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 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.

$377,635,000

The City of New York

General Obligation Bonds, Fiscal 2001 Series D and E

Dated: Date of Delivery

Due: As shown on the 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 Bonds will be payable semiannually, beginning August 1, 2001, and at maturity or prior redemption. The Bonds can be purchased in principal amounts of $5,000 or any integral multiple thereof. Other terms of the Bonds including optional redemption provisions are described herein. *A detailed schedule of the Bonds is set forth inside this cover page.*

The Bonds are offered subject to prior sale, when, as and if issued by the City and accepted by the Underwriters subject to the approval of the legality of the Bonds by Brown & Wood 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 Clifford Chance Rogers & Wells, LLP, New York, New York. It is expected that the Bonds will be available for delivery in New York, New York, on or about January 9, 2001.

J.P. Morgan & Co.

Goldman, Sachs & Co. **Salomon Smith Barney**

Bear, Stearns & Co. Inc. **Dain Rauscher, Inc.** **First Albany Corporation**
Lehman Brothers **Merrill Lynch & Co.** **Morgan Stanley Dean Witter**
PaineWebber Incorporated **Ramirez & Co., Inc.**
Roosevelt & Cross Incorporated

Advest, Inc. **Apex Pryor Securities**
M.R. Beal & Company **CIBC World Markets**
Fleet Securities, Inc. **Lebenthal & Co., Inc.**
Siebert Brandford Shank & Co. **William E. Simon & Sons Municipal Securities, Inc.**
a division of Muriel Siebert & Co., Inc.

December 22, 2000

$377,635,000 General Obligation Bonds

$299,400,000 Fiscal 2001 Series D

August 1	Principal Amount	Interest Rate	Price or Yield
2002	$22,875,000	5 %	4.125%
2003	10,685,000	5	4.20
2004	11,220,000	5	4.25
2005	11,780,000	5	4.29
2006	12,370,000	5	4.34
2007	12,985,000	5	4.43
2008	14,780,000	5¼	4.50
2009	15,555,000	5½	4.55
2010	16,410,000	5½	4.59
2011	17,310,000	4⅝	4.69
2012	18,110,000	5.05	4.79(1)
2013	19,025,000	5⅛	4.86(1)
2014	18,240,000	5.20	4.93(1)
2015	18,795,000	5¼	5.01(1)
2016	20,875,000	5	5.06
2017	21,920,000	5	5.12
2018	17,345,000	5⅛	5.17
2019	19,120,000	5⅛	5.21

$78,235,000 Fiscal 2001 Series E

August 1	Principal Amount	Interest Rate	Price or Yield
2001	$ 5,370,000	4 %	100 %
2002	5,910,000	4⅛	100
2003	6,160,000	4.20	100
2004	6,425,000	4¼	100
2005	6,705,000	4¼	4.29
2006	7,000,000	4.30	4.34
2007	2,010,000	4.40	4.43
2007	5,315,000	5	4.43
2008	1,630,000	4½	100
2008	6,070,000	5¼	4.50
2009	1,190,000	4½	4.55
2009	6,920,000	5½	4.55
2010	2,475,000	4½	4.59
2010	6,075,000	5½	4.59
2011	8,980,000	4⅝	4.69

(1) Priced to the first par call on 8/1/2011.

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 inside 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. Any electronic reproduction of this Official Statement may contain computer-generated errors or other deviations from the printed Official Statement. In any such case, the printed version controls.

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 STABLIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME.

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. IN MAKING AN INVESTMENT DECISION INVESTORS MUST RELY ON THEIR OWN EXAMINATION OF THIS OFFICIAL STATEMENT AND THE TERMS OF THE OFFERING, INCLUDING THE MERITS AND RISKS INVOLVED.

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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 $377,635,000 aggregate principal amount of the City's General Obligation Bonds, Fiscal 2001 Series D and E.

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 7.4 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 a leading tourist destination. Manufacturing activity in the City is conducted primarily in apparel and printing.

For each of the 1981 through 2000 fiscal years, the City had an operating surplus, before discretionary and other transfers, and achieved balanced operating results as reported in accordance with then applicable generally accepted accounting principles ("GAAP"), after discretionary and other transfers. See "SECTION VI: FINANCIAL OPERATIONS—1996-2000 Summary 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 New York State law without tax or other revenue increases or reductions in City services or entitlement programs, which could adversely affect the City's economic base.

As required by law, 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 financial plan projects a surplus in the 2001 fiscal year, before discretionary transfers, and budget gaps for each of the 2002, 2003 and 2004 fiscal years. This pattern of current year surplus operating results and projected subsequent year budget gaps has been consistent through the entire period since 1982, during which the City has achieved surplus operating results, before discretionary transfers, 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: FINANCIAL PLAN." The City is required to submit its financial plans to the New York State Financial Control Board (the "Control Board"). For further information regarding the Control Board, see "SECTION III: GOVERNMENT AND FINANCIAL CONTROLS—City Financial Management, Budgeting and Controls—*Financial Review and 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, in future years, State budgets will be adopted by the April 1 statutory deadline, or interim appropriations will be 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 or a delay in the receipt of Federal grants which could have additional adverse effects on the City's cash flow or revenues.

The Mayor is responsible for preparing the City's financial plan, including the City's current financial plan for the 2001 through 2004 fiscal years (the "2001-2004 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. Such assumptions and contingencies are described throughout this Official Statement and include the condition of the regional and local economies, the provision of State and Federal aid and the impact on City revenues and expenditures of any future Federal or State policies affecting the City.

Implementation of the Financial Plan is dependent upon the City's ability to market its securities successfully. The City's program for financing capital projects for fiscal years 2001 through 2004 contemplates the issuance of approximately $7.4 billion of general obligation bonds and approximately $5.54 billion of bonds to be issued by the New York City Transitional Finance Authority (the "Finance Authority"). In addition, the Financial Plan anticipates access to approximately $2.4 billion (including the $604 million of bond proceeds received to date) in financing capacity of TSASC, Inc. ("TSASC"), which issues debt secured by revenues derived from the settlement of litigation with tobacco companies selling cigarettes in the United States. The Finance Authority and TSASC were created to assist the City in financing its capital program while keeping City indebtedness within the forecast level of the constitutional restrictions on the amount of debt the City is authorized to incur. See "SECTION VII: FINANCIAL PLAN—Assumptions—*Revenue Assumptions*—4. Miscellaneous Revenues" and "SECTION VIII: INDEBTEDNESS—Indebtedness of the City and Certain Other Entities—*Limitations on the City's Authority to Contract Indebtedness.*" 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, New York City Municipal Water Finance Authority ("Water Authority"), Finance Authority, TSASC and other bonds and notes will be subject to prevailing market conditions. The City's planned capital and operating expenditures are dependent upon the sale of its general obligation debt, as well as debt of the Water Authority, Finance Authority and TSASC. 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, from time to time, issue reports and make public statements which, among other things, state that projected revenues and expenditures may be different from those forecast in the City's financial plans. See "SECTION VII: FINANCIAL PLAN—Certain Reports."

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

2001-2004 Financial Plan

For the 2000 fiscal year, the City had an operating surplus of $3.187 billion, before discretionary and other transfers, and achieved balanced operating results, after discretionary and other transfers, in accordance with GAAP. The 2000 fiscal year is the twentieth consecutive year that the City has achieved an operating surplus, before discretionary and other transfers, and balanced operating results, after discretionary and other transfers.

On November 17, 2000, the City released the Financial Plan for the 2001 through 2004 fiscal years, which relates to the City and certain entities which receive funds from the City. The Financial Plan is a modification to the financial plan submitted to the Control Board on June 15, 2000 (the "June Financial Plan"). The Financial Plan projects revenues and expenditures for the 2001 fiscal year balanced in accordance with GAAP, and projects gaps of $2.5 billion, $3.0 billion and $3.0 billion for fiscal years 2002 through 2004, respectively, after implementation of a gap-closing program to reduce agency expenditures or increase revenues by $136 million in fiscal year 2001, $67 million in fiscal year 2002 and $54 million in each of fiscal years 2003 and 2004.

Changes since the June Financial Plan include (i) an increase in projected revenues of $420 million, $25 million, $42 million and $57 million in fiscal years 2001 through 2004, respectively, reflecting primarily increases in projected personal income, business and sales tax revenues; (ii) an increase in projected revenue of $315 million, $266 million, $280 million and $291 million in fiscal years 2001 through 2004, respectively, due to reductions in proposed tax cuts; (iii) increased pension costs resulting primarily from a cost of living adjustment in pension payments totaling $132 million, $259 million, $371 million and $468 million in fiscal years 2001 through 2004, respectively; (iv) a reduction in projected Federal assistance of $75 million in each of fiscal years 2001 through 2004; and (v) other agency spending increases of $371 million, $202 million, $240 million and $219 million in fiscal years 2001 through 2004, respectively. The Financial Plan includes a proposed discretionary transfer in the 2001 fiscal year of $1.3 billion to pay debt service due in fiscal year 2002 and a proposed discretionary transfer in fiscal year 2002 to pay debt service due in fiscal year 2003 of $345 million.

The Financial Plan contains a labor reserve for merit pay wage increases for City employees for two years after their collective bargaining agreements expire, at a cost of $325 million, $750 million, $800 million and $800 million in fiscal years 2001 through 2004, respectively. The proposed wage increases are contingent upon the City achieving proposed productivity savings and reducing fringe benefit costs in amounts totaling $250 million, $265 million, $280 million and $300 million in fiscal years 2001 through 2004, respectively, which are subject to collective bargaining negotiations. The Financial Plan does not make any provision for wage increases other than the labor reserve for merit pay increases discussed above. The Financial Plan also reflects a tax reduction program which totals $103 million, $469 million, $597 million and $846 million in fiscal years 2001 through 2004, respectively. This tax reduction program includes elimination of the commercial rent tax over four years commencing June 1, 2000; a reduction and restructuring of the 14% personal income tax surcharge effective January 1, 2001 which has been passed by the City Council and signed by the Mayor; the extension of current tax reductions for owners of cooperative and condominium apartments; and the borough development program. The extension of the current tax reductions for cooperative and condominium apartments, which would have an annual cost of approximately $200 million commencing in fiscal year 2002, has not yet received State legislative approval. In addition, the economic and financial condition of the City may be affected by various financial, social, economic and other factors which could have a material effect on the City.

The State

The State ended its 1999-2000 fiscal year in balance on a cash basis with a reported closing balance in the General Fund of $1.17 billion. The State adopted the debt service portion of the budget for the 2000-01 fiscal year on March 30, 2000. The State Legislature adopted the remainder of the budget for the 2000-01 fiscal year on May 5, 2000, 35 days after the statutory deadline of April 1, 2000. Following enactment of the budget, the State prepared a Financial Plan for the 2000-01 fiscal year, which, as revised by the first quarter update to the Financial Plan, projects total General Fund disbursements of $39.3 billion, and a closing balance in the General Fund of $1.34 billion. Preliminary analysis by the State Division of the Budget indicates that the State could face a projected 2001-02 budget gap of approximately $2 billion. In a report released on June 7, 2000, the State

Comptroller estimated future State budget gaps of approximately $3.0 billion in 2001-02 and $4.9 billion in 2002-03, assuming certain one-time legislative additions to the budget would be recurring.

The State issued its second quarterly update to the State Financial Plan for the 2000-01 fiscal year on October 30, 2000, reflecting an increase of $255 million in disbursements as a result of the use of collective bargaining reserves to finance labor settlements.

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 bond resolutions of the Mayor and a certificate of the Deputy Comptroller for Public 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 New York State Financial Emergency Act For The City of New York (the "Financial Emergency Act" or the "Act"), a general debt service fund (the "General Debt Service Fund" or the "Fund") has been established for City bonds and certain City notes. Pursuant to the Act, payments of the City real estate tax must be deposited upon receipt in the Fund, and retained under a statutory formula, for the payment of debt service (with exceptions for debt service, such as principal of seasonal borrowings, that is set aside under other procedures). The statutory formula has 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 Covenant and the State Pledge and Agreement (in each case, as defined in "—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—Indebtedness of the City and Certain Other Entities."

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 comply with the financial reporting requirements of the Act, as in effect from time to time, and to limit its issuance of bond anticipation notes as required by 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 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 with respect to the Bonds (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 of the Bonds will be used, together with funds to be provided by the City, to redeem, at or prior to maturity, 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 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, rates 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 Bonds will be subject to redemption at the option of the City on or after August 1, 2010 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, 2010 through July 31, 2011	101%
August 1, 2011 and thereafter	100

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 notes 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 LLC, 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 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.

Unless otherwise noted, certain of the information contained in this subsection "Book-Entry-Only System" has been extracted from information furnished by DTC. Neither the City nor the Underwriters makes any representation as to the completeness or the accuracy of such information or as to the absence of material adverse changes in such information subsequent to the date hereof.

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 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 Bank of New York: if by hand, The Bank of New York, 101 Barclay Street, Main Floor, Debt Processing Group, New York, New York 10286; if by mail, The Bank of New York, 101 Barclay Street—Floor 8W, Debt Processing Group, New York, New York 10286, or any successor fiscal agent designated by the City, and interest on the Bonds will be payable by wire tranfer or by check mailed to the respective addresses of the registered owners thereof as shown on the registration books of the City as of the close of business on the fifteenth day of the calendar month immediately preceding the applicable interest payment date.

SECTION III: GOVERNMENT AND FINANCIAL CONTROLS

Structure of City Government

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

—*The Mayor.* Rudolph W. Giuliani, the Mayor of the City, took office on January 1, 1994 and was elected for a second term commencing January 1, 1998. 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 and was elected for a second term commencing January 1, 1998. 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 $97 billion as of June 30, 2000, 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 and was elected for a second term commencing January 1, 1998. 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 the Board of Education ("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 has 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 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.

Office of Management and Budget

The Office of Management and Budget ("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: FINANCIAL PLAN—Certain Reports."

The Office of the City Comptroller, with a professional staff of approximately 790, 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 1999 fiscal year, which includes, among other things, the City's financial statements for the 1999 fiscal year, has received the Government Finance Officers Association award of the Certificate of Achievement for Excellence in Financial Reporting, the twentieth 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 twenty 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 which provide comprehensive current and historical information regarding the City's financial condition. The City implemented a new financial management system ("FMS") which is now operational. FMS replaces the Integrated Financial Management System ("IFMS"), the Capital Projects Information System ("CPIS") and several other related systems previously used by the City. 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, 2000 aggregate pension assets were allocated approximately as follows: 54% U.S. equities; 29% U.S. fixed income; 16% international equities; 0% international fixed income; and 1% cash.

Financial Emergency Act

The Financial Emergency Act (the "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. The BOE, the New York City Transit Authority and the Manhattan and Bronx Surface Transit Operating Authority (collectively, "New York City Transit" or "NYCT"), New York City Health and Hospitals Corporation ("HHC") and the New York City Housing Authority (the "Housing Authority" or "HA") are examples of Covered Organizations. The Act requires that the City's four-year financial plans conform to a number of standards. Unless otherwise permitted by the Control Board under certain conditions, the City must prepare and balance its budget covering all expenditures other than capital items so that the results of such budget will not show a deficit when reported in accordance with GAAP. Provision must be made, among other things, for the payment in full of the debt service on all City securities. The budget and operations of the City and the Covered Organizations must be in conformance with the financial plan then in effect.

From 1975 to June 30, 1986, the City was subject to a Control Period, as defined in the 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 Act on July 1, 2008, the City is still 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 Review and Oversight

The Control Board, with the Office of the State Deputy Comptroller ("OSDC"), reviews and monitors revenues and expenditures of the City and the Covered Organizations. In addition, the Municipal Assistance Corporation for The City of New York ("MAC") was organized to provide financing assistance for the City and to exercise certain review functions with respect to the City's finances, and the 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.

The ex officio members of the Control Board are the Governor of the State of New York (Chairman); the Comptroller of the State of New York; the Mayor of The City of New York; and the Comptroller of The City of New York. In addition, there are three private members appointed by the Governor. The Executive Director of the Control Board is appointed jointly by the Governor and the Mayor. 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 2000, while unrestricted Federal aid has been sharply reduced. The City projects that local revenues will provide approximately 67.5% of total revenues in the 2001 fiscal year while Federal aid, including categorical grants, will provide 11.5%, and State aid, including unrestricted aid and categorical grants, will provide 21.0%. 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: 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 36.8% of its total tax revenues and 20.9% of its total revenues for the 2001 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—1996-2000 Summary 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 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(3)	Rate Per $100 of Full Valuation(4)	Average Tax Rate Per $100 of Assessed Valuation
				(Dollars in Millions)				
1996	$7,871.4	$5,182.3	$2,609.8	33.2%	$ 8,633.4	60.0%	1.88%	$10.37
1997	7,835.1	4,933.3	2,827.4	36.1	7,857.3	62.8	2.14	10.37
1998	7,890.4	5,928.5	1,872.9	23.7	7,599.7	78.0	2.27	10.37
1999	8,099.3	6,307.8	1,776.5	21.9	7,170.3	88.0	2.56	10.37
2000	8,374.3	7,223.2	1,138.9	13.6	7,268.7	99.4	2.62	10.37
2001	8,730.3	7,432.7	1,274.6	14.6	7,573.1	98.1	2.59	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) The increase in the percentage between fiscal year 1997 and fiscal year 2000 was primarily due to the discretionary transfers, for accounting purposes, in the 1997, 1998 and 1999 fiscal years to pay debt service due in the 1998, 1999 and 2000 fiscal years, respectively, which reduced the amount of the debt service levy in the 1998, 1999 and 2000 fiscal years and, as a result, increased the amount of the total levy utilized for operating purposes.

(4) 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—Indebtedness of the City and Certain Other Entities—*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 2001 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 1999 market value survey. For information concerning litigation asserting that the special equalization ratios calculated by the State Board in certain years violate State law because they substantially overestimate the full value of City real estate for the purposes of calculating the operating limit, and that the City's real estate tax levy for operating purposes 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)
1997	$75,668,457,434		0.2691		$281,190,848,881
1998	76,188,390,641		0.2604		292,582,145,319
1999	78,239,325,754		0.2566		304,907,738,714
2000	80,885,286,485		0.2574		314,239,652,234
2001	84,319,741,571		0.2504		336,740,181,993
				Average:	305,932,113,428

(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 2000 fiscal year, the billable assessed value of real estate categorized by the City as exempt is $67.8 billion, or 45.6% of the $148.6 billion billable assessed value of all real estate (taxable and exempt). Data is not yet available for fiscal year 2001.

(2) Figures for 1997 to 2001 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 2001 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 and is based on estimates of the special equalization ratio which are not revised annually.

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 2001, class one was assessed at approximately 8% of market value and classes two, three and four were each 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 2001 tax rates were set on June 6, 2000, and reflect a 5% limitation on the market

value adjustment for 2001. After final adoption of the fiscal year 2001 budget, the Governor signed legislation which limits the market value adjustment to 2%. The tax fixing resolution was amended and restated on September 13, 2000 by the City Council. New tax bills were sent out in November 2000 reflecting a redistribution of the tax levy among the tax classes. Increases in class shares below 5% must be legislatively approved by the State. For fiscal year 2001, the average tax rate is held at the current rate of $10.37 per $100 of assessed value, though individual class tax rates have changed from the prior year level.

A change to the Real Property Tax Law, effective January 1, 1998, allows taxpayers to use sales prices to challenge the equality of assessments. This change 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 J. 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 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. For the 1998 fiscal year, actual assessed valuation increased by 1.6% or $1.3 billion while billable assessed valuation increased by 0.7% to $76.0 billion, the first increase since 1993. For the 1999 fiscal year, billable assessed valuation rose by $1.7 billion to $77.7 billion. For fiscal year 2000, billable assessed valuation rose by $2.4 billion to $80.1 billion. The Department of Finance has released the final assessment roll for fiscal year 2001, in which billable assessed valuation rose by $3.2 billion to $83.3 billion. Billable assessed valuations are forecast to exceed local inflation through the 2004 fiscal year following continued growth in market values.

Collection of the Real Estate Tax

Real estate tax payments are due each July 1 and January 1. Changes to the real property tax law expanded the eligibility for quarterly tax payments by owners of class one and class two properties assessed at $80,000 or less, up from the previous $40,000, and cooperatives whose individual units on average are valued at $80,000 or less, up from the previous $40,000, which are paid in quarterly installments on July 1, October 1, January 1 and April 1. These provisions apply to installments of real property tax becoming due and payable on or after July 1, 1998. 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. 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. The City Council voted to extend such authority until October 31, 2000. A one-year extension of this authority has been passed by a committee of the City Council and is expected to be voted upon by the full City Council in November 2000. 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 fiscal years 1996, 1997, 1998, 1999 and 2000, the City sold to separate business trusts real property tax liens for which the City received net proceeds of approximately $169 million, $52 million, $23 million, $127 million and $73 million, respectively. The Financial Plan projects that the City will receive approximately $153 million from the lien sales in fiscal year 2001. Amounts shown in the table below exclude the proceeds of tax lien sales.

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	Refunds(3)	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	Lien Sale(5)
1996	$7,871.4	$7,306.9	92.8%	$240.6	$(399.7)	$(275.5)	$(289.1)	3.67%	$169.1
1997	7,835.1	7,371.3	94.1	146.8	(279.0)	(179.4)	(284.4)	3.63	51.5
1998	7,890.4	7,414.2	94.0	148.2	(345.6)	(199.1)	(277.1)	3.51	22.5
1999	8,099.3	7,519.7	92.8	127.7	(175.5)	(303.4)	(276.2)	3.40	127.3
2000	8,374.3	7,768.1	92.8	149.2	(200.2)	(345.7)	(260.5)	3.11	73.0
2001(6)	8,730.3	8,030.2	92.0	115.0	(236.0)	(429.5)	(270.6)	3.10	153.0

(1) As approved by the City Council.

(2) Quarterly collections on current year levy.

(3) Includes repurchases of defective tax liens amounting to $7.6 million, $0.5 million, $7.9 million, $11.0 million and $6.0 million in the 1997, 1998, 1999, 2000 and 2001 fiscal years, respectively.

(4) These figures include taxes due on certain publicly owned property and exclude delinquency on shelter rent and exempt property restored in the 1996 fiscal year.

(5) Net of reserve for defective liens.

(6) Forecast.

Other Taxes

The City expects to derive 63.2% of its total tax revenues for the 2001 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; (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, in the 2000 fiscal year have increased by $749 million or approximately 5.5% from the 1999 fiscal year. The following table sets forth, by category, revenues from taxes, other than the real property tax, for each of the City's 1996 through 2000 fiscal years.

	1996	1997	1998	1999	2000
			(In Millions)		
Personal Income(1)	$ 3,908	$ 4,361	$ 5,117	$ 5,379	$ 5,353
General Corporation	1,209	1,478	1,551	1,423	1,779
Banking Corporation	361	360	515	388	347
Unincorporated Business Income	496	561	671	657	805
Sales	2,714	2,912	3,052	3,192	3,509
Commercial Rent(2)	531	374	358	333	344
Real Property Transfer	175	215	288	424	483
Mortgage Recording	147	185	232	408	403
Utility	214	215	223	222	247
All Other(3)	628	695	704	698	723
Audits	657	651	458	536	416
Total	$11,040	$12,007	$13,170	$13,660	$14,409

(1) Personal Income includes $185 million of Criminal Justice Fund revenues in fiscal year 1996, $90 million in fiscal year 1997 and $185 million in fiscal year 1998 and excludes $16 million, $144 million and $247 million retained by the Finance Authority in 1998, 1999 and 2000, respectively. In fiscal years 1999 and 2000, Personal Income also includes $85 million and $200 million, respectively, which was provided to the City by the State as a reimbursement for the reduced personal income tax revenues resulting from the State Tax Relief Program ("STAR Program"). Personal Income also reflects, commencing in the 1999 fiscal year, the expiration of the 12.5% personal income tax surcharge and, commencing in fiscal year 2000, the repeal of the nonresident earnings tax, which together reduced taxes by $1.366 billion in fiscal year 2000. Personal Income taxes flow directly from the State to the Finance Authority, and from the Finance Authority to the City only to the extent not required by the Finance Authority for debt service and operating expenses.

(2) Commercial Rent reflects legislation providing for various credit and exemptions which reduced collections.

(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, but excludes the STAR Program aid of $117 million and $260 million in fiscal years 1999 and 2000, respectively.

Miscellaneous Revenues

Miscellaneous revenues include revenue sources such as charges collected by the City for the issuance of licenses, permits and franchises, interest earned by the City on the investment of City cash balances, tuition and fees at the Community Colleges, reimbursement to the City from the proceeds of water and sewer rates charged by the New York City Water Board (the "Water Board") for costs of delivery of water and sewer services and paid to the City by the Water Board for its lease interest in the water and sewer system, rents collected from tenants in City-owned property and from the Port Authority of New York and New Jersey (the "Port Authority") with respect to airports, and the collection of fines. The following table sets forth amounts of miscellaneous revenues for each of the City's 1996 through 2000 fiscal years.

	1996	1997	1998	1999	2000
			(In Millions)		
Licenses, Permits and Franchises	$ 237	$ 245	$ 273	$ 291	$ 329
Interest Income	112	160	199	182	195
Charges for Services	415	428	435	440	439
Water and Sewer Payments	731	775	823	778	801
Rental Income	139	143	151	114	139
Fines and Forfeitures	417	491	468	479	468
Other	683	807	486	408	718
Total	$2,734	$3,049	$2,835	$2,692	$3,089

Note: Totals may not add due to rounding.

Fees and charges collected from the users of the water and sewer system of the City are 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.

Other miscellaneous revenues for fiscal year 1996 include 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. Other miscellaneous revenues for fiscal year 1997 include a $250 million payment from the MTA and $207 million from the sale of WNYC. Other miscellaneous revenues for fiscal year 1998 include $84 million from the sale of the United Nations Plaza Hotel. Other miscellaneous revenues for fiscal year 1999 include $38 million from a condemnation award and $29 million from the restructuring of a City lease. Other miscellaneous revenues for fiscal year 2000 include $42 million from the recovery of prior year FICA overpayments and $247 million of tobacco settlement revenues that are not retained by TSASC for debt service and operating expenses.

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: 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 1996 through 2000 fiscal years.

	1996	1997	1998	1999	2000
			(In Millions)		
State Per Capita Aid	$369	$322	$327	$328	$405
State Shared Taxes(1)	17	6	16	13	8
Other(2)	235	326	279	311	218
Total	$621	$654	$622	$652	$631

(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 1996, 1997, 1998, 1999 and 2000 fiscal years are $121 million, $133 million, $153 million, $168 million and $147 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 Workforce Investment Act ("WIA"), formerly known as 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. The City provides a reserve for disallowances resulting from these audits which could be asserted in subsequent years. Federal grants are also subject to audit under the Single Audit Act Amendments of 1996. For a further discussion of Federal and State categorical grants, see "SECTION VII: FINANCIAL PLAN—Assumptions—*Revenue Assumptions*—6. Federal and State Categorical Grants."

The following table sets forth amounts of Federal and State categorical grants received by the City for each of the City's 1996 through 2000 fiscal years.

	1996	1997	1998	1999	2000
			(In Millions)		
Federal					
JTPA/WIA	$ 105	$ 95	$ 90	$ 116	$ 111
Community Development(1)	279	264	255	239	264
Welfare	2,241	2,284	2,344	2,183	2,335
Education	887	929	1,014	1,053	1,127
Other	682	561	589	671	580
Total	$4,194	$4,133	$4,292	$4,262	$4,417
State					
Welfare	$1,720	$1,672	$1,580	$1,442	$1,382
Education	3,746	3,908	4,155	4,413	4,829
Higher Education	118	121	125	128	124
Health and Mental Health	241	254	269	323	348
Other	254	309	243	333	379
Total	$6,079	$6,264	$6,372	$6,639	$7,062

(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 the 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 is, among others, the City University Construction Fund ("CUCF"). For information regarding expenditures for City services, see "SECTION VI: FINANCIAL OPERATIONS—1996-2000 Summary of Operations."

Federal and State laws require the City to provide certain social services for needy individuals and families who qualify for such assistance. In October 1996, Aid to Families with Dependent Children ("AFDC") was replaced by the Temporary Assistance for Needy Families ("TANF") block grant. The State began receiving TANF funds in December 1996. TANF funds are supplemented by City and State contributions.

In August 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 which replaced Home Relief. 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, who are ineligible for Family Assistance but are eligible for public assistance. Cash assistance benefits under the Safety Net Assistance program are subject to time and eligibility limits, as recipients who reach the time limit or fail to satisfy eligibility requirements are transferred to non-cash assistance. The cost of Safety Net Assistance is borne equally by the City and the State. Under the State 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 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. See "SECTION VII: Financial Plan—Assumptions—*Revenue Assumptions*—6. Federal and State Categorical Grants."

The City's elementary and secondary school system is operated under the general supervision of the BOE, with considerable authority over elementary and junior high schools also exercised by the 32 Community School Boards. The 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 2001 through 2004 fiscal years is estimated to be approximately 1.1 million. Actual enrollment in fiscal years 1996 through 2000 has been 1,043,731, 1,064,291, 1,067,976, 1,075,131 and 1,081,460, respectively. Between fiscal years 1998 and 2000, the percentage of the City's total budget allocated to the BOE has remained relatively stable at approximately 28.38%; in fiscal year 2001 the percentage of the City's total budget allocated to the BOE is projected to be 31.09%. See "SECTION VII: 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 City University of New York ("CUNY"). The City is projected to provide approximately 32.4% of the costs of the Community Colleges in the 2001 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 acute care hospitals, five long-term care facilities, seven free standing diagnostic and treatment centers, many hospital-based and neighborhood clinics and a health maintenance organization. HHC is funded primarily by third party reimbursement collections from Medicare and Medicaid and by payments from Bad Debt/Charity Care Pools.

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 50% of the non-Federal share of long-term care costs, all of the costs of providing medical assistance to the mentally disabled, and 50% 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, 2000, 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, the BOE and CUNY, at the end of each of the City's 1996 through 2000 fiscal years.

	1996	1997	1998	1999	2000
Education	85,959	87,969	93,365	96,930	100,748
Police	43,589	46,830	46,864	48,092	49,269
Social Services, Homeless and Children's Services	23,604	23,061	22,952	22,224	21,972
City University Community Colleges and Hunter Campus Schools	3,581	3,667	3,720	3,781	3,756
Environmental Protection and Sanitation	15,313	14,624	14,820	15,024	15,542
Fire	15,703	15,693	15,709	15,937	15,987
All Other	47,320	45,108	45,019	44,648	43,538
Total	235,069	236,952	242,449	246,636	250,812

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 1996 through 2000 fiscal years.

	1996	1997	1998	1999	2000
Transit Authority	42,802	42,687	43,303	44,634	46,082
Housing Authority	14,273	14,170	15,029	14,780	14,867
HHC	37,527	36,336	34,706	33,718	33,433
Total(1)	94,602	93,193	93,038	93,132	94,382

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

The foregoing tables include persons whose salaries or wages are paid by certain public employment programs, principally programs funded under the WIA, 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. 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.

The terms of future wage settlements could be determined through the impasse procedure in the New York City Collective Bargaining Law, which can impose a binding settlement. Legislation passed by the Legislature and signed by the Governor on December 18, 1998 places collective bargaining matters relating to police and firefighters, including impasse proceedings, under the jurisdiction of the State Public Employment Relations Board ("PERB"), instead of the New York City Office of Collective Bargaining ("OCB"). OCB considers wage levels of municipal employees in similar cities in the United States in reaching its determinations, while PERB's determinations take into account wage levels in both private and public employment in comparable communities, particularly within the State. In addition, PERB can impose a settlement on the parties for a period not longer than two years, unlike OCB which can impose longer settlements. For these reasons, among others, PERB jurisdiction could result in labor settlements which could impose higher costs on the City than those reached under existing procedures.

Since May 4, 2000, the Police Benevolent Association ("PBA") and the City have held nine bargaining sessions, and the City has filed a petition to define the scope of bargaining with OCB. On December 15, 2000, PBA filed a lawsuit in Albany County seeking a declaratory judgment that jurisdiction over scope proceedings rests with PERB. PBA also filed a request for a declaration of impasse with PERB and filed a response to the City's scope petition at OCB stating that jurisdiction should be with PERB.

For information regarding the City's assumptions with respect to the cost of future labor settlements and related effects on the 2001-2004 Financial Plan, see "SECTION VII: 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). The City has made certain changes to its assumptions and methods of calculation, which have affected the City's pension contributions starting in fiscal year 2000. For further information regarding such changes in 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: 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 April 22, 1999, the City published the Ten-Year Capital Strategy for fiscal years 2000 through 2009 (the "Ten-Year Capital Strategy"). The Ten-Year Capital Strategy totaled $48.1 billion, of which approximately 96% would be financed with City funds. See "SECTION VIII: INDEBTEDNESS—Indebtedness of the City and Certain Other Entities—*Limitations on the City's Authority to Contract Indebtedness.*" The Ten-Year Capital Strategy provides $5.1 billion for the BOE for fiscal years 2001 through 2004. See "SECTION VII: FINANCIAL PLAN." The Ten-Year Capital Strategy also assumes that the State Legislature will repeal a statute which mandates certain contracting procedures for large capital projects known as the Wicks Law, and that the City will achieve savings of $1.9 billion over the ten-year period due to increased capital program efficiency once the law is repealed.

The Ten-Year Capital Strategy includes: (i) $13.0 billion to construct new schools and improve existing educational facilities; (ii) $9.4 billion for improvements to the water and sewer system; (iii) $4.3 billion for expanding and upgrading the City's housing stock; (iv) $3.0 billion for reconstruction or resurfacing of City streets; (v) $1.4 billion for continued City-funded investment in mass transit; (vi) $5.1 billion for the continued reconstruction and rehabilitation of all four East River bridges and 291 other bridge structures; (vii) $1.6 billion to expand current jail capacity; and (viii) $1.9 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, revenue bonds issued by the Water Authority and the Finance Authority and bonds issued by TSASC which will be paid from revenues received pursuant to a settlement of litigation with the four leading cigarette companies. Debt service on such general obligation bonds is paid out of the City's operating revenues, debt service on Water Authority bonds is paid out of water and sewer system revenues, debt service on Finance Authority bonds is paid out of personal income taxes and debt service on TSASC bonds is paid out of revenues derived from the settlement of litigation with tobacco companies selling cigarettes in the United States. 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: FINANCIAL PLAN—Long-Term Capital and Financing Program."

The City's capital expenditures, including expenditures funded by State and Federal grants, totaled $21.4 billion during the 1996 through 2000 fiscal years. City-funded expenditures, which totaled $19.3 billion during the 1996 through 2000 fiscal years, have been financed through the issuance of bonds by the City, the Finance Authority, the Water Authority, HHC and the Dormitory Authority of the State of New York ("DASNY"). The following table summarizes the major categories of capital expenditures in the past five fiscal years.

	1996	1997	1998	1999	2000	Total
			(In Millions)			
Education	$ 807	$ 614	$1,228	$1,559	$1,296	$ 5,504
Environmental Protection	1,004	978	765	788	797	4,332
Transportation	554	537	589	636	637	2,953
Transit Authority(1)	218	202	246	342	270	1,278
Housing	246	269	235	365	290	1,405
Hospitals	104	83	71	41	43	342
Sanitation	131	213	116	71	118	649
All Other(2)	732	963	850	1,017	1,358	4,920
Total Expenditures(3)	$3,796	$3,859	$4,100	$4,819	$4,809	$21,383
City-funded Expenditures(4)	$3,413	$3,569	$3,631	$4,595	$4,096	$19,304

(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 1996 through 2000 fiscal years include City, State and Federal funding and represent amounts which include an accrual for work-in-progress. The figures for the 1996 through 2000 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.

The City annually issues 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: 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, 2000, 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—1996-2000 Summary of Operations."

Except as otherwise indicated, all of the financial data relating to the City's operations contained herein, although derived from the City's books and records, are unaudited. In addition, the City's independent certified public accountants have not compiled or examined, or applied agreed upon procedures to, the forecast of 2001 results or the Financial Plan.

The estimates and projections contained in this Section and elsewhere herein 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.

1996-2000 Summary of Operations

The following table sets forth the City's results of operations for its 1996 through 2000 fiscal years in accordance with GAAP.

The information regarding the 1996 through 2000 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 1999 and 2000 financial statements included in "APPENDIX B—FINANCIAL STATEMENTS." The 1996 through 1998 financial statements are not separately presented herein. For further information regarding the City's revenues and expenditures, see "SECTION IV: SOURCES OF CITY REVENUES" and "SECTION V: CITY SERVICES AND EXPENDITURES."

	Fiscal Year(1)				
	Actual				
	1996	1997	1998	1999	2000
	(In Millions)				
Revenues and Transfers					
Real Estate Tax(2)	$ 7,100	$ 7,291	$ 7,239	$ 7,631	$ 7,850
Other Taxes(3)(4)	11,040	12,007	13,171	13,660	14,409
Miscellaneous Revenues	2,734	3,049	2,835	2,692	3,089
Other Categorical Grants	343	379	412	367	432
Unrestricted Federal and State Aid(3)	621	654	622	652	631
Federal Categorical Grants	4,194	4,133	4,292	4,262	4,417
State Categorical Grants	6,079	6,264	6,372	6,639	7,062
Less: Disallowances Against Categorical Grants	(40)	(36)	(14)	(39)	(5)
Total Revenues and Transfers(5)	$32,071	$33,741	$34,929	$35,864	$37,885
Expenditures and Transfers					
Social Services	$ 7,902	$ 7,749	$ 7,785	$ 7,892	$ 8,330
Board of Education	7,835	8,085	8,812	9,478	10,674
City University	348	354	364	389	398
Public Safety and Judicial	4,446	4,727	4,946	5,318	5,649
Health Services	1,829	1,448	1,553	1,651	1,777
Pensions(6)	1,356	1,319	1,409	1,342	615
Debt Service(3)(6)	2,512	4,184	2,934	3,360	3,339
MAC Debt Service Funding(3)(6)	132	264	773	386	451
All Other(6)	5,706	5,606	6,348	6,042	6,647
Total Expenditures and Transfers(5)	$32,066	$33,736	$34,924	$35,859	$37,880
Surplus(6)	$ 5	$ 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) Real Estate Tax for the 1996 fiscal year includes $146 million of Criminal Justice Fund revenues. Real Estate Tax for fiscal years 1996, 1997, 1998, 1999 and 2000 also includes $223 million from the sale of the City's delinquent tax receivables and $169 million, $52 million, $23 million, $127 million and $73 million from the sale of real property tax liens, respectively. In fiscal years 1999 and 2000, Real Estate Tax includes $31.8 million and $59.9 million, respectively, which was provided to the City by the State as a reimbursement for the reduced property tax revenues resulting from the STAR Program.

(3) Revenues includes 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. City "Debt Service" includes, and "MAC Debt Service Funding" is reduced by, payments by the City of debt service on City obligations held by MAC. Personal income taxes for the 1996 through 1998 fiscal years include $185 million, $90 million and $185 million of Criminal Justice Fund revenues, respectively, and exclude $16 million, $144 million and $247 million in fiscal years 1998, 1999 and 2000, respectively retained by the Finance Authority. "Debt Service" does not include debt service on Finance Authority obligations in fiscal years 1999 and 2000. Miscellaneous Revenues includes tobacco settlement revenues that are not retained by TSASC for debt service and operating expenses. Debt Service does not include debt service on TSASC bonds.

(4) Other Taxes includes transfers of net OTB revenues. Other Taxes also reflects the effects of the repeal of the 12.5% surcharge commencing in fiscal year 1999 and reflects, in fiscal year 2000, the repeal of the nonresident earnings tax as of July 1, 1999. For further information regarding the City's revenues from Other Taxes, see "SECTION IV: SOURCES OF CITY REVENUES—Additional City Revenues—*Other Taxes*."

(5) Total Revenues and Transfers and Total Expenditures and Transfers exclude Inter-Fund Revenues.

(6) The General Fund surplus is the surplus after discretionary and other transfers and expenditures. The City had General Fund operating surpluses of $3.187 billion, $2.620 billion, $2.086 billion, $1.367 billion and $229 million before discretionary and other transfers and expenditures for the 2000, 1999, 1998, 1997 and 1996 fiscal years, respectively. Discretionary and other transfers are included in Debt Service, MAC Debt Service Funding and for transit subsidies in All Other.

Forecast of 2001 Results

The following table compares the forecast for the 2001 fiscal year contained in the financial plan submitted to the Control Board on June 15, 2000 (the "June 2000 Forecast") with the Financial Plan published on November 17, 2000 (the "November 2000 Forecast"). This forecast was prepared on a basis consistent with GAAP. For information regarding recent developments, see "SECTION I: RECENT FINANCIAL DEVELOPMENTS."

	June 2000 Forecast	November 2000 Forecast	Increase (Decrease) from June 2000 Forecast
		(In Millions)	
REVENUES			
Taxes			
General Property Tax	$ 8,022	$ 8,064	$ 42 (1)
Other Taxes	13,455	13,835	380 (2)
Tax Audit Revenue	412	412	0
Tax Reduction Program	(418)	(103)	315 (3)
Miscellaneous Revenues	4,265	4,367	107 (4)
Unrestricted Intergovernmental Aid	564	564	0
Other Categorical Grants	354	365	11
Inter-Fund Revenues	290	291	1
Less: Intra-City Revenues	(1,169)	(1,206)	(37)
Disallowances Against Categorical Grants	(15)	(15)	0
Total City Funds	$25,760	$26,574	$ 814
Federal Categorical Grants	4,322	4,370	48 (5)
State Categorical Grants	7,532	7,582	50 (5)
Total Revenues	$37,614	$38,526	$ 912
EXPENDITURES			
Personal Services	$20,276	$20,559	$ 283 (6)
Other Than Personal Services	16,945	17,223	278 (7)
Pay-as-you-go Capital	85	85	0
Debt Service	372	419	47
Budget Stabilization Account	905	1,252	347 (8)
General Reserve	200	194	(6)
Total Expenditures	$38,783	$39,732	$ 949
Less: Intra-City Expenses	(1,169)	(1,206)	(37)
Net Total Expenditures	$37,614	$38,526	$ 912

(1) The increase in General Property Tax resulted from an increase of $59 million in lien sale proceeds offset by an increase in uncollectible reserve of $17 million.

(2) The increase in Other Taxes resulted from increases in personal income taxes of $175 million, general corporation taxes of $110 million, sales taxes of $92 million and unincorporated business taxes of $20 million offset by declines in mortgage recording taxes of $10 million and real property transfer of $7 million.

(3) The increase in the Tax Reduction Program resulted primarily from a reduction in the proposed cut to the 14% personal income tax surcharge.

(4) The increase in Miscellaneous Revenues resulted primarily from an increase in intra-city revenue of $37 million, water and sewer revenue of $23 million, miscellaneous receipts of $23 million, interest income of $19 million, rents of $9 million and licenses of $6 million offset by a reduction in fines of $16 million.

(5) The increase in Federal and State Categorical Grants resulted primarily from budget modifications increasing such grants that were processed during the fiscal year and other State and Federal categorical adjustments reflected in the Financial Plan.

(6) The increase in Personal Services forecast is due in part to increased spending of $115 million in overtime for the Police Department, $137 million in pension costs and $46 million in budget modifications processed from July 2000 to October 2000, offset by a reduction of salary savings of $26 million in the Departments of Correction and Sanitation.

(7) The increase in Other Than Personal Services is due in part to $214 million in budget modifications processed from July 2000 to October 2000 and increased Medicaid spending of $65 million and energy costs of $49 million, offset by a reduction of $33 million due to reestimates of foster care.

(8) The increase in the Budget Stabilization Account is due to a projected discretionary transfer to the General Debt Service Fund in the 2001 fiscal year for Debt Service due in the 2002 fiscal year.

SECTION VII: FINANCIAL PLAN

The following table sets forth the City's projected operations on a basis consistent with GAAP for the 2001 through 2004 fiscal years as contained in the 2001-2004 Financial Plan. This table should be read in conjunction with the accompanying notes, "Actions to Close the Remaining Gaps" and "Assumptions," below. For information regarding recent developments, see "SECTION I: RECENT FINANCIAL DEVELOPMENTS."

	2001-2004 Fiscal Years(1)(2)			
	2001	2002	2003	2004
	(In Millions)			
REVENUES				
Taxes				
General Property Tax(3)	$ 8,064	$ 8,467	$ 8,916	$ 9,365
Other Taxes(3)(4)	13,835	13,600	14,200	14,742
Tax Audit Revenue	412	425	425	425
Tax Reduction Program(5)	(103)	(469)	(597)	(846)
Miscellaneous Revenues(6)	4,367	4,207	3,964	3,826
Unrestricted Intergovernmental Aid	564	564	564	564
Other Categorical Grants	365	361	352	346
Less: Intra-City Revenues	(1,206)	(1,228)	(1,184)	(1,140)
Disallowances Against Categorical Grants	(15)	(15)	(15)	(15)
Subtotal: City Funds	$26,283	$25,912	$26,625	$27,267
Inter-Fund Revenues(7)	291	285	285	285
Total City Funds and Inter-Fund Revenues	$26,574	$26,197	$26,910	$27,552
Federal Categorical Grants	4,370	3,853	3,796	3,782
State Categorical Grants	7,582	7,636	7,683	7,702
Total Revenues	$38,526	$37,686	$38,389	$39,036
EXPENDITURES				
Personal Services(8)	$20,559	$20,991	$21,225	$21,369
Other Than Personal Services	17,223	17,318	17,671	17,697
Pay-as-you-go Capital(9)	85	75	80	80
Debt Service	419	1,961	2,923	3,374
Budget Stabilization Account(10)	1,252	345	0	0
MAC Debt Service(4)(10)	0	488	490	489
General Reserve	194	200	200	200
Total Expenditures	$39,732	$41,378	$42,589	$43,209
Less: Intra-City Expenses	(1,206)	(1,228)	(1,184)	(1,140)
Net Total Expenditures	$38,526	$40,150	$41,405	$42,069
GAP TO BE CLOSED	$ 0	$(2,464)	$(3,016)	$(3,033)

(1) The four-year financial plan for the 2000 through 2003 fiscal years, as submitted to the Control Board on June 14, 1999, contained the following projections for the 2000-2003 fiscal years: (i) for 2000, total revenues of $35.175 billion and total expenditures of $35.175 billion; (ii) for 2001, total revenues of $35.850 billion and total expenditures of $37.694 billion, with a gap to be closed of $1.844 billion; (iii) for 2002, total revenues of $36.007 billion and total expenditures of $37.876 billion, with a gap to be closed of $1.869 billion; and (iv) for 2003, total revenues of $36.812 billion and total expenditures of $38.616 billion, with a gap to be closed of $1.804 billion.

The four-year financial plan for the 1999 through 2002 fiscal years, as submitted to the Control Board on June 26, 1998, contained the following projections for the 1999-2002 fiscal years: (i) for 1999, total revenues of $34.186 billion and total expenditures of $34.186 billion; (ii) for 2000, total revenues of $34.072 billion and total expenditures of $36.345 billion, with a gap to be closed of $2.273 billion; (iii) for 2001, total revenues of $34.162 billion and total expenditures of $37.269 billion, with a gap to be closed of $3.107 billion; and (iv) for 2002, total revenues of $34.920 billion and total expenditures of $37.602 billion with a gap to be closed of $2.682 billion.

The four-year financial plan for the 1998 through 2001 fiscal years, as submitted to the Control Board on June 10, 1997, contained the following projections for the 1998-2001 fiscal years: (i) for 1998, total revenues of $33.373 billion and total expenditures of $33.373 billion; (ii) for 1999, total revenues of $33.021 billion and total expenditures of $34.801 billion with a gap to be closed of $1.780 billion; (iii) for 2000, total revenues of $33.561 billion and total expenditures of $36.370 billion with a gap to be closed of $2.809 billion; and (iv) for 2001, total revenues of $34.392 billion and total expenditures of $37.033 billion with a gap to be closed of $2.641 billion.

(2) The Financial Plan combines the operating revenues and expenditures of the City, the 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

(Footnotes continued on next page)

(Footnotes continued from previous page)

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) General Property Tax includes $153 million, $30 million, $27 million and $22 million net revenue from the sale of real property tax liens in fiscal years 2001 through 2004, respectively. General Property Tax projections include the effects of the STAR Program which will reduce the property tax revenues by an estimated $89 million in fiscal year 2001, $127 million in fiscal year 2002, $132 million in fiscal year 2003 and $135 million in fiscal year 2004. In addition, Other Taxes includes the effects of the STAR Program, which will reduce personal income taxes by an estimated $401 million, $574 million, $594 million and $615 million in fiscal years 2001 through 2004, respectively, and will increase Other Taxes by $490 million, $701 million, $726 million and $750 million in fiscal years 2001 through 2004, respectively, to be provided to the City by the State as reimbursement for the reduced property tax and personal income tax revenues resulting from the STAR Program.

(4) Other Taxes includes 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 includes transfers of net OTB revenues. Other Taxes also assumes the extension of the 14% personal income tax surcharge and the base rate schedule through tax year 2004. Personal income taxes will flow directly from the State to the Finance Authority, and from the Finance Authority 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. Other Taxes does not include amounts that are expected to be retained by the Finance Authority for its debt service and operating expenses totaling $451 million, $558 million, $695 million and $816 million in the 2001 through 2004 fiscal years, respectively. Estimates of Debt Service do not include debt service on Finance Authority obligations.

(5) For a description of the proposed tax reduction program, see "SECTION I: Recent Financial Developments." For other Financial Plan assumptions, see "SECTION VII: FINANCIAL PLAN—Assumptions—*Revenue Assumptions*—3. Other Taxes."

(6) Miscellaneous Revenues reflects the receipt by the City of a portion of the funds from the settlement of litigation with the four leading cigarette companies. The Financial Plan reflects the sale of the City's right to receive such funds to TSASC which has issued debt and is expected to continue to issue debt payable from such funds to finance approximately $2.4 billion of capital projects. Miscellaneous Revenues does not include tobacco settlement revenues that are expected to be retained by TSASC for debt service and operating expenses totaling approximately $603 million from fiscal years 2001 through 2004. Estimates of Debt Service do not include debt service on TSASC obligations.

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

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

(9) Represents operating budget payments to the Capital Projects Fund.

(10) Budget Stabilization Account primarily includes projected discretionary transfers to the General Debt Service Fund in each of the 2001 through 2002 fiscal years for debt service due in the subsequent fiscal year.

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: FINANCIAL PLAN—Certain Reports" and "—Assumptions."

Actions to Close the Remaining Gaps

In connection with the Financial Plan, the City has outlined a gap-closing program for fiscal years 2002 through 2004 to eliminate the $2.5 billion, $3.0 billion and $3.0 billion projected budget gaps for the 2002 through 2004 fiscal years, respectively. This program, which is not specified in detail, assumes for the 2002 through 2004 fiscal years, respectively, additional agency programs to reduce expenditures or increase revenues by $1.4 billion, $1.9 billion and $1.9 billion; additional State actions of $550 million and additional Federal actions of $450 million in each of fiscal years 2002 through 2004; and the availability of $100 million of the General Reserve in each of fiscal years 2002 through 2004.

The City's projected budget gaps for the 2003 and 2004 fiscal years do not reflect the savings expected to result from the prior years' program 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 2002 budget are not taken into account in projecting the budget gaps for the 2003 and 2004 fiscal years.

Although the City has maintained balanced budgets in each of its last twenty fiscal years and is projected to achieve balanced operating results for the 2001 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 Financial Plan is based on numerous assumptions, including the condition of the City's and the region's economies and modest employment growth and the concomitant receipt of economically sensitive tax revenues in the amounts projected. The 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 2001 through 2004 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 to provide the aid contemplated by the Financial Plan and to take various other actions to assist the City; the ability of HHC, the 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 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: FINANCIAL PLAN—Certain Reports."

The projections and assumptions contained in the 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. 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 1999 and 2000, economic growth will slow, with local employment increasing modestly and a decline in Wall Street profits during fiscal years 2001 through 2004. This assumption is based on low inflation, a continuing restrictive monetary policy by the Federal Reserve and the stock market experiencing only a modest correction. 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 2000 through 2004. This forecast is based upon information available in November 2000.

FORECAST OF KEY ECONOMIC INDICATORS

U.S. ECONOMY	Calendar Years				
	2000	2001	2002	2003	2004
Economic Activity and Income					
Real GDP (billions of 1992 dollars)	8,488.4	8,732.9	9,009.1	9,284.7	9,559.4
Percent Change	4.4	2.9	3.2	3.1	3.0
Pre-tax Corporate Profits ($ billions)	910.1	940.5	992.9	1,047.6	1,098.4
Percent Change	6.5	3.3	5.6	5.5	4.8
Personal Income ($ billions)	8,281.2	8,712.8	9,148.3	9,622.2	10,123.2
Percent Change	6.3	5.2	5.0	5.2	5.2
Non-Agricultural Employment (millions)	131.5	133.3	134.9	136.6	138.2
Change From Prior Year	2.9	1.8	1.6	1.7	1.6
Unemployment Rate	3.9	4.1	4.3	4.3	4.3
CPI-All Urban (1982-84=100)	170.8	174.4	178.8	183.4	188.1
Percent Change	2.4	2.2	2.5	2.6	2.6
Wage Rate ($ per year)	36,409	37,976	39,522	41,123	42,762
Percent Change	4.7	4.3	4.1	4.0	4.0
3-month Treasury Bill Rate	5.9	5.9	5.5	5.3	5.3
Federal Funds Rate	6.2	6.5	5.9	5.7	5.7
NEW YORK CITY ECONOMY					
Personal Income ($ billions)	296.5	307.4	318.3	331.8	348.0
Percent Change	6.8	3.7	3.5	4.3	4.9
Non-Agricultural Employment (thousands)	3,688.0	3,711.4	3,743.8	3,784.7	3,829.1
Change From Prior Year	71.3	23.4	32.4	40.9	44.4
Real Gross City Product (billions of 1992 dollars)	390.5	393.6	403.7	417.7	434.9
Percent Change	4.6	0.8	2.6	3.5	4.1
Wage Rate ($ per year)	57,646	59,546	61,628	64,449	67,533
Percent Change	5.5	3.3	3.5	4.6	4.8
CPI-All Urban NY-NJ Area (1982-84=100)	181.6	185.6	190.1	195.0	200.0
Percent Change	2.6	2.2	2.4	2.6	2.6

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 2000 fiscal year was 3.1%. The Financial Plan projects delinquency rates of 3.2% for each of the 2001 through 2004 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 Financial Plan. The amounts set forth below include projected tax program revenues and exclude the Criminal Justice Fund and audit revenues.

	2001	2002	2003	2004
		(In Millions)		
Personal Income(1)	$ 5,014	$ 4,729	$ 4,963	$ 5,168
General Corporation	1,608	1,418	1,468	1,492
Banking Corporation	398	418	430	449
Unincorporated Business Income	765	745	795	851
Sales(2)	3,456	3,445	3,558	3,671
Commercial Rent	351	370	390	411
Real Property Transfer	454	459	506	542
Mortgage Recording	354	356	392	417
Utility	231	214	212	222
All Other(3)	1,204	1,446	1,486	1,519
Total	$13,835	$13,600	$14,200	$14,742

(1) Personal Income does not include $451 million, $558 million, $695 million and $816 million of personal income tax revenues projected to be paid to the Finance Authority for debt service in the 2001 through 2004 fiscal years, respectively. These projections include the effects of the State funded STAR Program, which will reduce personal income tax revenues by an estimated $401 million, $574 million, $594 million and $615 million in the 2001 through 2004 fiscal years, respectively. The State will reimburse the City for such reduced revenues.

(2) Sales reflects, among other changes, a reduction in the sales tax on utilities and includes no MAC debt service in the 2001 fiscal year and MAC debt service of $488 million, $490 million and $489 million in the 2002 through 2004 fiscal years, respectively.

(3) All Other includes, among others, stock transfer tax, 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 2001 through 2004 fiscal years. All Other also includes $490 million, $701 million, $726 million and $750 million in fiscal years 2001 through 2004, respectively, to be provided to the City by the State as reimbursement for the reduced property tax and personal income tax revenues resulting from the STAR Program.

The 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 2001 fiscal year, reflecting a decline in securities industry profits and a slowdown in the growth of wages and capital gains realizations; (ii) with respect to the general corporation tax, a slowdown in the outlook for the securities industry and the economy in fiscal year 2001 and the impact of limited liability company legislation which will reduce the number of corporate entities subject to the general corporation tax over time; (iii) with respect to the banking corporation tax, an increase in the liability estimate in fiscal year 2001; (iv) with respect to the unincorporated business tax, moderation in securities industry profits and a slowing economy in fiscal year 2001; (v) with respect to the sales tax, a moderation in wage income and securities industry profit growth in calendar year 2001, and the impact of the exemption for clothing and footwear purchases under $110; (vi) with respect to the mortgage recording and real property transfer taxes, a decline in fiscal year 2001 reflecting a slowdown in the local economy and an increase in interest rates; and (vii) with respect to the commercial rent tax, increased growth in the 2001 fiscal year and thereafter due to assumed continued strength in Manhattan commercial real estate. The Financial Plan also assumes the timely extension by the State Legislature of the current rate structures for the resident personal income tax, 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, 2001 has been enacted. Legislation extending the current rate structure for the resident personal income tax and extending the 14% personal income tax surcharge to December 31, 2001 was also enacted. On December 31, 2001, 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 a maximum rate of 1.48% on January 1, 2003. The Financial Plan assumes the timely extension of the current maximum rate of 3.4% for the resident personal income tax.

4. MISCELLANEOUS REVENUES

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

	2001	2002	2003	2004
	(In Millions)			
Licenses, Permits and Franchises	$ 302	$ 296	$ 296	$ 296
Interest Income	150	140	138	139
Charges for Services	418	413	412	412
Water and Sewer Payments(1)	866	812	812	832
Rental Income	124	442	292	222
Fines and Forfeitures	474	473	473	473
Other	827	403	357	312
Intra-City Revenues	1,206	1,228	1,184	1,140
Total	$4,367	$4,207	$3,964	$3,826

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

The Financial Plan projects that aggregate miscellaneous revenues categories will remain relatively stable with offsetting increases and declines. Rental Income in the 2001 through 2004 fiscal years includes $20 million, $365 million, $220 million and $155 million from the Port Authority as rent payments for the City's airports, of which $350 million, $205 million and $140 million in the 2002 through 2004 fiscal years, respectively, is currently the subject of a dispute with the Port Authority.

In an arbitration against the Port Authority, the City has asserted that it is owed additional rent under the John F. Kennedy International and LaGuardia airports lease. The City contends, among other things, that, in determining the amount of rent due to the City, the Port Authority has erroneously (i) excluded from the calculation of gross revenue the amounts of passenger facility charges ("PFCs") which the Port Authority has collected since 1992 (the "PFC claim"), (ii) taken certain capital deductions for investments that the Port Authority previously recovered in full with interest, and (iii) included in the calculation of operation and maintenance expense certain general and administrative, indirect and other expenses. In denying a stay application brought by the Port Authority, the Appellate Division of the New York Supreme Court held on June 27, 1996 that the City's claims must be arbitrated and 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.

Miscellaneous Revenues—Other reflects $139 million, $135 million, $101 million and $56 million of projected resources in fiscal years 2001 through 2004, respectively, from the receipt by the City of funds from the settlement of litigation with certain tobacco companies. Miscellaneous Revenues—Other does not reflect a total of approximately $603 million expected to be retained by TSASC during fiscal years 2001 through 2004. Miscellaneous Revenues—Other includes the receipt in fiscal year 2001 of $340 million from the proposed sale of the Coliseum.

5. Unrestricted Intergovernmental Aid

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

	2001	2002	2003	2004
		(In Millions)		
State Revenue Sharing	$327	$327	$327	$327
Other Aid	237	237	237	237
Total	$564	$564	$564	$564

The Other Aid category primarily consists of approximately $158 million annually from aid associated with the State takeover of long-term care Medicaid costs, $45 million annually from New York State audits, $23 million annually in inter-governmental transfers, and $13 million in prior year claims settlements.

The receipt of State Revenue Sharing funds could be affected by potential prior claims asserted by the State. For information concerning projected State budget gaps and the possible impact on State aid to the City, see "Section VII: 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 Financial Plan.

	2001	2002	2003	2004
		(In Millions)		
Federal				
JTPA/WIA	$ 37	$ 0	$ 0	$ 0
Community Development(1)	286	258	258	258
Welfare	2,336	2,172	2,124	2,124
Education	1,043	1,043	1,043	1,043
Other	668	380	371	357
Total	$4,370	$3,853	$3,796	$3,782
State				
Welfare	$1,518	$1,512	$1,495	$1,495
Education	5,209	5,345	5,408	5,419
Higher Education	159	159	159	159
Health and Mental Health	391	350	350	350
Other	305	270	271	279
Total	$7,582	$7,636	$7,683	$7,702

(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 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: Financial Plan—Assumptions." As of September 30, 2000 approximately 15.24% of the City's full-time employees (consisting of employees of the mayoral agencies and the 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 2001 fiscal year, the City expects to receive approximately $221 million from the Community Development Block grant, which is approximately $1 million less than the amount received in the 2000 fiscal year.

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.

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. Substantial disallowances of aid claims may be asserted during the course of the Financial Plan. The amounts of such disallowances attributable to prior years declined from $124 million in the 1977 fiscal year to $6 million in the 2000 fiscal year. This decrease reflects favorable experience with the level of disallowances in recent years, which may not continue. As of June 30, 2000, the City had an accumulated reserve of $205 million for future disallowances of categorical aid.

The Federal budget has been passed by Congress and is awaiting the signature of the President.

Expenditure Assumptions

1. PERSONAL SERVICE COSTS

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

	2001	2002	2003	2004
		(In Millions)		
Wages and Salaries	$15,282	$15,216	$15,228	$15,227
Pensions	1,348	1,422	1,468	1,503
Other Fringe Benefits	3,784	3,804	3,948	4,082
Reserve for Collective Bargaining	145	549	581	557
Total	$20,559	$20,991	$21,225	$21,369

The 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 215,413 on June 30, 2001 to an estimated level of 216,293 by June 30, 2004, before implementation of the gap-closing programs included in the Financial Plan.

The Reserve for Collective Bargaining contains funding for the cost of a wage increase through a merit pay plan for City employees which provides for salary increases based on merit as measured by performance evaluations for two years after their collective bargaining contracts expire in fiscal years 2000 and 2001, contingent upon proposed productivity savings. The reserve does not contain provisions for wage increases thereafter. The reserve reflects a partial offset to these costs from such productivity savings or fringe benefits cost containment that are to be part of any future collective bargaining agreement. Contracts covering the City's workforce have expired or will expire in fiscal year 2001.

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 systems, see "SECTION IX: OTHER INFORMATION—Pension Systems" and "APPENDIX B—FINANCIAL STATEMENTS—Notes to Financial Statements—Note S."

2. Other Than Personal Service Costs

The following table sets forth projected other than personal service ("OTPS") expenditures contained in the Financial Plan.

	2001	2002	2003	2004
	(In Millions)			
Administrative OTPS	$ 9,652	$ 9,522	$ 9,617	$ 9,682
Public Assistance	2,270	2,095	2,023	2,023
Medical Assistance (Excluding City Medicaid Payments to HHC)	2,668	2,826	3,002	3,185
HHC Support	792	799	819	841
Other	1,841	2,076	2,210	1,966
Total(1)	$17,223	$17,318	$17,671	$17,697

(1) Does not include pay-as-you-go capital.

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 includes the estimated costs of phasing out the use of landfills located within the City under the category OTPS-Other. The New York City Recycling Law, Local Law No. 19 ("Local Law No. 19") for the year 1989, set requirements for increasing the tonnage of solid waste that is recycled by the Department of Sanitation and its contractors. Pursuant to court order, the City is currently required to recycle 3,400 tons per day of solid waste and is required to recycle 4,250 tons per day by July 2001. The City is currently recycling over 2,600 tons per day of solid waste. If the City is unable to comply with Local Law No. 19, it may incur substantial costs.

Administrative OTPS and Energy

The Financial Plan contains estimates of the City's administrative OTPS expenditures for general supplies and materials, equipment and selected contractual services and estimates of energy costs in the 2001 fiscal year. Thereafter, to account for inflation, selected OTPS expenditures are projected to rise by approximately 2.6%, 2.6% and 2.8% in fiscal years 2002 through 2004, 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 costs for each of the 2001 through 2004 fiscal years are assumed to rise at varying rates of inflation, with total energy expenditures projected at $573 million in the 2001 fiscal year, falling to $558 million in fiscal year 2004.

Public Assistance

The average number of persons receiving income benefits under public assistance programs is projected to be 564,543 per month in the 2001 fiscal year. The Financial Plan projects that the average number of recipients will decrease by 8.68% in the 2001 fiscal year from the average number of recipients in the 2000 fiscal year. The Financial Plan assumes that public assistance grant levels will remain flat in the 2001 fiscal year. Of total public assistance expenditures in the City for the 2001 fiscal year, the City-funded portion is projected to be $404.6 million, a decrease of 6.1% from the 2000 fiscal year, and is projected to continue to decrease to $401.0 million in fiscal year 2004.

Medical Assistance

Medical assistance payments projected in the Financial Plan consists 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 $2.585 billion for the 2001 fiscal year and is expected to increase to $3.104 billion in fiscal year 2004. 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 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 Financial

Plan projects savings of $790 million in the 2001 fiscal year due to the State having assumed such costs, and projects such savings will increase to $865.7 million in fiscal year 2004.

Health and Hospitals Corporation

HHC operates under its own section of the Financial Plan as a Covered Organization. HHC's financial plan projects City-funded expenditures of $715 million for the 2001 fiscal year, increasing to $777 million in fiscal year 2004. The City-funded expenditures in the 2001 fiscal year include $53 million for the care of prisoners and uniformed personnel, $14 million of general City support, $648 million for the City's share of Medicaid payments and $55 million primarily for mental health services.

HHC is projected to achieve balanced budgets in fiscal years 2001 through 2004 on a cash basis. Total receipts are projected to be $3.519 billion in fiscal year 2001, decreasing to $3.423 billion in fiscal year 2004. Total disbursements are projected to be $3.551 billion in fiscal year 2001, increasing to $3.633 billion in fiscal year 2004. These projections assume: (i) continued headcount reduction through attrition; (ii) small increases in other than personal service costs in fiscal years 2001 through 2004; and (iii) an increase of .5% in Medicaid fee-for-service and Medicaid managed care between fiscal years 2001 and 2004. Significant changes have been and may be made in Medicaid, Medicare and other third-party payor programs, which could have adverse impacts on HHC's financial condition.

Other

The projections set forth in the Financial Plan for OTPS-Other include the City's contributions to NYCT, 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 April 2000, the City prepared a financial plan for New York City Transit ("NYCT") covering its 2000 through 2004 fiscal years (the "NYCT Financial Plan"). NYCT's fiscal year coincides with the calendar year. For the 2000 fiscal year the NYCT Financial Plan projects $4.0 billion in revenues and $4.2 billion in expenses, leaving a budget gap of $229 million. This gap will be offset by $71 million in anticipated cash flow adjustments, funds made available from a $39 million cash basis surplus in 1999, and $119 million in new State assistance or a reduction in planned expenses. NYCT's cash basis budget for fiscal year 2000 will be balanced. City assistance in 2000 to NYCT's operating budget is $234 million, in addition to $158 million in real estate tax revenues dedicated for NYCT's use.

For the 2001-2004 fiscal years the NYCT Financial Plan forecasts a budget gap of $528 million in 2001, $659 million in 2002, $780 million in 2003, and $955 million in 2004 before the implementation of cash flow adjustments and additional gap-closing actions. The City's financial plan does not require that NYCT's out-year gaps be funded. The plan assumes that the gaps in the 2001 through 2004 fiscal years will be closed in part by increased user charges, productivity measures, reduced service levels, additional management actions, or some combination of these actions.

On April 19, 2000, the MTA board approved a five-year, $18.1 billion capital plan for the MTA for 2000 through 2004 (the "2000-2004 Capital Program"), including approximately $11.9 billion for NYCT, to be funded with Federal, State and City capital funds, MTA bonds, and other MTA resources. The 2000-2004 Capital Program includes $530 million in City capital funds, as well as $345 million in City capital funds exchanged for proceeds from the sale of the New York Coliseum. This Program has been approved by the Capital Program Review Board ("CPRB"), the State Legislature, and the Governor.

The 2000-2004 Capital Program follows the $13.2 billion Capital Program for 1995 through 1999, which included $9.3 billion for NYCT. The 1995-1999 Capital Program superseded 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 2000-2004 Capital Program 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's 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 the BOE an amount of funds from the total budget either equal to the average proportion of the total budget appropriated for the BOE in the three preceding fiscal years or an amount agreed upon by the City and the BOE. In the Financial Plan 31.09% of the City's budget is allocated to the BOE for the 2001 fiscal year, exceeding the amount required by the Stavisky-Goodman Act. The Financial Plan assumes student enrollment to be approximately 1.1 million in the 2001 through 2004 fiscal years.

Judgments and Claims

In the fiscal year ended on June 30, 2000, the City expended $490.7 million for judgments and claims. The Financial Plan includes provisions for judgments and claims of $442.3 million, $463.5 million, $482.7 million and $507.7 million for the 2001 through 2004 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, 2000 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 2000 Financial Statements include an estimate that the City's liability in the *certiorari* proceedings, as of June 30, 2000, could amount to approximately $540 million. Provision has been made in the Financial Plan for estimated refunds of $236 million, $222 million, $234 million and $246 million for the 2001 through 2004 fiscal years, respectively, which includes provision for repurchase of previously sold defective tax liens. 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 J."

3. DEBT SERVICE

Debt service estimates for the 2001 through 2004 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.

Certain Reports

From time to time, the Control Board staff, OSDC, the City Comptroller, the IBO 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 December 21, 2000, the City Comptroller issued a report on the Financial Plan. The report projected a surplus of between $1.5 billion and $1.8 billion in fiscal year 2001, including $1.3 billion in the Budget Stabilization Account. In addition, the report projected budget gaps of between $2.5 billion and $3.0 billion, $3.3 billion and $4.0 billion and $4.1 billion and $5.0 billion in fiscal years 2002 through 2004, respectively, including the gaps of $2.5 billion, $3.0 billion and $3.0 billion projected in the Financial Plan.

With respect to fiscal years 2001 through 2004, the report identified baseline risks of between $171 million and $504 million, $798 million and $1.3 billion, $963 million and $1.6 billion and $1.4 billion and $2.2 billion, respectively, depending upon whether (i) the City achieves the productivity savings in collective bargaining negotiations of between $250 million and $300 million annually which are assumed in the Financial Plan; and (ii) the City incurs labor costs exceeding those assumed in the Financial Plan by between $39 million and $122 million, $32 million and $229 million, $396 million and $758 million and $834 million and $1.4 billion in fiscal years 2001 through 2004, respectively, depending upon whether labor contracts are settled at the rate of local inflation or consistent with new labor contracts negotiated between the State and the Civil Service Employees. Additional risks identified in the report for fiscal years 2001 through 2004 include: (i) assumed payments from the Port Authority relating to the City's claim for back rentals, which are the subject of arbitration; (ii) possible increased overtime expenditures of between $82 million and $320 million in each of fiscal years 2001 through 2004; and (iii) the writedown of outstanding education aid receivables of between $72 million and $104 million in each of fiscal years 2002 through 2004. The report noted that these risks may be offset by additional resources of up to $736 million, $803 million, $706 million and $350 million in fiscal years 2001 through 2004, respectively, including: (i) the availability of $90 million, $194 million and $289 million in fiscal years 2001 through 2003, respectively, if funds are not spent for purposes of building three sports facilities; (ii) the availability of $300 million in fiscal year 2001 and $250 million annually in each of fiscal years 2002 through 2004 from the writeoff of liabilities accrued in prior years that do not materialize; (iii) possible debt service savings of up to $25 million in fiscal year 2001 and between $50 million and $100 million in each of fiscal years 2002 through 2004 from the refunding of outstanding bonds, lower interest rates on variable rate obligations and lower interest rates on short term notes; and (iv) the possibility that tax revenues will be greater than forecast in the Financial Plan by $263 million, $259 million and $67 million in fiscal years 2001 through 2003, respectively. In addition, the report noted that, while current City pension contribution projections are based on the assumption that investment earnings will equal 8% per annum, for the first five months of fiscal year 2001 the City's pension funds lost 6.5%. The report noted that if the investment experience at the end of fiscal year 2001 is lower than the 8% assumed investment earnings, then City pension contributions would increase over the next five years as the impact of such losses are phased in. Finally, the report noted that the odds have grown that the economic slowdown is occurring or will occur soon and that, while the Federal Reserve interest rate increases have so far resulted in the intended soft landing, risks remain for a hard landing.

On August 25, 1998, the City Comptroller issued a report reviewing the current condition of the City's major physical assets and the capital expenditures required to bring them to a state of good repair. The report estimated that the expenditure of approximately $91.83 billion would be required over the next decade to bring the City's infrastructure to a systematic state of good repair and address new capital needs already identified, and that the City's current Ten-Year Capital Strategy, together with funding received from other sources, is projected to provide approximately $52.08 billion. This represents the first time the Comptroller has issued such a report since May 1979. The capital need identified in the 1979 report was approximately two times greater than the actual capital expenditures for the period covered by that report. OMB notes that in the 1979 report, the Comptroller identified a capital need over seven times greater than the capital budget then proposed by the Mayor. The Comptroller's 1998 report estimates a capital need of approximately twice the amount of the capital spending proposed by the Mayor.

The 1998 report noted that the City's ability to meet all capital obligations is limited by law, as well as funding capacity, and that the issue for the City is how best to set priorities and manage limited resources. The report stated that its analysis is not limited to assets valued over $10 million. It is noted that the annual City capital asset condition survey as required by section 1110-a of the City Charter reviews items valued at $10 million or more. The report also includes major systems like traffic signal systems, street lighting, the East

River bridges and assets leased to the Transit Authority and the Water Board. The report's findings relate only to current infrastructure and do not address future capacity or technology needs. While the report indicates that the demands of the City's infrastructure outstrip the City's ability to pay for them, the report identifies several potential alternative methods for capital financing.

On December 19, 2000, the staff of the OSDC issued a report on the Financial Plan. The report identified a surplus of $106 million in fiscal year 2001, in addition to the $1.3 billion reflected in the Budget Stabilization Account, and net risks of $745 million, $896 million and $1.6 billion for fiscal years 2002 through 2004, respectively, which, when added to the gaps of $2.5 billion, $3.0 billion and $3.0 billion in fiscal years 2002 through 2004, respectively, projected in the Financial Plan, would result in gaps of $3.2 billion, $3.9 billion and $4.7 billion in fiscal years 2002 through 2004, respectively. The risks identified in the report included: (i) the potential for additional wage costs of $400 million and $875 million in fiscal years 2003 and 2004, respectively, if new labor contracts have wage increases at the projected rate of inflation; (ii) assumed labor productivity savings of between $250 million and $300 million annually, which require approval by City unions; (iii) additional Medicaid costs of $134 million in fiscal year 2001 and $153 million annually in fiscal years 2002 through 2004; (iv) the possible writedown of outstanding State education aid receivables of $96 million, $72 million and $104 million in fiscal years 2002 through 2004, respectively; (v) delays in the receipt of Port Authority lease payments assumed in the Financial Plan; (vi) additional pension contributions totaling $70 million in each of fiscal years 2002 through 2004, to take into account teachers' summer school salaries; (vii) possible additional expenditures for health insurance totaling $110 million in each of fiscal years 2002 through 2004; and (viii) the possibility of increased overtime spending of $150 million in each of fiscal years 2002 through 2004. The report also identified the possibility of lower spending of $90 million, $194 million and $289 million in fiscal years 2001, 2002 and 2003, respectively, if funds are not required for the construction and restoration of sports facilities. In addition, the report noted that the risks could be partially offset by the possibility that tax revenues could exceed forecasts in the Financial Plan by between $200 million and $250 million in each of fiscal years 2001 through 2004.

The report noted that while the City's economy remained strong, there are indications that the national economy has begun to slow and that the stock market has become volatile, which could affect securities industry activity, which has been a significant factor behind the growth in income tax revenue in recent years. With respect to possible wage increases, the report noted that recent State agreements with the Civil Service Employees Association and the Transport Workers Union increase compensation by substantially greater than the projected rate of inflation and that a wage settlement for City employees similar to the State agreements would increase costs by $130 million, $285 million, $880 million and $1.2 billion in fiscal years 2001 through 2004, respectively. With respect to pension costs, the report noted that during the first five months of fiscal year 2001, pension fund investments have lost 6% of their value and, while these losses could be offset during the balance of the fiscal year, if a loss occurred, it could significantly increase pension costs in subsequent fiscal years as the loss is phased in over a five year period.

On December 21, 2000, the staff of the Control Board issued a report reviewing the Financial Plan. The report noted that the City is likely to end fiscal year 2001 in balance. However, the report identified net risks of $782 million, $968 million and $1.4 billion for fiscal years 2002 through 2004, respectively, which, when combined with the gaps of $2.5 billion, $3.0 billion and $3.0 billion in fiscal years 2002 through 2004, respectively, projected in the Financial Plan, result in estimated gaps of $3.2 billion, $4.0 billion and $4.4 billion for fiscal years 2002 through 2004, respectively. The report noted (i) the possibility that non-property taxes could be $300 million greater than forecast in the Financial Plan for fiscal year 2001; and (ii) that other miscellaneous revenues could be $50 million and $100 million greater than forecast in the Financial Plan for fiscal year 2001 and each of fiscal years 2002 through 2004, respectively. However, the report also identified risks for fiscal years 2001 through 2004 including: (i) a risk for BOE resulting from the writedown of funds owed to BOE by the State which have been outstanding for ten or more years, at a cost of $96 million, $72 million and $104 million in fiscal years 2002 through 2004, respectively; (ii) the receipt of assumed rental payments from the Port Authority relating to the City's claim for back rents, which is the subject of arbitration; (iii) possible increased overtime costs of between $42 million and $151 million annually; (iv) increased waste disposal costs of approximately $20 million in each of fiscal years 2002 through 2004, respectively; and (v) increased labor costs above those assumed in the Financial Plan of $340 million and $760 million in fiscal years 2003 and 2004, respectively, for

possible future labor settlements consistent with the City's inflation assumption, and annual costs of between $250 million and $300 million in fiscal years 2001 through 2004 if productivity and fringe benefit cost savings assumed in the Financial Plan are not realized. With respect to the economy, the report noted that the sharp decline in securities prices in the last three months causes concern with respect to profits and compensation in the securities industry, and an erosion in this key industry could easily undermine the growth prospects of the City's non-property taxes.

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.

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 $6.9 billion in 2001. City-funded expenditures, which more than tripled between fiscal years 1980 and 1985, are forecast at $4.5 billion in the 2001 fiscal year; total expenditures are forecast at $5.0 billion in 2001. For additional information concerning the City's capital expenditures and the Ten-Year Capital Strategy covering fiscal years 2000 through 2009, see "SECTION V: CITY SERVICES AND EXPENDITURES—Capital Expenditures."

The following table sets forth the major areas of capital commitment projected for the 2001 through 2004 fiscal years. See "SECTION V: CITY SERVICES AND EXPENDITURES—Capital Expenditures." See "SECTION VIII: INDEBTEDNESS—Indebtedness of the City and Certain Other Entities—*Limitations on the City's Authority to Contract Indebtedness.*"

2001-2004 CAPITAL COMMITMENT PLAN

	2001		2002		2003		2004	
	City Funds	All Funds	City Funds	All Funds	City Funds	All Funds	City Funds	All Funds
	(In Millions)							
Mass Transit(1)	$ 118	$ 118	$ 279	$ 279	$ 278	$ 278	$ 106	$ 106
Roadway, Bridges	828	1,034	941	1,050	850	951	1,246	1,277
Environmental Protection(2)	2,658	2,903	2,354	2,379	1,347	1,372	840	865
Education	1,748	1,845	1,103	1,178	1,318	1,398	1,201	1,281
Housing	398	526	367	452	315	403	268	353
Sanitation	234	248	299	299	215	215	254	254
City Operations/Facilities	3,798	4,070	1,468	1,586	964	1,001	1,039	1,076
Economic and Port Development	547	669	320	338	113	119	59	59
Reserve for Unattained Commitments	(3,437)	(3,437)	(236)	(236)	497	497	309	309
Total Commitments(3)	$6,893	$7,975	$6,895	$7,326	$5,896	$6,234	$5,323	$5,580
Total Expenditures(4)	$4,533	$5,020	$5,606	$6,267	$5,509	$6,272	$5,900	$6,652

Note: Numbers may not tally due to rounding.

(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.

The following table sets forth the City's 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 2001 through 2004 fiscal years. See "SECTION VIII: INDEBTEDNESS—Indebtedness of the City and Certain Other Entities."

2001-2004 FINANCING PROGRAM

	2001	2002	2003	2004	Total
			(In Millions)		
SOURCES OF FUNDS:					
City General Obligation Bonds(1)	$1,263	$1,605	$1,605	$2,930	$ 7,403
Finance Authority Bonds(2)	1,630	1,400	1,500	487	5,017
TSASC Bonds(3)	700	700	700	0	2,100
Water Authority Bonds(4)	968	1,376	1,635	1,762	5,740
DASNY and Other Lease Debt(5)	1,665	383	354	290	2,692
Other Sources(6)	(1,247)	415	5	645	(182)
Total	$4,979	$5,878	$5,799	$6,114	$22,769
USES OF FUNDS:					
City Capital Improvements(7)	$4,533	$5,606	$5,509	$5,900	$21,548
City General Obligation Refinancing	63	0	0	0	63
Reserve Funds and Other(8)	383	272	290	214	1,158
Total	$4,979	$5,878	$5,799	$6,114	$22,769

Note: Totals may not add due to rounding.

(1) The City has issued $738 million of general obligation bonds during fiscal year 2001, of which approximately $63 million was for refunding purposes.

(2) The figures set forth above exclude bonds issued to defease bond anticipation notes and include bond anticipation notes and capitalized interest thereon.

(3) TSASC bonds are not indebtedness of the City. The amounts shown are estimates. The City expects to derive proceeds of approximately $2.4 billion from these issuances, including the $604 million of proceeds from the November 1999 TSASC financing.

(4) Figures reflect Water Authority commercial paper and certain revenue bonds issued to date and expected to be issued for the water and sewer system's capital program, and include reserve amounts. The figures above do not include bonds that defease commercial paper.

(5) The financing program includes financing of the City court capital program, three HHC projects, and other lease financings. The amounts reflected in fiscal years 2000 through 2004 include an allocation for reserve funds and other costs of issuance of $341 million.

(6) Other Sources includes changes in restricted cash balances, federal and state grants.

(7) City Capital Improvements includes capital cash expenditures for various City agencies, including DEP, the City's court capital program, Lincoln Center capital improvements, and three projects in HHC's hospital reconstruction program.

(8) Reserve Funds and Other comprises amounts necessary to fund certain reserves, certain costs of issuance of securities, and allocation for original issue discounts, capitalized interest, and other uses in connection with the issuance of City, Water Authority, TSASC, and DASNY bonds.

A Federal law, the Americans with Disabilities Act of 1990, generally requires that various facilities be made accessible to disabled persons. The City continues to analyze actions that 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. The Financial Plan also assumes State approval of the repeal of the Wicks Law relating to contracting requirements for City construction projects. If such approval is not obtained, the City will incur additional expenditures for construction projects.

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 and tobacco settlement bonds by TSASC 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 are not subject to the constitutional debt limitation. Bonds issued by TSASC will be payable from funds derived from the settlement of litigation with tobacco companies selling cigarettes in the United States and will not be subject to the constitutional debt limitation. See "SECTION VIII: INDEBTEDNESS—Indebtedness of the City and Certain Other Entities—*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 2000 through 2009 projects City-funded water and sewer investment (which is expected to be financed with proceeds of Water Authority debt) at approximately $9.1 billion of the $46.0 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. 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, Water Authority, Finance Authority and HHC revenue bonds and TSASC 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 2000 through 2009 totals $48.1 billion, of which approximately 96% is to be financed with City funds. See "SECTION VIII: INDEBTEDNESS—Indebtedness of the City and Certain Other Entities—*Limitations on the City's Authority to Contract Indebtedness*". 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 2000, the City issued its annual assessment of the asset condition and a proposed maintenance schedule for 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 "AIMS Report"). This report does not reflect any policy considerations which could affect the appropriate amount of investment, such as whether there is a continuing need for a particular facility or whether there have been changes in the use of a facility. The AIMS Report estimated that $4.67 billion in capital investment was needed for fiscal years 2002 through 2005 to bring the assets to a state of good repair. The report also estimated that $173 million, $129 million, $185 million and $154 million should be spent on maintenance in fiscal years 2002 through 2005, respectively.

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. Therefore, there is 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. The City also issues an annual report (the "Reconciliation 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 most recent Reconciliation Report, in April 2000, concluded that the capital investment in the Four-Year Capital Plan for the specifically identified inventoried assets funds 73% of the total investment recommended in the preceding AIMS Report issued in November 1999. Capital investment allocated in the Ten-Year Capital Strategy published in April 1999 will fund an additional portion of the recommended investment. In the same Reconciliation Report, OMB estimated that 57% of the expense maintenance levels recommended were included in the financial plan, compared to 55% of the expense maintenance levels included in the previous year.

Seasonal Financing Requirements

The City since 1981 has fully satisfied its seasonal financing needs in the public credit markets, repaying all short-term obligations within their fiscal year of issuance. The City issued $750 million of short-term obligations in fiscal year 2001 to finance the City's projected cash flow needs for fiscal year 2001 and issued the same amount of short-term obligations in fiscal year 2000 to finance its projected cash flow needs for that year. The City issued $500 million of short-term obligations in the 1999 fiscal year to finance the City's projected cash flow needs for the 1999 fiscal year. The City issued $1.075 billion of short-term obligations in fiscal year 1998 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. 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.

SECTION VIII: INDEBTEDNESS

Indebtedness of the City and Certain Other Entities

Outstanding City, MAC and PBC Indebtedness

The following table sets forth outstanding indebtedness having an initial maturity greater than one year from the date of issuance of the City, MAC and the PBCs as of September 30, 2000.

(In Thousands)

Gross City Long-Term Indebtedness(1)	$26,006,090	
Less: Assets Held for Debt Service(1)	329,209	
Net City Long-Term Indebtedness		$25,676,881
Gross MAC Long-Term Indebtedness(2)	3,217,035	
Less: Assets Held for Debt Service(2)	707,664	
Net MAC Long-Term Indebtedness		2,509,371
PBC Indebtedness(3)		
Bonds Payable	565,362	
Capital Lease Obligations	1,337,084	
Gross PBC Indebtedness	1,902,446	
Less: Assets Held for Debt Service	335,625	
Net PBC Indebtedness		1,566,821
Combined Net City, MAC and PBC Indebtedness		$29,753,073

(1) With respect to City long-term indebtedness, "Assets Held for Debt Service" consists of General Debt Service Fund assets, and $88.4 million principal amount of City serial bonds held by MAC. Amounts do not include the indebtedness of the Finance Authority and TSASC, which were $6,426 million and $709 million, respectively, as of September 30, 2000. See "APPENDIX B—FINANCIAL STATEMENTS—Notes to Financial Statements—Notes D, E, F and J."

(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 J."

(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 I and J." "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 L, M, N, O and P."

Trend in Outstanding Net City, MAC and PBC 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 2000.

	City(1)		MAC(2)		Component Unit and City Guaranteed Debt(3)	Total
	Long-Term Net Debt(3)	Short-Term Debt	Long-Term Net Debt(4)	Short-Term Debt		
	(In Millions)					
1989	$ 9,332	$ —	$6,082	$ —	$ 780	$16,194
1990	11,779	—	5,713	—	782	18,274
1991	15,293	—	5,265	—	803	21,361
1992	17,916	—	4,657	—	782	23,355
1993	19,624	—	4,470	—	768	24,862
1994	21,731	—	4,215	—	1,114	27,060
1995	23,258	—	4,033	—	1,098	28,389
1996	25,052	—	3,936	—	1,155	30,143
1997	26,180	—	3,717	—	1,182	31,079
1998	25,917	—	3,108	—	1,129	30,154
1999	26,287	—	2,809	—	1,403	30,499
2000	25,543	—	2,477	—	1,575	29,571
September 30, 2000	25,677	—	2,509	—	1,567	29,753

(1) Amounts do not include debt of the City held by MAC. See *"Outstanding City, MAC and PBC Indebtedness*—note 2." Amounts do not include indebtedness of the Finance Authority and TSASC, which were $6,426 million and $709 million, respectively, as of September 30, 2000. See "APPENDIX B—FINANCIAL STATEMENTS—Notes to Financial Statements—Notes D, E, F and J."

(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, $4,563 million, $4,267 million, $3,895 million, $3,532 million and $3,217 million as of June 30 of each of the years 1989 through 2000.

(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 I and J." For more information concerning Enterprise Funds PBCs, see "APPENDIX B—FINANCIAL STATEMENTS—Notes to Financial Statements—Notes L, M, N, O and P."

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

Rapidity of Principal Retirement

The following table details, as of September 30, 2000, the cumulative percentage of total City general obligation debt outstanding that is scheduled to be retired in accordance with its terms in each prospective five-year period.

Period	Cumulative Percentage of Debt Scheduled for Retirement
5 years	25.39%
10 years	49.30
15 years	69.65
20 years	85.82
25 years	97.26
30 years	99.86

City, MAC and City-guaranteed PBC Debt Service Requirements

The following table summarizes future debt service requirements, as of September 30, 2000, 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		Component Unit and City Guaranteed Debt(2)	MAC Funding Requirements	Total
	Principal of Bonds(1)	Interest(1)			
			(In Thousands)		
2001	$ 51,275	$ 173,550	$ 75,961	$ 505,826	$ 806,612
2002	1,404,455	1,380,373	175,242	506,214	3,466,284
2003	1,383,398	1,306,976	181,438	506,385	3,378,197
2004	1,386,510	1,230,719	181,613	506,296	3,305,138
2005 through 2147	21,451,243	11,447,856	2,767,700	1,981,029(3)	37,647,828
Total	$25,676,881	$15,539,474	$3,381,954	$4,005,750	$48,604,059

(1) Includes debt service on general obligation bonds only. See "APPENDIX B—FINANCIAL STATEMENTS—Notes to Financial Statements—Notes D, E, F and J."

(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 I and J." For more information concerning Enterprise Funds PBCs, see "APPENDIX B—FINANCIAL STATEMENTS—Notes to Financial Statements—Notes L, M, N, O and P."

(3) Amount shown is for fiscal years 2005 through 2008.

Certain Debt Ratios

The following table sets forth information for each of the fiscal years 1989 through 1999, with respect to the approximate ratio of debt to certain economic factors. As used in this table, debt includes net City, MAC, Finance Authority, TSASC and PBC debt.

Fiscal Year	Debt Per Capita	Debt as % of Total Taxable Real Property By	
		Assessed Valuation	Estimated Full Valuation(1)
1989	$2,202	25.4%	4.6%
1990	2,490	26.0	4.5
1991	2,920	28.0	4.5
1992	3,193	27.9	3.9
1993	3,388	30.4	3.8
1994	3,687	34.1	3.7
1995	3,892	37.2	4.1
1996	4,122	39.2	7.1
1997	4,218	40.2	8.3
1998	4,363	41.0	9.0
1999	4,662	42.2	10.4
2000	4,854	42.0	10.6

Source: Comprehensive Annual Financial Report of the Comptroller for the Fiscal Year Ended June 30, 2000.

(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 1998, debt per capita as a percentage of personal income per capita in current dollars. As used in this table, debt includes net City, MAC, Finance Authority, TSASC 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	19,488	9.71
1988	2,041	21,479	9.50
1989	2,202	23,004	9.57
1990	2,490	24,893	10.00
1991	2,920	25,597	11.42
1992	3,193	27,331	11.68
1993	3,338	27,677	12.06
1994	3,687	26,435	13.95
1995	3,892	30,192	12.89
1996	4,122	32,147	12.82
1997	4,216	33,192	12.71
1998	4,363	35,007	12.46

Source: Comprehensive Annual Financial Report of the Comptroller for the Fiscal Year Ended June 30, 2000.

(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.

The City's debt service appropriation provides for the interest on, but not the principal of, short-term indebtedness, which has in recent years been issued as TANs and RANs. If such principal were not provided for from the anticipated sources, it would be, like debt service on City bonds, a general obligation of the City.

Pursuant to the Act, a general debt service fund (the "General Debt Service Fund" or the "Fund") has been established for the purpose of paying Monthly Debt Service, as defined in the Act. 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 once for a period not to exceed six months. Budget Notes may be issued only to fund cost overruns in the expense budget; 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 September 30, 2000, the maximum amount of additional short-term debt which the City could issue was $7.26 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 September 30, 2000, 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 $841.5 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: SOURCES 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 20% 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.

To provide for the City's capital program, the Finance Authority and TSASC were created, the debt of which is not subject to the general debt limit of the City. Without the Finance Authority and TSASC, 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. The debt-incurring power of the Finance Authority and TSASC has permitted the City to continue to enter into new

contractual commitments and is expected to provide sufficient capacity to continue the City's capital program through the end of the Financial Plan in 2004.

The following table sets forth the calculation of the debt-incurring power of the City, the Finance Authority and TSASC as of September 30, 2000.

(In Thousands)		
Total City Debt-Incurring Power under General Debt Limit		$30,593,211
Gross Debt-Funded	$26,406,248	
Less: Excluded Debt	724,802	
	25,681,446	
Less: Fiscal Year 2001 Appropriations for Principal of Debt	269,013	
	25,412,432	
Contracts and Other Liabilities, Net of Prior TSASC and Finance Authority Financings and Restricted Cash	6,130,222	
Total Indebtedness	31,542,655	
Less: Anticipated Finance Authority Financing of Liabilities(1)	5,017,395	
Less: Anticipated TSASC Debt-Incurring Power	1,796,348	24,728,911
City, Finance Authority and TSASC Debt-Incurring Power(2)		$ 5,864,299

Note: Numbers may not tally due to rounding.

(1) Reflects Finance Authority debt-incurring capacity of $11.5 billion, which was increased from $7.5 billion by State legislation in June 2000.

(2) Without the creation of the Finance Authority and TSASC, the debt-incurring power of the City under the general debt limit, as of November 30, 2000, would have been exceeded by $8.0 billion.

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 September 30, 2000, MAC had outstanding an aggregate of approximately $3.217 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 J."

Public Benefit Corporation Indebtedness

City Financial Commitments to PBCs

PBCs are corporate governmental agencies created by State law to finance and operate projects of a governmental nature or to provide governmental services. Generally, PBCs issue bonds and notes to finance construction of housing, hospitals, dormitories and other facilities and receive revenues from the collection of fees, charges or rentals for the use of their facilities, including subsidies and other payments from the governmental entity whose residents have benefited from the services and facilities provided by the PBC. These bonds and notes do not constitute debt of the City unless expressly guaranteed or assumed by the City.

The City has undertaken various types of financial commitments with certain PBCs which, although they generally do not represent City indebtedness, have a similar budgetary effect. During a Control Period as defined by the Financial Emergency Act, neither the City nor any Covered Organization may enter into any arrangement whereby the revenues or credit of the City are directly or indirectly pledged, encumbered, committed or promised for the payment of obligations of a PBC unless approved by the Control Board. The principal forms of the City's financial commitments with respect to PBC debt obligations are as follows:

1. *Guarantees*—PBC indebtedness may be directly guaranteed by the City.

2. *Capital Lease Obligations*—These are leases of facilities by the City or a Covered Organization, entered into with PBCs, under which the City has no liability beyond monies legally available for lease payments. State law generally provides, however, that in the event the City fails to make any required lease payment, the amount of such payment will be deducted from State aid otherwise payable to the City and will be paid to the PBC.

3. *Executed Leases*—These are leases pursuant to which the City is legally obligated to make the required rental payments.

4. *Capital Reserve Fund Arrangements*—Under these arrangements, State law requires the PBC to maintain a capital reserve fund in a specified minimum amount to be used solely for the payment of the PBC's obligations. State law further provides that in the event the capital reserve fund is depleted, State aid otherwise payable to the City may be paid to the PBC to restore such fund.

The City's financial statements include MAC and certain PBCs, such as The New York City Educational Construction Fund ("ECF") and the CUCF. For further information regarding indebtedness of these PBCs, see "APPENDIX B—FINANCIAL STATEMENTS—Notes to Financial Statements—Note J." 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 L, M, N, O and P."

New York City Educational Construction Fund

As of September 30, 2000, approximately $142.4 million principal amount of ECF bonds to finance costs related to the school portions of combined occupancy structures was outstanding. Under ECF's leases with the City, debt service on the ECF bonds is payable by the City to the extent third party revenues are not sufficient to pay such debt service.

New York City Housing Authority

As of September 30, 2000, the City had guaranteed $16.0 million principal amount of HA bonds. The Federal government has agreed to pay debt service on $0.6 million principal amount of additional HA indebtedness guaranteed by the City. The City has also guaranteed the repayment of $136.5 million principal amount of HA indebtedness to the State, of which the Federal government has agreed to pay debt service on $53.3 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 $36.1 million in the 1999 fiscal year and to $37.0 million in the 2000 fiscal year.

New York State Housing Finance Agency

As of September 30, 2000, $242.9 million principal amount of HFA refunding bonds relating to hospital and family care facilities leased to the City was outstanding. HFA does not receive third party revenues to offset the City's capital lease obligations with respect to these bonds. Lease payments, which are made by the City seven months in advance of payment dates of the bonds, are intended to cover development and construction costs, including debt service, of each facility plus a share of HFA's overhead and administrative expenses.

Dormitory Authority of the State of New York

As of September 30, 2000, $689.9 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 Authority bonds and certain fees and expenses of DASNY.

City University Construction Fund

As of September 30, 2000, approximately $654.2 million principal amount of DASNY bonds, relating to Community College facilities, 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 DASNY for Community College facilities which are applied to the payment of debt service on DASNY's bonds issued to finance the leased projects plus related overhead and administrative expenses of DASNY.

New York State Urban Development Corporation

As of September 30, 2000, $52.5 million principal amount of New York State Urban Development Corporation ("UDC") bonds subject to executed or proposed lease arrangements was outstanding. This amount differs from the amount calculated by UDC ($64.3 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, 1999 consisted of approximately 329,000 current employees, of whom approximately 78,000 were employees of certain independent agencies whose pension costs in some cases are provided by City appropriations. In addition, there were approximately 243,000 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 in fiscal year 2000 were $615 million. Expense projections for fiscal year 2001 through 2004 are estimated at $1.348 billion, $1.422 billion, $1.467 billion and $1.503 billion, respectively. These projections reflect the Chief Actuary's revised set of funding assumptions governing contributions to the City's five retirement systems. The boards of trustees of the City's retirement systems have adopted the Actuary's funding recommendations, and enabling State legislation has been passed. The above estimates in the Financial Plan also include provisions for the costs of certain pension benefit improvements to which the City and its unions agreed.

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 2000 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 12% 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.

For fiscal year 2000, the City made 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.

Prior to June 30, 1999, four of the five major actuarial systems were not fully funded (i.e., the actuarial accrued liability exceeded the actuarial value of the assets). Due to the recognition of recent significant market performance in the actuarial asset values, calculated as of June 30, 1999, three additional systems became fully funded. As of June 30, 1999, only the New York Fire Department, Subchapter Two Pension Fund was not fully funded.

The excess of the present value of future pension benefits over the present value of the assets of the five major actuarial pension systems (including that which is attributable to independent agencies) as of June 30, 1994, as calculated by the City's Chief Actuary on the basis of the actuarial assumptions then in effect, is set forth in the following table. In addition, for the period June 30, 1995 to June 30, 1998 this excess is listed for the major actuarial systems other than New York City Employees' Retirement System because it was fully funded. For June 30, 1999, this excess is listed for the New York Fire Department, Subchapter Two Pension Fund, the only remaining non-fully-funded system.

June 30	Unfunded Pension Liability Amount(1) (In Billions)
1994	$5.94(2)
1995	4.03
1996	4.29
1997	4.28
1998	4.64
1999	.15

(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 any 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 S."

Litigation

The following paragraphs describe certain material legal proceedings and claims involving the City and Covered Organizations other than routine litigation incidental to the performance of their governmental and other functions and certain other litigation arising out of alleged constitutional violations, torts, breaches of contract and other violations of law and condemnation proceedings. While the ultimate outcome and fiscal impact, if any, on the City of the proceedings and claims described below are not currently predictable, adverse determinations in certain of them might have a material adverse effect upon the City's ability to carry out the Financial Plan. The City has estimated that its potential future liability on account of outstanding claims against it as of June 30, 2000 amounted to approximately $3.5 billion. See "SECTION VII: 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 $540 million at June 30, 2000. 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 J."

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. 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. 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. On May 6, 1999, the Appellate Division, First Department, affirmed the trial court decision. The State has filed a motion for leave to appeal the Appellate Court decision to the Court of Appeals. 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.

2. In three 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 federal community development block grant funds.

In one of the State actions, a class has been certified 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. Orders have been issued in such action directing the City's Department of Housing Preservation and Development and Department of Health to issue regulations in conformance with the court's interpretation of local law governing the removal of lead paint in residential buildings. While both agencies were in the process of promulgating these regulations, the parties to the litigation agreed to a stay of the relevant orders in contemplation of legislative change. In the summer of 1999, the City Council passed and the Mayor signed a new local law governing lead paint in residential buildings. The City is currently defending two lawsuits that challenge the new local law as having been passed in violation of State and City environmental laws, and in violation of the State's Municipal Home Rule Law. In October 2000, a trial court judge ruled that the City did not comply with the pertinent environmental laws when it adopted this local law. The City intends to appeal from the judgment that is entered pursuant to this decision, and intends to invoke a statutory stay of the judgment pending resolution of the appeal.

The State class 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. In another State action, plaintiffs challenge the City's enforcement activities with regard to lead paint in day care centers, nursery schools and kindergartens. Adverse determinations on these issues could result in substantial additional costs to the City.

In addition, nearly 1,300 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 $300 million in the future.

3. 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.

4. Six separate actions were commenced in 1994 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. In 1998, the City was sued by approximately 85 additional landowners for the alleged impact of the regulations on their property values. On May 22, 1998, the City was served with a class action on behalf of all property owners, lien holders, mortgagees and business owners relating to property throughout the watershed seeking $1.5 billion in damages also for the alleged impact of the regulations on the values of watershed properties and businesses. In response to a motion to dismiss the six original actions 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. On April 19, 1999, the Appellate Division, Second Department, reversed the Court's decision, found that the claims were not ripe and dismissed the six original actions. The Appellate Division denied the plaintiffs' motion for leave to appeal the decision. On December 22, 1999, the Court of Appeals refused the plaintiffs' request for leave to appeal, thereby resolving the litigation in the City's favor. The City believes that the Appellate Division decision means that all of the lawsuits filed in 1998 are also premature and cannot proceed, and is in discussions with plaintiffs regarding these lawsuits.

5. In May 1997, ten individuals commenced an action pursuant to 42 U.S.C. § 1983 against the City in the United States District Court for the Southern District of New York on behalf of themselves and persons similarly situated, alleging that City correctional officers since July 1996 had violated the constitutional rights of persons arrested for misdemeanors or non-criminal offenses by stripsearching such persons upon entry into pre-arraignment holding pens at the Manhattan and Queens criminal courthouses. In April 1998, the district court granted plaintiffs' motion for class certification. The City estimates that there are approximately 65,000 persons in the class. While the class action is in its preliminary stages and the potential cost to the City of adverse determinations of liability and damages in the action cannot be determined at this time, any such adverse determinations could result in substantial costs to the City.

6. In February 1997, a former New York City school principal filed an action in New York State Supreme Court challenging the investment policies and practices of the Retirement Board of the Teachers' Retirement System of The City of New York (the "System") with regard to a component of the System consisting of member contributions and earnings thereon known as the Variable B Fund (the "Fund"). Plaintiff alleges that the trustees of the System illegally maintained the Fund as a fixed-income fund and ignored a requirement that a substantial amount of the Fund's assets be invested in equity securities. The defendants are the System and its individual trustees. Plaintiff seeks damages on behalf of all Fund participants in excess of $250,000,000. In May 1999, the Appellate Division, First Department, affirmed the Supreme Court's earlier denial of the defendants' motion for summary judgment. If the plaintiff were to prevail in this action, it could result in substantial costs to the City.

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 Bonds will not be includable in the gross income of the owners of the Bonds for purposes of Federal income taxation under existing law. Interest on the Bonds will be includable in the gross income of the owners thereof retroactive to the date of issue of the Bonds in the event of a failure by the City to comply with applicable requirements of the 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 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 Bonds will be exempt from personal income taxes imposed by the State or any political subdivision thereof, including the City.

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

Ownership of tax-exempt obligations may result in collateral tax consequences to certain taxpayers, including, without limitation, financial institutions, property and casualty insurance companies, certain foreign corporations doing business in the United States, certain S Corporations with excess passive income, individual recipients of Social Security or railroad retirement benefits, taxpayers eligible for the earned income tax credit and taxpayers who may be deemed to have incurred or continued indebtedness to purchase or carry tax-exempt obligations. Prospective purchasers of the 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 the 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 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 the Bonds with original issue discount (the "OID Bonds") will be increased by such amount. A portion of the original issue discount that accrues in each year to an owner of a 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 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 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 OID Bond has not received cash attributable to such original issue discount in such year.

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

The excess, if any, of the tax basis of the Bonds to a purchaser (other than a purchaser who holds such 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 Bonds for Federal income tax purposes. Owners of such Bonds are required to decrease their adjusted basis in such Bonds by the amount of amortizable bond premium attributable to each taxable year such Bonds are held. The amortizable bond premium on such Bonds attributable to a taxable year is not deductible for Federal income tax purposes. Owners of such 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 Bonds and with respect to the state and local tax consequences of owning and disposing of such Bonds.

Legislation affecting municipal securities is constantly being considered by the United States Congress. There can be no assurance that legislation enacted after the date of issuance of the Bonds will not have an adverse effect on the tax-exempt status of the Bonds. Legislative or regulatory actions and proposals may also affect the economic value of tax exemption or the market price of the Bonds.

Ratings

The Bonds have been rated A2 by Moody's, A by Standard & Poor's and A+ by Fitch. Such ratings reflect only the views of Moody's, Standard & Poor's and Fitch from which an explanation of the significance of such ratings may be obtained. There is no assurance that such ratings will continue for any given period of time or that they will not be revised downward or withdrawn entirely. Any such downward revision or withdrawal could have an adverse effect on the market prices of such bonds. On July 16, 1998, Standard & Poor's revised its rating of City bonds to A– from BBB+. On September 13, 2000, Standard & Poor's revised its rating of City bonds upward to A. Moody's rating of City bonds was revised in August 2000 to A2 from A3. On March 8, 1999, Fitch revised its rating of City bonds upward to A from A– and on September 15, 2000, Fitch revised its rating to A+. Moody's, Standard & Poor's and Fitch currently rate the City's outstanding general obligation bonds A2, A and A+, respectively.

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 Clifford Chance Rogers & Wells LLP, New York, New York, counsel for the Underwriters. Such firm is also acting as counsel for and against the City in certain 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 Bonds are not "arbitrage bonds" under the Code, will be verified by a firm of independent certified public accountants.

Underwriting

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

The compensation for services rendered in connection with the underwriting of the Bonds shall be $2,303,579.06. 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 their accounts or for the accounts of others, or receive payments or prepayments theron.

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 (as defined in the Rule) of securities offered hereby (under this caption, if subject to the Rule, the "securities") to determine, as a condition to purchasing the securities, 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 securities (under this caption, if subject to the Rule, "Bondholders") that:

(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 herein in Sections IV, V and VIII and under the captions "1996-2000 Summary 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 securities, 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; and

(11) rating changes.

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 securities do not provide for "debt service reserves".

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 securities, unless the City applies for or participates in obtaining the enhancement.

Event (6) is relevant only to the extent interest on the securities is tax-exempt.

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 in the final official statement (as defined in the Rule), (ii) the only open issue is which securities 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 securities and (iv) public notice of redemption is given pursuant to Exchange Act Release No. 23856 of the SEC, even if the originally scheduled amounts are reduced prior optional redemptions or security purchases.

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; Standard & Poor's J.J. Kenny Repository, Inc., 55 Water Street, 45th Floor, New York, New York 10041; DPC Data Inc., One Executive Drive, Fort Lee, New Jersey 07024; and Interactive Data, 100 William Street, New York, New York 10038, Attn: Repository.

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 securities 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 securities 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 published Comprehensive Annual Financial Reports of the Comptroller are available upon written request to the Office of the Comptroller, Deputy Comptroller for Public Finance, Fifth 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 demographic factors in the City which may affect 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 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.

New York City Economy

The City has a highly diversified economic base, with a substantial volume of business activity in the service, wholesale and retail trade and manufacturing industries and is the location of many securities, banking, law, accounting, new media and advertising firms.

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. 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 186 missions to the United Nations and the 96 foreign consulates.

Economic activity in the City has experienced periods of growth and recession and can be expected to experience periods of growth and recession in the future. Changes in the economic activity in the City, particularly employment, per capita personal income and retail sales, may have an impact on the City. From 1969 to 1977, the City experienced substantial declines in employment, but from 1978 to 1987 the City experienced strong growth in jobs, especially in the City's finance, insurance and real estate ("FIRE") sector due in large part to lower inflation, lower interest rates and a strong securities market. Beginning in 1988, employment growth in the City slowed, and in 1990 the City experienced job losses, although the U.S. economy expanded during that period. During 1991 and 1992, employment levels in the City continued to decline. In recent years, the City has experienced increases in employment. Real per capita personal income (i.e., per capita personal income adjusted for the effects of inflation and the differential in living costs) has generally experienced fewer fluctuations than employment in the City. Although the City periodically experienced declines in real per capita personal income between 1969 and 1981, real per capita personal income in the City has generally increased from the mid-1980s until the present. In nearly all of the years between 1969 and 1990 the City experienced strong increases in retail sales. However, from 1991 to 1993, the City experienced a weak period of retail sales. Since 1994, the City has returned to a period of growth in retail sales. Overall, the City's economic improvement accelerated significantly in between 1997 and 1999. Much of the increase can be traced to the performance of the securities industry, but the City's economy also produced gains in the retail trade sector, the hotel and tourism industry, and business services, with private sector employment growing at a record pace. The City's current Financial Plan assumes that, after strong growth in 2000, moderate economic growth will exist through calendar year 2003, with moderating job growth and wage increases. 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.

Personal Income

Per capita personal income for City residents, unadjusted for the effects of inflation and the differential in living costs, has steadily increased from 1988 to 1998 (the most recent year for which City personal income data are available) and is higher than the average for the United States. From 1988 to 1998, per capita personal income in the City averaged 5.1% growth compared to 4.5% for the nation. The following table sets forth recent information regarding personal income in the City.

PERSONAL INCOME IN NEW YORK CITY(1)

Year	Total NYC Personal Income ($ billions)	Per Capita Personal Income NYC	Per Capita Personal Income U.S.	NYC as a Percent of U.S.
1988	$157.1	$21,363	$17,472	122.3%
1989	168.2	22,971	18,636	123.3
1990	182.3	24,897	19,656	126.7
1991	186.8	25,573	20,169	126.8
1992	199.7	27,338	21,138	129.3
1993	202.9	27,684	21,764	127.2
1994	208.6	28,415	22,620	125.6
1995	221.9	30,192	23,598	127.9
1996	236.6	32,144	24,688	130.2
1997	245.1	33,198	25,978	127.8
1998	259.2	35,007	27,263	128.4

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

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

Sectoral Distribution of Employment and Income

In 1999, the City's services employment sector hit an all-time peak, providing approximately 1.4 million jobs and accounting for 38.1% of total employment. Figures on the sectoral distribution of employment in the City reflect a significant shift to non-manufacturing employment, particularly to the areas of services and FIRE, and a shrinking manufacturing base in the City relative to the nation.

The structural shift from manufacturing to the services and FIRE sectors affects the level of earnings per employee because employee compensation in finance and related business and professional services is considerably higher than in manufacturing. Moreover, per employee earnings in the FIRE sector are significantly higher in the City than in the nation. From 1978 to 1998, the employment share for FIRE increased from 13% to 14% in the City while the FIRE sector earnings share for the same period rose from 16% to 31% in the City. This shift in employment and earnings distribution toward the FIRE sector was more pronounced in the City than in the nation overall as indicated in the table below. Due to this shift in earnings distribution, sudden or large shocks in the financial markets have a disproportionately adverse effect on the City relative to the nation.

The City's and the nation's employment and earnings by industry are set forth in the following table.

SECTORAL DISTRIBUTION OF EMPLOYMENT AND EARNINGS(1)

Sector	Employment				Earnings(2)			
	1978		1998		1978		1998	
	NYC	U.S.	NYC	U.S.	NYC	U.S.	NYC	U.S.
Private Sector:								
Non-Manufacturing:								
Services	25.3%	18.7%	37.6%	29.8%	24.6%	17.7%	32.5%	28.6%
Wholesale and Retail Trade	19.1	22.5	16.7	23.2	15.5	16.9	9.6	15.1
Finance, Insurance and Real Estate	12.9	5.4	13.7	5.9	16.1	5.8	31.0	9.1
Transportation and Public Utilities	8.0	5.7	5.8	5.2	10.4	7.5	5.8	6.8
Contract Construction	2.0	4.9	2.9	4.7	2.3	6.6	2.5	5.7
Mining	0.0	1.0	0.0	0.5	0.3	1.7	0.1	0.9
Total Non-Manufacturing	67.4	58.3	76.7	69.3	69.2	56.1	81.5	66.2
Manufacturing:								
Durable	4.9	14.1	1.8	8.9	4.0	16.0	1.5	10.5
Non-Durable	11.5	9.5	5.6	6.0	10.1	9.1	5.4	6.4
Total Manufacturing	16.4	23.7	7.3	14.9	14.1	25.1	6.9	16.9
Total Private Sector	83.9	81.9	84.1	84.3	83.5	81.7	88.8	83.8
Government(3)	16.1	18.1	15.9	15.7	16.5	18.3	11.2	16.2

Note: Totals may not tally due to rounding.

Sources: The two primary sources of employment and earnings information are U.S. Dept. of Labor, Bureau of Labor Statistics, and U.S. Department of Commerce, Bureau of Economic Analysis.

(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 the City is 1998 data.

(3) Excludes military establishments.

Employment Trends

The City is a leading center for the banking and securities industry, life insurance, communications, publishing, fashion design and retail fields. From 1993 through 1999, the City experienced significant private sector job growth with the addition of more than 347,000 (an average growth rate of 2.0%) new private sector jobs. This expansion over the last six years is the largest six-year job growth rate that the City has experienced since the 1950s, and contrasts with the approximately 9% loss in the City's employment base during 1989-1992. As of October 2000, total employment in the City was approximately 3,746,900 compared to approximately 3,655,600 in October 1999.

The table below shows the distribution of employment from 1990 to 1999.

NEW YORK CITY EMPLOYMENT DISTRIBUTION

	Average Annual Employment (in thousands)									
	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999
Private Sector										
Non-Manufacturing										
Services	1,149	1,097	1,093	1,116	1,148	1,184	1,227	1,275	1,325	1,379
Wholesale and Retail Trade	608	565	546	538	544	555	565	578	590	610
Finance, Insurance and Real Estate	520	494	473	472	480	473	469	473	483	488
Transportation and Public Utilities	229	218	205	203	201	203	205	206	206	207
Construction	115	100	87	86	89	90	91	94	102	114
Total Non-Manufacturing	2,621	2,474	2,404	2,415	2,463	2,505	2,557	2,625	2,707	2,798
Manufacturing:										
Durable	88	77	72	71	69	68	66	64	64	63
Non-Durable	250	231	220	218	211	206	201	201	198	189
Total Manufacturing	338	308	293	289	280	274	266	265	259	252
Total Private Sector	2,959	2,782	2,697	2,704	2,744	2,779	2,823	2,890	2,967	3,050
Government	608	593	585	588	578	560	546	552	561	567
Total	3,566	3,375	3,282	3,291	3,322	3,339	3,369	3,442	3,528	3,617

Note: Totals may not add due to rounding.
Source: U.S. Department of Labor, Bureau of Labor Statistics.

Unemployment

The unemployment rate of the City's resident labor force is shown in the following table. As of October 2000, the total unemployment rate in the City was 5.5% compared to 6.6% in October 1999.

ANNUAL UNEMPLOYMENT RATE(1)(2)

	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999
New York City	6.9%	8.7%	11.0%	10.4%	8.7%	8.2%	8.8%	9.4%	8.0%	6.7%
United States	5.6%	6.9%	7.5%	6.9%	6.1%	5.6%	5.4%	5.0%	4.5%	4.2%

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.

(1) 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).

(2) 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.

Public Assistance

The following table sets forth the number of persons receiving public assistance in the City. As of June 2000, the number of persons receiving public assistance in the City was 572,872 compared to 675,524 in June 1999.

PUBLIC ASSISTANCE(1)

(Annual Averages in Thousands)

1991	1992	1993	1994	1995	1996	1997	1998	1999	2000
896.5	976.5	1,047.3	1,116.0	1,146.8	1,055.4	940.0	812.6	713.7	618.2

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(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.

Taxable Sales

The sales tax is levied on a variety of economic activities including retail sales, utility and communication sales, services and manufacturing. The total taxable sales volume has grown steadily over the past 13 years, except for the period from 1991-1992, with a growth rate averaging over 4%.

The City is a major retail trade market with the greatest volume of retail sales of any city in the nation. Retail sales account for almost 50% of the total taxable sales volume.

The following table illustrates the volume of sales and purchases subject to the sales tax over the past ten years.

TAXABLE SALES AND PURCHASES SUBJECT TO SALES TAX
(In Billions)

Year(1)	Retail(2)	Utility & Communication Sales(3)	Services(4)	Manufacturing	Other(5)	All Total
1987	$22.6	$7.1	$ 7.7	$3.9	$6.7	$48.0
1988	23.8	7.3	8.5	3.9	7.3	50.8
1989	24.5	7.6	9.0	3.8	7.8	52.8
1990	25.4	8.1	9.2	3.7	7.9	54.4
1991	24.0	8.5	9.1	3.3	7.8	52.6
1992	23.8	7.3	9.0	3.2	7.9	51.1
1993	24.1	9.4	9.1	3.2	8.6	54.5
1994	26.2	9.3	10.3	3.3	8.1	57.2
1995	27.6	9.0	10.7	3.3	8.9	59.4
1996	29.1	9.7	11.4	3.6	9.4	63.1
1997	31.5	9.8	13.5	3.9	8.8	67.5
1998	33.4	9.8	17.0	4.1	9.9	74.2

Source: State Department of Taxation and Finance publication "Taxable Sales and Purchases, County and Industry Data."

(1) The yearly data is for the period from September 1 of the year prior to the listed year through August 31 of the listed year.

(2) Retail sales include building materials, general merchandise, food, auto dealers/gas stations, apparel, furniture, eating and drinking and miscellaneous retail.

(3) Utility and Communication sales include electric and gas and communication.

(4) Services include business services, hotels, personal services, auto repair and other services.

(5) All other sales include construction, wholesale trade and others.

Population

The 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 Los Angeles, Chicago and Houston, the three next most populous cities in the nation.

POPULATION OF NEW YORK CITY

Year(1)	Total Population
1970	7,895,563
1980	7,071,639
1990	7,321,713
1991	7,304,481
1992	7,304,895
1993	7,329,079
1994	7,341,300
1995	7,349,560
1996	7,360,622
1997	7,382,901
1998	7,404,140
1999	7,428,162

Note: Figures do not include an undetermined number of undocumented aliens.

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

(1) 1991-1999 figures are based on midyear population estimates of the U.S. Bureau of the Census as of June 2000.

The following table sets forth the distribution of the City's population by age between 1980 and 1990.

DISTRIBUTION OF POPULATION BY AGE
(In Thousands)

	1980		1990	
Age		% of Total		% of Total
Under 5	471	6.7	510	7.0
5 to 17	1,295	18.3	1,177	16.1
18 to 24	826	11.7	778	10.6
25 to 34	1,203	17.0	1,369	18.7
35 to 44	834	11.8	1,117	15.2
45 to 64	1,491	21.1	1,419	19.4
65 and Over	952	13.4	953	13.0

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

Housing

In 1999, the housing stock in the City consisted of approximately 3,039,000 housing units, excluding certain special types of units primarily in institutions such as hospitals and universities. The 1999 housing inventory represented an increase of approximately 44,000 units, or 1.5%, since 1996 and an increase of approximately 62,000 units, or 2.1% since 1993. The 1999 Housing and Vacancy Survey indicates that rental housing units predominate in the City. Of all occupied housing units in 1999, approximately 34% were conventional home-ownership units, cooperatives or condominiums and approximately 66% were rental units. The following table presents trends in the housing inventory in the City.

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

Ownership/Occupancy Status	1981	1984	1987	1991	1993	1996	1999(2)
Total Housing Units	2,792	2,803	2,840	2,981	2,977	2,995	3,039
Owner Units	755	807	837	858	825	858	932
Owner-Occupied	746	795	817	829	805	834	915
Vacant for Sale	9	12	19	20	20	24	17
Rental Units	1,976	1,940	1,932	2,028	2,040	2,027	2,018
Renter-Occupied	1,934	1,901	1,884	1,952	1,970	1,946	1,953
Vacant for Rent	42	40	47	77	70	81	64
Vacant Not Available for Sale or Rent(1)	62	56	72	94	111	110	89

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Sources: U.S. Bureau of the Census, 1981, 1984, 1987, 1991, 1993 and 1996 New York City Housing and Vacancy Surveys and 1999 draft New York City Housing and Vacancy Survey.
(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.
(2) Projected.

Largest Real Estate Taxpayers

No single taxpayer accounts for 10% or more of the City's real property tax. For the 2001 fiscal year, the billable assessed valuation of real estate of utility corporations is $6.3 billion. The following table presents the 40 non-utility properties having the greatest assessed valuation in the 2000 fiscal year as indicated in the tax rolls.

Property	2001 Fiscal Year Assessed Valuation	Property	2001 Fiscal Year Assessed Valuation
Met Life Building	$245,170,000	Solow Building	$126,180,000
General Motors Building	204,600,000	N.Y. Hilton & Towers	126,090,000
Empire State Building	191,430,000	The Chase Manhattan Building	124,520,000
Sperry Rand Building	178,560,000	Chase World Headquarters	117,180,000
Stuyvesant Town	175,680,000	Paramount Plaza	114,750,000
Bear Stearns Building	171,000,000	Park Avenue Atrium	112,467,990
McGraw-Hill Building	167,750,000	595 Lexington Avenue	109,790,000
Bristol Myers Building	163,170,000	666 Fifth Avenue	107,020,000
Alliance Capital Building	156,250,000	Kalikow Building	105,570,000
Time & Life Building	149,100,000	Carpet Center	104,960,000
Paine Webber	146,819,993	Simon & Schuster Building	100,650,000
Credit Lyonnais	146,659,998	Park Avenue Plaza	96,000,000
International Building	145,010,000	Sheraton New York	94,500,000
Equitable Tower	144,390,000	W.R. Grace Building	92,700,000
Waldorf Astoria	139,600,000	Continental Illinois Building	87,570,000
Morgan Guaranty Building	138,960,000	388 Greenwich Street	86,840,000
One Liberty Plaza	137,340,000	One Astor Plaza	86,526,000
Worldwide Plaza	129,100,000	Burroughs Building	86,490,000
One Penn Plaza	128,720,000	IBM Tower	85,734,000
Celanese Building	127,440,000	North Shore Towers	84,795,332

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

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GENERAL PURPOSE

FINANCIAL STATEMENTS
OF
THE CITY OF NEW YORK

June 30, 2000 and 1999

INDEX

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KPMG

WatsonRice LLP

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 ("City") as of and for the years ended June 30, 2000 and June 30, 1999, as listed in the accompanying 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 audits. We did not audit the financial statements of the entities disclosed in Note B. Those financial statements were audited by other auditors, whose reports have been furnished to us, and our opinion on the general purpose financial statements, insofar as it relates to the amounts included for such entities, is based solely on the reports of the other auditors.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatements. 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 reports of the other auditors, the general purpose financial statements referred to above present fairly, in all material respects, the financial position of The City of New York as of June 30, 2000 and 1999, and the results of its operations and cash flows of its discretely presented component units for the years then ended in conformity with accounting principles generally accepted in the United States of America.

As described in Notes A and J, respectively, the City's financial statements include TSASC, Inc., (as a blended component unit), which was created in November 1999 to purchase the City's future right, title, and interest in tobacco settlement revenues, and the Corrections Variable Supplements Fund, (as a Similar Trust Fund), which was created in December 1999.

As discussed in Note S to the general purpose financial statements, certain actuarial assumptions and methods used in the calculation of employer contributions to the actuarial pension systems for the fiscal ended June 30, 2000, were changed. In addition, as discussed in Note J, State legislation resulted in the elimination of the liability, which was previously recorded in the General Long-term Obligations Account Group for certain pension costs incurred prior to 1981.

KPMG LLP

Watson Rice LLP

October 26, 2000
New York, New York

THE CITY OF NEW YORK

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

JUNE 30, 2000

(in thousands)

	Governmental Fund Types			Fiduciary Fund Type	Account Groups		Total (Memorandum Only) Primary Government	Discretely Presented Component Units	Total (Memorandum Only) Reporting Entity
	General	Capital Projects	Debt Service	Trust and Agency	General Fixed Assets	General Long-term Obligations			
ASSETS:									
Cash and cash equivalents	$ 878,116	$ 83,517	$ 414,807	$ 601,775	$ —	$ —	$ 1,978,215	$ 778,457	$ 2,756,672
Investments, including accrued interest	966,223	—	4,082,206	119,348,553	—	—	124,396,982	2,209,815	126,606,797
Investments, collateral from securities lending transactions	—	—	—	12,268,340	—	—	12,268,340	—	12,268,340
Accounts receivable:									
Real estate taxes (less allowance for uncollectible amounts of $387,568)	613,158	—	—	—	—	—	613,158	—	613,158
Federal, State and other aid	5,369,998	469,498	—	—	—	—	5,839,496	—	5,839,496
Patient service, net	—	—	—	—	—	—	—	600,000	600,000
Other	884,389	—	—	5,089,837	—	—	5,974,226	653,140	6,627,366
Mortgage loans and interest receivable, net	—	—	35,204	—	—	—	35,204	2,588,170	2,623,374
Due from other funds	2,502,667	1,293,842	—	100,000	—	—	3,896,509	—	3,896,509
Due from Primary Government	—	—	—	—	—	—	—	47,141	47,141
Due from Discretely Presented Component Units	222,641	252,911	10,452	—	—	—	486,004	—	486,004
Property, plant and equipment	—	—	—	—	24,847,764	—	24,847,764	28,822,495	53,670,259
Accumulated depreciation and amortization	—	—	—	—	(9,423,778)	—	(9,423,778)	(10,530,620)	(19,954,398)
Restricted cash and investments	—	1,345,643	—	—	—	—	1,345,643	1,284,712	2,630,355
Other	435,372	85,547	647	55,377	—	—	576,943	307,432	884,375
Amounts available in Debt Service Funds	—	—	—	—	—	4,189,167	4,189,167	—	4,189,167
Amounts to be provided for general long-term obligations	—	—	—	—	—	42,448,929	42,448,929	—	42,448,929
Total assets	$11,872,564	$3,530,958	$4,543,316	$137,463,882	$15,423,986	$46,638,096	$219,472,802	$26,760,742	$246,233,544

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, 2000
(in thousands)

	Governmental Fund Types			Fiduciary Fund Type	Account Groups		Total (Memorandum Only) Primary Government	Discretely Presented Component Units	Total (Memorandum Only) Reporting Entity
	General	Capital Projects	Debt Service	Trust and Agency	General Fixed Assets	General Long-term Obligations			
LIABILITIES:									
Accounts payable and accrued liabilities	$ 6,088,881	$ 1,307,489	$ 44,349	$ 10,296,916	$ —	$ —	$ 17,737,635	$ 1,201,528	$ 18,939,163
Bonds and notes payable	—	515,000	—	—	—	37,516,289	38,031,289	12,752,492	50,783,781
Capital lease obligations	—	—	—	—	—	1,803,050	1,803,050	—	1,803,050
Accrued real estate tax refunds	50,886	—	—	—	—	539,895	590,781	—	590,781
Accrued tax refunds other	186,189	—	—	—	—	—	186,189	—	186,189
Accrued judgments and claims	292,080	105,431	—	—	—	3,614,884	4,012,395	—	4,012,395
Accrued vacation and sick leave	—	—	—	—	—	2,078,700	2,078,700	360,901	2,439,601
Landfill closure and post-closure care costs	—	—	—	—	—	1,085,278	1,085,278	—	1,085,278
Accrued interest payable	—	—	—	—	—	—	—	37,499	37,499
Deferred revenues	3,315,332	192,505	—	—	—	—	3,507,837	245,525	3,753,362
Due to other funds	1,293,842	2,480,864	21,803	100,000	—	—	3,896,509	—	3,896,509
Due to Primary Government	—	—	—	—	—	—	—	486,004	486,004
Due to Discretely Presented Component Units	47,141	—	—	—	—	—	47,141	—	47,141
Estimated disallowance of Federal, State and other aid	205,228	—	—	—	—	—	205,228	—	205,228
Securities lending transactions	—	—	—	12,268,340	—	—	12,268,340	—	12,268,340
Other	—	—	255,876	1,241,585	—	—	1,497,461	189,567	1,687,028
Total liabilities	11,479,579	4,601,289	322,028	23,906,841	—	46,638,096	86,947,833	15,273,516	102,221,349
EQUITY AND OTHER CREDITS:									
Investment in general fixed assets	—	—	—	—	15,423,986	—	15,423,986	—	15,423,986
Contributed capital	—	—	—	—	—	—	—	9,184,218	9,184,218
Retained earnings:									
Reserved for capital improvement	—	—	—	—	—	—	—	127,956	127,956
Reserved for loans and programs	—	—	—	—	—	—	—	143,879	143,879
Reserved for donor restrictions	—	—	—	—	—	—	—	12,606	12,606
Reserved for debt retirement	—	—	—	—	—	—	—	425,091	425,091
Unreserved	—	—	—	—	—	—	—	1,593,476	1,593,476
Fund balances/plan net assets:									
Reserved for debt service	—	—	4,189,167	—	—	—	4,189,167	—	4,189,167
Reserved for non-current mortgage loans	—	—	32,121	—	—	—	32,121	—	32,121
Reserved for supplemental benefit payments	—	—	—	3,706,725	—	—	3,706,725	—	3,706,725
Reserved for plan benefits	—	—	—	109,850,316	—	—	109,850,316	—	109,850,316
Unreserved(deficit)	392,985	(1,070,331)	—	—	—	—	(677,346)	—	(677,346)
Total equity (deficit) and other credits	392,985	(1,070,331)	4,221,288	113,557,041	15,423,986	—	132,524,969	11,487,226	144,012,195
Commitments and contingencies									
Total liabilities, equity and other credits	$ 11,872,564	$ 3,530,958	$ 4,543,316	$ 137,463,882	$ 15,423,986	$ 46,638,096	$ 219,472,802	$ 26,760,742	$ 246,233,544

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, 1999

(in thousands)

	Governmental Fund Types			Fiduciary Fund Type	Account Groups		Total (Memorandum Only) Primary Government	Discretely Presented Component Units	Total (Memorandum Only) Reporting Entity
	General	Capital Projects	Debt Service	Trust and Agency	General Fixed Assets	General Long-term Obligations			
ASSETS:									
Cash and cash equivalents	$ 193,094	$ 109,100	$ 124,313	$ 375,500	$ —	$ —	$ 799,007	$ 634,304	$ 1,433,311
Investments, including accrued interest	1,763,105	—	3,130,650	112,517,253	—	—	117,411,008	1,978,321	119,389,329
Investments, collateral from securities lending transactions	—	—	—	10,794,193	—	—	10,794,193	—	10,794,193
Accounts receivable:									
Real estate taxes (less allowance for uncollectible amounts of $376,472)	594,309	—	—	—	—	—	594,309	—	594,309
Federal, State and other aid	4,125,996	484,125	—	—	—	—	4,610,121	—	4,610,121
Patient service, net	—	—	—	—	—	—	—	694,224	694,224
Other	644,845	—	245,014	3,068,584	—	—	3,958,443	604,910	4,563,353
Mortgage loans and interest receivable, net	—	—	37,842	—	—	—	37,842	2,440,247	2,478,089
Due from other funds	2,031,874	702,154	—	—	—	—	2,734,028	—	2,734,028
Due from Primary Government	—	—	—	—	—	—	—	69,673	69,673
Due from Discretely Presented Component Units	190,107	235,143	9,956	—	—	—	435,206	—	435,206
Property, plant and equipment	—	—	—	—	23,227,216	—	23,227,216	27,367,503	50,594,719
Accumulated depreciation and amortization	—	—	—	—	(8,231,060)	—	(8,231,060)	(9,813,857)	(18,044,917)
Restricted cash and investments	—	794,038	—	—	—	—	794,038	1,436,057	2,230,095
Other	—	92,062	537	16,171	—	—	108,770	292,281	401,051
Amounts available in Debt Service Funds	—	—	—	—	—	3,442,329	3,442,329	—	3,442,329
Amounts to be provided for general long-term obligations	—	—	—	—	—	43,303,118	43,303,118	—	43,303,118
Total assets	$ 9,540,330	$2,416,622	$3,548,312	$126,771,701	$14,996,156	$46,745,447	$204,018,568	$25,703,663	$229,722,231

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, 1999
(in thousands)

	Governmental Fund Types			Fiduciary Fund Type	Account Groups		Total (Memorandum Only) Primary Government	Discretely Presented Component Units	Total (Memorandum Only) Reporting Entity
	General	Capital Projects	Debt Service	Trust and Agency	General Fixed Assets	General Long-term Obligations			
LIABILITIES:									
Accounts payable and accrued liabilities	$ 5,392,788	$1,021,527	$ 48,773	$ 7,978,426	$ —	$ —	$ 14,441,514	$ 1,108,746	$ 15,550,260
Bonds and notes payable	—	—	—	—	—	35,870,926	35,870,926	13,564,589	49,435,515
Capital lease obligations	—	—	—	—	—	1,525,448	1,525,448	—	1,525,448
Accrued real estate tax refunds	18,482	—	—	—	—	456,972	475,454	—	475,454
Accrued tax refunds—other	60,350	—	—	—	—	—	60,350	—	60,350
Accrued judgments and claims	254,800	105,683	—	—	—	3,517,566	3,878,049	—	3,878,049
Accrued vacation and sick leave	—	—	—	—	—	2,059,298	2,059,298	347,050	2,406,348
Accrued pension liability	—	—	—	—	—	2,336,230	2,336,230	99,689	2,435,919
Landfill closure and post-closure care costs	—	—	—	—	—	979,007	979,007	—	979,007
Accrued interest payable	—	—	—	—	—	—	—	477,925	477,925
Deferred revenues	2,448,915	193,259	—	—	—	—	2,642,174	249,670	2,891,844
Due to other funds	702,154	2,007,777	24,097	—	—	—	2,734,028	—	2,734,028
Due to Primary Government	—	—	—	—	—	—	—	435,206	435,206
Due to Discretely Presented Component Units	69,673	—	—	—	—	—	69,673	—	69,673
Estimated disallowance of Federal, State and other aid	204,867	—	—	—	—	—	204,867	—	204,867
Securities lending transactions	—	—	—	10,794,193	—	—	10,794,193	—	10,794,193
Other	—	—	—	871,851	—	—	871,851	147,286	1,019,137
Total liabilities	9,152,029	3,328,246	72,870	19,644,470	—	46,745,447	78,943,062	16,430,161	95,373,223
EQUITY AND OTHER CREDITS:									
Investment in general fixed assets	—	—	—	—	14,996,156	—	14,996,156	—	14,996,156
Contributed capital	—	—	—	—	—	—	—	7,163,544	7,163,544
Retained earnings:									
Reserved for capital improvement	—	—	—	—	—	—	—	100,472	100,472
Reserved for loans	—	—	—	—	—	—	—	110,964	110,964
Reserved for donor restrictions	—	—	—	—	—	—	—	11,946	11,946
Reserved for debt retirement	—	—	—	—	—	—	—	383,437	383,437
Unreserved	—	—	—	—	—	—	—	1,503,139	1,503,139
Fund balances/plan net assets:									
Reserved for debt service	—	—	3,442,329	—	—	—	3,442,329	—	3,442,329
Reserved for non-current mortgage loans	—	—	33,113	—	—	—	33,113	—	33,113
Reserved for supplemental benefit payments	—	—	—	3,435,022	—	—	3,435,022	—	3,435,022
Reserved for plan benefits	—	—	—	103,692,209	—	—	103,692,209	—	103,692,209
Unreserved (deficit)	388,301	(911,624)	—	—	—	—	(523,323)	—	(523,323)
Total equity (deficit) and other credits	388,301	(911,624)	3,475,442	107,127,231	14,996,156	—	125,075,506	9,273,502	134,349,008
Commitments and contingencies									
Total liabilities, equity and other credits	$ 9,540,330	$ 2,416,622	$3,548,312	$126,771,701	$14,996,156	$46,745,447	$204,018,568	$25,703,663	$229,722,231

See accompanying notes to financial statements.

THE CITY OF NEW YORK

COMBINED STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES ALL GOVERNMENTAL FUND TYPES AND EXPENDABLE TRUST FUND

FOR THE YEAR ENDED JUNE 30, 2000
(in thousands)

	Governmental Fund Types			Fiduciary Fund Type	Total (Memorandum Only)
	General	Capital Projects	Debt Service	Expendable Trust	Primary Government
REVENUES:					
Real estate taxes	$ 7,849,962	$ —	$ —	$ —	$ 7,849,962
Sales and use taxes	4,159,943	—	—	—	4,159,943
Personal income tax	5,364,597	—	247,113	—	5,611,710
Income taxes, other	3,589,023	—	—	—	3,589,023
Other taxes	1,265,780	—	—	—	1,265,780
Federal, State and other categorical aid	11,905,370	312,537	291,500	—	12,509,407
Unrestricted Federal and State aid	631,224	—	—	—	631,224
Charges for services	1,400,507	—	—	—	1,400,507
Contributions	—	—	—	386,063	386,063
Tobacco settlement	247,364	—	27,559	—	274,923
Investment Income	194,753	—	—	606,148	800,901
Other	1,246,369	851,184	129,428	—	2,226,981
Total revenues	37,854,892	1,163,721	695,600	992,211	40,706,424
OTHER FINANCING SOURCES:					
Transfer from Discretely Presented Component Units	29,678	—	—	—	29,678
Transfers from Capital Projects Fund	—	—	115,730	—	115,730
Transfers from General Fund	—	182,000	3,772,736	—	3,954,736
Proceeds from sale of bonds	—	3,125,230	19,177	—	3,144,407
Capitalized leases	—	328,686	—	—	328,686
Refunding bond proceeds	—	—	65,828	—	65,828
Total revenues and other financing sources	37,884,570	4,799,637	4,669,071	992,211	48,345,489
EXPENDITURES:					
Current Operations:					
General government	1,043,124	—	—	—	1,043,124
Public safety and judicial	5,648,618	—	—	—	5,648,618
Education	10,492,457	—	—	—	10,492,457
City University	383,851	—	—	—	383,851
Social services	8,329,814	—	—	—	8,329,814
Environmental protection	1,398,196	—	—	—	1,398,196
Transportation services	763,337	—	—	—	763,337
Parks, recreation and cultural activities	288,517	—	—	—	288,517
Housing	428,644	—	—	—	428,644
Health (including payments to HHC)	1,777,299	—	—	—	1,777,299
Libraries	232,521	—	—	—	232,521
Pensions	615,085	—	—	—	615,085
Judgments and claims	490,669	—	—	—	490,669
Fringe benefits and other benefit payments	2,065,166	—	—	—	2,065,166
Other	(36,429)	—	39,419	88,840	91,830
Capital Projects	—	4,842,614	—	—	4,842,614
Debt Service:					
Interest	—	—	1,987,155	—	1,987,155
Redemptions	—	—	1,561,018	—	1,561,018
Lease payments	—	—	252,987	—	252,987
Refunding escrow	—	—	16,818	—	16,818
Total expenditures	33,920,869	4,842,614	3,857,397	88,840	42,709,720
OTHER FINANCING USES:					
Transfer to Capital Projects Fund	182,000	—	—	—	182,000
Transfers to Debt Service Fund	3,772,736	115,730	—	—	3,888,466
Transfers to Discretely Presented Component Units	4,281	—	—	—	4,281
Payment to refunded bond escrow holder	—	—	65,828	—	65,828
Total expenditures and other financing uses	37,879,886	4,958,344	3,923,225	88,840	46,850,295
EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES AND OTHER FINANCING USES	4,684	(158,707)	745,846	903,371	1,495,194
FUND BALANCES (DEFICIT) AT BEGINNING OF YEAR	388,301	(911,624)	3,475,442	3,367,261	6,319,380
FUND BALANCES (DEFICIT) AT END OF YEAR	$ 392,985	$(1,070,331)	$4,221,288	$4,270,632	$ 7,814,574

THE CITY OF NEW YORK

COMBINED STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES ALL GOVERNMENTAL FUND TYPES AND EXPENDABLE TRUST FUND

FOR THE YEAR ENDED JUNE 30, 1999

(in thousands)

	Governmental Fund Types			Fiduciary Fund Type	Total (Memorandum Only)
	General	Capital Projects	Debt Service	Expendable Trust	Primary Government
REVENUES:					
Real estate taxes	$ 7,630,673	$ —	$ —	$ —	$ 7,630,673
Sales and use taxes	3,825,997	—	—	—	3,825,997
Personal income tax	5,389,598	—	138,229	—	5,527,827
Income taxes, other	3,218,165	—	—	—	3,218,165
Other taxes	1,193,823	—	—	—	1,193,823
Federal, State and other categorical aid	11,228,991	351,809	291,775	—	11,872,575
Unrestricted Federal and State aid	652,343	—	—	—	652,343
Charges for services	1,353,164	—	—	—	1,353,164
Contributions	—	—	—	340,015	340,015
Investment income	182,371	—	77,874	478,023	738,268
Other	1,157,235	909,502	38,173	—	2,104,910
Total revenues	35,832,360	1,261,311	546,051	818,038	38,457,760
OTHER FINANCING SOURCES:					
Transfer from Discretely Presented Component Unit	31,164	—	—	—	31,164
Transfers from General Fund/Capital Projects Funds	—	—	3,739,136	—	3,739,136
Proceeds from sale of bonds	—	3,609,732	21,841	—	3,631,573
Capitalized leases	—	428,540	—	—	428,540
Refunding bond proceeds	—	—	2,050,139	—	2,050,139
Total revenues and other financing sources	35,863,524	5,299,583	6,357,167	818,038	48,338,312
EXPENDITURES:					
Current Operations:					
General government	925,886	—	—	—	925,886
Public safety and judicial	5,317,541	—	—	—	5,317,541
Education	9,478,352	—	—	—	9,478,352
City University	376,943	—	—	—	376,943
Social services	7,891,625	—	—	—	7,891,625
Environmental protection	1,241,171	—	—	—	1,241,171
Transportation services	682,994	—	—	—	682,994
Parks, recreation and cultural activities	264,787	—	—	—	264,787
Housing	429,861	—	—	—	429,861
Health (including payments to HHC)	1,650,989	—	—	—	1,650,989
Libraries	212,243	—	—	—	212,243
Pensions	1,342,415	—	—	—	1,342,415
Judgments and claims	424,305	—	—	—	424,305
Fringe benefits and other benefit payments	1,824,980	—	—	—	1,824,980
Other	54,846	—	53,238	76,649	184,733
Capital Projects	—	5,122,426	—	—	5,122,426
Debt Service:					
Interest	—	—	1,852,077	—	1,852,077
Redemptions	—	—	1,330,994	—	1,330,994
Lease payments	—	—	248,601	—	248,601
Refunding escrow	—	—	107,042	—	107,042
Total expenditures	32,118,938	5,122,426	3,591,952	76,649	40,909,965
OTHER FINANCING USES:					
Transfers to Debt Service Funds	3,735,416	3,720	—	—	3,739,136
Transfers to Discretely Presented Component Unit	4,258	—	—	—	4,258
Payment to refunded bonds escrow holder	—	—	2,050,139	—	2,050,139
Total expenditures and other financing uses	35,858,612	5,126,146	5,642,091	76,649	46,703,498
EXCESS OF REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES AND OTHER FINANCING USES	4,912	173,437	715,076	741,389	1,634,814
FUND BALANCES (DEFICIT) AT BEGINNING OF YEAR	383,389	(1,085,061)	2,760,366	—	2,058,694
FUND BALANCE AT BEGINNING OF YEAR—AS RESTATED				2,625,872	2,625,872
FUND BALANCES (DEFICIT) AT END OF YEAR	$ 388,301	$ (911,624)	$3,475,442	$3,367,261	$ 6,319,380

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, 2000 AND 1999

(in thousands)

	2000			1999		
	Budget			Budget		
	Adopted	Modified	Actual	Adopted	Modified	Actual
REVENUES:						
Real estate taxes	$ 7,765,297	$ 7,813,297	$ 7,849,962	$ 7,743,498	$ 7,622,000	$ 7,630,673
Sales and use taxes	3,782,900	4,097,900	4,159,943	3,550,300	3,833,700	3,825,997
Personal income tax	4,837,461	5,399,311	5,364,597	4,587,768	5,387,978	5,389,598
Income taxes, other	3,138,436	3,608,700	3,589,023	3,198,810	3,263,000	3,218,165
Other taxes	1,115,200	1,241,296	1,265,780	997,700	1,174,700	1,193,823
Federal, State and other categorical aid	11,064,668	12,622,396	11,905,370	10,635,970	11,715,371	11,228,991
Unrestricted Federal and State aid	614,730	616,730	631,224	564,730	620,939	652,343
Charges for services	1,380,296	1,391,225	1,400,507	1,342,975	1,391,559	1,353,164
Tobacco settlement	—	247,426	247,364	—	—	—
Interest income	104,030	168,010	194,753	107,110	172,800	182,371
Other revenues	1,060,801	1,555,275	1,246,369	1,052,721	1,598,267	1,157,235
Total revenues	34,863,819	38,761,566	37,854,892	33,781,582	36,780,314	35,832,360
OTHER FINANCING SOURCES:						
Transfers from Discretely Presented Component Units	30,600	31,100	29,678	30,800	29,000	31,164
Total revenues and other financing sources	34,894,419	38,792,666	37,884,570	33,812,382	36,809,314	35,863,524
EXPENDITURES:						
General government	1,039,534	1,080,538	1,043,124	945,848	992,803	925,886
Public safety and judicial	5,486,097	5,723,158	5,648,618	5,054,325	5,411,771	5,317,541
Board of Education	10,067,438	10,530,607	10,492,457	9,290,771	9,620,076	9,478,352
City University	420,750	420,484	383,851	399,381	413,887	376,943
Social services	7,910,928	8,607,028	8,329,814	7,771,282	8,034,780	7,891,625
Environmental protection	1,424,519	1,439,716	1,398,196	1,300,823	1,304,576	1,241,171
Transportation services	593,292	792,568	763,337	709,701	742,769	682,994
Parks, recreation and cultural activities	269,924	287,339	288,517	256,315	267,665	264,787
Housing	445,796	475,600	428,644	446,151	525,703	429,861
Health (including payments to HHC)	1,644,688	1,794,541	1,777,299	1,470,058	1,658,335	1,650,989
Libraries	229,035	232,524	232,521	212,528	212,605	212,243
Pensions	1,215,950	623,159	615,085	1,307,543	1,352,904	1,342,415
Judgments and claims	392,889	490,549	490,669	383,482	412,526	424,305
Fringe benefits and other benefit payments	2,068,615	2,065,813	2,065,166	1,869,909	1,963,377	1,824,980
Other	548,389	204,116	(36,429)	734,611	154,285	54,846
Total expenditures	33,757,844	34,767,740	33,920,869	32,152,728	33,068,062	32,118,938
OTHER FINANCING USES:						
Transfers and other payments for debt service	1,136,575	3,842,926	3,777,017	1,659,654	3,741,252	3,739,674
Transfer to capital projects fund	—	182,000	182,000	—	—	—
Total expenditures and other financing uses	34,894,419	38,792,666	37,879,886	33,812,382	36,809,314	35,858,612
EXCESS OF REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES AND OTHER FINANCING USES	$ —	$ —	4,684	$ —	$ —	4,912
FUND BALANCES AT BEGINNING OF YEAR			388,301			383,389
FUND BALANCES AT END OF YEAR			$ 392,985			$ 388,301

See accompanying notes to financial statements.

THE CITY OF NEW YORK

COMBINED STATEMENT OF CHANGES IN PENSION AND SIMILAR TRUST FUNDS PLAN NET ASSETS

PENSION AND SIMILAR TRUST FUNDS

FOR THE YEAR ENDED JUNE 30, 2000
(in thousands)

	Pension Trust Funds	Similar Trust Funds	Total
ADDITIONS:			
Contributions:			
Member contributions (net of loans to members)	$ 525,914	$ —	$ 525,914
Employer contributions	703,079	—	703,079
Other employer contributions	20,988	—	20,988
Total contributions	1,249,981	—	1,249,981
Investment income:			
Interest income	2,605,394	75,284	2,680,678
Dividend income	761,602	28,287	789,889
Net appreciation in fair value of investments	6,978,576	235,295	7,213,871
Less investment expenses	694,321	10,202	704,523
Investment income, net	9,651,251	328,664	9,979,915
Payments from pension trust funds	—	100,031	100,031
Net payments from other funds	27,636	—	27,636
Total additions	10,928,868	428,695	11,357,563
DEDUCTIONS:			
Benefit payments and withdrawals	5,521,124	156,992	5,678,116
Payments to similar trust funds	100,031	—	100,031
Administrative and other	52,977	—	52,977
Total deductions	5,674,132	156,992	5,831,124
Increase in plan net assets	5,254,736	271,703	5,526,439
PLAN NET ASSETS HELD IN TRUST FOR PENSION AND SUPPLEMENTAL BENEFIT PAYMENTS:			
BEGINNING OF YEAR	100,324,948	3,435,022	103,759,970
END OF YEAR	$105,579,684	$3,706,725	$109,286,409

See accompanying notes to financial statements.

THE CITY OF NEW YORK

COMBINED STATEMENT OF CHANGES IN PENSION AND SIMILAR TRUST FUNDS PLAN NET ASSETS

PENSION AND SIMILAR TRUST FUNDS

FOR THE YEAR ENDED JUNE 30, 1999
(in thousands)

	Pension Trust Funds	Similar Trust Funds	Total
ADDITIONS:			
Contributions:			
Member contributions (net of loans to members)	$ 494,963	$ —	$ 494,963
Employer contributions	1,452,856	—	1,452,856
Other employer contributions	20,484	—	20,484
Total contributions	1,968,303	—	1,968,303
Investment income:			
Interest income	2,339,270	72,942	2,412,212
Dividend income	763,624	28,621	792,245
Net appreciation in fair value of investments	9,708,981	335,502	10,044,483
Less investment expenses	563,536	8,393	571,929
Investment income, net	12,248,339	428,672	12,677,011
Payments from pension trust funds	—	181	181
Net payments from other funds	23,913	—	23,913
Total additions	14,240,555	428,853	14,669,408
DEDUCTIONS:			
Benefit payments and withdrawals	5,301,618	149,986	5,451,604
Payments to similar trust funds	190	—	190
Net payments to other funds	3,678	—	3,678
Administrative and other	46,693	—	46,693
Total deductions	5,352,179	149,986	5,502,165
Increase in plan net assets	8,888,376	278,867	9,167,243
PLAN NET ASSETS HELD IN TRUST FOR PENSION AND SUPPLEMENTAL BENEFIT PAYMENTS:			
BEGINNING OF YEAR	91,436,572	3,156,155	94,592,727
END OF YEAR	$100,324,948	$3,435,022	$103,759,970

See accompanying notes to financial statements.

THE CITY OF NEW YORK

COMBINED STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND EQUITY

DISCRETELY PRESENTED COMPONENT UNITS

FOR THE YEAR ENDED JUNE 30, 2000

(in thousands)

	Health and Hospitals Corporation	Off-Track Betting Corporation	Housing and Economic Development Entities	Water and Sewer System	Total
OPERATING REVENUES:					
Patient service revenues, net	$3,480,859	$ —	$ —	$ —	$3,480,859
Charges for services	—	—	—	1,534,862	1,534,862
Federal, State and other aid	—	—	1,394,890	—	1,394,890
Rental income	—	—	655,580	—	655,580
Investment income	—	—	64,724	66,539	131,263
Other	577,005	243,874	284,853	45,736	1,151,468
Total operating revenues	4,057,864	243,874	2,400,047	1,647,137	8,348,922
OPERATING EXPENSES:					
Personal services	2,105,868	76,574	779,150	—	2,961,592
Affiliated institutions	461,455	—	—	—	461,455
Racing industry compensation	—	89,036	—	—	89,036
Operations and maintenance	1,027,281	—	—	801,255	1,828,536
Interest expense	—	—	134,760	492,747	627,507
Administrative and program	—	5,546	1,250,892	10,092	1,266,530
Depreciation and amortization	155,315	6,118	245,690	347,055	754,178
Provision for bad debts	328,624	—	—	89,062	417,686
Other	—	25,057	129,615	—	154,672
Distributions to the State and other local governments	—	15,508	—	—	15,508
Total operating expenses	4,078,543	217,839	2,540,107	1,740,211	8,576,700
Operating income (loss)	(20,679)	26,035	(140,060)	(93,074)	(227,778)
NONOPERATING REVENUES (EXPENSES):					
Investment income	25,984	1,596	54,243	3,940	85,763
Interest expense	(89,390)	—	—	—	(89,390)
Decrease in accrued pension liability	93,339	6,297	—	—	99,636
Amounts from other OTB communities	—	3,120	—	—	3,120
Other	—	—	(1,643)	—	(1,643)
Total nonoperating revenues (expenses)	29,933	11,013	52,600	3,940	97,486
Income (loss) before operating transfers	9,254	37,048	(87,460)	(89,134)	(130,292)
OPERATING TRANSFERS:					
Transfer from Primary Government for debt service	—	—	4,281	—	4,281
Transfer to Primary Government	—	(29,677)	—	—	(29,677)
Net income (loss)	9,254	7,371	(83,179)	(89,134)	(155,688)
FUND EQUITY AT BEGINNING OF YEAR	1,238,157	14,357	3,150,788	4,870,200	9,273,502
Contributed fixed assets and debt service	73,835	—	2,289,280	5,637	2,368,752
Net increase in donor restricted funds	660	—	—	—	660
FUND EQUITY AT END OF YEAR	$1,321,906	$ 21,728	$5,356,889	$4,786,703	$11,487,226
COMPONENTS OF FUND EQUITY AT END OF YEAR:					
Reserved	$ 502,698	$ 17,617	$4,801,660	$4,571,775	$ 9,893,750
Unreserved	819,208	4,111	555,229	214,928	1,593,476
FUND EQUITY AT END OF YEAR	$1,321,906	$ 21,728	$5,356,889	$4,786,703	$11,487,226

See accompanying notes to financial statements.

THE CITY OF NEW YORK

COMBINED STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND EQUITY

DISCRETELY PRESENTED COMPONENT UNITS

FOR THE YEAR ENDED JUNE 30, 1999
(in thousands)

	Health and Hospitals Corporation	Off-Track Betting Corporation	Housing and Economic Development Entities	Water and Sewer System	Total
OPERATING REVENUES:					
Patient service revenues, net	$3,614,951	$ —	$ —	$ —	$ 3,614,951
Charges for services	—	—	—	1,480,673	1,480,673
Federal, State and other aid	—	—	1,323,984	—	1,323,984
Rental income	—	—	635,309	—	635,309
Investment income	—	—	40,260	78,291	118,551
Other	443,423	228,741	288,889	45,828	1,006,881
Total operating revenues	4,058,374	228,741	2,288,442	1,604,792	8,180,349
OPERATING EXPENSES:					
Personal services	1,937,801	73,509	708,162	—	2,719,472
Affiliated institutions	442,331	—	—	—	442,331
Racing industry compensation	—	80,719	—	—	80,719
Operations and maintenance	906,676	—	—	777,652	1,684,328
Interest expense	—	—	169,501	466,128	635,629
Administrative and program	—	5,210	1,075,507	10,879	1,091,596
Depreciation and amortization	157,440	5,354	225,333	390,570	778,697
Provision for bad debts	526,451	—	—	103,960	630,411
Other	—	24,484	111,002	—	135,486
Distributions to the State and other local governments	—	14,778	—	—	14,778
Total operating expenses	3,970,699	204,054	2,289,505	1,749,189	8,213,447
Operating income (loss)	87,675	24,687	(1,063)	(144,397)	(33,098)
NONOPERATING REVENUES (EXPENSES):					
Investment income	17,728	1,325	66,077	3,174	88,304
Interest expense	(89,196)	—	—	—	(89,196)
Amounts from other OTB communities	—	3,283	—	—	3,283
Total nonoperating revenues (expenses)	(71,468)	4,608	66,077	3,174	2,391
Income (loss) before operating transfers	16,207	29,295	65,014	(141,223)	(30,707)
OPERATING TRANSFERS:					
Transfer from Primary Government for debt service	—	—	4,258	—	4,258
Transfer to Primary Government	—	(31,164)	—	—	(31,164)
Net income (loss)	16,207	(1,869)	69,272	(141,223)	(57,613)
FUND EQUITY AT BEGINNING OF YEAR	1,163,143	16,226	2,525,379	5,004,034	8,708,782
Contributed fixed assets and debt service	58,358	—	556,137	7,389	621,884
Net increase in donor restricted funds	449	—	—	—	449
FUND EQUITY AT END OF YEAR	$1,238,157	$ 14,357	$3,150,788	$4,870,200	$ 9,273,502
COMPONENTS OF FUND EQUITY AT END OF YEAR:					
Reserved	$ 403,294	$ 19,015	$2,651,276	$4,696,778	$7,770,363
Unreserved (deficit)	834,863	(4,658)	499,512	173,422	1,503,139
FUND EQUITY AT END OF YEAR	$1,238,157	$ 14,357	$3,150,788	$4,870,200	$ 9,273,502

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, 2000

(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)	$ (20,679)	$ 26,035	$ (140,060)	$ (93,074)	$(227,778)
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:					
Depreciation and amortization	155,315	6,118	245,690	347,055	754,178
Provision for bad debts	328,624	—	—	89,062	417,686
Increase in patient service receivables	(232,037)	—	—	—	(232,037)
Decrease (increase) in accounts and other receivables	40,751	(16)	(58,053)	(119,808)	(137,126)
Increase (decrease) in accounts payable and accrued liabilities	26,992	(703)	80,609	5,000	111,898
Increase in accrued vacation and sick leave	12,098	—	1,771	—	13,869
Decrease in accrued pension liability	—	(265)	—	—	(265)
Increase (decrease) in deferred revenues	—	—	8,459	(12,464)	(4,005)
Distribution to Primary Government	—	(29,982)	—	—	(29,982)
Decrease in program loans issued	—	—	(199,092)	—	(199,092)
Receipts from collections of program loans	—	—	56,121	—	56,121
Increase in distribution to State and local governments	—	179	—	—	179
Increase in payable to Primary Government	—	—	—	40,301	40,301
Other	240,909	328	(1,197)	2,564	242,604
Total adjustments	572,652	(24,341)	134,308	351,710	1,034,329
Net cash provided by (used in) operating activities	551,973	1,694	(5,752)	258,636	806,551
NONCAPITAL FINANCING ACTIVITIES:					
Proceeds from issuing bonds, notes and other borrowings	—	—	509,682	—	509,682
Repayments of bonds, notes and other borrowings	—	—	(336,984)	—	(336,984)
Transfer from Primary Government for debt service	—	—	4,281	—	4,281
Amounts from other OTB communities	—	3,120	—	—	3,120
Net cash provided by noncapital financing activities	—	3,120	176,979	—	180,099
CAPITAL AND RELATED FINANCING ACTIVITIES:					
Additions to fixed assets	(233,141)	(2,052)	(484,748)	(739,072)	(1,459,013)
Proceeds from issuing bonds, notes and other borrowings	6,170	—	—	5,724,902	5,731,072
Repayments of bonds, notes and other borrowings	(19,040)	—	(62,271)	(5,313,533)	(5,394,844)
Contributed capital other than for operations	65,787	—	515,353	—	581,140
Interest paid on bonds, notes and other borrowings	(89,390)	—	—	—	(89,390)
Net cash used in capital and related financing activities	(269,614)	(2,052)	(31,666)	(327,703)	(631,035)
INVESTING ACTIVITIES:					
Proceeds from sales and maturities of investments	—	—	17,138,848	503,019	17,641,867
Purchase of investments	—	—	(17,334,420)	(99,588)	(17,434,008)
Interest on investments	25,984	1,596	72,922	3,861	104,363
Net cash provided by (used in) investing activities	25,984	1,596	(122,650)	407,292	312,222
INCREASE IN CASH AND CASH EQUIVALENTS	308,343	4,358	16,911	338,225	667,837
CASH AND CASH EQUIVALENTS BEGINNING OF YEAR	339,628	23,360	291,090	545,361	1,199,439
CASH AND CASH EQUIVALENTS END OF YEAR	$ 647,971	$ 27,718	$ 308,001	$ 883,586	$ 1,867,276
Cash and cash equivalents	$ 435,921	$ 27,216	$ 306,586	$ 8,734	$ 778,457
Restricted cash and investments	293,890	502	15,660	974,660	1,284,712
Less restricted investments	81,840	—	14,245	99,808	195,893
Cash and cash equivalents end of year	$ 647,971	$ 27,718	$ 308,001	$ 883,586	$ 1,867,276

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 2000 which represents contributed capital from Primary Government.
The Water Board received capital assets of $5.6 million for fiscal year 2000 which represents contributed capital from Primary Government.

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, 1999

(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)	$ 87,675	$ 24,687	$ (1,063)	$ (144,397)	$ (33,098)
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:					
Depreciation and amortization	157,440	5,354	225,333	390,570	778,697
Provision for bad debts	526,451	—	—	103,960	630,411
Increase in patient service receivables	(546,071)	—	—	—	(546,071)
Decrease (increase) in accounts and other receivables	16,641	(32)	(15,583)	(113,987)	(112,961)
Increase (decrease) in accounts payable and accrued liabilities	(9,894)	2,616	(27,452)	1,711	(33,019)
Increase (decrease) in accrued vacation and sick leave	(3,287)	—	938	—	(2,349)
Decrease in accrued pension liability	(3,141)	(259)	—	—	(3,400)
Increase (decrease) in deferred revenues	—	—	66,904	(7,316)	59,588
Increase in distribution to Primary Government	—	(30,889)	—	—	(30,889)
Increase in program loans issued	—	—	(89,157)	—	(89,157)
Increase from collections of program loans	—	—	77,141	—	77,141
Decrease in distribution to State and local governments	—	120	—	—	120
Increase in payable to Primary Government	—	—	—	1,996	1,996
Other	49,240	389	(58,079)	(1,035)	(9,485)
Total adjustments	187,379	(22,701)	180,045	375,899	720,622
Net cash provided by operating activities	275,054	1,986	178,982	231,502	687,524
NONCAPITAL FINANCING ACTIVITIES:					
Proceeds from issuing bonds, notes and other borrowings	—	—	298,670	—	298,670
Repayments of bonds, notes and other borrowings	—	—	(416,175)	—	(416,175)
Transfer from Primary Government for debt service	—	—	4,258	—	4,258
Amounts from other OTB communities	—	3,283	—	—	3,283
Net cash provided by (used in) noncapital financing activities	—	3,283	(113,247)	—	(109,964)
CAPITAL AND RELATED FINANCING ACTIVITIES:					
Additions to fixed assets	(125,021)	(5,425)	(459,978)	(822,471)	(1,412,895)
Proceeds from issuing bonds, notes and other borrowings	18,928	—	442	7,237,007	7,256,377
Repayments of bonds, notes and other borrowings	(12,315)	—	(68,613)	(6,783,397)	(6,864,325)
Contributed capital other than for operations	42,452	—	571,368	—	613,820
Interest paid on bonds, notes and other borrowings	(89,196)	—	—	—	(89,196)
Net cash provided by (used in) capital and related financing activities	(165,152)	(5,425)	43,219	(368,861)	(496,219)
INVESTING ACTIVITIES:					
Proceeds from sales and maturities of investments	—	—	17,377,146	1,004,387	18,381,533
Purchase of investments	—	—	(17,734,362)	(1,102,128)	(18,836,490)
Interest on investments	17,728	1,325	73,159	3,218	95,430
Net cash provided by (used in) investing activities	17,728	1,325	(284,057)	(94,523)	(359,527)
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	127,630	1,169	(175,103)	(231,882)	(278,186)
CASH AND CASH EQUIVALENTS BEGINNING OF YEAR	211,998	22,191	466,193	777,243	1,477,625
CASH AND CASH EQUIVALENTS END OF YEAR	$ 339,628	$ 23,360	$ 291,090	$ 545,361	$ 1,199,439
Cash and cash equivalents	$ 325,239	$ 22,612	$ 250,599	$ 35,854	$ 634,304
Restricted cash and investments	337,824	748	86,609	1,010,876	1,436,057
Less restricted investments	323,435	—	46,118	501,369	870,922
Cash and cash equivalents end of year	$ 339,628	$ 23,360	$ 291,090	$ 545,361	$ 1,199,439

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 $58.4 million for fiscal year 1999 which represents contributed capital from Primary Government.
The Water Board received capital assets of $7.4 million for fiscal year 1999 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 in the United States 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 Transitional Finance Authority (TFA)
New York City Samurai Funding Corporation (SFC)
TSASC, Inc. (TSASC)
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:

Expendable Trust Fund:

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

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 City Police Department Pension Fund—Subchapter 2 (POLICE)
- New York City 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)
- Correction Variable Supplements Fund (CVSF)

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

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 Funds

The Capital Projects Funds account 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 systems, and other elements of the City's infrastructure having a minimum useful life of five years, having a cost of more than $35,000 (minimum cost criteria increased from $15,000 effective November 1, 1999), and having been appropriated in the Capital Budget (see Budgets). The Capital Projects Funds include the activities of the New York City Capital Projects Fund, SCA, TFA, and TSASC. Resources of the Capital Projects Funds are derived principally from proceeds of City, TFA, and TSASC bond issues, payments from the Water Authority, and from Federal, State, and other aid. The New York City Capital Projects Fund cumulative deficits of $1.1 billion and $936 million at June 30, 2000 and 1999, respectively, represent the amounts expected to be financed from future bond issues or intergovernmental reimbursements. To the extent the deficits 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, TFA, SFC, and TSASC; 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 Expendable Trust Fund, Pension and Similar Trust Funds, and Agency Funds.

The Expendable Trust Fund accounts for the assets and activities of DCP which was created in accordance with Internal Revenue Code Section 457.

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, HPSOVSF, and CVSF. 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 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); unpaid vacation and sick leave; (v) certain unfunded pension liabilities; and (vi) 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 and the Expendable Trust Fund 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, changes in net assets, 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 $3,898 million and $2,997 million subsequent to its original adoption in fiscal years 2000 and 1999, 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 comprises 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 2000 and 1999 were approximately $264 million and $227 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 Expendable Trust Fund and Pension and Similar Trust Funds 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 2000 and 1999 is provided in Deposits and Investments (see Note G).

Most investments are reported in the balance sheet at fair value. Investment income, including changes in the fair value of investments, is reported in operations.

Inventories

Materials and supplies are recorded as expenditures in governmental funds at the time of purchase. Accordingly, inventories on hand at June 30, 2000 and 1999 (estimated at $210 million and $201 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 I).

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 M, N, O, and P 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 $742.4 million and $737.8 million for fiscal years 2000 and 1999, 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, 2000 were due July 1, 1999 and January 1, 2000 except that payments by owners of real property assessed at $80,000 or less and cooperatives whose individual units on average are valued at $80,000 or less were due in quarterly installments on the first day of each quarter beginning on July 1.

The levy date for fiscal year 2000 taxes was June 7, 1999. 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 the usual discount of 2% for the prepayment of real estate taxes for fiscal years 2001 and 2000. Collections of these real estate taxes received on or before June 30, 2000 and 1999 were $1,621 million and $935 million, respectively. These amounts were recorded as deferred revenue.

The City sold approximately $65 million of real property tax liens, fully attributable to fiscal year 2000, at various dates in fiscal year 2000. As in prior year's lien sale agreements, the City will refund the value of liens later determined to be defective, plus interest and a five percent surcharge. It has been estimated that $5.7 million worth of liens sold in fiscal year 2000 will require replacement. The estimated refund accrual amount of $6 million, including the surcharge, results in fiscal year 2000 sale proceeds of $59 million.

In fiscal year 2000, $10.8 million, including the surcharge and interest, was refunded for defective liens from the fiscal year 1999 sale. This resulted in an increase to fiscal year 2000 revenue of $3.2 million for the unused balance of the fiscal year 1999 accrual of $14 million and increased the proceeds of the fiscal year 1999 sale to $130.2 million up from the original fiscal year 1999 proceeds reported last year of $127 million.

In fiscal years 2000 and 1999, $388 million and $376 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 years ended June 30, 2000 and 1999, excess amounts of $414 million and $410 million, respectively, were transferred to the Debt Service Funds.

Other Taxes and Other Revenues

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

Licenses, permits, privileges and franchises, fines, 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. The City has not recognized $178 million of prior year Board of Education claims for reimbursement from the New York State Education Department. While these revenues are measurable, they are not considered available to fund current operations based on the State's appropriation practices over the last several years.

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, capital construction, 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 S), 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. Reclassifications and adjustments of certain prior year amounts have been made to conform with the current year presentation and separately issued financial statements of reported entities.

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 or Implemented

In December, 1998, GASB issued Statement No. 33, *Accounting and Financial Reporting for Nonexchange Transactions.* The Statement establishes accounting and financial reporting standards for nonexchange transactions involving financial or capital resources. Nonexchange transactions are those in which a government gives or receives value without directly receiving or giving equal value in return. A significant amount of the City's revenues are derived from nonexchange transactions, such as real estate, income, and sales taxes, as well as Federal, State and other categorical aid. Statement No. 33 prescribes standards primarily related to the timing of the recognition of nonexchange transactions. The City has not completed the task of estimating the effect of Statement No. 33 on all of the nonexchange transactions recorded in its financial statements. Statement No. 33 is effective for financial statement periods beginning after June 15, 2000, which would require the City to implement its requirements for its fiscal year ending June 30, 2001.

In June, 1999, GASB issued Statement No. 34, *Basic Financial Statements—and Management's Discussion and Analysis—for State and Local Governments.* The Statement significantly changes the financial reporting model for state and local governments and will result in significant changes to the financial statements of the City. The City has not completed a detailed analysis of the impact of Statement No. 34 on its financial statements. Statement No. 34 requires government-wide financial statements to be prepared using the accrual basis of accounting and the economic resources measurement focus. Government-wide financial statements will not provide information by fund or account group, but will distinguish between the City's governmental activities and activities of its discretely presented component units on the City's statement of net assets and statement of activities. Significantly, the City's statement of net assets will include both noncurrent assets and noncurrent liabilities of the City, which are currently recorded in the General Fixed Assets Account Group and the General Long-term Obligations Account Group. In addition to the fixed assets now recorded in the General Fixed Assets Account Group, the City will be required to retroactively capitalize infrastructure assets that were acquired beginning with the City's fiscal year ended June 30, 1981. The City's government-wide statement of activities will reflect depreciation expense on the City's fixed assets, including infrastructure. If certain conditions are met, the City may use an alternative method to recording depreciation on infrastructure assets.

In addition to the government-wide financial statements, the City will be required to prepare fund financial statements. Fund financial statements will continue to use the modified accrual basis of accounting and current financial resources measurement focus. Accordingly, the accounting and financial reporting for the City's General Fund, Capital Projects Funds and Debt Service Funds will be similar to that currently presented in the City's financial statements, although the financial statements will be modified by Statement No. 34.

Statement No. 34 also requires two components of required supplementary information: Management's discussion and analysis will include an analytical overview of the City's financial activities. Budgetary comparison schedules will compare the adopted and modified general fund budget with actual results.

The City will be required to implement Statement No. 34 in fiscal year ending June 30, 2002, except that the City can delay the retroactive recording of infrastructure assets until fiscal year ending June 30, 2006. The component units currently included in the City's financial reporting entity will also be required to implement Statement No. 34 at the same time the City implements this Statement. The City is continuing the complex analysis of determining the financial statement impact of implementing Statement No. 34.

In November, 1999, GASB issued Statement No. 35, *Basic Financial Statements—and Management's Discussion and Analysis—for Public Colleges and Universities.* This Statement amends Statement No. 34 to make it applicable to public colleges and universities and is not expected to have an impact on the City's financial statements.

In April, 2000, GASB issued Statement No. 36, *Recipient Reporting for Certain Shared Nonexchange Revenues.* This Statement amends Statement No. 33 to require governments that are recipients of shared revenues that are provided by another government to account for those revenues in the same period as the provider government. This Statement is not expected to have a significant impact on the City's financial statements. It must be implemented simultaneously with Statement No. 33.

B. AUDIT RESPONSIBILITY

In fiscal years 2000 and 1999, respectively, the separately administered organizations included in the financial statements of the City audited by auditors other than KPMG 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, Deferred Compensation Plan, the New York City Transitional Finance Authority, and TSASC, Inc.

The following describes the proportion of certain key financial information that is audited by other auditors in fiscal years 2000 and 1999:

	Fund Types								Account Groups					
	General		Capital Projects		Debt Service		Trust and Agency		General Fixed Assets		General Long-term Obligations		Discretely Presented Component Units	
	2000	1999	2000	1999	2000	1999	2000	1999	2000	1999	2000	1999	2000	1999
							(percent)							
Total assets/liabilities	0	0	19	19	43	41	3	3	32	30	26	21	36	22
Operating revenues and other financing sources	0	0	54	40	30	25	8	4	NA	NA	NA	NA	32	29

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 J). 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 Transitional Finance Authority (TFA)

TFA is a corporate governmental agency constituting a public benefit corporation and instrumentality of the State. TFA was created in March, 1997 by the New York City Financial Authority Act (Act) to assist the City in funding its capital program, the purpose of which is to maintain, rebuild and expand the infrastructure of the City. TFA became operational in October, 1997 concurrent with its first debt offering.

TFA has no taxing power. All outstanding bonds issued by TFA are general obligations of TFA 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 TFA's revenues and assets. Debt service requirements and operating expenses are funded by allocations from the State's collection of personal income taxes (imposed by the City and collected by the State) and, under certain circumstances, sales taxes. Sales taxes are only available to TFA after such amounts required by MAC are deducted and if the amounts of personal income tax revenues fall below statutorily specified coverage levels. Net collections of taxes not required by TFA are paid to the City by TFA. No sales tax revenues were received by TFA during fiscal year 2000.

TFA was authorized by the Act to issue obligations in an aggregate principal amount of $11.5 billion in debt for City purposes, providing an alternative to the issuance of General Obligation Debt subject to the constitutional limitation, of which TFA issued $1.815 billion revenue bonds and $515 million Series 3 Bond Anticipation Notes for the fiscal year ended June 30, 2000.

TFA account balances and transactions are shown in the Capital Projects Funds, Debt Service Funds, and General Long-term Obligations Account Group.

E. 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.

F. TSASC, Inc. (TSASC)

TSASC is a special purpose, local development corporation organized under the laws of the State of New York. TSASC is an instrumentality of the City, but is a separate legal entity from the City.

Pursuant to a purchase and sale agreement with the City, the City sold to TSASC all of its future right, title and interest in the tobacco settlement revenues under the Master Settlement Agreement and the Decree and Final Judgment. This settlement agreement resolved cigarette smoking-related litigation between the settling states and participating manufacturers, released the participating manufacturers from past and present smoking-related claims, and provides for a continuing release of future smoking-related claims, in exchange for certain payments to be made to the settling states, as well as certain tobacco advertising and marketing restrictions, among other things. The City is allocated a share of the tobacco settlement revenues received by New York State.

The purchase price of the City's future right, title and interest in the tobacco settlement revenues has been financed by the issuance of a series of bonds. In addition, the City is entitled to receive all amounts required to be distributed after payment of debt service, operating expenses and certain other costs as set forth in the indenture. These payments are subordinate to payments on the bonds and payment of certain other costs specified in the indenture.

The City is required to use the net proceeds of bonds for capital projects. TSASC is expecting to issue a total amount of Tobacco Flexible Amortization Bonds in the approximate principal amount of $2.8 billion, which includes the $709 million issued during the period from November 5, 1999 (inception) to June 30, 2000.

TSASC account balances and transactions are shown in the Capital Projects Funds, Debt Service Funds and General Long-term Obligations Account Group.

G. 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, 2000 and 1999, the carrying amount of the City's cash and cash equivalents was $1,978 million and $799 million, respectively, and the bank balances were $1,620 million and $890 million, respectively. Of the bank balances, $737 million and $363 million, respectively, were covered by Federal depository insurance and $883 million and $527 million, respectively, were uninsured and collateralized with securities held by the City's agent in the City's name. At June 30, 2000 and 1999, the carrying amount of the discretely presented component units' cash and cash equivalents was $778 million and $634 million, respectively, and the bank balances were $64 million and $120 million, respectively. Of the bank balances, $4 million and $5 million, respectively, were covered by Federal depository insurance and $58 million and $111 million, respectively, were uninsured and collateralized with securities held by the City's agent in the City's name. Of the bank balances, $2 million and $4 million, respectively, were uninsured and uncollaterized.

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 and U.S. Government agency securities purchased directly and through repurchase agreements from primary dealers as well as commercial paper rated A1 and P1 by Standard & Poor's Corporation and Moody's Investors Service, Inc., respectively. The repurchase agreements must be collateralized by U.S. Government guaranteed securities, U.S. Government agency 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 guaranteed 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, certificates of deposit, and 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, 2000 and 1999 are classified as follows:

	2000									
	Category						Total Carrying Amount		Fair Value	
	1		2		3					
	City	DPCU	City	DPCU	City	DPCU	City	DPCU	City	DPCU
	(in millions)									
Repurchase agreements	$ 2,448	$ 263	$ —	$ —	$ —	$ —	$ 2,448	$ 263	$ 2,448	$ 263
U.S. Government securities	16,895	1,447	—	—	—	—	16,895	1,447	16,895	1,447
Commercial paper	3,880	10	—	—	—	—	3,880	10	3,880	10
Corporate bonds	12,404	—	—	—	—	—	12,404	—	12,404	—
Corporate stocks	63,888	—	—	—	—	—	63,888	—	63,888	—
Agency discount notes	522	171	—	—	—	—	522	171	522	171
Open time deposits	—	244	—	—	—	—	—	244	—	244
Certificates of deposit	—	31	—	—	—	—	—	31	—	31
Securities lending investment collateral (categorized):										
Repurchase agreements	461	—	—	—	—	—	461	—	461	—
U.S. Government securities	105	—	—	—	—	—	105	—	105	—
Commercial paper	5,883	—	—	—	—	—	5,883	—	5,883	—
Corporate bonds	2,448		—	—	—	—	2,448	—	2,448	—
Certificates of deposit	2,473						2,473	—	2,473	—
Open time deposits	802	—	—	—	—	—	802	—	802	—
Corporate stocks	67	—		—	—	—	67	—	67	—
	$112,276	$2,166	$ —	$ —	$ —	$ —	112,276	2,166	112,276	2,166
Mutual funds (1)							3,187	44	3,187	44
International investment fund—equity (1)							16,625	—	16,625	—
Guaranteed investment contracts (1)							1,022	—	1,022	—
Management investment contracts (1)							182	—	182	—
Short-term investment fund (1)							3,331	—	3,331	—
Securities lending investment collateral (uncategorized):										
Mutual funds (1)							30	—	30	—
Small mortgages (1)							12	—	12	—
Total investments							$136,665	$2,210	$136,665	$2,210

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

In fiscal year 2000, the restricted cash, cash equivalents, applicable to the Capital Projects Funds is $1,345 million of which the repayment of $1,345 million was insured or collateralized.There were no restricted capital investments for fiscal year 2000.

In fiscal year 2000, the restricted cash, cash equivalents, and investments applicable to discretely presented component units include $1,089 million of cash and cash equivalents, of which the repayment of $1,089 million was insured or collateralized and

none was uninsured and uncollateralized. Restricted investments, principally in U.S. Government securities with a cost and approximate fair value of $196 million are fully registered with securities held by the City's agent in the entity's name of which $64 million have maturities of three months or less.

	1999									
	Category						Total Carrying Amount		Fair Value	
	1		2		3					
	City	DPCU	City	DPCU	City	DPCU	City	DPCU	City	DPCU
	(in millions)									
Repurchase agreements	$ 2,051	$ 415	$ —	$ —	$ —	$ —	$ 2,051	$ 415	$ 2,051	$ 415
U.S. Government securities	16,416	1,414	—	—	—	—	16,416	1,414	16,416	1,414
Commercial paper	4,211	19	—	—	—	—	4,211	19	4,211	19
Corporate bonds	11,929	—	—	—	—	—	11,929	—	11,929	—
Corporate stocks	63,796	—	—	—	—	—	63,796	—	63,796	—
Agency discount notes	—	100	—	—	—	—	—	100	—	100
Other	—	11	—	—	—	—	—	11	—	11
Securities lending investment collateral (categorized):										
Repurchase agreements	936	—	—	—	—	—	936	—	936	—
U.S. Government securities	104	—	—	—	—	—	104	—	104	—
Commercial paper	4,407	—	—	—	—	—	4,407	—	4,407	—
Corporate bonds	2,030	—	—	—	—	—	2,030	—	2,030	—
Corporate stocks	75	—	—	—	—	—	75	—	75	—
	$105,955	$1,959	$ —	$ —	$ —	$ —	105,955	1,959	105,955	1,959
Mutual funds (1)							2,392	19	2,392	19
International investment fund—equity (1)							12,598	—	12,598	—
Guaranteed investment contracts (1)							220	—	220	—
Management investment contracts (1)							219	—	219	—
Short-term investment fund (1)							3,565	—	3,565	—
Securities lending investment collateral (uncategorized):										
Short-term investment fund (1)							3,173	—	3,173	—
Mutual funds							68	—	68	—
Small mortgages (1)							15	—	15	—
Total investments							$128,205	$1,978	$128,205	$1,978

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

In fiscal year 1999, the restricted cash, cash equivalents, and investments applicable to the Capital Projects Funds include $682.6 million of cash and cash equivalents, of which the repayment of $682.6 million was insured or collateralized and none was uninsured and uncollateralized. Restricted investments, principally in U.S. Government securities with a cost and approximate fair value of $111.5 million are fully registered with securities held by the City's agent in the entity's name of which none have maturities of three months or less.

In fiscal year 1999, the restricted cash, cash equivalents, and investments applicable to discretely presented component units include $565 million of cash and cash equivalents, of which the repayment of $562.6 million was insured or collateralized and $2.4 million was uninsured and uncollateralized. Restricted investments, principally in U.S. Government securities with a cost and approximate fair value of $870.9 million are fully registered with securities held by the City's agent in the entity's name of which $4.9 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, the City records the investments purchased with the cash collateral as Investments, Collateral From Securities Lending Transactions with a corresponding liability as Securities Lending Transactions.

H. General Fixed Assets Account Group

The following is a summary of changes in general fixed assets for the fiscal years ended June 30, 1999 and 2000:

	Balance June 30, 1998	Additions	Deletions	Balance June 30, 1999	Additions	Deletions	Balance June 30, 2000
				(in thousands)			
Land	$ 635,447	$ 13,049	$ —	$ 648,496	$ 23,975	$ —	$ 672,471
Buildings	11,303,407	1,070,226	54,318	12,319,315	1,328,350	29,657	13,618,008
Equipment	3,257,726	77,344	1,995	3,333,075	291,829	52,601	3,572,303
Construction work-in-progress	6,398,299	1,598,257	1,070,226	6,926,330	1,387,002	1,328,350	6,984,982
	21,594,879	2,758,876	1,126,539	23,227,216	3,031,156	1,410,608	24,847,764
Less accumulated depreciation and amortization	7,303,490	929,372	1,802	8,231,060	1,195,875	3,157	9,423,778
Total changes in net fixed assets	$14,291,389	$1,829,504	$1,124,737	$14,996,156	$1,835,281	$1,407,451	$15,423,986

The following are the sources of funding for the general fixed assets for the fiscal years ended June 30, 2000 and 1999. Sources of funding for fixed assets are not available prior to fiscal year 1987.

	2000	1999
	(in thousands)	
Capital Projects Funds:		
Prior to fiscal year 1987	$ 6,632,113	$ 6,714,370
City bonds	15,692,552	14,359,491
Federal grants	350,833	314,851
State grants	123,965	119,923
Private grants	49,454	48,421
Capitalized leases	1,998,847	1,670,160
Total funding sources	$24,847,764	$23,227,216

At June 30, 2000 and 1999, 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, 2000 and 1999 are leased properties capitalized at $1,999 million and $1,670 million, respectively, with related accumulated amortization of $196 million and $145 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 Funds (see Note A). For this reason, expenditures of the Capital Projects Funds for the fiscal years ended June 30, 2000 and 1999 exceed the $3.031 billion and $2.759 billion increases recorded as general fixed assets by $1.812 billion and $2.363 billion, respectively.

I. Leases

The City leases a significant amount of property and equipment from others. Leased property having elements of ownership are recorded 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, 2000 and 1999 were approximately $423 million and $392 million, respectively.

As of June 30, 2000, 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:			
2001	$ 160,560	$ 220,709	$ 381,269
2002	163,816	212,870	376,686
2003	169,622	203,565	373,187
2004	170,887	200,271	371,158
2005	171,279	190,337	361,616
Thereafter until 2039	2,455,449	1,258,566	3,714,015
Future minimum payments	$3,291,613	$2,286,318	$5,577,931
Less interest	1,488,563		
Present value of future minimum payments	$1,803,050		

The present value of future minimum lease payments includes approximately $1.338 billion 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, 2000 and 1999 was approximately $139 million and $112 million, respectively. As of June 30, 2000, the following future minimum rentals are provided for by the leases:

	Amount (in thousands)
Fiscal year ending June 30:	
2001	$62,587
2002	56,851
2003	52,560
2004	47,767
2005	44,971
Thereafter until 2086	1,060,511
Future minimum rentals	$1,325,247

J. Long-Term Obligations

Long-term Debt

Following is a summary of the bond and note transactions of the City, MAC, TFA, TSASC, 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 M, N, O, and P.

	Balance June 30, 1998	Issued	Repaid or Defeased	Balance June 30, 1999	Issued	Repaid or Defeased	Balance June 30, 2000
				(in thousands)			
City debt:							
General obligation bonds	$26,879,034	$3,084,725	$2,522,696	$27,441,063	$ 666,385	$1,215,342	$26,892,106
MAC debt:(4)							
1991 general resolution bonds	4,066,515	540,415	774,515	3,832,415	—	300,850	3,531,565
TFA debt:(5)							
Future tax secured bonds	2,150,000	2,000,000	—	4,150,000	1,814,940	41,785	5,923,155
Bond anticipation notes	—	—	—	—	600,000	600,000	—
	2,150,000	2,000,000	—	4,150,000	2,414,940	641,785	5,923,155
TSASC debt:							
Tobacco flexible amortization bonds	—	—	—	—	709,280	—	709,280
SFC debt:							
Japanese Yen bonds	200,000	—	40,000	160,000	—	40,000	120,000
Component unit debt: (1)							
City University Construction Fund(2)	429,769	6,004(3)	—	435,773	—	7,522(3)	428,251
New York City Educational Construction Fund	158,080	—	7,665	150,415	—	8,015	142,400
	587,849	6,004	7,665	586,188	—	15,537	570,651
Total before treasury obligations	33,883,398	5,631,144	3,344,876	36,169,666	3,790,605	2,213,514	37,746,757
Less treasury obligations	365,494	—	66,754	298,740	—	68,272	230,468
Total summary of bond transactions	$33,517,904	$5,631,144	$3,278,122	$35,870,926	$3,790,605	$2,145,242	$37,516,289

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

(2) Excludes $281,009 in 1999 and $259,901 in 2000 to be provided by the State.

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

(4) Includes $314,530 of principal debt due July 1, 2000 which MAC reports as redeemed as of June 30, 2000.

(5) TFA debt does not include $515 million of bond anticipation notes which are recorded in the capital projects fund.

The bonds payable, net of treasury obligations, at June 30, 2000 and 1999 summarized by type of issue are as follows:

	2000			1999		
	General Obligations	Revenue	Total	General Obligations	Revenue	Total
	(in thousands)					
Bonds payable:						
City debt	$26,661,638	$ —	$26,661,638	$27,142,323	$ —	$27,142,323
MAC debt	3,531,565	—	3,531,565	3,832,415	—	3,832,415
TFA debt	5,923,155	—	5,923,155	4,150,000	—	4,150,000
TSASC debt	709,280	—	709,280	—	—	—
SFC debt	120,000	—	120,000	160,000	—	160,000
Component unit debt	—	570,651	570,651	—	586,188	586,188
Total bonds payable	$36,945,638	$570,651	$37,516,289	$35,284,738	$586,188	$35,870,926

The following table summarizes future debt service requirements as of June 30, 2000:

	City Debt							
	General Obligation Bonds	Interest on Bonds (1)	MAC	TFA	TSASC	SFC (2)	Other Blended Component Unit Debt	Total
				(in thousands)				
Fiscal year ending June 30:								
2001	$ 1,266,032	$1,427,985	$ 495,501	$ 400,336	$ 52,450	$ 48,400	$ 65,148	$ 3,755,852
2002	1,361,920	1,366,445	501,513	409,892	51,505	45,600	63,675	3,800,550
2003	1,340,748	1,295,965	501,792	411,142	50,676	42,800	64,310	3,707,433
2004	1,383,740	1,222,630	501,581	421,982	48,300	—	64,460	3,642,693
2005	1,360,382	1,167,513	500,837	423,190	48,764	—	63,325	3,564,011
Thereafter until 2147	19,948,816	10,160,505	1,956,813	9,135,785	1,303,609	—	618,594	43,124,122
	26,661,638	16,641,043	4,458,037	11,202,327	1,555,304	136,800	939,512	61,594,661
Less interest component	—	16,641,043	926,472	5,279,172	846,024	16,800	368,861	24,078,372
Total future debt service requirements	$26,661,638	$ —	$ 3,531,565	$ 5,923,155	$ 709,280	$120,000	$570,651	$37,516,289

(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 both June 30, 2000 and 1999 was 5.7% and ranged from 3.0% to 13.55%, respectively, and the interest rates on outstanding MAC bonds as of both June 30, 2000 and 1999 ranged from 3.75% to 6.25%. The last maturity of the outstanding City debt is in the year 2147.

In fiscal year 2000, the City issued $66.4 million of general obligation bonds to advance refund general obligation bonds of $79.7 million aggregate principal amount. The net proceeds from the sales of the refunding bonds, together with other funds of $16.8 million, 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 increase the City's aggregate debt service payments by $4.3 million but provide an economic gain of $3.1 million. At June 30, 2000, $8.257 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, 2000, the 10% general limitation was approximately $30.593 billion (compared with $29.332 billion as of July 1, 1999). To provide for the City's capital program, TFA and TSASC were created, the debt of which is not subject to the general debt limit of the City. The debt-incurring power of TFA and TSASC has permitted the City to continue to enter into new contractual commitments. As of July 1, 2000, the combined City, TFA and TSASC remaining debt incurring power totaled $8.489 billion, after providing for capital commitments.

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 2000, discretionary and other transfers of $2.509 billion were made from the General Fund to the General Debt Service Fund for fiscal year 2001 debt service. In addition, in fiscal year 2000, discretionary transfers totaling $524 million were made to certain component units of the Debt Service Funds. In fiscal year 1999, a discretionary and other transfers of $2.001 billion were made from the General Fund to the General Debt Service Fund for fiscal year 2000 debt service. In addition, in fiscal year 1999 discretionary transfers totaling $424 million were made to certain component units of the Debt Service Funds.

Subsequent to June 30, 2000, the City completed the following long-term financing:

City debt: On July 6, 2000, the City sold in the public credit market its fiscal 2001 series A tax exempt general obligation bonds of $150 million principal amount for various municipal capital purposes. On October 10, 2000 the City sold its series B and C tax exempt bonds of approximately $403 million, tax exempt multi-modal bonds of $100 million and taxable bonds of approximately $85 million. The series B bonds ($525 million) were issued for various municipal capital purposes and the series C bonds ($63 million) for refunding purposes.

Judgments and Claims

The City is a defendant in lawsuits pertaining to material matters, including claims asserted which are incidental to performing routine governmental and other functions. This litigation includes but is not limited to: actions commenced and claims asserted against the City arising out of alleged torts; alleged breaches of contracts; alleged violations of law; and condemnation proceedings. As of June 30, 2000 and 1999, claims in excess of $455 billion and $458 billion, respectively, were outstanding against the City for which the City estimates its potential future liability to be $3.5 billion for both fiscal years 2000 and 1999.

As explained in Note A, the estimate of the liability for unsettled claims has been reported in the General Long-term Obligations Account Group. The liability was estimated by categorizing the various claims and applying a historical average percentage, based primarily on actual settlements by type of claim during the preceding ten fiscal years, and supplemented by information provided by the New York City Law Department with respect to certain large individual claims and proceedings. The recorded liability is the City's best estimate based on available information and application of the foregoing procedures.

In February, 1997, a former New York City school principal filed an action in New York State Supreme Court challenging the investment policies and practices of the Retirement Board of the New York City Teachers' Retirement System (TRS) with regard to a component of TRS consisting of member contributions and earnings thereon known as the Variable B Fund. Plaintiff alleges that the trustees of TRS illegally maintained the Variable B Fund as a fixed-income fund and ignored a requirement that a substantial amount of the Fund's assets be invested in equity securities. The defendants are TRS and its individual trustees. Plaintiff seeks damages on behalf of all Variable B Fund participants in excess of $250 million. In May 1999, the Appellate Division, First Department, affirmed the Supreme Court's earlier denial of the defendants' motion for summary judgement. If the plaintiff were to prevail in this action, it could result in substantial costs to the City.

In May, 1997, an action was commenced against the City in the United States District Court for the Southern District of New York by ten individuals on behalf of themselves and persons similarly situated, alleging that City correctional officers since July, 1996 had violated the constitutional rights of persons arrested for misdemeanors or non-criminal offenses by stripsearching such persons upon entry into prearraignment holding pens at the Manhattan and Queens criminal courthouses. In April, 1998, the district court granted plaintiffs' motion for class certification. The City estimates that there are approximately 65,000 persons in the class. While the class action is in its preliminary stages and the potential cost to the City of adverse determinations of liability and damages in the action cannot be determined at this time, any such adverse determinations could result in substantial costs to 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 $540 million as reported in the General Long-term Obligations Account Group.

Pension Liability

The City's pension liability as of June 30, 1999 resulted from a statutory change in the timing of the City's contribution to its pension plans. Prior to fiscal year 1981, the City's pension contribution reflected pension costs incurred two years earlier and a phase-in of certain actuarial assumptions. The City's liability was originally amortized over 40 years. Later legislation reduced the amortization period to 20 years. As of June 30, 1999, the remaining amortization period was 11 years. In accordance with Chapter 85 of the New York State Laws of 2000, enacted on June 24, 2000, as part of a number of changes to actuarial assumptions and methods (see Note S), this liability is no longer being funded separately as part of actuarially-determined pension contributions and a liability on the part of the City separate from its actuarially-determined pension contributions no longer exists. Accordingly, the amount of the recorded liability was decreased to zero as of June 30, 2000. For actuarial purposes, the liability was eliminated for the purpose of calculating fiscal year 2000 pension contributions.

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

The liability for these activities as of June 30, 2000 is $877.8 million based on the cumulative landfill capacity used to date. The total estimated current cost is $890.9 million; therefore, the costs remaining to be recognized are $13.1 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 98%. 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.

During fiscal year 2000, expenditures for landfill closing costs totaling $14.5 million were recorded in the General Fund.

Resource Conservation and Recovery Act Subtitle D Part 258, which became effective April, 1997, requires financial assurance regarding closure and postclosure care. This assurance was most recently provided, on March 31, 2000, by the City's Chief Financial Officer placing in the Fresh Kills Landfill operating record representations in satisfaction of the Local Government Financial Test.

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	$ 877,812
Hazardous waste sites	207,466
Total landfill and hazardous waste sites liability	$1,085,278

Changes In Certain Long-term Obligations

In fiscal years 1999 and 2000, the changes in long-term obligations other than for bonds were as follows:

	Balance June 30, 1998	Additions	Deletions	Balance June 30, 1999	Additions	Deletions	Balance June 30, 2000
				(in thousands)			
Capital lease obligations	$ 1,141,128	$ 428,540	$ 44,220	$ 1,525,448	$ 328,686	$ 51,084	$1,803,050
Real estate tax refunds	405,688	95,499	44,215	456,972	121,890	38,967	539,895
Judgments and claims	3,495,484	446,387	424,305	3,517,566	587,987	490,669	3,614,884
Vacation and sick leave (1)	2,031,970	27,328	—	2,059,298	19,402	—	2,078,700
Pension liability	2,414,856	—	78,626	2,336,230	—	2,336,230	—
Landfill closure and post-closure care costs	925,923	53,084	—	979,007	106,271	—	1,085,278
Total changes in certain long-term obligations	$10,415,049	$1,050,838	$591,366	$10,874,521	$1,164,236	$2,916,950	$9,121,807

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

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

At June 30, 2000 and 1999, primary government and discretely presented component unit receivable and payable balances were as follows:

	2000		1999	
	Receivable	Payable	Receivable	Payable
	(in thousands)			
PRIMARY GOVERNMENT:				
General Fund:				
New York City Capital Projects Fund	$2,480,864	$1,293,842	$2,007,777	$702,154
HDC	222,471	—	189,632	—
General Debt Service Fund	21,803	—	7,408	—
CUCF	—	—	16,689	—
OTB	170	—	475	—
Water Board	—	47,141	—	69,673
Total General Fund	2,725,308	1,340,983	2,221,981	771,827
Capital Projects Fund:				
New York City Capital Projects Fund	1,293,842	—	702,154	—
TFA	—	65,600	—	392,288
Water Authority	252,911	—	235,143	—
General Fund	—	2,415,264	—	1,615,489
Total Capital Projects Fund	1,546,753	2,480,864	937,297	2,007,777
General Debt Service Fund:				
General Fund	—	—	—	7,408
CUCF:				
General Fund	—	14,395	—	16,689
Private Housing Loan Programs:				
HDC	10,452	7,408	9,956	—
Pension and Similar Trust Funds:				
NYCERS	—	100,000	—	—
CVSF	100,000	—	—	—
DISCRETELY PRESENTED COMPONENT UNITS:				
Primary Government:				
OTB	—	170	—	475
Water Board	47,141	—	69,673	235,143
Water Authority	—	252,911	—	—
HDC	—	232,923	—	199,588
Total Discretely Presented Component Units	47,141	486,004	69,673	435,206
Total primary government/discretely presented component unit receivable and payable balances	$4,429,654	$4,429,654	$3,238,907	$3,238,907

L. Segment Information for Discretely Presented Component Units

Selected segment information for HHC, OTB, HDC, HA, the Economic Development Entities, and the Water and Sewer System as of and for the fiscal years ended June 30, 2000 and 1999 is as follows:

	2000						
	Health and Hospitals Corporation	Off-Track Betting Corporation	Housing Development Corporation	Housing Authority	Economic Development Entities	Water and Sewer System	Total
	(in millions)						
Operating revenues	$4,058	$244	$ 178	$1,847	$375	$ 1,647	$ 8,349
Operating expenses (excluding depreciation and amortization expense)	3,924	212	142	1,835	318	1,393	7,824
Depreciation and amortization expense	155	6	—	242	3	347	753
Operating income (loss)	(21)	26	36	(230)	54	(93)	(228)
Nonoperating revenues (expenses)	30	11	(2)	44	10	4	97
Net income (loss) before operating transfers	9	37	34	(186)	64	(89)	(131)
Transfers (to) from primary government	—	(30)	—	4	—		(26)
Net income (loss)	9	7	34	(182)	64	(89)	(157)
Contributed fixed assets and debt service	74	—	—	2,289	—	6	2,369
Current assets	1,092	27	994	1,332	365	483	4,293
Mortgage loans and interest receivable	—	—	2,540	2	46	—	2,588
Property, plant and equipment, net	1,333	18	6	4,043	68	12,824	18,292
Other assets	338	2	43	100	27	1,078	1,588
Current liabilities	379	17	456	622	132	364	1,970
Long-term liabilities	1,012	3	2,557	307	—	9,234	13,113
Other	50	5	—	50	85	—	190
Total equity	1,322	22	570	4,498	289	4,787	11,488

	1999						
	Health and Hospitals Corporation	Off-Track Betting Corporation	Housing Development Corporation	Housing Authority	Economic Development Entities	Water and Sewer System	Total
	(in millions)						
Operating revenues	$4,058	$229	$ 202	$1,824	$262	$ 1,605	$ 8,180
Operating expenses (excluding depreciation and amortization expense)	3,814	199	138	1,702	224	1,358	7,435
Depreciation and amortization expense	157	5	—	223	2	391	778
Operating income (loss)	87	25	64	(101)	36	(144)	(33)
Nonoperating revenues (expenses)	(71)	4	—	53	14	3	3
Net income (loss) before operating transfers	16	29	64	(48)	50	(141)	(30)
Transfers (to) from primary government	—	(31)	—	4	—	—	(27)
Net income (loss)	16	(2)	64	(44)	50	(141)	(57)
Contributed fixed assets and debt service	58	—	—	557	—	7	622
Current assets	1,116	23	886	1,201	256	500	3,982
Mortgage loans and interest receivable	—	—	2,391	2	46	—	2,439
Property, plant and equipment, net	1,247	22	1	3,825	52	12,406	17,553
Other assets	381	2	44	161	26	1,115	1,729
Current liabilities	350	18	406	1,035	109	353	2,271
Long-term liabilities	1,109	10	2,380	1,716	—	8,798	14,013
Other	47	5	—	48	46	—	146
Total equity	1,238	14	536	2,390	225	4,870	9,273

M. 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, Metroplus Health Plan, Inc. and HHC Capital Corporation. All significant intercompany accounts and transactions have been eliminated.

The City provides funds to HHC for care given to uninsured indigent patients, members of the uniformed services and prisoners, and for other costs not covered by other payors. The City's Annual Expense Budget determines the support to HHC on a cash-flow basis. In addition, the City has paid HHC's costs for settlements of claims for medical malpractice, negligence, and other miscellaneous torts and contracts, as well as other HHC costs including 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.

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 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 facilities and portions of facilities during the past several years. It is the policy of HHC to reflect the financial effect of the closing of facilities or portions thereof in the financial statements when a decision has been made as to the disposition of such assets. HHC records the cost of construction that it controls as costs are incurred. Costs associated with facilities constructed by HFA are recorded when the facilities are placed in service.

Donor Restricted Assets

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

Pensions

Substantially all HHC employees are eligible to participate in NYCERS (see Note S). The provisions for pension costs were actuarially determined and amounted to $9 million and $7 million for fiscal years 2000 and 1999, respectively. These amounts were fully funded.

HHC's pension liability as of June 30, 1999 resulted from a statutory change in the timing of HHC's contribution to its pension plan. Prior to fiscal year 1981, HHC's pension contribution reflected pension costs incurred two years earlier and a phase-in of certain actuarial assumptions. In accordance with Chapter 85 of the New York State Laws of 2000, enacted on June 24, 2000, as part of a number of changes to actuarial assumptions and methods (see Note S), this liability is no longer being funded separately as part of an actuarially-determined pension contribution and a liability on the part of HHC separate from its actuarially-determined pension contribution no longer exists. Accordingly, this liability was decreased to zero as of June 30, 2000 resulting in a $93.3 million increase in nonoperating revenues for the fiscal year ended June 30, 2000.

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 1999, HHC issued Series A Health Systems bonds in the amount of $236 million for the purpose of advance refunding $218 million of HHC's 1993 Series A Bonds. Although the advance refunding resulted in an accounting loss of $19 million, HHC reduced its debt service payments by approximately $12.9 million, resulting in an economic gain of $10.6 million. The accounting loss is being amortized over 20 years.

The following table summarizes future debt service requirements as of June 30, 2000:

	Principal	Interest	Total
		(in thousands)	
Fiscal year ending June 30:			
2001	$ 17,330	$ 40,867	$ 58,197
2002	18,075	40,032	58,107
2003	18,960	39,150	58,110
2004	19,890	38,212	58,102
2005	20,960	37,216	58,176
Thereafter until 2026	718,144	415,955	1,134,099
Total future debt service requirements	$813,359	$611,432	$1,424,791

The interest rates on the bonds as of June 30, 2000 range from 4.1% to 6.0%.

The following is a summary of revenue bond transactions for HHC for the fiscal years ended June 30, 1999 and 2000:

	Balance June 30, 1998	Issued	Defeased or Retired	Balance June 30, 1999	Issued	Defeased or Retired	Balance June 30, 2000
				(in thousands)			
Revenue bonds	$827,610	$235,700	$233,330	$829,980	$ —	$16,621	$813,359

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, 2000:

	Principal	Interest	Total
		(in thousands)	
Fiscal year ending June 30:			
2001	$420	$56	$476
2002	456	20	476
Total future debt service requirements	$876	$76	$952

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, 2000, the future minimum lease payments under the capitalized lease are as follows:

	Amount
	(in thousands)
Fiscal year ending June 30:	
2001	$ 982
2002	978
2003	1,003
2004	10,547
2005	100
Thereafter until 2013	775
Future minimum lease payments	14,385
Less interest	2,555
Present value of future minimum lease payments	$11,830

New York Power Authority (NYPA) Financing

NYPA has provided construction services and financing to HHC for energy-efficient heating/cooling systems and lighting improvements. In fiscal year 1999, NYPA completed projects amounting to $11.7 million at variable interest rates over 10 years. The effective interest rate for fiscal year 2000 was approximately 3.6%.

The following table summarizes future debt service requirements as of June 30, 2000:

	Principal	Interest (in thousands)	Total
Fiscal year ending June 30:			
2001	$1,148	$ 325	$ 1,473
2002	1,124	281	1,405
2003	1,132	239	1,371
2004	1,175	196	1,371
2005	1,219	152	1,371
Thereafter until 2009	3,445	180	3,625
Total future debt service requirements	$9,243	$1,373	$10,616

Equipment Financing Agreement

HHC entered into an equipment financing agreement that allows HHC to borrow up to $50 million to primarily fund the purchase of patient information systems. In fiscal year 1998, HHC drew down $11.6 million with a 5.19% rate of interest.

The following table summarizes future debt service requirements as of June 30, 2000:

	Principal	Interest (in thousands)	Total
Fiscal year ending June 30:			
2001	$2,336	$304	$2,640
2002	2,460	180	2,640
2003	1,929	50	1,979
Total future debt service requirements	$6,725	$534	$7,259

Changes in Fund Equity

Presented below are the changes in fund equity for the fiscal years ended June 30, 1999 and 2000:

	Unreserved Retained Earnings	Contributed Capital Plant and Equipment	Reserve for Donor Restrictions	Total Fund Equity
		(in thousands)		
Balance, June 30, 1998	$ 737,656	$ 413,990	$ 11,497	$1,163,143
Excess of revenues over expenses	16,207	—	—	16,207
Decrease in bonds payable	(16,880)	16,880	—	—
Increase in other debt, net	8,092	(8,092)	—	—
Increase in liabilities	14,917	(14,917)	—	—
Additions to plant and equipment funded by:				
Donations	—	695	—	695
Grantor and donor restricted assets	—	15,211	—	15,211
The City of New York	—	42,452	—	42,452
HHC	(67,652)	67,652	—	—
Donor restricted fund activity:				
Interest earned and contributions	—	—	1,175	1,175
Net assets released from restrictions	—	—	(726)	(726)
Depreciation charged to plant and equipment leased	157,440	(157,440)	—	—
Balance, June 30, 1999	849,780	376,431	11,946	1,238,157
Excess of revenues over expenses	9,254	—	—	9,254
Decrease in bonds payable	(15,157)	15,157	—	—
Decrease in other debt, net	(3,883)	3,883	—	—
Increase in liabilities	6,170	(6,170)	—	—
Additions to plant and equipment funded by:				
Donations	—	163	—	163
Grantor and donor restricted assets	—	7,885	—	7,885
The City of New York	—	65,787	—	65,787
HHC	(167,354)	167,354	—	—
Donor restricted fund activity:				
Interest earned and contributions	—	—	724	724
Net assets released from restrictions	—	—	(64)	(64)
Depreciation charged to plant and equipment leased	155,315	(155,315)	—	—
Balance, June 30, 2000	$ 834,125	$ 475,175	$ 12,606	$1,321,906

N. 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 had a cumulative deficit of $4.7 million after providing for mandatory transfers in fiscal year 1999. In fiscal year 2000, OTB has a cumulative unreserved fund equity of $4.1 million after providing for mandatory transfers.

Net Revenue Retained for Capital Acquisitions

For the fiscal years ended June 30, 2000 and 1999, the changes in net revenue retained for capital acquisition were as follows:

	2000	1999
	(in thousands)	
Balance, June 30	$19,015	$19,764
Capital acquisition surcharge	3,758	3,550
Depreciation of assets purchased with funds restricted for capital acquisition	(5,156)	(4,299)
Balance, June 30	$17,617	$19,015

Since inception of the capital acquisition surcharge at July 21, 1990, surcharges of approximately $39.3 million have been collected and approximately $38.8 million has been used to finance leasehold improvements and the acquisition of property and equipment through June 30, 2000.

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 was approximately $14 million for both fiscal years 2000 and 1999. As of June 30, 2000, OTB had future minimum rental obligations on noncancelable operating leases as follows:

	Amount
	(in thousands)
Fiscal year ending June 30:	
2001	$12,241
2002	11,012
2003	10,326
2004	9,472
2005	8,463
Thereafter until 2015	27,491
Total future minimum rental obligations	$79,005

Pensions

Substantially all full-time employees of OTB are members of NYCERS (see Note S). The provisions for pension costs were actuarially determined and amounted to approximately $.4 million and $.5 million for fiscal years 2000 and 1999, respectively. These amounts were fully funded.

OTB's pension liability as of June 30, 1999 resulted from a statutory change in the timing of OTB's contribution to its pension plan. Prior to fiscal year 1981, OTB's pension contribution reflected pension costs incurred two years earlier and a phase-in of certain actuarial assumptions. In accordance with Chapter 85 of the New York State Laws of 2000, enacted on June 24, 2000, as part of a number of changes to actuarial assumptions and methods (see Note S), this liability is no longer being funded separately as part of an actuarially-determined pension contribution and a liability on the part of OTB separate from its actuarially-determined pension contribution no longer exists. Accordingly, this liability was decreased to zero as of June 30, 2000 resulting in a $6.3 million increase in net revenue available for distributions for the fiscal year ended June 30, 2000.

O. 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 S). The provisions for pension costs were actuarially computed, determined, and funded by HDC.

The future debt service requirements on HDC bonds and notes payable at October 31, 1999 were as follows:

	Principal	Interest	Total
		(in thousands)	
Fiscal year ending October 31:			
2000	$ 32,906	$ 128,448	$ 161,354
2001	37,335	127,423	164,758
2002	43,428	125,322	168,750
2003	55,828	122,686	178,514
2004	64,021	119,503	183,524
Thereafter until 2031	2,372,295	1,608,938	3,981,233
Total future debt service requirements	$2,605,813	$2,232,320	$4,838,133

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, 1999 range from 3.15% to 8.95%.

The following is a summary of bond transactions of HDC for the fiscal years ended October 31, 1998 and 1999:

	Balance October 31, 1997	Issued	Retired	Balance October 31, 1998	Issued	Retired	Balance October 31, 1999
				(in thousands)			
Revenue bonds	$2,547,212	$298,670	$414,423	$2,431,459	$511,330	$336,977	$2,605,812

HA

HA 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 City of New York. At December 31, 1999, HA maintained 346 developments encompassing approximately 181,000 units. HA also maintains a leased housing program which provides housing assistance payments to approximately 76,000 families.

Substantial operating losses (the difference between operating revenues and expenses) result from the essential services that HA provides, and such operating losses will continue in the foreseeable future. To meet the funding requirements of these operating losses, 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 income or loss 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. HA has a calendar year-end.

Revenue

Rents are due from tenants on the first day of each month. 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, 1999 and 1998, tenant accounts receivable approximated $21.8 million and $31.7 million, respectively, with related allowances of $14.4 million and $27.6 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 Grant Program, Comprehensive Improvement Assistance Program, and other programs.

HA also receives Federal assistance from the U.S. Department of Agriculture for child and adult care food and summer food service programs.

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, 1999 and 1998 is as follows:

	1999	1998
	(in thousands)	
Land	$ 691,415	$ 695,570
Buildings	3,188,050	3,188,432
Capital improvements	3,410,180	3,006,134
Equipment	364,221	303,803
	7,653,866	7,193,939
Accumulated depreciation	(3,611,154)	(3,368,807)
Land, structures, and equipment—net	$ 4,042,712	$ 3,825,132

Debt Service

The future debt service requirements on HA bonds and notes at December 31, 1999 were as follows:

	Principal	Interest	Total
		(in thousands)	
Calendar year ending December 31:			
2000	$ 11,695	$ 5,884	$ 17,579
2001	11,864	5,420	17,284
2002	12,050	4,944	16,994
2003	12,241	4,470	16,711
2004	11,345	4,005	15,350
Thereafter until 2024	102,492	20,060	122,552
Total future debt service requirements	$161,687	$44,783	$206,470

Interest rates on outstanding bonds and notes as of December 31, 1999 and 1998 range from 1.0% to 7.0%. During calendar years 1999 and 1998, principal repayments totaled $55.8 million and $58.5 million, respectively.

Advance Notes—HUD

Advance Notes—HUD at December 31, 1999 and 1998 consist of the following:

	1999	1998
	(in thousands)	
Unsubsidized improvement notes	$ 6,262	$ 12,524
Modernization and development notes	—	990,039
Total advance notes—HUD	$ 6,262	$1,002,563

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.

Through December 31, 1998, HA continued to accrue interest for a portion of the Advance Notes at the contractual rates in accordance with HUD guidelines. Accrued interest relating to these notes at December 31, 1998 was $434.2 million. Interest expense of $17.4 million is included in the statements of operations and equity for the year ended December 31, 1998, but no subsidy is reflected since HUD does not fund, and HA has not been required to pay, the interest on the Advance Notes.

Effective with the calendar year 1999 financial statements, HUD authorized the reclassification of HUD guaranteed debt and HUD held debt to equity. At December 31, 1999, the Advance Notes and accrued interest transferred to equity totaled $990.0 million and $434.2 million, respectively.

Accrued interest includes interest of $132 thousand and $341 thousand relating to Unsubsidized Improvement Notes at both December 31, 1999 and 1998, respectively. The notes which are currently held by HUD, were used to finance capital improvements and rehabilitations at various projects and are being repaid from commercial rents and State maximum subsidy funds. Related interest expense of $.8 million and $1.4 million was included in the statements of operations and equity for the calendar years ended December 31, 1999 and 1998, respectively.

Pensions

HA employees are members of NYCERS (see Note S). The calendar years 1999 and 1998 pension costs reported in the financial statements amounted to $4.9 million and $2.8 million, respectively. The calendar year 1998 costs were decreased by $1.1 million, representing a reduction in calendar year 1997 pension costs which was received during calendar year 1998.

Changes in Fund Equity

Presented below are the changes in fund equity for the calendar years ended December 31, 1998 and 1999:

	Unreserved (Deficit)	Cumulative Contributions	Total
		(in thousands)	
Balance, December 31, 1997	$ 136,328	$ 1,742,332	$ 1,878,660
Net deficit	(44,477)	—	(44,477)
Allocation of depreciation to cumulative contributions	223,051	(223,051)	—
Contributions for capital	—	556,137	556,137
Balance, December 31, 1998	314,902	2,075,418	2,390,320
Net deficit	(181,242)	—	(181,242)
Allocation of depreciation to cumulative contributions	242,347	(242,347)	—
Contributions for capital	—	2,289,280	2,289,280
Balance, December 31, 1999	$ 376,007	$ 4,122,351	$ 4,498,358

Unreserved (Deficit)

The balance in this account represents the cumulative net operating deficits.

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 debt service.

Commitments

HA rents office space under operating leases which expire at various dates. Future minimum lease commitments under these leases as of December 31, 1999 are as follows:

	Amount
	(in thousands)
Calendar year ending December 31:	
2000	$ 23,997
2001	23,444
2002	23,337
2003	22,562
2004	21,105
Thereafter until 2020	319,494
Total future minimum lease commitments	$433,939

Rental expense approximated $15.8 and $11.7 million for the calendar years ended December 31, 1999 and 1998, respectively.

BNYDC

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

Leases

BNYDC has lease commitments from commercial tenants for space at the Navy Yard. Total rental revenue on these lease commitments for the fiscal years ended June 30, 2000 and 1999 was approximately $9.0 million and $8.6 million, respectively. As of June 30, 2000, the following future minimum rentals are provided for by the leases:

	Amount (in thousands)
Fiscal year ending June 30:	
2001	$ 9,800
2002	10,275
2003	10,790
2004	11,325
2005	11,900
Thereafter until 2040	34,125
Total future minimum rentals	$88,215

P. 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, 2000 and 1999, the Water Authority has a cumulative deficit of $3,369 million and $2,959 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, 2000 and 1999 amounted to $5.6 million and $7.4 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, 2000:

	Principal	Interest	Total
		(in thousands)	
Fiscal year ending June 30:			
2001	$ 358,575	$ 502,993	$ 861,568
2002	170,492	494,438	664,930
2003	181,986	485,498	667,484
2004	191,875	475,924	667,799
2005	208,869	465,656	674,525
Thereafter until 2031	8,664,575	6,879,880	15,544,455
Total future debt service requirements	$9,776,372	$9,304,389	$19,080,761

The interest rates on the outstanding bonds and commercial paper as of June 30, 2000 and 1999 range from 3.95% to 5.00% and from 3.10% to 7.90%, respectively.

The following is a summary of bond and commercial paper transactions of the Water Authority for the fiscal years ended June 30, 1999 and 2000:

	Balance June 30, 1998	Issued	Defeased or Retired	Balance June 30, 1999	Issued	Defeased or Retired	Balance June 30, 2000
				(in thousands)			
Revenue bonds	$8,281,006	$ 865,601	$ 374,897	$8,771,710	$1,006,455	$ 201,793	$9,576,372
Commercial paper	600,000	6,408,500	6,408,500	600,000	4,712,400	5,112,400	200,000
Total summary of bond and commercial paper transactions	$8,881,006	$7,274,101	$6,783,397	$9,371,710	$5,718,855	$5,314,193	$9,776,372

During fiscal year 2000, the Water Authority used $40 million of current revenues to advance refund long-term debt. The advance refunding resulted in an accounting gain of $.7 million and an economic gain of $1.8 million.

For fiscal years 2000 and 1999, amortization expense of $16.4 million and $19.0 million, respectively, was incurred to amortize prior years' losses on advance refundings.

During prior fiscal years, the Water Authority defeased in substance $4,087 million of revenue bonds. As of June 30, 2000, $2,702 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 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, 2000 and 1999 are as follows:

	2000	1999
	(in thousands)	
Balance, June 30	$4,696,778	$4,817,668
Plant and equipment contributed	5,637	7,389
Allocation of depreciation to contributed capital	(130,640)	(128,279)
Balance, June 30	$4,571,775	$4,696,778

Operating Revenues

Revenues from metered customers, who represent 80% 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 $2.4 billion at June 30, 2000, 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, 2000, the City estimates its potential future liability for these claims to be $8.2 million. This amount is included in the City's General Long-term Obligations Account Group.

Q. Expendable Trust Fund

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).

Section 457 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. Consequently, DCP is presented as an Expendable Trust Fund in the City's financial statements. The beginning fund balance of the Expendable Trust Fund was increased by $2,626 million when DCP implemented the required changes December 31, 1998.

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, 1999 and 1998:

	1999	1998
	(in thousands)	
Fund assets, December 31	$3,367,261	$2,625,872
Deferrals of compensation	385,691	339,689
Earnings and adjustment to market value	606,148	478,023
Payments to eligible participants and beneficiaries	(84,255)	(72,734)
Administrative expenses	(4,213)	(3,589)
Fund assets, December 31	$4,270,632	$3,367,261

R. Other Postemployment Benefits

In accordance with collective bargaining agreements, the City provides Other Postemployment Benefits (OPEB) which include basic medical and hospitalization (health care) benefits to eligible retirees and dependents at no cost to 95.5% 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 2000 and 1999 are as follows:

	2000		1999	
	Active	Retired	Active	Retired
Number of employees	344,456	180,610	338,007	180,340
Cost of health care (in thousands)*	$1,395,056	$457,501	$1,229,217	$425,024

* 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 2000 and 1999 are as follows:

	2000		1999	
	Active	Retired	Active	Retired
Number of claims	14,385	4,110	11,719	3,182
Cost of Superimposed Major Medical (in thousands)	$ 2,005	$ 578	$ 1,979	$ 504

S. Pension and Similar Trust Funds

Pension Systems

Plan Descriptions

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

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 City 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 City 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 5 years of service. Except for NYCERS, permanent, full-time employees are generally required to become members of the actuarial pension systems upon employment. 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, 1999 and 1998, the membership of the actuarial pension systems consisted of:

	1999					
	NYCERS	TRS	BERS	POLICE	FIRE	TOTAL
Retirees and beneficiaries receiving benefits	121,880	50,525	9,058	34,739	16,146	232,348
Terminated vested members not yet receiving benefits	6,276	3,065	771	85	14	10,211
Active members	169,458	86,682	22,933	39,107	11,477	329,657
Total plan membership	297,614	140,272	32,762	73,931	27,637	572,216

	1998					
	NYCERS	TRS	BERS	POLICE	FIRE	TOTAL
Retirees and beneficiaries receiving benefits	122,438	50,268	8,794	35,047	16,180	232,727
Terminated vested members not yet receiving benefits	5,678	3,276	292	52	11	9,309
Active members	165,461	83,940	23,323	38,133	11,224	322,081
Total plan membership	293,577	137,484	32,409	73,232	27,415	564,117

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.

Tiers I and II employee contribution rates, other than Transit 20-Year Plan employee contribution rates, are dependent upon the member's age at membership and retirement plan election. As of July 1, 1970, the 20-Year Transit Plan was made non-contributory for Tier I members and the 20-Year Transit Plan for Tier II members is also non-contributory.

Tier III and Tier IV employees contribute 3.0% of salary regardless of age at membership. Certain members of NYCERS and BERS make additional member contributions.

Annual Pension Costs

For fiscal year 2000, the City's annual pension costs of approximately $695.4 million were equal to the City's required and actual contributions. These required contributions were determined as part of the June 30, 1999 actuarial valuations using revised actuarial assumptions and methods including the Frozen Initial Liability Actuarial Cost Method. Annual pension costs for the actuarial pension systems were equal to the amounts computed by the systems' Actuary.

The City's pension costs, including those computed by the Actuary for the actuarial pension systems, for the fiscal years ended June 30, 2000, 1999, and 1998 were as follows:

	2000	1999	1998
		(in millions)	
NYCERS*	$ 35.6	$ 126.1	$ 166.6
TRS*	178.6	444.6	426.5
BERS*	9.2	43.7	34.2
POLICE	250.0	502.1	544.2
FIRE	182.9	256.1	261.3
OTHER**	39.1	39.3	38.7
Total pension costs	$695.4	$1,411.9	$1,471.5

* 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:

	2000	1999	1998
NYCERS	51.95%	70.41%	69.85%
TRS	98.27	96.54	96.51
BERS	96.93	97.26	96.88

** 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	6/30/00	$250.0	100%	$ —
	6/30/99	502.1	100	—
	6/30/98	544.2	100	—
FIRE	6/30/00	$182.9	100%	$ —
	6/30/99	256.1	100	—
	6/30/98	261.3	100	—

Actuarial Assumptions and Methods

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, 2000 and 1999 are as follows:

	2000	1999
Valuation Date	June 30, 1999.	June 30, 1998.
Actuarial Cost Method(1)	Frozen Initial Liability(2).	Frozen Entry Age.
Amortization Method for Unfunded Actuarial Accrued Liabilities (UAAL)	Increasing dollar for FIRE(3).	Increasing dollar, except for UAAL attributable to ERI 95, ERI 96, ERI 97, 1995 and 1998 Retiree Supplementation Laws(4). All outstanding components of the UAAL are being amortized over closed periods.
Remaining Amortization Period	11 years for FIRE(3).	3, 4, 5, 8, 10, and 12 years.
Actuarial Asset Valuation Method	Modified 5-year moving average of Market Value with Market Value Restart as of June 30, 1999.	Modified 5-year moving average of Market Value with Market Value Restart as of June 30, 1995.
Assumed Rate of Return On Investments	8.0% per annum(5) (4.0% per annum for benefits payable under the variable annuity programs of TRS and BERS).	8.75% per annum(6) (4.0% per annum for benefits payable under the variable annuity programs of TRS and BERS).
Post-Retirement Mortality	Tables adopted during fiscal year 2000 by the Board of Trustees.	Tables adopted by the Board of Trustees.
Active Service Withdrawal, Death, Disability, Service Retirement	Tables adopted during fiscal year 2000 by the Board of Trustees.	Tables adopted by the Board of Trustees.
Salary Increases	In general, Merit and Promotion Increases plus assumed General Wage Increases of 3.0% per year(5).	In general, Merit and Promotion Increases plus assumed General Wage Increases of 4.0% per year(6).
Cost-of-Living Adjustments	Provided by the legislature on an ad-hoc basis.	Provided by the legislature on an ad-hoc basis.

(1) Under both methods, the excess of the actuarial present value of projected benefits of the membership as of the valuation date, over the sum of the actuarial value of assets plus present value of UAAL and present value of future employee contributions 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.

(2) Under the Frozen Initial Liability Actuarial Cost method, the Initial Liability has been established by the Entry Age Actuarial Cost Method but with the UAAL not less than $0.

(3) In conjunction with Chapter 85 of the Laws of 2000, there is an amortization method. However, the UAAL of NYCERS, TRS, BERS, and POLICE equal $0 and no amortization periods are required.

(4) Laws established UAAL for Early Retirement Incentive Programs to be amortized on a level dollar amount over a period of 5 years.

(5) Developed assuming a long-term Consumer Price Inflation assumption of 2.5% per year.

(6) Developed assuming a long-term Consumer Price Inflation assumption of 3.5% per year.

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.

Pursuant to Section 96 of the New York City Charter, a study of the actuarial assumptions used to value liabilities of the five actuarially-funded New York City Retirement Systems (NYCRS) are conducted by an independent actuarial firm every two years. The most recent such study was completed in October, 1999 and, based upon the results and recommendations of that study, the Actuary for NYCRS recommended changes in actuarial assumptions and methods to be used for fiscal years beginning on and after July 1, 1999 i.e., fiscal year 2000.

The Actuarial Asset Valuation Method (AAVM) was changed as of June 30, 1995 and 1999 to reflect a market basis for investments held by the Plan and was made as one component of an overall revision of actuarial assumptions and methods as of June 30, 1995 and 1999, respectively.

Under this AAVM, the Actuarial Asset Value (AAV) was reset to Market Value i.e., Market Value Restart as of June 30, 1995. Prior to June 30, 1995, this 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 that used prior to June 30, 1995.

Under this modified AAVM, any UIR for fiscal years 1997 or later are being 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 is being phased into AAV beginning June 30, 1996 at a cumulative rate of 20%, 35%, 45%, 70%, and 100% over five years.

Under the AAVM, any UIR for fiscal year 2000 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).

For the June 30, 1998 actuarial valuations used to determine fiscal year 1999 employer contributions, the Frozen Entry Age Actuarial Cost Method is utilized by the Actuary to calculate the contributions required of the employers. The employer carried part of the UAAL as an accounting liability. This accounting liability is referred to as the Balance Sheet Liability (BSL).

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 fiscal year 1996, where each annual payment after the first annual payment would equal 103% of its preceding annual payment.

Chapter 390 of the Laws of 1998 established a UAAL for the Retiree Supplementation increases to be amortized on a level dollar amount over a period of 10 years.

For the June 30, 1999 actuarial valuations used to determine fiscal year 2000 employer contributions, the Frozen Initial Liability Actuarial Cost Method (where the Initial Liability has been established by the Entry Age Actuarial Cost Method but with the UAAL not less than $0) is utilized by the Actuary to calculate the contributions required of the employers.

Chapter 85 of the Laws of 2000 reestablished a UAAL and eliminated the BSL for actuarial purposes as of June 30, 1999. The schedules of payment toward the reestablished UAAL provides that the UAAL, if any, be amortized over a period of 11 years beginning fiscal year 2000, where each annual payment after the first annual payment would equal 103% of its preceding annual payment (see Note J).

Similar Trust Funds

Fund Descriptions

Per enabling State legislation, certain retirees of POLICE, FIRE, and NYCERS are eligible to receive scheduled 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 a portion of 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 retire for service (with 20 or more years) as police officers of the New York City Police Department, Subchapter One or Subchapter Two Pension Fund and who retired on or after October 1, 1968.
2. PSOVSF provides supplemental benefits to retirees who retire for service (with 20 or more years) holding the rank of sergeant or higher, or detective, of the New York City Police Department, Subchapter One or Subchapter Two, Pension Fund 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 City Fire Department, Subchapter One or Subchapter Two Pension Fund and who retired on or after October 1, 1968.
4. FOVSF provides supplemental benefits to retirees who retire for service (with 20 or more years) holding the rank of lieutenant or higher and all pilots and marine engineers (uniformed) of the New York City Fire Department, Subchapter One or Subchapter Two Pension Fund and who retired on or after October 1, 1968.

The New York City Employees' Retirement System 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). Chapter 657 of the Laws of 1999 established the Correction Officers' Variable Supplements Fund (COVSF) and the Correction Captains' and Above Variable Supplements Fund (CCAVSF). Chapter 255 of the Laws of 2000 combined the COVSF and the CCAVSF into an amended Correction Officers' Variable Supplements Fund referred to herein as the Correction Variable Supplements Fund (CVSF). 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 benefits 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 benefits payments cannot exceed the assets of the fund.
7. HPOVSF provides supplemental benefits to retirees who retire for service (with 20 or more years) as Housing Police Officers on or after July 1, 1987. Prior to calendar year 2007, when this plan provides for guaranteed schedules of defined supplemental benefits, total supplemental benefits 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 benefits payments cannot exceed the assets of the fund.
9. COVSF was enacted to provide supplemental benefits to retirees who retire as Correction Officers.
10. CCAVSF was enacted to provide supplemental benefits to retirees who retire as Correction Captains and Above.
11. CVSF replaces COVSF and CCAVSF and provides supplemental benefits to retirees who retire for service (with 20 or more years) as Correction Officers or as Correction Captains and Above on or after July 1, 1999. Prior to calendar year 2019, when this plan provides for guaranteed schedules of defined supplemental benefits, total supplemental benefits payments cannot exceed the assets of the fund unless the City guarantee becomes effective.

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 years 2000 and 1999, no excess earnings on equity investments are estimated to be transferable to the VSFs except to the CVSF for fiscal year 2000 which is expected to receive approximately $100 million. The actual amounts transferred are based on final calculations and will be recognized in the financial statements when paid or when actual amounts of the transfers are known.

Subsequent Events

During the Spring 2000 session, the New York State Legislature approved and the Governor signed laws which provide an automatic cost-of-living adjustment (COLA) for retirees (Chapter 125 of the Laws of 2000), additional service credits for certain Tier I and Tier II members, and reduced member contributions for certain Tier III and Tier IV members (Chapter 126 of the Laws of 2000) and several other changes in benefits for various groups. These benefit enhancements are not reflected in the actuarial valuations as of June 30, 1999 and are expected to increase future employer contributions to the actuarial pension systems.

Of particular note, Chapter 125 of the Laws of 2000 provides for a phase-in schedule for funding the additional actuarial liabilities created by the benefits provided by this law. The impact of the phase-in would result in greater employer contributions during and after the fifth fiscal year (end of the phase-in period).

Required Supplementary Information (Unaudited)

The following schedule of funding progress is presented as required supplementary information for the five major actuarial pension systems as of June 30, 1999, 1998, and 1997:

	Fiscal Year Ending	(1) Actuarial Value of Assets (A)	(2) Actuarial Accrued Liability (AAL)* (A) & (B)	(3) Unfunded AAL (UAAL) (C) (2)-(1)	(4) Funded Ratio (1)÷(2)	(5) Covered Payroll	(6) UAAL as a Percentage of Covered Payroll (3)÷(5)
				(in millions)			
NYCERS	6/30/99	$40,936.0	$40,936.0	$ —	100.0%	$7,593.2	— %
	6/30/98	29,334.7	28,805.3	(529.4)	101.8	6,935.2	(7.6)
	6/30/97	27,222.9	26,296.3	(926.6)	103.5	6,752.9	(13.7)
TRS	6/30/99	34,626.1	34,626.1	—	100.0	4,217.6	—
	6/30/98	27,069.8	28,793.1	1,723.3	94.0	3,873.2	44.5
	6/30/97	24,354.9	25,972.6	1,617.7	93.8	3,556.9	45.5
BERS	6/30/99	1,705.4	1,705.4	—	100.0	592.2	—
	6/30/98	1,252.9	1,368.1	115.2	91.6	579.8	19.9
	6/30/97	1,146.8	1,257.1	110.3	91.2	512.5	21.5
POLICE	6/30/99	16,877.8	16,877.8	—	100.0	2,332.0	—
	6/30/98	12,397.8	13,812.5	1,414.7	89.8	2,091.1	67.7
	6/30/97	11,237.6	12,475.6	1,238.0	90.1	2,036.5	60.8
FIRE	6/30/99	6,179.8	6,328.7	148.9	97.6	729.7	20.4
	6/30/98	4,537.7	5,926.0	1,388.3	76.6	676.1	205.3
	6/30/97	4,157.1	5,473.1	1,316.0	76.0	660.8	199.2

* Frozen Entry Age (1997-1998), Frozen Initial Liability (1999).

(A) Revised economic and noneconomic assumptions due to experience review as of June 30, 1995 and 1999, respectively. The Actuarial Asset Valuation Method (AAVM) was changed as of June 30, 1995 and 1999 to reflect a market basis for investments held by the Plan and was made as one component of an overall revision of actuarial assumptions and methods as of June 30, 1995 and 1999, respectively.

Under this AAVM, the Actuarial Asset Value (AAV) was reset to Market Value i.e., Market Value Restart as of June 30, 1995. Prior to June 30, 1995, 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 that used prior to June 30, 1995.

Under this modified AAVM, any UIR for fiscal years 1997 or later are being 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 is being phased into the AAV beginning June 30, 1996 at a cumulative rate of 20%, 35%, 45%, 70%, and 100% over five years.

Under the AAVM, any UIR for fiscal year 2000 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).

(B) To effectively assess the funding progress of the Plan, it is necessary to compare the actuarial value of assets and the AALs calculated in a manner consistent with the Plan's 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.

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

T. COMMITMENTS

At June 30, 2000, the outstanding commitments relating to projects of the Capital Projects Funds amounted to approximately $8.0 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 $43.2 billion over the remaining fiscal years 2001 through 2009. To help meet its capital spending program, the City and TFA borrowed $2.4 billion in the public credit market in fiscal year 2000. The City and/or TFA plan to borrow $2.7 billion in the public credit market in fiscal year 2001.

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BONDS TO BE REDEEMED

The City expects to redeem City bonds, at or prior to maturity, by applying the proceeds of the Fiscal 2001 Series D and E Bonds, together with funds to be provided by the City, to provide for, at or prior to maturity, the payment of the principal of and interest and redemption premium, if any, on such bonds to the extent and to the payment dates set forth below. The refunding is contingent upon the delivery of the Fiscal 2001 Series D and E Bonds.

The bonds are being provided for in whole or in part as indicated in the notes.

Series	Dated Date	Tax-Exempt Maturities	Payment Date	Amount
1974	February 1, 1974	August 1, 2001	August 1, 2001	$ 920,000(1)
1989C	February 28, 1989	August 15, 2018	February 15, 2001	200,000(2)
1990A	August 1, 1989	August 1, 2002	February 1, 2001	70,000(2)
		August 1, 2003	February 1, 2001	100,000(2)
		August 1, 2004	February 1, 2001	90,000(2)
		August 1, 2005	February 1, 2001	75,000(2)
		August 1, 2006	February 1, 2001	70,000(2)
		August 1, 2008	February 1, 2001	80,000(2)
		August 1, 2010	February 1, 2001	35,000(2)
		August 1, 2012	February 1, 2001	25,000(2)
		August 1, 2013	February 1, 2001	135,000(2)
		August 1, 2014	February 1, 2001	35,000(2)
		August 1, 2015	February 1, 2001	45,000(2)
		August 1, 2016	February 1, 2001	80,000(2)
		August 1, 2017	February 1, 2001	35,000(2)
		August 1, 2018	February 1, 2001	30,000(2)
		August 1, 2019	February 1, 2001	45,000(2)
1990B	October 5, 1989	October 1, 2001	April 1, 2001	50,000(2)
		October 1, 2009	April 1, 2001	65,000(2)
		October 1, 2012	April 1, 2001	75,000(2)
		October 1, 2013	April 1, 2001	60,000(2)
		October 1, 2014	April 1, 2001	45,000(2)
		October 1, 2015	April 1, 2001	60,000(2)
		October 1, 2016	April 1, 2001	45,000(2)
		October 1, 2017	April 1, 2001	35,000(2)
		October 1, 2019	April 1, 2001	40,000(2)
1990F	February 23, 1990	August 1, 2001	February 1, 2001	30,000(2)
		August 1, 2002	February 1, 2001	25,000(2)
		August 1, 2003	February 1, 2001	30,000(2)
		August 1, 2009	February 1, 2001	20,000(2)
		August 1, 2012	February 1, 2001	30,000(2)
		August 1, 2013	February 1, 2001	30,000(2)
1990G	February 1, 1990	August 1, 2004	February 1, 2001	1,225,000(1)
1990H	February 1, 1990	August 1, 2001	February 1, 2001	2,155,000(1)
		August 1, 2003	February 1, 2001	12,675,000(1)
		August 1, 2004	February 1, 2001	6,560,000(1)
1991A	September 26, 1990	March 15, 2002	March 15, 2001	75,000(2)
		March 15, 2004	March 15, 2001	15,000(2)
		March 15, 2019	March 15, 2001	95,000(2)
1991B	December 20, 1990	June 1, 2002	June 1, 2001	50,000(2)
		June 1, 2003	June 1, 2003	23,050,000(1)
		June 1, 2012	June 1, 2001	60,000(2)
		June 1, 2013	June 1, 2001	70,000(2)
		June 1, 2014	June 1, 2001	85,000(2)
		June 1, 2015	June 1, 2001	75,000(2)
		June 1, 2016	June 1, 2001	75,000(2)

Series	Dated Date	Tax-Exempt Maturities	Payment Date	Amount
1991D	February 1, 1991	August 1, 2001	August 1, 2001	$ 1,455,000(1)
1991F	May 15, 1991	November 15, 2002	November 15, 2001	1,435,000(1)
1992B	December 3, 1991	February 1, 2006	February 1, 2002	7,790,000(1)
		February 1, 2007	February 1, 2002	14,750,000(1)
		February 1, 2008	February 1, 2002	105,000(1)
		February 1, 2016	February 1, 2002	305,000(1)
		February 1, 2019	February 1, 2002	7,055,000(1)
1992D	February 1, 1992	February 1, 2008 (7.65%)	February 1, 2002	45,000(2)
		February 1, 2009 (7.70%)	February 1, 2002	70,000(1)
1992E	February 1, 1992	February 1, 2007	February 1, 2002	30,000(2)
		February 1, 2014	February 1, 2002	30,000(2)
		February 1, 2016	February 1, 2002	40,000(2)
		February 1, 2018	February 1, 2002	45,000(2)
1993A	August 26, 1992	August 1, 2001	August 1, 2001	4,240,000(1)
		August 1, 2008	August 1, 2002	100,000(1)
		August 1, 2009	August 1, 2002	585,000(1)
		August 1, 2010	August 1, 2002	695,000(1)
1993B	October 29, 1992	October 1, 2008 (6.25%)	October 1, 2002	5,960,000(2)
		October 1, 2012 (7.00%)	October 1, 2002	35,000(2)
		October 1, 2016 (6.60%)	October 1, 2002	12,830,000(1)
1993B Short RITES	October 29, 1992	October 1, 2007	October 1, 2002	15,000,000(2)
		October 1, 2011	October 1, 2002	24,910,000(2)
		October 1, 2013	October 1, 2002	135,000(2)
1993C	December 22, 1992	August 1, 2012	August 1, 2002	365,000(1)
1993C Short RITES	December 22, 1992	August 1, 2009	August 1, 2002	1,900,000(1)
1993D	April 13, 1993	August 1, 2012	August 1, 2003	60,000(1)
1993E-1	May 27, 1993	May 15, 2013 (5.75%)	May 15, 2003	3,490,000(1)
		May 15, 2014 (5.75%)	May 15, 2003	9,890,000(1)
		May 15, 2015	May 15, 2003	6,690,000(2)
		May 15, 2020	May 15, 2003	14,530,000(1)
1994A-1	August 2, 1993	August 1, 2004	August 1, 2003	7,355,000(1)
1994B-1	August 18, 1993	August 15, 2001	August 15, 2001	11,870,000(2)
		August 15, 2009	August 15, 2003	11,045,000(1)
1995A	July 28, 1994	August 1, 2006	August 1, 2004	2,020,000(1)
		August 1, 2007	August 1, 2004	75,000(1)
		August 1, 2009	August 1, 2004	75,000(1)
1995F-1	March 1, 1995	February 15, 2006	February 15, 2005	7,865,000(2)
1996D	November 2, 1995	February 15, 2008	February 15, 2005	3,255,000(1)
		February 15, 2009	February 15, 2005	14,190,000(1)
		February 15, 2010	February 15, 2005	8,120,000(1)
		February 15, 2014	February 15, 2005	6,095,000(1)
		February 15, 2015	February 15, 2005	5,450,000(1)
		February 15, 2016	February 15, 2005	2,955,000(1)
		February 15, 2020	February 15, 2005	22,800,000(1)(3)
1996H	March 14, 1996	March 15, 2011	March 15, 2006	3,635,000(1)
1996I	March 14, 1996	March 15, 2011	March 15, 2006	3,335,000(1)
		March 15, 2013	March 15, 2006	6,675,000(1)
		March 15, 2022	March 15, 2006	690,000(1)(3)
1996K	April 1, 1996	April 1, 2014	April 1, 2006	485,000(2)
		April 1, 2016	April 1, 2006	5,305,000(2)
1997C	August 15, 1996	February 1, 2022	August 1, 2006	1,755,000(1)(3)
1997D	August 15, 1996	November 1, 2003	November 1, 2003	1,410,000(1)
1997F	November 21, 1996	August 1, 2001	August 1, 2001	6,015,000(1)

Series	Dated Date	Tax-Exempt Maturities	Payment Date	Amount
1997G	January 7, 1997	October 15, 2001	October 15, 2001	$ 5,880,000(2)
1997I	April 24, 1997	April 15, 2011	April 15, 2007	15,000,000(1)
		April 15, 2013	April 15, 2007	5,795,000(1)
		April 15, 2017	April 15, 2007	20,585,000(1)(3)
		April 15, 2027	April 15, 2007	9,040,000(1)(3)
1999C.....	August 20, 1998	August 15, 2001	August 15, 2001	5,235,000(1)
1999H	March 18, 1999	March 15, 2002	March 15, 2002	8,035,000(2)
1999I	April 21, 1999	April 15, 2002	April 15, 2002	2,685,000(2)
1999J	June 15, 1999	May 15, 2002	May 15, 2002	2,170,000(2)

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

(2) The amount shown is all of the bonds of this description except those, if any, which have been previously provided for.

(3) The amount will be credited against the following redemption or maturity dates:

1996 D
2020 Term Bond

February 15	Amount
2017	$ 395,000
2018	15,630,000
2019	6,775,000

1997 C
2022 Term Bond

February 1	Amount
2019	$1,755,000

1997 I
2027 Term Bond

April 15	Amount
2018	$5,150,000
2020	3,890,000

1996 I
2022 Term Bond

March 15	Amount
2019	$690,000

1997 I
2017 Term Bond

April 15	Amount
2014	$ 635,000
2015	4,565,000
2016	8,685,000
2017	6,700,000

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BROWN & WOOD LLP

ONE WORLD TRADE CENTER
NEW YORK, N.Y. 10048-0557
TELEPHONE: 212-839-5300
FACSIMILE: 212-839-5599

January 9, 2001

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

Dear Comptroller Hevesi:

We have acted as counsel to The City of New York (the "City"), a municipal corporation of the State of New York (the "State"), in its issuance of $377,635,000 General Obligation Bonds, Fiscal 2001 Series D and E (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 Public Finance and related proceedings (the "Certificate").

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

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

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

3. Except as provided in the following sentence, interest on the Bonds is not includable in the gross income of the owners of the Bonds for purposes of Federal income taxation under existing law. Interest on the Bonds will be includable in the gross income of the owners thereof retroactive to the date of issue of the Bonds in the event of a failure by the City to comply with the applicable requirements of the Internal Revenue Code of 1986, as amended (the "Code"), and the covenants regarding use, expenditure and investment of bond proceeds and the timely payment of certain investment earnings to the United States Treasury; and we render no opinion as to the exclusion from gross income of interest on the Bonds for Federal income tax purposes on or after the date on which any action is taken under the Certificate upon the approval of counsel other than ourselves.

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

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,

NYCNY12/00

DO NOT STAPLE THIS FORM 05-120802

B

FORM G-36(OS) - FOR OFFICIAL STATEMENTS

ON I - MATERIALS SUBMITTED

THIS FORM IS SUBMITTED IN CONNECTION WITH (check one):

1.[X] A FINAL OFFICIAL STATEMENT RELATING TO A PRIMARY OFFERING OF MUNICIPAL SECURITIES (enclose two (2) copies)
(a) DATE RECEIVED FROM ISSUER: 01/04/2001 (b) DATE SENT TO MSRB: 01/04/2001

2.[ ] AN AMENDED OFFICIAL STATEMENT WITHIN THE MEANING OF RULE G-36(d) (enclose two (2) copies)
(a) DATE RECEIVED FROM ISSUER: _____ (b) DATE SENT TO MSRB: _____

IF MATERIALS SUBMITTED WITH THIS FORM CONSIST OF MORE THAN ONE DOCUMENT (e.g. preliminary official statement and wrap, even if physically attached), PLEASE CHECK HERE: [X]

C. IF THIS FORM AMENDS PREVIOUSLY SUBMITTED FORM WITHOUT CHANGING MATERIALS SUBMITTED, PLEASE CHECK HERE (include copy of original form G-36 (OS)): [ ]

ON II - IDENTIFICATION OF ISSUE(S)

issue must be listed separately.

re space is needed to list additional issues, please include on a separate sheet and check here: [ ]

OF THE CITY OF NEW YORK GENERAL OBLIGATION BONDS FISCAL 2001 SERIES D AND E
R
IPTION FISCAL 2001 SERIES D STATE: NY
SUE DATED
DATE: 01/09/2001

OF THE CITY OF NEW YORK GENERAL OBLIGATION BONDS FISCAL 2001 SERIES D AND E
R
IPTION FISCAL 2001 SERIES E STATE: NY
SUE DATED
DATE: 01/09/2001

OF
R _____ STATE:
IPTION DATED
SUE _____ DATE:

ON III - TRANSACTION INFORMATION

LATEST FINAL MATURITY DATE OF ALL SECURITIES IN OFFERING: 08/01/2019

DATE OF FINAL AGREEMENT TO PURCHASE, OFFER OR SELL SECURITIES (Date of Sale): 12/22/2000

ACTUAL OR EXPECTED DATE OF DELIVERY OF SECURITIES TO UNDERWRITER(S) (Bond Closing): 01/09/2001

IF THESE SECURITIES ADVANCE REFUND ALL OR A PORTION OF ANOTHER ISSUE, PLEASE CHECK HERE: [X]

A separate Form G-36(ARD) and copies of the advance refunding documents must be submitted for each issue advance refunded.

ON IV - UNDERWRITER ASSESSMENT INFORMATION

nformation will be used by the MSRB to compute any rule A-13 underwriting assessment that may be due on this offering. The ing underwriter will be sent an invoice if a rule A-13 assessment is due on the offering.

MANAGING UNDERWRITER J.P. Morgan Securities Inc. SEC REG. NUMBER: 8-32646

TOTAL PAR VALUE OF ALL SECURITIES IN OFFERING $ 377,635,000

PAR AMOUNT OF SECURITIES UNDERWRITTEN (if different from the amount shown in item B above): $

CHECK ALL THAT APPLY

1.[ ] 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.

2.[ ] 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.

3.[ ] 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 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, or with a view toward distributing the securities.

TION V - CUSIP INFORMATION

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

CUSIP-9 NUMBERS OF THE ISSUE(S)

urity Date	CUSIP Number	Maturity Date	CUSIP Number	Maturity Date	CUSIP Number
01/2002D	64966ATL9	08/01/2003D	64966ATM7	08/01/2004D	64966ATN5
01/2005D	64966ATP0	08/01/2006D	64966ATQ8	08/01/2007D	64966ATR6
01/2008D	64966ATS4	08/01/2009D	64966ATT2	08/01/2010D	64966ATU9
01/2011D	64966ATV7	08/01/2012D	64966ATW5	08/01/2013D	64966ATX3
01/2014D	64966ATY1	08/01/2015D	64966ATZ8	08/01/2016D	64966AUA1
01/2017D	64966AUB9	08/01/2018D	64966AUC7	08/01/2019D	64966AUD5
01/2001E	64966AUE3	08/01/2002E	64966AUF0	08/01/2003E	64966AUG8
01/2004E	64966AUH6	08/01/2005E	64966AUJ2	08/01/2006E	64966AUK9
01/2007E	64966AUL7	08/01/2007P	64966AUM5	08/01/2008E	64966AUN3
01/2008P	64966AUP8	08/01/2009E	64966AUQ6	08/01/2009P	64966AUR4
01/2010E	64966AUS2	08/01/2010P	64966AUT0	08/01/2011E	64966AUU7

IF ANY OF THE ABOVE SECURITIES HAS A "CUSIP-6" BUT NO "CUSIP-9", CHECK HERE AND LIST THEM BELOW: [ ]

(Please see instructions in Form G-36 Manual)

LIST ALL CUSIP-6 NUMBERS ASSIGNED: _____

State the reason why such securities have not been assigned a "CUSIP-9": _____

_____

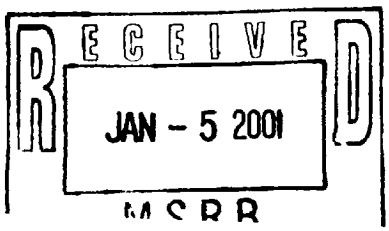
IF ANY OF THESE SECURITIES IS INELIGIBLE FOR CUSIP NUMBER ASSIGNMENT, PLEASE CHECK HERE: [ ]

State the reason why such securities are ineligible for CUSIP number assignment: _____

_____

ION VI - MANAGING UNDERWRITER'S CERTIFICATION AND SIGNATURE

UNDERSIGNED CERTIFIES THAT THE MATERIALS ACCOMPANYING THIS FORM ARE AS DESCRIBED IN SECTION I ABOVE AND THAT ALL OTHER RMATION CONTAINED HEREIN IS TRUE AND CORRECT. THE UNDERSIGNED ... SAID MATERIALS WILL BE PUBLICLY DISSEMINATED.



ON B ... CTION IV ABOVE

SIG ... _____

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(P ... ng underwriter)

Pl ...

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or note ... RETURNED FOR

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MSRB within the meaning of ...

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