	$ 685,111	$1,131,132

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 $73.8 million for fiscal year 1997 which represent contributed capital from Primary Government.
The Water Board received capital assets of $50.6 million for fiscal year 1997 which represent contributed capital from Primary Government.

See accompanying notes to financial statements.

THE CITY OF NEW YORK

DISCRETELY PRESENTED COMPONENT UNITS

COMBINED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED JUNE 30, 1996
(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)	$ 225,301	$ 24,039	$(289,239)	$ (239,700)	$ (279,599)
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:					
Depreciation and amortization	159,070	3,042	164,840	251,218	578,170
Provision for bad debts	536,396	—	—	317,051	853,447
Increase in patient service receivables	(661,280)	—	—	—	(661,280)
Decrease (increase) in accounts and other receivables	(9,505)	503	42,032	(91,131)	(58,101)
Increase in prepaid expense	—	—	—	(26,329)	(26,329)
Increase (decrease) in accounts payable and accrued liabilities	(5,502)	151	84,455	10,480	89,584
Increase (decrease) in accrued vacation and sick leave	(17,378)	44	(9,326)	—	(26,660)
Decrease in accrued pension liability	(1,525)	(138)	—	—	(1,663)
Increase (decrease) in deferred revenues	—	—	6,347	(12,185)	(5,838)
Distribution to Primary Government	—	(26,274)	—	—	(26,274)
Increase in program loans issued	—	—	(173,549)	—	(173,549)
Receipt from collections of program loans	—	—	31,704	—	31,704
Distribution to State and local governments	—	(104)	—	—	(104)
Increase in payable to Primary Government	—	—	—	14,582	14,582
Transfers from Primary Government for debt service	—	—	4,298	—	4,298
Other	129,964	15	(3,620)	675	127,034
Total adjustments	130,240	(22,761)	147,181	464,361	719,021
Net cash provided by (used in) operating activities	355,541	1,278	(142,058)	224,661	439,422
NONCAPITAL FINANCING ACTIVITIES:					
Proceeds from issuing bonds, notes and other borrowings	—	—	160,737	—	160,737
Repayments of bonds, notes and other borrowings	—	—	(89,935)	—	(89,935)
Amounts from other OTB communities	—	3,467	—	—	3,467
Net cash provided by noncapital financing activities	—	3,467	70,802	—	74,269
CAPITAL AND RELATED FINANCING ACTIVITIES:					
Additions to fixed assets	(190,103)	(3,177)	(320,858)	(926,597)	(1,440,735)
Proceeds from issuing bonds, notes and other borrowings	—	—	6,831	1,696,451	1,703,282
Repayments of bonds, notes and other borrowings	(226)	—	(70,475)	(745,657)	(816,358)
Contributions for capital and payment of debt	523	—	—	—	523
Contributed capital other than for operations	2,477	—	379,920	—	382,397
Interest paid on bonds, notes and other borrowings	(85,643)	—	—	—	(85,643)
Net cash provided by (used in) capital and related financing activities	(272,972)	(3,177)	(4,582)	24,197	(256,534)
INVESTING ACTIVITIES:					
Proceeds from sales and maturities of investments	—	—	9,779,135	37,260,965	47,040,100
Purchase of investments	—	—	(9,653,698)	(37,336,615)	(46,990,313)
Interest on investments	3,733	1,055	28,624	5,551	38,963
Net cash provided by (used in) investing activities	3,733	1,055	154,061	(70,099)	88,750
INCREASE IN CASH AND CASH EQUIVALENTS	86,302	2,623	78,223	178,759	345,907
CASH AND CASH EQUIVALENTS BEGINNING OF YEAR	146,435	15,405	168,232	302,650	632,722
CASH AND CASH EQUIVALENTS END OF YEAR	$ 232,737	$ 18,028	$ 246,455	$ 481,409	$ 978,629
Cash and cash equivalents	$ 221,851	$ 15,134	$198,723	$ 6,503	$ 442,211
Restricted cash and investments	167,227	2,894	83,558	944,405	1,198,084
Less restricted investments	156,341	—	35,826	469,499	661,666
Cash and cash equivalents end of year	$ 232,737	$ 18,028	$ 246,455	$ 481,409	$ 978,629

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 $2.5 million for fiscal year 1996 which represent contributed capital from Primary Government.
The Water Board received capital assets of $51.9 million for fiscal year 1996 which represents contributed capital from Primary Government.

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 or primary government) 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 integrated with the primary government, that they are in substance part of the primary government. These component units are blended with the primary government.

Blended Component Units

These component units, although legally separate, all provide services exclusively to the City and thus 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. These entities are reported as discretely presented component units because the City appoints a majority of these organizations' boards, is able to impose its will on them, or a financial benefit/burden situation exists.

The discretely presented 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 are available at: Office of the Comptroller, Bureau of Accountancy—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 are available at: Office of the Comptroller, Bureau of Accountancy—Room 800, 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 (The only organizations that would be categorized as proprietary funds 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 deficits of $757 million and $796 million at June 30, 1997 and 1996, respectively, represent the amounts 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.

ECF and CUCF are to account for governmental financial resources to pay for long-term debt consistent with the activity of the Debt Service Funds, and not for the construction of major capital projects.

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 funds use the accrual basis of accounting and a measurement focus on the periodic determination of additions, deductions, and net assets held in trust for pension benefits and supplemental benefits payments.

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 GAAP. 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. In accordance with GASB Statement No. 20, *Accounting and Financial Reporting for Proprietary Funds and Other Governmental Activities That Use Proprietary Fund Accounting*, the discretely presented component units have elected not to apply Financial Accounting Standards Board statements and interpretations issued after November 30, 1989. The Pension Trust Funds' contributions from members are recorded when the employer makes payroll deductions from Plan members. Employer contributions are recognized when due. 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, on a basis consistent with GAAP, 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 $1,587 million and $1,565 million subsequent to its original adoption in fiscal years 1997 and 1996, 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 1997 and 1996 were approximately $264 million and $242 million, respectively.

Investments in fixed income securities are recorded at fair value. 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 fair value. Investments are stated at the last reported sales price on a national securities exchange on the last business day of the fiscal year.

A description of the City's securities lending activities for the Pension and Similar Trust Funds in fiscal years 1997 and 1996 is provided in Deposits and Investments (see Note E).

In March, 1997, GASB issued Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools.* The Statement requires that most investments be reported in the balance sheet at fair value, and that all investment income, including changes in the fair value of investments, be reported in the statement of operations. The City (other than Component Units) has early implemented Statement No. 31. The adoption of the Statement did not have a material impact on the City's financial statements.

Inventories

Materials and supplies are recorded as expenditures in governmental funds at the time of purchase. Accordingly, inventories on hand at June 30, 1997 and 1996 (estimated at $214 million and $199 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 $709.6 million and $695.9 million for fiscal years 1997 and 1996, 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 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, 1997 were due July 1, 1996 and January 1, 1997 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 1997 taxes was June 12, 1996. 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.

The City offered a discount for the prepayment of real estate taxes for fiscal years 1998 and 1997. Collections of these real estate taxes received on or before June 30, 1997 and 1996 were $1.878 billion and $1.803 billion, respectively. These amounts were recorded as deferred revenue.

On June 18, 1997, the City sold approximately $100 million of real property tax liens in a two phase sale. Phase I proceeds of $61.7 million, fully attributable to fiscal year 1997, were received at the time of the sale. Pursuant to the sale agreement, the City would need to replace or refund the value of liens later determined to be defective, plus interest and a five percent surcharge. It has been estimated that $9.5 million worth of liens sold in Phase I will require replacement. The estimated refund accrual amount of $10 million, including the surcharge, brings the fiscal year 1997 sale proceeds to $51.7 million. Phase II proceeds of $27.5 million, received August 7, 1997, are from sales of liens on fiscal year 1998 taxes, and therefore represent fiscal year 1998 revenue.

In fiscal year 1997, $21.4 million, including the surcharge and interest, was refunded for defective liens from the fiscal year 1996 sale. This resulted in charges to fiscal year 1997 revenue of $7.5 million for principal refunded in excess of the fiscal year 1996 accrual of $11.5 million, as well as charges to fiscal year 1997 interest expense of $1.8 million.

In fiscal years 1997 and 1996, $337 million and $332 million, respectively, were provided as allowances for uncollectible real estate taxes against the balance of the receivable. Delinquent real estate taxes receivable that are estimated to be collectible but which are not collected in the first two months of the next fiscal year are recorded as deferred revenues.

The City is permitted to levy real estate taxes 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 year ended June 30, 1997, no such excess amount was available to be transferred to the Debt Service Funds. For the fiscal year ended June 30, 1996, an excess amount of $106 million was 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

Pension cost is required to be measured and disclosed using the accrual basis of accounting (see Note Q), 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, where appropriate, in order to provide an understanding of changes in the City's operations. Reclassification of certain prior year amounts has been made to conform with the current year presentation.

Estimates and Assumptions

A number of estimates and assumptions relating to the reporting of revenues, expenditures, assets and liabilities, and the disclosure of contingent liabilities were used to prepare these financial statements in conformity with GAAP. Actual results could differ from those estimates.

Pronouncements Issued But Not Yet Effective

In May, 1990, GASB issued Statement No. 11, *Measurement Focus and Basis of Accounting—Governmental Fund Operating Statements*. The Statement establishes an accrual basis of accounting with a financial resources measurement focus for governmental funds. The operating results expressed using the financial resources measurement focus show the extent to which financial resources obtained during a period are sufficient to cover claims against financial resources incurred during that period. The City currently follows the modified accrual basis. Using the modified accrual basis, revenues are recognized in the accounting period in which they become measurable and available and expenditures are recognized when the fund liability is incurred, if measurable, except for unmatured interest on general long-term debt, which is recognized when due. The effective date of the Statement has been deferred by GASB Statement No. 17, *Measurement Focus and Basis of Accounting — Governmental Fund Operating Statements: Amendment of the Effective Dates of GASB Statement No. 11 and Related Statements*, to periods beginning approximately two years after an implementation standard is issued. Early implementation of Statement No. 11 is not permitted. The City has not yet completed the complex analysis required to estimate the financial statement impact of Statement No. 11.

B. Audit Responsibility

In fiscal years 1997 and 1996, 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 1997 and 1996:

	Fund Types								Account Groups					
	General		Capital Projects		Debt Service		Trust and Agency		General Fixed Assets		General Long-term Obligations		Discretely Presented Component Units	
	1997	1996	1997	1996	1997	1996	1997	1996	1997	1996	1997	1996	1997	1996
	(percent)													
Total assets/liabilities	0	0	9	8	38	82	2	2	28	30	13	15	20	19
Operating revenues and other financing sources	0	0	18	19	26	27	0	0	NA	NA	NA	NA	29	26

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, 1997, the City had completed funding of these programs, and MAC's additional $1.5 billion in borrowing authority lapsed without any of it being used.

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, 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 governmental not-for-profit 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. The proceeds from the City's bonds sold to SFC were used for housing and economic development projects.

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 are insured by the FDIC up to $100,000 per retirement system member. At June 30, 1997 and 1996, the carrying amount of the City's cash and cash equivalents was $710 million and $1,032 million, respectively, and the bank balances were $668 million and $640 million, respectively. Of the bank balances, $388 million and $309 million, respectively, were covered by Federal depository insurance or collateralized with securities held by the City's agent in the City's name, and $280 million and $331 million, respectively, were uninsured and collateralized with securities held by the City's agent in the City's name. At June 30, 1997 and 1996, the carrying amount of the discretely presented component units' cash and cash equivalents was $391 million and $442 million, respectively, and the bank balances were $141 million and $99 million, respectively. Of the bank balances, $8 million and $6 million, respectively, were covered by Federal depository insurance or collateralized with securities held by the City's agent in the City's name, and $133 million and $93 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 currently limited to U.S. Government guaranteed securities purchased directly and through repurchase agreements from primary dealers as well as commercial paper rated A1 or P1 by Standard & Poor's Corporation or Moody's Investors Service, Inc., respectively. The repurchase agreements must be collateralized by U.S. Government guaranteed securities or eligible commercial paper 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 agency 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 15% 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 corporation can be: (i) more than 2% of the pension plan net assets; or (ii) more than 5% of the total outstanding issues of the corporation.

All investments 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 evidence of ownership of the underlying investments 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, 1997 and 1996 are classified as follows:

	1997									
	Category 1		Category 2		Category 3		Total Carrying Amount		Market Value	
	City	DPCU	City	DPCU	City	DPCU	City	DPCU	City	DPCU
					(in millions)					
Repurchase agreements	$ 3,568	$ 373	$ —	$ —	$ —	$ —	$ 3,568	$ 373	$ 3,598	$ 384
U.S. Government securities	14,353	642	—	5	—	—	14,353	647	14,357	645
Commercial paper	3,255	—	—	—	—	—	3,255	—	3,256	—
Corporate bonds	8,801	—	—	—	—	—	8,801	—	8,801	—
Corporate stocks	48,927	—	—	—	—	—	48,927	—	48,927	—
Short-term investment fund	2,707	—	—	—	—	—	2,707	—	2,707	—
Agency discount notes	—	44	—	—	—	—	—	44	—	46
Time deposits	—	37	—	—	—	—	—	37	—	37
Securities lending investment collateral (categorized):										
Repurchase agreements	635	—	—	—	—	—	635	—	635	—
U.S. Government securities	130	—	—	—	—	—	130	—	130	—
Commercial paper	2,930	—	—	—	—	—	2,930	—	2,930	—
Agency backed securities	693	—	—	—	—	—	693	—	693	—
Corporate notes	1,772	—	—	—	—	—	1,772	—	1,772	—
Certificates of deposits	814	—	—	—	—	—	814	—	814	—
Limited partnerships	397	—	—	—	—	—	397	—	397	—
Time deposits	895	—	—	—	—	—	895	—	895	—
Other (2)	58	—	—	—	—	—	58	—	58	—
	$89,935	$1,096	$ —	$ 5	$ —	$ —	89,935	1,101	89,970	1,112
Mutual funds (1)							1,150	—	1,150	—
International investment fund—fixed income (1)							710	—	710	—
International investment fund—equity (1)							8,704	—	8,704	—
Guaranteed investment contracts (1)							906	—	906	—
Management investment contracts (1)							232	—	232	—
Securities lending investment collateral (uncategorized):										
International							1,228	—	1,228	—
Small mortgages							20	—	20	—
Total investments							$102,885	$1,101	$102,920	$1,112

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

(2) These investments are domestic funds that cannot be categorized by type of security.

In fiscal year 1997, the restricted cash and investments which are wholly applicable to discretely presented component units include $740.4 million of cash, of which the repayment of $740.4 million was insured or collateralized and none was uninsured and uncollateralized. Restricted investments, principally in U.S. Government securities with a cost and approximate market value of $1,022.5 million are fully registered with securities held by the City's agent in the entity's name of which $31.4 million have maturities of three months or less.

	1996									
	Category						Total Carrying Amount		Market Value	
	1		2		3					
	City	DPCU	City	DPCU	City	DPCU	City	DPCU	City	DPCU
					(in millions)					
Repurchase agreements	$ 3,432	$173	$ —	$ —	$ —	$ —	$ 3,432	$173	$ 3,737	$173
U.S. Government securities	14,472	579	—	—	—	—	14,472	579	14,458	600
Commercial paper	1,010	—	—	—	—	—	1,010	—	1,010	—
Corporate bonds	8,069	—	—	—	—	—	8,069	—	8,069	—
Corporate stocks	40,352	—	—	—	—	—	40,352	—	40,352	—
Short-term investment fund	2,962	—	—	—	—	—	2,962	—	2,962	—
Agency discount notes	—	92	—	—	—	—	—	92	—	92
Time deposits	—	54	—	—	—	—	—	54	—	54
Securities lending investment collateral (categorized):										
Repurchase agreements	106	—	—	—	—	—	106	—	106	—
U.S. Government securities	39	—	—	—	—	—	39	—	39	—
Commercial paper	2,313	—	—	—	—	—	2,313	—	2,313	—
Agency backed securities	447	—	—	—	—	—	447	—	447	—
Corporate notes	1,096	—	—	—	—	—	1,096	—	1,096	—
Certificates of deposit	1,095	—	—	—	—	—	1,095	—	1,095	—
Limited partnerships	452	—	—	—	—	—	452	—	452	—
Time deposits	681	—	—	—	—	—	681	—	681	—
	$76,526	$898	$ —	$ —	$ —	$ —	76,526	898	76,817	919
Mutual funds (1)							771	—	771	—
International investment fund—fixed income (1)							695	—	695	—
International investment fund—equity (1)							6,144	—	6,144	—
Guaranteed investment contracts(1)							1,004	—	1,004	—
Management investment contracts(1)							256	—	256	—
Securities lending investment collateral (uncategorized):										
International							864	—	864	—
Mutual funds							243	—	243	—
Small mortgages (1)							21	—	21	—
Total investments							$86,524	$898	$86,815	$919

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

In fiscal year 1996, the restricted cash and investments which are wholly applicable to discretely presented component units include $536.4 million of cash, of which the repayment of $520.4 million was insured or collateralized and $16.0 million was uninsured and uncollateralized. Restricted investments, principally in U.S. Government securities with a cost and approximate market value of $661.7 million are fully registered with securities held by the City's agent in the entity's name of which $595.1 million have maturities of three months or less.

Securities Lending

State statutes and boards of trustees policies permit the Pension and Retirement Systems & certain Variable Supplements Funds (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. Government and U.S. Government agencies' bonds, asset-backed securities, and international equities and bonds held in collective investment funds. Securities on loan at year-end are classified as a Category 1 risk in the preceding schedule of custodial credit risk. International securities are uncategorized. In return, they receive collateral in the form of cash 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, if the collateral is inadequate, and if the borrowers 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.

The City reports securities loaned as assets on the balance sheet. Cash received as collateral on securities lending transactions and investments made with that cash are also recorded as assets. Liabilities resulting from these transactions are reported on the balance sheet. Accordingly, for the year ended June 30, 1997, the City recorded the investments purchased with the cash collateral as Collateral From Securities Lending Transactions with a corresponding liability as Securities Lending Transactions.

F. General Fixed Assets Account Group

The following is a summary of changes in general fixed assets for the fiscal years ended June 30, 1996 and 1997:

	Balance June 30, 1995	Additions	Deletions	Balance June 30, 1996	Additions	Deletions	Balance June 30, 1997
				(in thousands)			
Land	$ 552,801	$ 71,847	$ 2	$ 624,646	$ 10,495	$ —	$ 635,141
Buildings	8,681,196	773,498	—	9,454,694	1,055,144	8,370	10,501,468
Equipment	2,892,241	124,034	96,497	2,919,778	259,074	44,264	3,134,588
Construction work-in-progress	5,267,082	927,043	773,498	5,420,627	1,219,587	1,055,144	5,585,070
	17,393,320	1,896,422	869,997	18,419,745	2,544,300	1,107,778	19,856,267
Less accumulated depreciation and amortization	4,827,202	1,151,939	83,600	5,895,541	669,802	38,188	6,527,155
Total changes in net fixed assets	$12,566,118	$ 744,483	$ 786,397	$12,524,204	$1,874,498	$1,069,590	$13,329,112

The following are the sources of funding for the general fixed assets for the fiscal years ended June 30, 1997 and 1996. Sources of funding for fixed assets are not available prior to fiscal year 1987.

	1997	1996
	(in thousands)	
Capital Projects Fund:		
Prior to fiscal year 1987	$ 6,718,326	$ 6,721,206
City bonds	11,503,732	10,097,027
Federal grants	296,262	305,309
State grants	117,777	115,524
Private grants	47,857	49,145
Capitalized leases	1,172,313	1,131,534
Total funding sources	$19,856,267	$18,419,745

At June 30, 1997 and 1996, 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, 1997 and 1996 are leased properties capitalized at $1,172 million and $1,132 million, respectively, with related accumulated amortization of $73 million and $64 million, respectively.

The City's infrastructure is not required to be capitalized in the General Fixed Assets Account Group under GAAP 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, 1997 and 1996 exceed the $2.544 billion and $1.896 billion increases recorded as general fixed assets by $1.315 billion and $1.982 billion, respectively.

G. Leases

The City leases a significant amount of property and equipment from others. Leased property having elements of ownership are recorded 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, 1997 and 1996 were approximately $352 million and $369 million, respectively.

As of June 30, 1997, 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:			
1998	$ 104,328	$ 171,512	$ 275,840
1999	111,246	156,968	268,214
2000	111,186	152,275	263,461
2001	111,559	142,330	253,889
2002	112,367	136,381	248,748
Thereafter until 2023	1,311,931	892,974	2,204,905
Future minimum payments	$1,862,617	$1,652,440	$3,515,057
Less interest	763,338		
Present value of future minimum payments	$1,099,279		

The present value of future minimum lease payments includes approximately $776 million for leases with Public Benefit Corporations (PBC) where State law generally provides 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 paid to PBC.

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, 1997 and 1996 was approximately $143 million and $139 million, respectively. As of June 30, 1997, the following future minimum rentals are provided for by the leases:

	Amount (in thousands)
Fiscal year ending June 30:	
1998	$ 50,444
1999	45,042
2000	42,494
2001	39,581
2002	37,784
Thereafter until 2086	846,186
Future minimum rentals	$1,061,531

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, 1995	Issued	Repaid or Defeased	Balance June 30, 1996	Issued	Repaid or Defeased	Balance June 30, 1997
				(in thousands)			
City debt:							
General obligation bonds	$24,504,467	$5,360,544	$3,685,796	$26,179,215	$6,830,595	$5,861,631	$27,148,179
MAC debt:(4)							
Second general resolution bonds	4,625,455	—	1,343,600	3,281,855	—	2,356,485	925,370
1991 general resolution bonds	256,520	1,197,915	12,120	1,442,315	2,068,695	12,805	3,498,205
	4,881,975	1,197,915	1,355,720	4,724,170	2,068,695	2,369,290	4,423,575
SFC debt:							
Japanese Yen bonds	200,000	—	—	200,000	—	—	200,000
Component unit debt: (1)							
City University Construction Fund(2)	388,093	15,702(3)	—	403,795	14,702(3)	—	418,497
New York City Educational Construction Fund	132,170	—	5,990	126,180	44,880	6,350	164,710
	520,263	15,702	5,990	529,975	59,582	6,350	583,207
Total before treasury obligations	30,106,705	6,574,161	5,047,506	31,633,360	8,958,872	8,237,271	32,354,961
Less treasury obligations	1,243,056	—	121,381	1,121,675	—	730,665	391,010
Total summary of bond transactions	$28,863,649	$6,574,161	$4,926,125	$30,511,685	$8,958,872	$7,506,606	$31,963,951

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

(2) Excludes $274,461 in 1996 and $285,992 in 1997 to be provided by the State.

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

(4) Includes $156,645 of principal debt due July 1, 1997 which MAC reports as redeemed as of June 30, 1997.

The bonds payable, net of treasury obligations, at June 30, 1997 and 1996 summarized by type of issue are as follows:

	1997			1996		
	General Obligations	Revenue	Total	General Obligations	Revenue	Total
			(in thousands)			
Bonds payable:						
City debt	$26,757,169	$ —	$26,757,169	$25,057,540	$ —	$25,057,540
MAC debt	4,423,575	—	4,423,575	4,724,170	—	4,724,170
SFC debt	200,000	—	200,000	200,000	—	200,000
Component unit debt	—	583,207	583,207	—	529,975	529,975
Total bonds payable	$31,380,744	$583,207	$31,963,951	$29,981,710	$529,975	$30,511,685

The following table summarizes future debt service requirements as of June 30, 1997:

	City Debt					
	General Obligation Bonds	Interest on Bonds (1)	MAC	SFC (2)	Component Unit Debt	Total
			(in thousands)			
Fiscal year ending June 30:						
1998	$ 1,137,971	$ 1,539,917	$ 400,102	$ 14,000	$ 57,488	$ 3,149,478
1999	1,238,774	1,481,728	516,333	54,000	59,773	3,350,608
2000	1,187,004	1,416,268	621,563	51,200	58,769	3,334,804
2001	1,198,050	1,355,386	557,324	48,400	58,586	3,217,746
2002	1,252,605	1,296,368	557,381	45,600	57,260	3,209,214
Thereafter until 2147	20,742,765	12,248,167	3,841,152	42,800	692,827	37,567,711
	26,757,169	19,337,834	6,493,855	256,000	984,703	53,829,561
Less interest component	—	19,337,834	2,070,280	56,000	401,496	21,865,610
Total future debt service requirements	$26,757,169	$ —	$4,423,575	$200,000	$583,207	$31,963,951

(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, 1997 and 1996 were 6.1% and 6.5% (range 3.0% to 13.6%), respectively, and the interest rates on outstanding MAC fixed rate bonds as of June 30, 1997 and 1996 ranged from 3.9% to 7.75% and 3.8% to 7.75%, respectively. The last maturity of the outstanding City debt is in the year 2147.

In fiscal year 1997, the City issued $4.309 billion of general obligation bonds to advance refund general obligation bonds of $4.016 billion aggregate principal amount issued during the City's fiscal years 1971 through 1996. 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 $296 million and provide an economic gain of $235 million. At June 30, 1997, $8.473 billion of the City's outstanding general obligation bonds 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: $22.5 million Short RITES bonds, $43.8 million indexed inverse floaters, and $14.6 million inverse floating rate 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. Excluded from this debt limitation 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 July 1, 1997, the 10% general limitation was approximately $30.948 billion of which the remaining debt-incurring amount within such limit was $3.756 billion. The New York State Legislature, recognizing that the City was approaching its constitutional debt limit thereby placing in jeopardy the availability of adequate funding for its capital programs, enacted legislation creating the Transitional Finance Authority (TFA). The TFA is authorized to issue $7.5 billion in debt for City purposes, providing an alternative to the issuance of General Obligation debt subject to the constitutional limitation.

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. In fiscal year 1997, a discretionary transfer of $1.342 billion was made from the General Fund to the General Debt Service Fund for fiscal year 1998 debt service.

Subsequent to June 30, 1997, the City completed the following long-term and short-term financing:

City Debt: On July 31, 1997, the City sold in the public credit market for refunding purposes $467.1 million tax-exempt general obligation bonds, $62.1 million taxable general obligation bonds, and $75 million taxable Euronotes. In addition, to satisfy a portion of its seasonal financing needs for fiscal year 1998, on October 15, 1997, the City sold general obligation Revenue Anticipation Notes of $1,075 million.

MAC Debt: On July 2, 1997, MAC sold its Series L bonds of $354 million, issued pursuant to the 1991 General Bond Resolution, for refunding purposes.

TFA Debt: On October 9, 1997, the TFA issued its Series 1998 A bonds of $650 million, the first bonds issued pursuant to a financing agreement entered into by the City and the TFA which provides for the application of bond proceeds for City capital expenditures.

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, 1997 and 1996, claims in excess of $530 billion and $380 billion, respectively, were outstanding against the City for which the City estimates its potential future liability to be $3.5 billion and $2.8 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 January, 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 the City and the State have submitted false claims to obtain incentive funding and reimbursement for foster care expenditures under the Social Security Act. On June 14, 1996, the City moved to dismiss the complaint and for summary judgment. The potential cost to the City in the event of an adverse determination in this case cannot be determined at this time.

The City has been notified that an investigation of the Emergency Medical Service (EMS) billing practices for Medicare patients has been initiated by the United States. The investigation is pursuant to the False Claims Act, 31 U.S.C. Sections 3729-3733, and concerns allegations that EMS and HHC submitted false claims to the United States relating to ambulance transportation in connection with the Medicare program. It cannot be determined at this time what, if any, financial impact that investigation may have on HHC or on the City.

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 $378 million as reported in the General Long-term Obligations Account Group.

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, 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; also, closure, postclosure, and groundwater monitoring activities for the sections no longer accepting solid waste.

The liability for these activities as of June 30, 1997 is $663.5 million based on the cumulative landfill capacity used to date. The total estimated current cost is $748.5 million; therefore, the costs remaining to be recognized are $85.0 million. During fiscal year 1996, New York State legislation was enacted which states that no waste will be accepted at the Fresh Kills landfill on or after January 1, 2002. Accordingly, the liability for closure and postclosure care costs is based upon an effective cumulative landfill capacity used to date of approximately 89%. 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 became effective April, 1997. On April 8, 1997, the City's Chief Financial Officer documented for the Fresh Kills Landfill operating record, in satisfaction of the Local Government Financial Test, certain representations which provide financial assurance for closure, postclosure, and corrective measure costs.

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	$663,541
Hazardous waste sites	213,869
Total landfill and hazardous waste sites liability	$877,410

Changes In Certain Long-term Obligations

In fiscal years 1996 and 1997, the changes in long-term obligations other than for bonds were as follows:

	Balance June 30, 1995	Additions	Deletions	Balance June 30, 1996	Additions	Deletions	Balance June 30, 1997
				(in thousands)			
Capital lease obligations	$ 966,945	$ 123,142	$ 22,358	$1,067,729	$ 40,778	$ 9,228	$ 1,099,279
Real estate tax refunds	314,350	88,874	66,726	336,498	90,846	49,412	377,932
Judgments and claims	2,524,028	626,474	308,663	2,841,839	975,305	326,293	3,490,851
Deferred wages	46,696	—	21,812	24,884	—	24,884	—
Vacation and sick leave (1)	1,451,538	223,350	—	1,674,888	59,942	—	1,734,830
Pension liability	2,571,451	—	40,258	2,531,193	—	51,803	2,479,390
Landfill closure and postclosure care costs	459,668	294,168	—	753,836	123,574	—	877,410
Total changes in certain long-term obligations	$8,334,676	$1,356,008	$459,817	$9,230,867	$1,290,445	$461,620	$10,059,692

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

I. Primary Government/Discretely Presented Component Unit Receivable and Payable Balances

At June 30, 1997 and 1996, primary government and discretely presented component unit receivable and payable balances were as follows:

	1997 Receivable	1997 Payable	1996 Receivable	1996 Payable
	(in thousands)			
PRIMARY GOVERNMENT:				
General Fund:				
Capital Projects Fund	$1,660,914	$ 941,202	$1,498,660	$ 921,417
HDC	157,525	—	175,071	—
Debt Service Funds	29,885	75,000	217,267	105,993
OTB	575	—	160	—
Water Board	—	6,332	—	28,329
Total General Fund	1,848,899	1,022,534	1,891,158	1,055,739
Capital Projects Fund:				
Water Authority	277,488	—	228,259	—
General Fund	941,202	1,660,914	921,417	1,498,660
Total Capital Projects Fund	1,218,690	1,660,914	1,149,676	1,498,660
Debt Service Funds:				
General Fund	75,000	29,885	105,993	217,267
HDC	3,074	—	10,879	—
Total Debt Service Funds	78,074	29,885	116,872	217,267
Pension and Similar Trust Funds:				
NYCERS	—	—	—	260
POLICE	—	—	—	400,000
FIRE	—	—	—	75,029
PSOVSF	—	—	400,000	—
FFVSF	—	—	16,430	—
FOVSF	—	—	58,599	—
TPOVSF	—	—	80	—
HPOVSF	—	—	130	—
HPSOVSF	—	—	50	—
Total Pension and Similar Trust Funds	—	—	475,289	475,289
DISCRETELY PRESENTED COMPONENT UNITS:				
Primary Government:				
OTB	—	575	—	160
Water Board	6,332	—	28,329	—
Water Authority	—	277,488	—	228,259
HDC	—	160,599	—	185,950
Total Discretely Presented Component Units	6,332	438,662	28,329	414,369
Total primary government/discretely presented component unit receivable and payable balances	$3,151,995	$3,151,995	$3,661,324	$3,661,324

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 Fund 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, 1997 and 1996:

	1997				
	Health and Hospitals Corporation	Off-Track Betting Corporation	Housing and Economic Development Entities	Water and Sewer System	Total
			(in thousands)		
Assets:					
Current	$1,034,953	$ 19,107	$1,388,585	$ 402,086	$ 2,844,731
Mortgage and interest receivable	—	—	2,303,202	—	2,303,202
Land	37,918	—	760,478	—	798,396
Buildings and leasehold improvements	1,362,334	24,210	5,316,975	5,677	6,709,196
Equipment	2,045,731	13,257	359,547	14,892,801	17,311,336
Less accumulated depreciation	(2,140,827)	(16,016)	(2,937,100)	(3,431,890)	(8,525,833)
Other	462,315	4,452	219,558	1,369,306	2,055,631
Total assets	$2,802,424	$ 45,010	$7,411,245	$13,237,980	$23,496,659
Liabilities:					
Current	$ 746,852	$ 24,311	$1,763,834	$ 1,101,975	$ 3,636,972
Long-term	938,114	6,808	3,823,105	6,997,649	11,765,676
Total liabilities	1,684,966	31,119	5,586,939	8,099,624	15,402,648
Fund Equity	1,117,458	13,891	1,824,306	5,138,356	8,094,011
Total liabilities and fund equity	$2,802,424	$ 45,010	$7,411,245	$13,237,980	$23,496,659

	1996				
	Health and Hospitals Corporation	Off-Track Betting Corporation	Housing and Economic Development Entities	Water and Sewer System	Total
			(in thousands)		
Assets:					
Current	$1,044,582	$ 15,134	$1,244,814	$ 391,209	$ 2,695,739
Mortgage and interest receivable	—	—	2,219,537	—	2,219,537
Land	37,687	—	744,221	—	781,908
Buildings and leasehold improvements	1,264,570	21,465	4,962,760	5,677	6,254,472
Equipment	2,002,902	12,111	338,697	14,109,256	16,462,966
Less accumulated depreciation	(1,988,969)	(12,914)	(2,745,493)	(3,304,184)	(8,051,560)
Other	218,722	5,425	180,709	1,053,088	1,457,944
Total assets	$2,579,494	$ 41,221	$6,945,245	$12,255,046	$21,821,006
Liabilities:					
Current	$ 930,067	$ 23,323	$1,788,668	$ 799,497	$ 3,541,555
Long-term	635,696	6,982	4,062,454	6,188,679	10,893,811
Total liabilities	1,565,763	30,305	5,851,122	6,988,176	14,435,366
Fund Equity	1,013,731	10,916	1,094,123	5,266,870	7,385,640
Total liabilities and fund equity	$2,579,494	$ 41,221	$6,945,245	$12,255,046	$21,821,006

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. (dissolved during fiscal year 1996), 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, 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 $183 million and $176 million in fiscal years 1997 and 1996, 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 on a straight-line basis using estimated useful lives based on American Hospital Association guidelines. As a result of modernizing programs and changes in service requirements, HHC has closed certain facilities and portions of facilities during the past several years. It is the policy of HHC to reflect the financial effect of the closing of facilities or portions thereof in the financial statements when a decision has been made as to the disposition of such assets. HHC records the cost of construction that it controls as costs are incurred. Costs associated with facilities constructed by HFA are recorded when the facilities are placed in service.

Donor Restricted Assets

Contributions which are restricted as to use are recorded as donor restricted funds.

Pensions

Substantially all HHC employees are eligible to participate in NYCERS (see Note Q). The provisions for pension costs were actuarially determined and amounted to $17 million and $19 million for fiscal years 1997 and 1996, 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 1997, HHC issued Series A, B, C, and D Health Systems bonds in the amount of $320 million for the purpose of funding a portion of its ongoing capital programs.

The following table summarizes future debt service requirements as of June 30, 1997:

	Principal	Interest (in thousands)	Total
Fiscal year ending June 30:			
1998	$ 15,130	$ 42,556	$ 57,686
1999	15,860	44,075	59,935
2000	16,620	43,350	59,970
2001	17,330	42,563	59,893
2002	18,075	41,727	59,802
Thereafter until 2026	759,725	556,601	1,316,326
Total future debt service requirements	$842,740	$770,872	$1,613,612

The interest rates on the bonds as of June 30, 1997 range from 4.50% to 6.30%.

The following is a summary of revenue bond transactions for HHC for the fiscal years ended June 30, 1996 and 1997:

	Balance June 30, 1995	Issued	Retired	Balance June 30, 1996	Issued	Retired	Balance June 30, 1997
				(in thousands)			
Revenue bonds	$531,885	$ —	$ —	$531,885	$320,000	$9,145	$842,740

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, 1997:

	Principal	Interest (in thousands)	Total
Fiscal year ending June 30:			
1998	$ —	$144	$ 144
1999	358	118	476
2000	389	87	476
2001	420	56	476
2002	456	19	475
Total future debt service requirements	$1,623	$424	$2,047

Capital Lease Obligations

HHC entered into a long-term agreement which involves the construction of a parking garage at Elmhurst Hospital Center. As of June 30, 1997, the future minimum lease payments under the capitalized lease are as follows:

	Amount (in thousands)
Fiscal year ending June 30:	
1998	$ 858
1999	989
2000	987
2001	989
2002	985
Thereafter until 2013	12,535
Future minimum lease payments	17,343
Less interest	5,081
Present value of future minimum lease payments	$12,262

Changes in Fund Equity

Presented below are the changes in fund equity for the fiscal years ended June 30, 1996 and 1997:

	Unreserved Retained Earnings	Contributed Capital Plant and Equipment	Reserve for Donor Restrictions	Total Fund Equity
		(in thousands)		
Balance, June 30, 1995	$ 60,136	$ 796,390	$ 10,338	$ 866,864
Excess of revenues over expenses	143,391	—	—	143,391
Increase in bonds payable	182	(182)	—	—
Decrease in other debt, net	(408)	408	—	—
Additions to plant and equipment funded by:				
Donations	—	523	—	523
The City of New York	—	2,477	—	2,477
HHC	(187,103)	187,103	—	—
Donor restricted fund activity:				
Grants and other increases	—	—	176,221	176,221
Transfers to statement of revenues and expenses to support related activities	—	—	(175,745)	(175,745)
Depreciation charged to plant and equipment leased	157,727	(157,727)	—	—
Relinquished capital projects	56,869	(56,869)	—	—
Balance, June 30, 1996	$ 230,794	$ 772,123	$ 10,814	$1,013,731
Excess of revenues over expenses	28,833	—	—	28,833
Increase in bonds payable	311,036	(311,036)	—	—
Decrease in other debt, net	(905)	905	—	—
Additions to plant and equipment funded by:				
Donations	—	1,129	—	1,129
The City of New York	—	73,847	—	73,847
HHC	(59,644)	59,644	—	—
Donor restricted fund activity:				
Grants and other increases	—	—	182,692	182,692
Transfers to statement of revenues and expenses to support related activities	—	—	(182,774)	(182,774)
Depreciation charged to plant and equipment leased	145,654	(145,654)	—	—
Balance, June 30, 1997	$ 655,768	$ 450,958	$ 10,732	$1,117,458

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 15% and 31% 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 $5.4 million and $7.2 million after providing for mandatory transfers in fiscal years 1997 and 1996, respectively.

Net Revenue Retained for Capital Acquisitions

For the fiscal years ended June 30, 1997 and 1996, the changes in net revenue retained for capital acquisition were as follows:

	1997	1996
	(in thousands)	
Balance, June 30	$18,136	$16,646
Capital acquisition surcharge	3,578	3,596
Depreciation of assets purchased with funds restricted for capital acquisition	(2,425)	(2,106)
Balance, June 30	$19,289	$18,136

Since inception of the capital acquisition surcharge at July 21, 1990, surcharges of approximately $28.4 million have been collected and approximately $25.6 million has been used to finance leasehold improvements and the acquisition of property and equipment through June 30, 1997.

Property and Equipment

Property and equipment are recorded at cost. Depreciation and amortization are computed using the straight-line method based upon estimated useful lives ranging from 3 to 15 years. Leasehold improvements are amortized principally over the term of the lease.

Rental expense, including escalation charges for leased property for the fiscal years ended June 30, 1997 and 1996 was approximately $14.0 million and $13.5 million, respectively. As of June 30, 1997, OTB had future minimum rental obligations on noncancelable operating leases as follows:

	Amount (in thousands)
Fiscal year ending June 30:	
1998	$11,808
1999	10,920
2000	9,945
2001	6,703
2002	6,050
Thereafter until 2009	12,796
Total future minimum rental obligations	$58,222

Pensions

Substantially all full-time employees of OTB are members of NYCERS (see Note Q). The provisions for pension costs were actuarially determined and amounted to $1 million for both fiscal years 1997 and 1996. 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, Housing New York Corporation, and the New York City Residential Mortgage Insurance 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 Q). 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, 1996, its most recent fiscal year-end, were as follows:

	Principal	Interest (in thousands)	Total
Fiscal year ending October 31:			
1997	$ 42,027	$ 110,161	$ 152,188
1998	33,775	111,204	144,979
1999	32,885	112,271	145,156
2000	34,413	110,868	145,281
2001	36,301	109,273	145,574
Thereafter until 2036	1,989,443	1,488,616	3,478,059
Total future debt service requirements	$2,168,844	$2,042,393	$4,211,237

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, 1996 range from 1.6% to 9.625%.

HDC had no general obligation bonds and notes outstanding at October 31, 1996, whereas $228.6 million of general obligation bonds and notes were outstanding at October 31, 1995 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, 1995 and 1996:

	Balance October 31, 1994	Issued	Retired	Balance October 31, 1995	Issued	Retired	Balance October 31, 1996
				(in thousands)			
General obligation	$ 230,685	$ —	$ 2,065	$ 228,620	$ —	$228,620	$ —
Revenue	1,743,654	160,790	83,330	1,821,114	372,930	25,200	2,168,844
Total summary of bond transactions	$1,974,339	$160,790	$85,395	$2,049,734	$372,930	$253,820	$2,168,844

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, 1996, HA maintained 346 developments encompassing approximately 182,000 units. HA also maintains a leased housing program which provides housing assistance payments to approximately 72,000 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 prior to May 1, 1995, 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, 1996 and 1995, tenant accounts receivable approximated $24.2 million and $30.1 million, respectively, with related allowances of $21.0 million and $25.5 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 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.

HA 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 also 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.

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, 1996 and 1995 is as follows:

	1996	1995
	(in thousands)	
Land	$ 760,478	$ 744,167
Buildings	3,139,977	3,103,530
Capital improvements	2,176,998	1,859,230
Equipment	337,117	319,509
	6,414,570	6,026,436
Accumulated depreciation	(2,929,198)	(2,738,438)
Land, structures, and equipment—net	$3,485,372	$ 3,287,998

Interest costs related to debt reflected on the books of HA of $268 thousand and $739 thousand were capitalized as part of development costs in calendar years 1996 and 1995, respectively.

Debt Service

The future debt service requirements on HA bonds and notes at December 31, 1996, its most recent calendar year-end, were as follows:

	Principal	Interest	Total
		(in thousands)	
Calendar year ending December 31:			
1997	$ 60,016	$ 28,898	$ 88,914
1998	57,989	26,689	84,678
1999	55,305	24,493	79,798
2000	52,430	22,366	74,796
2001	48,009	20,343	68,352
Thereafter until 2024	416,854	115,068	531,922
Total future debt service requirements	$690,603	$237,857	$928,460

Interest rates on outstanding bonds and notes as of December 31, 1996 and 1995 range from 1% to 8.875%. During calendar years 1996 and 1995, principal repayments totaled $60.8 million and $61.3 million, respectively.

Advance Notes—HUD

Advance Notes—HUD at December 31, 1996 and 1995 consist of the following:

	1996	1995
	(in thousands)	
Unsubsidized improvement notes	$ 32,299	$ 42,058
Modernization and development notes	982,333	1,269,971
Total advance notes—HUD	$1,014,632	$1,312,029

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, 1996, HUD has given HA permission to discontinue accruing interest on a total of $669.6 million of notes. Interest expense of $19.6 million and $36.6 million are included in the statements of operations for the calendar years ended December 31, 1996 and 1995, 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, 1996 and 1995, was $396.4 million and $547.1 million, respectively. Interest rates on Advance Notes issued range from 5.5% to 9.5% for both calendar years 1996 and 1995.

Accrued interest includes interest of $.6 million relating to Unsubsidized Improvement Notes at both December 31, 1996 and 1995. 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 $2.6 million and $3.2 million was included in the statements of operations for the calendar years ended December 31, 1996 and 1995, respectively.

Pensions

HA employees are members of NYCERS (see Note Q). The calendar years 1996 and 1995 pension costs reported in the financial statements amounted to $3.4 million and $18.2 million, respectively, net of $8.1 million, reimbursable by the City in calendar year 1995 for its share of the Housing Police pension costs. On December 15, 1995, HA entered into an agreement with the City, effective July 1, 1995, to transfer $50.4 million of segregated pension-related assets to The City of New York with the City assuming $50.4 million of HA's statutory pension liability.

Changes in Fund Equity

Presented below are the changes in fund equity for the calendar years ended December 31, 1995 and 1996:

	Unreserved (Deficit)	Cumulative Contributions	Total
		(in thousands)	
Balance, December 31, 1994	$(2,166,070)	$2,571,467	$ 405,397
Net deficit	(248,865)	—	(248,865)
Allocation of depreciation to cumulative contributions	163,483	(163,483)	—
Contributions for payment of debt	—	71,837	71,837
Contributions for payment of capital	—	340,789	340,789
Balance, December 31, 1995	(2,251,452)	2,820,610	569,158
Net deficit	(274,584)	—	(274,584)
Allocation of depreciation to cumulative contributions	190,760	(190,760)	—
Contributions for payment of debt	—	547,390	547,390
Contributions for payment of capital	—	405,704	405,704
Balance, December 31, 1996	$(2,335,276)	$3,582,944	$1,247,668

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, 1996 are as follows:

	Amount
	(in thousands)
Calendar year ending December 31:	
1997	$11,646
1998	11,767
1999	11,767
2000	4,501
2001	4,268
Thereafter until 2003	4,980
Total future minimum lease commitments	$48,929

Rental expense approximated $11.9 million for both calendar years ended December 31, 1996 and 1995.

BNYDC

BNYDC obtained a note payable for $85,000, due 2008, $6,500 maturing annually.

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, 1997 and 1996, the Water Authority has a cumulative deficit of $2,206 million and $1,869 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 leased all the water and sewer related real and personal property valued at historical cost, net of depreciation and all work-in-progress, at cost, to the Water Board for the term of the lease. The City administers, operates, and maintains the water distribution and sewage collection system. The lease provides for payments to the City to cover the City's cost for operation and maintenance, capital costs not otherwise reimbursed, rent, and for other services provided.

Contributed Capital

City financed additions for the fiscal years ended June 30, 1997 and 1996 amounted to $50.6 million and $51.9 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, 1997:

	Principal	Interest	Total
		(in thousands)	
Fiscal year ending June 30:			
1998	$ 720,002	$ 417,495	$ 1,137,497
1999	119,770	410,595	530,365
2000	134,885	403,598	538,483
2001	142,499	396,374	538,873
2002	155,410	389,160	544,570
Thereafter until 2029	6,882,790	5,939,903	12,822,693
Total future debt service requirements	$8,155,356	$7,957,125	$16,112,481

The interest rates on the outstanding bonds and commercial paper as of June 30, 1997 and 1996 range from 3.50% to 7.9% and from 2.78% to 7.9%, respectively.

The following is a summary of bond and commercial paper transactions of the Water Authority for the fiscal years ended June 30, 1996 and 1997:

	Balance June 30, 1995	Issued	Defeased or Retired	Balance June 30, 1996	Issued	Defeased or Retired	Balance June 30, 1997
				(in thousands)			
Revenue bonds	$5,650,454	$1,330,735	$ 254,703	$6,726,486	$1,065,125	$ 236,255	$7,555,356
Commercial paper	400,000	4,021,800	4,062,700	359,100	4,060,000	3,819,100	600,000
Total summary of bond and commercial paper transactions	$6,050,454	$5,352,535	$4,317,403	$7,085,586	$5,125,125	$4,055,355	$8,155,356

During fiscal year 1997, the Water Authority issued Series A and B Water and Sewer System revenue bonds in the aggregate principal amount of $1.06 billion to: advance refund a portion of certain outstanding principal amounts of the Water Authority's Water and Sewer System revenue bonds and commercial paper; finance a portion of the capital renovation and improvement program; pay certain costs of issuance; and fund certain reserves.

Although the advance refunding resulted in an accounting loss of $5.9 million for the fiscal year ended June 30, 1997, the Water Authority reduced its aggregate debt service payments by approximately $6.4 million and obtained an economic gain of $6.2 million over the next 8 years. This loss will be amortized using the straight-line method through 2021. For fiscal years 1997 and 1996, amortization expense of $10.4 million and $14.7 million, respectively, was incurred.

During prior fiscal years, the Water Authority defeased in substance $1.445 billion of revenue bonds.

As of June 30, 1997, $899.7 million of the defeased bonds have been retired from the assets of the escrow accounts.

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, 1997 and 1996 are as follows:

	1997	1996
	(in thousands)	
Balance, June 30	$4,970,900	$5,030,356
Plant and equipment contributed	50,615	51,923
Allocation of depreciation to contributed capital	(113,864)	(111,379)
Balance, June 30	$4,907,651	$4,970,900

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 $1.2 billion at June 30, 1997, 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, 1997, 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.

Subsequent Events

On August 12, 1997 and October 8, 1997, the Water Authority issued fiscal year 1998 Series A and fiscal year 1998 Series C Water and Sewer System revenue bonds in the aggregate principal amount of $286.075 million and $89.975 million, respectively, to advance refund part of the Water Authority's outstanding revenue bonds and to pay certain costs of issuance.

The Water Authority also issued, Second Resolution Bonds to the New York State Environmental Facilities Corporation (EFC), fiscal year 1998 Series 1 and fiscal year 1998 Series 2 bonds on July 15, 1997 and August 12, 1997 in the amount of $44.635 million and $113.495 million, respectively, to permanently finance improvements to the system initially financed by the Water Authority's commercial paper.

In addition, on September 18, 1997, the Water Authority issued fiscal year 1998 Series B Water and Sewer System revenue bonds in the aggregate principal amount of $449.5 million to reimburse outstanding commercial paper notes, to pay certain costs of issuance, and to fund certain reserves. The Water Authority also issued fiscal year 1998 Series 3 bonds in the amount of $478.56 million to EFC to advance refund part of the Water Authority's outstanding bonds held by EFC.

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 (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.

Effective August, 1996, Section 457 was amended and requires amounts maintained under a deferred compensation plan by a state or local government to be held in trust (or custodial account or annuity contract) for the exclusive benefit of plan participants and their beneficiaries. DCP has until calendar year 1999 to implement the new law.

Investments are managed by DCP's trustee under one of eight 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, 1996 and 1995:

	1996	1995
	(in thousands)	
Fund assets, December 31	$1,575,778	$1,170,836
Deferrals of compensation	256,497	227,855
Earnings and adjustment to market value	230,114	228,759
Payments to eligible participants and beneficiaries	(53,109)	(48,292)
Administrative expenses	(3,624)	(3,380)
Fund assets, December 31	$2,005,656	$1,575,778

Other Agency Funds

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

P. OTHER POSTEMPLOYMENT BENEFITS

In accordance with collective bargaining agreements, the City provides Other Postemployment Benefits (OPEB) which include basic medical and hospitalization (health care) benefits to eligible retirees and dependents at no cost to 96.5% 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 1997 and 1996 are as follows:

	1997		1996	
	Active	Retired	Active	Retired
Number of employees	321,538	177,125	324,008	171,575
Cost of health care (in thousands)*	$1,137,948	$402,249	$1,151,620	$403,786

* The amounts reflected are based on average headcounts.

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 1997 and 1996 are as follows:

	1997		1996	
	Active	Retired	Active	Retired
Number of claims	13,079	3,183	14,612	2,680
Cost of Superimposed Major Medical (in thousands)	$ 2,352	$ 401	$ 2,796	$ 397

Q. 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.

Plan Membership

At June 30, 1996 and 1995, the dates of the most recent actuarial valuations, the membership of the actuarial pension systems consisted of:

	1996					
	NYCERS	TRS	BERS	POLICE	FIRE	TOTAL
Retirees and beneficiaries receiving benefits	118,464	47,169	8,115	35,435*	16,316**	225,499
Terminated vested members not yet receiving benefits	6,558	3,141	176	13	7	9,895
Active members	163,834	76,672	20,710	36,778	11,329	309,323
Total plan membership	288,856	126,982	29,001	72,226	27,652	544,717

* Includes 3,455 former participants of Police, Subchapter 1.

** Includes 3,525 former participants of Fire, Subchapter 1.

	1995					
	NYCERS	TRS	BERS	POLICE	FIRE	TOTAL
Retirees and beneficiaries receiving benefits	116,142	43,656	7,957	31,455*	12,551**	211,761
Terminated vested members not yet receiving benefits	6,784	2,497	189	10	7	9,487
Active members	163,011	78,180	19,789	36,204	11,161	308,345
Total plan membership	285,937	124,333	27,935	67,669	23,719	529,593

* Excludes 3,830 participants of Police, Subchapter 1.

** Excludes 3,700 participants of Fire, Subchapter 1.

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 1997, the City's annual pension costs of approximately $1.4 billion were 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, 1996 actuarial valuations using the frozen entry age actuarial cost method.

The actuarial interest rate assumption utilized to determine the fiscal year 1997 employer contribution differed from that used to determine the fiscal year 1996 employer contribution for POLICE. The fiscal year 1997 employer contribution decreased by approximately $42 million compared to what it would have been utilizing the former assumption.

The City's pension costs, including those computed by the Actuary for the actuarial pension systems, for the fiscal years ended June 30, 1997, 1996, and 1995 were as follows:

	1997	1996	1995
		(in millions)	
NYCERS*	$ 152.5	$ 139.8	$ 271.4
TRS*	350.5	384.8	356.1
BERS*	33.6	35.6	38.9
POLICE	539.8	562.4	419.0
FIRE	255.0	252.1	199.2
OTHER**	42.0	40.3	94.5
Total pension costs	$1,373.4	$1,415.0	$1,379.1

* 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:

	1997	1996	1995
NYCERS	66.65%	63.95%	60.64%
TRS	96.25	96.81	96.31
BERS	96.78	97.19	97.42

** 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 a three-year trend information for the City's actuarially-funded single-employer pension plans:

	Fiscal Year Ending	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
		(in millions)		
POLICE	6/30/97	$539.8	100%	$ —
	6/30/96	562.4	100	—
	6/30/95	419.0	100	—
FIRE	6/30/97	255.0	100	—
	6/30/96	252.1	100	—
	6/30/95	199.2	100	—

The more significant actuarial assumptions and methods used in the calculations of employer contributions to the actuarial pension systems for the fiscal years ending June 30, 1997 and 1996 are as follows:

	1997	1996
Valuation Date	June 30, 1996	June 30, 1995
Actuarial Cost Method	Frozen entry age.	Frozen entry age.
Amortization Method for Unfunded Actuarial Accrued Liabilities	Increasing dollar, except for Unfunded Actuarial Accrued Liabilities attributable to ERI 95 and Retiree Supplementation.	Increasing dollar, except for Unfunded Actuarial Accrued Liabilities attributable to ERI 95.
Remaining Amortization Period	14, 5, and 10 years, respectively.	15 years.
Actuarial Asset Valuation Method	Modified 5-year average of market value with Market Value Restart as of June 30, 1995.	5-year average of market value with Market Value Restart as of June 30, 1995.
Assumed Rate of Return On Investments	8.75% per annum (4.0% per annum for benefits payable under the variable annuity programs of TRS and BERS).	8.75% per annum for NYCERS, TRS, BERS, and FIRE (4.0% per annum for benefits payable under the variable annuity programs of TRS and BERS). 8.50% per annum for POLICE.
Post-Retirement Mortality	Tables based on recent experience.	Tables based on recent experience.
Active Service Withdrawal, Death, Disability, Service Retirement	Tables based on recent experience.	Tables based on recent experience.
Salary Increases	In general, Merit and Promotion Increases plus assumed General Wage Increases of 4.0% per year.	In general, Merit and Promotion Increases plus assumed General Wage Increases of 4.0% per year.
Cost-of-Living Adjustments	Provided by the legislature on an ad-hoc basis.	Provided by the legislature on an ad-hoc basis.

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 change in Actuarial Asset Valuation Method (AAVM) as of June 30, 1995 to reflect a market basis for investments held by the Plan was made as one component of an overall revision of actuarial assumptions and methods as of June 30, 1995.

Under the prior AAVM, the Actuarial Asset Value (AAV) was reset to Market Value i.e., "Market Value Restart" as of June 30, 1995. The prior AAVM recognized expected investment returns immediately and phased in investment returns greater or less than expected i.e., Unexpected Investment Returns (UIR) over five years at a rate of 20% per year (or at a cumulative rate of 20%, 40%, 60%, 80%, and 100% over five years).

The AAVM used as of June 30, 1996 is a modified version of the typical five-year average of Market Values used previously.

Under this modified AAVM, any UIR for fiscal years 1997 or later will be phased into the AAV beginning the following June 30 at a rate of 10%, 15%, 20%, 25%, and 30% per year (or at a cumulative rate of 10%, 25%, 45%, 70%, and 100% over five years). The UIR for fiscal year 1996 will be phased into AAV beginning June 30, 1996 at a cumulative rate of 20%, 35%, 45%, 70% and 100% over five years.

The modification in the AAVM as of June 30, 1996 had no impact on fiscal year 1997 employer contributions but will impact employer contributions beginning fiscal year 1998.

The Frozen Entry Age actuarial cost method of funding is utilized by the Plan's Actuary to calculate the contributions required of the employer. Under this method, the excess of the actuarial present value of projected benefits of members as of the valuation date, over the sum of the actuarial value of assets plus the unfunded frozen actuarial accrued liability is allocated on a level basis over the future earnings of members who are on the payroll as of the valuation date. Actuarial gains and losses are reflected in the employer normal contribution rate.

There are two types of Unfunded Actuarial Accrued Liabilities (UAAL): the Consolidated Unfunded Accrued Liability (CUAL) and the Balance Sheet Liability (BSL). The employer carries part of the UAAL as an accounting liability. This accounting liability is referred to as the BSL.

Chapter 249 of the Laws of 1996 reestablished total UAAL and consolidated most of those UAAL as of June 30, 1995 for NYCERS, TRS, BERS, and FIRE.

Chapter 598 of the Laws of 1996 reestablished and consolidated total UAAL as of June 30, 1995 for POLICE.

Chapter 157 of the Laws of 1997 provided for an increase of the Actuarial Interest Rate assumption from 8.50% to 8.75% per annum for POLICE and a change in UAAL to be established as of June 30, 1996.

The schedules of payments toward the UAAL and the BSL provide that the UAAL and BSL as of June 30, 1995 be amortized over a period of 15 years beginning in fiscal year 1996, where each annual payment after the first annual payment would equal 103% of its preceding annual payment.

Chapter 12 of the Laws of 1995 established a UAAL for the Early Retirement Incentive Program to be amortized on a level dollar amount over a period of 5 years.

Chapter 119 of the Laws of 1995 established a UAAL for the Retiree Supplementation increases to be amortized on a level dollar amount over a period of 10 years.

Similar Trust Funds

Fund Descriptions

Per enabling State legislation, certain retirees of POLICE, FIRE, and NYCERS are eligible to receive a schedule of supplemental benefits from certain Variable Supplements Funds (VSFs).

Under current law, VSFs are not to be construed as constituting pension or retirement system funds. Instead, they provide scheduled 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 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 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 (or wipers) of the New York Fire Department Pension Fund—Subchapter 1 or Subchapter 2, and who retired on or after October 1, 1968.

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

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 a result of calculations performed by the Funds' Actuary during November, 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 benefit payments cannot exceed the assets of the fund. Chapter 719 of the Laws of 1994 amended the defined schedules 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 benefit payments cannot exceed the assets of the fund.

Funding Policy and Contributions

The Administrative Code of The City of New York provides that POLICE, FIRE, and NYCERS pay to their respective VSFs amounts equal to certain excess earnings on equity investments, generally limited to the unfunded accumulated benefit obligation 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 1997, the estimated excess earnings on equity investments was not material, therefore not recorded in the financial statements. For fiscal year 1996, excess earnings of $450 million was estimated to be transferable to the VSFs. The actual amounts transferred will be based on final calculations. The excess earnings payable from POLICE, FIRE, and NYCERS to their respective VSFs as of June 30, 1996 was $423 million. A summary of these amounts by VSF is as follows:

Variable Supplements Fund	**Estimate 1997**	**Estimate 1996**	**Actual 1996****
		(in millions)	
POVSF	$ –	$ –	$ –
PSOVSF	–	400	382
FFVSF	–	–	–
FOVSF	–	50	41
TPOVSF	–	*	*
TPSOVSF	–	*	*
HPOVSF	–	*	*
HPSOVSF	–	*	*
Total excess earnings payable	$ –	$450	$423

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

** The difference between the 1996 estimated excess earnings payable and the actual excess earnings paid is reported in fiscal year 1997.

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, 1996, 1995, and 1994:

	Fiscal Year Ending* (A)	Actuarial Value of Assets** (a) (B)	Actuarial Accrued Liability (AAL) Frozen Entry Age (b) (B) & (C)	UAAL (b-a) (D) (in millions)	Funded Ratio a/b	Covered Payroll (c)	UAAL As A Percentage of Covered Payroll (b-a)/c
NYCERS	6/30/96	$25,809.7	$24,799.0	$(1,010.7)	104.1%	$6,580.4	(15.4)%
	6/30/95	24,623.3	23,231.3	(1,392.0)	106.0	6,432.3	(21.6)
	6/30/94	22,087.2	24,015.6	1,928.4	92.0	6,547.4	29.5
TRS	6/30/96	22,176.1	23,749.1	1,573.0	93.4	3,507.8	44.8
	6/30/95	20,412.8	21,751.7	1,338.9	93.8	3,593.0	37.3
	6/30/94	17,981.8	19,275.9	1,294.1	93.3	3,305.7	39.1
BERS	6/30/96	1,055.9	1,167.4	111.5	90.5	475.5	23.4
	6/30/95	984.7	1,085.5	100.8	90.7	477.2	21.1
	6/30/94	859.5	939.4	79.9	91.5	472.8	16.9
POLICE	6/30/96	10,342.9	11,603.4	1,260.5	89.1	1,920.0	65.6
	6/30/95	9,632.9	10,955.9	1,323.0	87.9	1,844.9	71.7
	6/30/94	8,137.4	9,537.5	1,400.1	85.3	1,478.5	94.7
FIRE	6/30/96	3,859.0	5,200.8	1,341.8	74.2	647.7	207.2
	6/30/95	3,617.4	4,880.0	1,262.6	74.1	642.9	196.4
	6/30/94	3,355.6	4,596.1	1,240.5	73.0	606.3	204.6

* Revised economic and noneconomic assumptions due to experience review as of June 30, 1995.

** Reestablished the Actuarial Asset Value to equal Market Value as of June 30, 1995.

(A) For the year ended June 30, 1995 and later, the valuation method was changed from an end of year to a beginning of year convention.

(B) Includes member contributions. The June 30, 1994 AAL is based on the actuarial assumptions and methods in effect on June 30, 1994. It is also based on June 30, 1994 census data and covered payroll.

The June 30, 1995 AAL is based on the actuarial assumptions and methods in effect on June 30, 1995. It is also based on actual June 30, 1995 census data and covered payroll.

The change in the Actuarial Asset Valuation Method (AAVM) as of June 30, 1995 to reflect a market basis for investments held by the plan was made as one component of an overall revision of actuarial assumptions and methods as of June 30, 1995.

Under the prior AAVM, the Actuarial Asset Value (AAV) was reset to Market Value i.e., "Market Value Restart" as of June 30, 1995. The prior AAVM recognized expected investment returns immediately and phased in investment returns greater or less than expected i.e., Unexpected Investment Returns (UIR) over five years at a rate of 20% per year (or a cumulative rate of 20%, 40%, 60%, 80%, and 100% over five years).

The AAVM used as of June 30, 1996 is a modified version of the typical five-year average of Market Values used previously.

Under this modified AAVM, any UIR for fiscal years 1997 or later will be phased into the AAV beginning the following June 30 at a rate of 10%, 15%, 20%, 25%, and 30% per year (or at a cumulative rate of 10%, 25%, 45%, 70%, and 100% over five years). The UIR for fiscal year 1996 will be phased into AAV beginning June 30, 1996 at a cumulative rate of 20%, 35%, 45%, 70%, and 100% over five years.

The modification in the AAVM as of June 30, 1996 had no impact on fiscal year 1997 employer contributions but will impact employer contributions beginning fiscal year 1998.

(C) To effectively assess the funding progress of the plan, it is necessary to compare the actuarial value of assets and the AAL calculated in a manner consistent with the plans' funding method over a period of time.

The AAL is the portion of the actuarial present value of pension plan benefits and expenses which is not provided for by future normal costs and future member contributions.

(D) The UAAL is the excess of the AAL over the actuarial value of assets. This is the same as unfunded frozen AAL, which is not adjusted from one actuarial valuation to the next to reflect actuarial gains and losses.

R. Commitments

At June 30, 1997, 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 $45.0 billion for fiscal years 1998 through 2007. To help meet its capital spending program, the City borrowed $2.5 billion in the public credit market in fiscal year 1997. The City and/or the TFA plan to borrow $2.9 billion in the public credit market in fiscal year 1998.

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APPENDIX C

BONDS TO BE REFUNDED

The City expects to refund City bonds through issuance by the City of its Fiscal 1998 Series D 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 the delivery of the Series D Bonds.

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

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

Series	Dated Date	Tax-Exempt Maturities Being Refunded	Payment Date	Amount Being Refunded
September 15, 1970 ..	September 15, 1970	March 15, 1999	March 15, 1999	$ 200,000(1)
		March 15, 2001	March 15, 2001	405,000(1)
January 1, 1971	January 1, 1971	July 1, 2001	July 1, 2001	350,000(2)
April 1, 1971	April 1, 1971	October 1, 1998	October 1, 1998	185,000(1)
		October 1, 2000	October 1, 2000	165,000(1)
		October 1, 2001	October 1, 2001	500,000(1)
		October 1, 2002	October 1, 2002	1,055,000(1)
July 1, 1971	July 1, 1971	January 1, 1999	January 1, 1999	740,000(1)
October 15, 1971 ...	October 15, 1971	April 15, 1999	April 15, 1999	1,330,000(1)
January 1, 1972	January 1, 1972	July 1, 2001	July 1, 2001	250,000(1)
May 1, 1972	May 1, 1972	November 1, 2000	November 1, 2000	630,000(2)
		November 1, 2001	November 1, 2001	415,000(1)
July 15, 1972	July 15, 1972	January 15, 1999	January 15, 1999	1,065,000(1)
		January 15, 2001	January 15, 2001	575,000(1)
September 15, 1972	September 15, 1972	March 15, 2001	March 15, 2001	1,050,000(1)
		March 15, 2002	March 15, 2002	660,000(1)
January 1, 1973	January 1, 1973	July 1, 2001	July 1, 2001	1,060,000(1)
		July 1, 2002	July 1, 2002	140,000(1)
May 1, 1973	May 1, 1973	November 1, 1998	November 1, 1998	520,000(1)
		November 1, 2000	November 1, 2000	110,000(1)
November 1, 1973	November 1, 1973	May 1, 2001	May 1, 2001	660,000(1)
February 1, 1974 ...	February 1, 1974	August 1, 2000	August 1, 2000	1,150,000(1)
August 1, 1974	August 1, 1974	February 1, 2001	February 1, 2001	900,000(1)
October 15, 1974 ...	October 15, 1974	April 15, 1999	April 15, 1999	400,000(1)
		April 15, 2001	April 15, 2001	1,670,000(1)
February 15, 1975	February 15, 1975	August 15, 2000	August 15, 2000	450,000(1)
		August 15, 2001	August 15, 2001	80,000(1)
		August 15, 2002	August 15, 2002	80,000(1)
1986C	March 1, 1986	September 1, 1998	September 1, 1998	600,000(1)
1987B	August 15, 1986	August 15, 1998	August 15, 1998	11,605,000(1)
		August 15, 2000	August 15, 2000	260,000(1)

Series	Dated Date	Tax-Exempt Maturities Being Refunded	Payment Date	Amount Being Refunded
1987C	December 1, 1986	February 1, 1999	February 1, 1998	10,000(1)
		February 1, 2000	February 1, 1998	25,000(1)
		February 1, 2000	February 1, 2000	3,680,000(1)
		February 1, 2001	February 1, 1998	25,000(1)
		February 1, 2001	February 1, 2001	1,195,000(1)
		February 1, 2002	February 1, 1998	25,000(1)
1987D	May 15, 1987	August 1, 1998	August 1, 1998	6,135,000(1)
1988B	February 18, 1988	August 1, 1998	August 1, 1998	1,610,000(1)
		August 1, 1999	August 1, 1999	9,655,000(1)
1989D	February 28, 1989	August 15, 2004	February 15, 1998	105,000(1)
		August 15, 2005	February 15, 1998	30,000(1)
1989E	June 14, 1989	December 1, 2011	June 1, 1998	6,450,000(1)
		December 1, 2012	June 1, 1998	7,425,000(1)
		December 1, 2015	June 1, 1998	11,135,000(1)
1990A	August 1, 1989	August 1, 2008	February 1, 1998	65,000(1)
1990C	November 14, 1989	August 1, 2001	August 1, 1999	2,440,000(1)
		August 1, 2002	August 1, 1999	2,110,000(1)
		August 1, 2003	August 1, 1999	2,105,000(1)
		August 1, 2004	August 1, 1999	2,070,000(1)
		August 1, 2006	August 1, 1999	10,225,000(1)
1990D	November 14, 1989	August 1, 2000	August 1, 1999	5,685,000(1)
		August 1, 2002	August 1, 1999	7,050,000(1)
		August 1, 2003	August 1, 1999	4,700,000(1)
		August 1, 2004	August 1, 1999	9,315,000(1)
		August 1, 2005	August 1, 1999	3,115,000(1)
		August 1, 2006	August 1, 1999	7,975,000(1)
		August 1, 2007	August 1, 1999	8,405,000(1)
1990F	February 23, 1990	August 1, 2000	August 1, 1998	4,355,000(1)
1990H	February 1, 1990	August 1, 2001	August 1, 2000	2,425,000(1)
1991A	September 26, 1990	March 15, 1999	March 15, 1999	22,745,000(1)
1991B	December 20, 1990	June 1, 2012	June 1, 2001	2,830,000(1)
		June 1, 2014	June 1, 2001	14,280,000(1)
		June 1, 2015	June 1, 2001	5,435,000(1)
1991D	February 1, 1991	August 1, 2002	August 1, 2001	4,950,000(1)
		August 1, 2003	August 1, 2001	3,400,000(1)
		August 1, 2004	August 1, 2001	60,000(1)
1992A	August 15, 1991	August 15, 1998	August 15, 1998	225,000(1)
		August 15, 2003	August 15, 2001	13,530,000(1)
		August 15, 2004	August 15, 2001	1,010,000(1)
1992C-1	January 7, 1992	August 1, 1998	August 1, 1998	4,270,000(1)
1992H	June 1, 1992	February 1, 1999	February 1, 1999	335,000(1)
		February 1, 2005	February 1, 2002	1,400,000(1)
		February 1, 2009	February 1, 2002	490,000(1)
		February 1, 2011	February 1, 2002	16,040,000(1)
		February 1, 2015	February 1, 2002	4,010,000(1)
		February 1, 2016	February 1, 2002	8,190,000(1)
		February 1, 2017	February 1, 2002	9,790,000(1)
		February 1, 2018	February 1, 2002	10,455,000(1)
		February 1, 2019	February 1, 2002	9,620,000(1)

Series	Dated Date	Tax-Exempt Maturities Being Refunded	Payment Date	Amount Being Refunded
		February 1, 2021	February 1, 2002	2,845,000(1)
		February 1, 2022	February 1, 2002	14,700,000(1)
1992I	June 1, 1992	August 1, 2000	August 1, 2000	18,990,000(1)
		August 1, 2001	August 1, 2001	12,435,000(1)
		August 1, 2002	August 1, 2002	21,210,000(1)
1993A	August 26, 1992	August 1, 2000	August 1, 2000	5,010,000(1)
		August 1, 2007	August 1, 2002	9,130,000(1)
		August 1, 2021	August 1, 2002	8,090,000(1)
1993B	October 29, 1992	October 1, 1998 (0%)	October 1, 1998	5,190,000(1)
		October 1, 1999 (5⅞%)	October 1, 1999	7,235,000(1)
		October 1, 2005 (6¾%)	October 1, 2002	2,600,000(1)
		October 1, 2008 (7%)	October 1, 2002	1,070,000(1)
		October 1, 2010 (7%)	October 1, 2002	7,120,000(1)
		October 1, 2011 (7%)	October 1, 2002	7,570,000(1)
		October 1, 2012 (7%)	October 1, 2002	11,930,000(1)
		October 1, 2014	October 1, 2002	13,120,000(1)
1994A-1............	August 2, 1993	August 1, 2001	August 1, 2001	4,785,000(1)
		August 1, 2002	August 1, 2002	12,280,000(1)
1994B-1............	August 18, 1993	August 15, 1998	August 15, 1998	3,570,000(2)
		August 15, 1999	August 15, 1999	10,295,000(1)
1994C	October 14, 1993	October 1, 1998	October 1, 1998	120,000(1)
1994E-1............	December 29, 1993	August 1, 2001 (5⅛%)	August 1, 2001	8,115,000(2)
		August 1, 2002 (5.2%)	August 1, 2002	4,255,000(1)
1994F	December 29, 1993	August 1, 1998	August 1, 1998	805,000(1)
1994H-1............	April 12, 1994	August 1, 1999	August 1, 1999	680,000(1)
		August 1, 2001	August 1, 2001	885,000(1)
		August 1, 2002	August 1, 2002	700,000(1)
1995B-1............	November 16, 1994	August 15, 2012	August 15, 2004	650,000(1)
		August 15, 2013	August 15, 2004	6,620,000(1)
		August 15, 2016	August 15, 2004	4,865,000(1)(4)
		August 15, 2019	August 15, 2004	13,905,000(1)(4)
1995C	January 1, 1995	August 15, 2005	August 15, 2001	1,175,000(1)
		August 15, 2007	August 15, 2001	1,720,000(1)
		August 15, 2008	August 15, 2001	1,305,000(1)
		August 15, 2009	August 15, 2001	1,345,000(1)
1995E	January 1, 1995	August 1, 1998	August 1, 1998	3,095,000(1)
		August 1, 1999	August 1, 1999	4,315,000(1)
		August 1, 2000	August 1, 2000	4,575,000(1)
		August 1, 2001	August 1, 2001	4,855,000(1)
		August 1, 2002	August 1, 2002	1,230,000(1)
1995F-1	March 1, 1995	February 15, 1999	February 15, 1999	2,735,000(2)
1996B	August 14, 1995	August 15, 1998	August 15, 1998	5,370,000(1)
1996C	August 14, 1995	August 15, 1998	August 15, 1998	690,000(1)
1996D	November 2, 1995	February 15, 1999	February 15, 1999	1,935,000(1)
		February 15, 2002	February 15, 2002	6,830,000(1)
1996E	November 2, 1995	February 15, 1999	February 15, 1999	5,600,000(1)
		February 15, 2000	February 15, 2000	7,545,000(1)
		February 15, 2002	February 15, 2002	5,385,000(1)

Series	Dated Date	Tax-Exempt Maturities Being Refunded	Payment Date	Amount Being Refunded
1996I	March 14, 1996	March 15, 1999	March 15, 1999	920,000(1)
1996J-1	February 15, 1996	February 15, 2002	February 15, 2002	1,205,000(1)

Series	Dated Date	Taxable Maturities Being Refunded	Payment Date	Amount Being Refunded
1991D	February 1, 1991	August 1, 2005	August 1, 2001	5,910,000(1)
1992D	February 1, 1992	February 1, 2006	February 1, 2002	2,630,000(3)
1992G	February 1, 1992	February 1, 2006	February 1, 2002	940,000(3)
1993B	October 29, 1992	October 1, 2018	(5)	20,205,000(1)
		October 1, 2019	(5)	20,945,000(1)
1993E-1	May 27, 1993	May 15, 2017	(5)	15,440,000(2)
		May 15, 2018	(5)	14,020,000(2)
		May 15, 2022	(5)	12,935,000(2)
		May 15, 2023	(5)	11,695,000(2)
1994H-7	April 12, 1994	August 1, 1998	(5)	10,450,000(3)
1995B-11	November 16, 1994	August 15, 2022	(5)	21,500,000(1)(4)
1995B-12	November 16, 1994	August 15, 2020	(5)	53,690,000(1)(4)
1996A-2	August 14, 1995	August 1, 2014	(5)	19,120,000(2)(4)

(1) The amount shown is being refunded and is a portion of the bonds of this description.

(2) The amount shown is being refunded and is all of the bonds of this description except those that have been previously refunded.

(3) The amount shown is being refunded and is all of the bonds of this description.

(4) The refunded bonds will be credited against the following redemption or maturity dates:

1995B-1
2016 Term Bond

August 15	Amount
2015	$ 4,865,000

1995B-11
2022 Term Bond

August 15	Amount
2022	$21,500,000

1996A-2
2014 Term Bond

August 1	Amount
2008	$ 6,120,000
2009	13,000,000

1995B-1
2019 Term Bond

August 15	Amount
2017	$ 2,560,000
2019	11,345,000

1995B-12
2020 Term Bond

August 15	Amount
2004	$ 1,700,000
2008	11,900,000
2009	8,190,000
2020	31,900,000

(5) Not later than December 17, 1997.

APPENDIX D

BROWN & WOOD LLP

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

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

November 18, 1997

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 the City's General Obligation Bonds, Fiscal 1998 Series C and D (the "Bonds").

The Bonds are issued pursuant to the provisions of the Constitution of the State, the Local Finance Law of the State, and the Charter of the City, and in accordance with a certificate of the Deputy Comptroller for Finance 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 Tax-Exempt Bonds identified below is not includable in the gross income of the owners of the Tax-Exempt Bonds for purposes of Federal income taxation under existing law. Interest on the Tax-Exempt Bonds will be includable in the gross income of the owners thereof retroactive to the date of issue of the Tax-Exempt Bonds in the event of a failure by the City to comply with the applicable requirements of the Internal Revenue Code of 1986, as amended (the "Code"), and the covenants regarding use, expenditure and investment of bond proceeds and the timely payment of certain investment earnings to the United States Treasury; and we render no opinion as to the exclusion from gross income of interest on the Tax-Exempt Bonds for Federal income tax purposes on or after the date on which any action is taken under the Certificate upon the approval of counsel other than ourselves.

The Bonds bearing fixed rates of interest lower than 6%, and at 6% maturing in 2008, are Tax-Exempt Bonds.

LOS ANGELES • SAN FRANCISCO • WASHINGTON • BEIJING • TOKYO REPRESENTATIVE OFFICE
AFFILIATED WITH BROWN & WOOD, A MULTINATIONAL PARTNERSHIP WITH OFFICES IN LONDON AND HONG KONG

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) of interest that is excluded from gross income.

5. The excess, if any, of the amount payable at maturity of any maturity of Tax-Exempt Bonds over 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,

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

A GE Capital Company

FGIC

APPENDIX E

Municipal Bond New Issue Insurance Policy

Issuer:	**Policy Number:**
	Control Number: 0010001
Bonds:	**Premium:**

Financial Guaranty Insurance Company ("Financial Guaranty"), a New York stock insurance company, in consideration of the payment of the premium and subject to the terms of this Policy, hereby unconditionally and irrevocably agrees to pay to State Street Bank and Trust Company, N.A., or its successor, as its agent (the "Fiscal Agent"), for the benefit of Bondholders, that portion of the principal and interest on the above-described debt obligations (the "Bonds") which shall become Due for Payment but shall be unpaid by reason of Nonpayment by the Issuer.

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

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

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

FGIC is a registered service mark used by Financial Guaranty Insurance Company under license from its parent company, FGIC Corporation.

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

A GE Capital Company

FGIC.

Municipal Bond
New Issue Insurance Policy

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

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

SPECIMEN

President

Effective Date: SPECIMEN

Authorized Representative

State Street Bank and Trust Company, N.A., acknowledges that it has agreed to perform the duties of Fiscal Agent under this Policy.

Authorized Officer

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

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Endorsement
To Financial Guaranty Insurance Company Insurance Policy

Policy Number: **Control Number:** 0010001

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

NOTHING HEREIN SHALL BE CONSTRUED TO WAIVE, ALTER, REDUCE OR AMEND COVERAGE IN ANY OTHER SECTION OF THE POLICY. IF FOUND CONTRARY TO THE POLICY LANGUAGE, THE TERMS OF THIS ENDORSEMENT SUPERSEDE THE POLICY LANGUAGE.

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

SPECIMEN

President

Effective Date:

SPECIMEN
Authorized Representative

Acknowledged as of the Effective Date written above:

Authorized Officer
State Street Bank and Trust Company, N.A., as Fiscal Agent

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

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Mandatory New York State Amendatory Endorsement

To Financial Guaranty Insurance Company Insurance Policy

Policy Number: **Control Number:** 0010001

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

NOTHING HEREIN SHALL BE CONSTRUED TO WAIVE, ALTER, REDUCE OR AMEND COVERAGE IN ANY OTHER SECTION OF THE POLICY. IF FOUND CONTRARY TO THE POLICY LANGUAGE, THE TERMS OF THIS ENDORSEMENT SUPERSEDE THE POLICY LANGUAGE.

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

SPECIMEN

President

SPECIMEN

Effective Date: **Authorized Representative**

Acknowledged as of the Effective Date written above:

Authorized Officer
State Street Bank and Trust Company, N.A., as Fiscal Agent

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

A GE Capital Company

FGIC

Mandatory New York State Amendatory Endorsement

To Financial Guaranty Insurance Company Insurance Policy

Policy Number: **Control Number:** 0010001

Notwithstanding the terms and conditions in this Policy, it is further understood that there shall be no acceleration of payment due under such Policy unless such acceleration is at the sole option of Financial Guaranty.

NOTHING HEREIN SHALL BE CONSTRUED TO WAIVE, ALTER, REDUCE OR AMEND COVERAGE IN ANY OTHER SECTION OF THE POLICY. IF FOUND CONTRARY TO THE POLICY LANGUAGE, THE TERMS OF THIS ENDORSEMENT SUPERSEDE THE POLICY LANGUAGE.

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

SPECIMEN

President

Effective Date: SPECIMEN **Authorized Representative**

Acknowledged as of the Effective Date written above:

Authorized Officer
State Street Bank and Trust Company, N.A., as Fiscal Agent

Deal code: NY14190

82235

1-2. NAME OF ISSUER AND DESCRIPTION OF ISSUE : THE CITY OF NEW YORK
GENERAL OBLIGATION BONDS
FISCAL 1998 SERIES C AND D

3. STATE : C: NY,D: NY,F: NY

4. DATED DATE : C: 11/18/1997,D: 11/18/1997,F: 11/18/1997

5. DATE OF FINAL MATURITY OF OFFERING : 11/15/2037C 6. DATE OF SALE : C: 10/30/1997,D: 10/30/1997, F: 10/30/1997

7. PAR VALUE OF OFFERING : $ 862,235,000

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

9. AMENDED OR STICKERED OS? NO NUMBER OF SERIES IN OS : 2
(Enter Y or N) (Fill out one form for each series)

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 of 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 of 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 or 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 : Goldman, Sachs & Co.

16. CUSIP NUMBERS (and corresponding maturity dates)

11/15/1999C	649667UK6	11/15/2000C	649667UL4
11/15/2001C	649667UM2	11/15/2002C	649667UN0
11/15/2003C	649667UP5	11/15/2004C	649667UQ3
11/15/2005C	649667UR1	11/15/2006C	649667US9
11/15/2007C	649667UT7	11/15/2008C	649667UU4
11/15/2009C	649667UV2	11/15/2010C	649667UW0
11/15/2011C	649667UX8	11/15/2012C	649667UY6
11/15/2013C	649667UZ3	11/15/2014C	649667VA7
11/15/2015C	649667VB5	11/15/2017C	649667VC3
11/15/2021C	649667VD1	11/15/2027C	649667VE9
11/15/2037C	649667VH2	08/01/1998D	649667WF5
08/01/1999D	649667WG3	08/01/2000D	649667WH1
08/01/2001D	649667WJ7	08/01/2002D	649667WK4
08/01/2003D	649667WL2	08/01/2004D	649667WM0
08/01/2005D	649667WN8	08/01/2006D	649667WP3
08/01/2007D	649667WQ1	08/01/2008D	649667WR9
08/01/2009D	649667WS7	08/01/2010D	649667WT5
08/01/2011D	649667WU2	08/01/2012D	649667WV0
08/01/2013D	649667WW8	08/01/2014D	649667WX6
08/01/2015D	649667WY4	08/01/2017D	649667WZ1
08/01/2021D	649667XA5	08/01/2022D	649667XB3
08/01/1998F	649667XC1		

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

___ Check here if the issue is ineligible for CUSIP number assignment.

State the reason why the issue is ineligible for CUSIP number assignment:

18. Submit two copies of the completed form along with the official statement to: Municipal Securities Rulemaking Board, 1640 King Street, Suite 300, Alexandria, VA 22314. Incomplete submissions will be returned for correction.