Supplement dated October 14, 2009
to the Official Statement Dated September 30, 2009

Relating to

$970,000,000

The City of New York

General Obligation Bonds, Fiscal 2010 Series A
$170,000,000 Taxable Bonds, Subseries A-1
$800,000,000 Taxable Bonds, Subseries A-2 (Build America Bonds)

The Official Statement referred to above is hereby supplemented by adding the following paragraph number 5 under "SECTION IX: OTHER INFORMATION—Litigation—*Miscellaneous*:"

5. In 1996, a class action was brought against the City and the State under Title VII of the Civil Rights Act of 1964 alleging that the use by the City Board of Education of two teacher certification examinations mandated by the State had a disparate impact on minority candidates. The lower court dismissed the case. Plaintiffs appealed, and in 2006, the United States Court of Appeals for the Second Circuit reversed the lower court's ruling and remanded the matter for further proceedings. The State has advised the City that there are approximately 3,500 members of the class and has calculated potential damages, based on the difference in salary between a certified public school teaching position and an uncertified parochial or private school teaching position, of approximately $455,000,000.

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. Interest on the Bonds will be includable in gross income for federal income tax purposes. See "SECTION IX: OTHER INFORMATION" herein for further information.

$970,000,000

The City of New York

General Obligation Bonds, Fiscal 2010 Series A
$170,000,000 Taxable Bonds, Subseries A-1
$800,000,000 Taxable Bonds, Subseries A-2 (Build America Bonds)

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

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 on each April 1 and October 1, commencing April 1, 2010. The Bonds can be purchased in principal amounts of $5,000 or any integral multiple thereof. Other terms of the Bonds including redemption provisions are described herein. *A detailed schedule of the Bonds is set forth on the inside cover page.*

The Bonds are offered subject to prior sale, when, as and if issued by the City and accepted by the Underwriters. The issuance of the Bonds is subject to the approval of the legality of the Bonds by Sidley Austin 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 Orrick, Herrington & Sutcliffe LLP, New York, New York, Special Disclosure Counsel to the City. Certain legal matters will be passed upon for the Underwriters by Hawkins Delafield & Wood LLP, New York, New York. It is expected that the Bonds will be available for delivery in New York, New York, on or about October 15, 2009.

Morgan Stanley

Citi | **J.P. Morgan**

Merrill Lynch & Co. | **Siebert Brandford Shank & Co., LLC**

Barclays Capital		**M.R. Beal & Company**
Fidelity Capital Markets	**Goldman, Sachs & Co.**	**Jefferies & Company**
Loop Capital Markets, LLC	**Ramirez & Co., Inc.**	**Rice Financial Products Company**
Roosevelt & Cross Incorporated	**Southwest Securities, Inc.**	**Wachovia Bank, National Association**
Cabrera Capital Markets, LLC	**Jackson Securities**	**Janney Montgomery Scott LLC**
Lebenthal & Co., LLC	**MFR Securities, Inc.**	**Morgan Keegan & Company, Inc.**
Raymond James & Associates, Inc.	**RBC Capital Markets**	**TD Securities**

September 30, 2009

$970,000,000 General Obligation Bonds, Fiscal 2010 Series A

October 1,	Subseries A-1 $170,000,000 Taxable Bonds			Subseries A-2 $800,000,000 Taxable Bonds (Build America Bonds)		
	Principal Amount	Interest Rate	Price	Principal Amount	Interest Rate	Price
2011	$22,590,000	1.472%	100%			
2012	22,930,000	2.045	100			
2013	26,495,000	2.917	100			
2014	27,270,000	3.117	100			
2015	28,125,000	3.397	100			
2016	29,090,000	3.823	100			
2017	13,500,000	4.053	100			
2022(1)				$170,210,000	4.589%	100%
2022				19,220,000	4.669	100
2023				39,450,000	4.769	100
2024				41,330,000	4.869	100
2031(1)				355,335,000	5.206	100
2034(1)				174,455,000	5.676	100

(1) Term Bond.

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.

This Official Statement contains forecasts, projections and estimates that are based on expectations and assumptions which existed at the time such forecasts, projections and estimates were prepared. In light of the important factors that may materially affect economic conditions in the City, the inclusion in this Official Statement of such forecasts, projections and estimates should not be regarded as a representation by the City, its independent auditors or the Underwriters that such forecasts, projections and estimates will occur. Such forecasts, projections and estimates are not intended as representations of fact or guarantees of results. If and when included in this Official Statement, the words "expects," "forecasts," "projects," "intends," "anticipates," "estimates" and analogous expressions are intended to identify forward-looking statements and any such statements inherently are subject to a variety of risks and uncertainties that could cause actual results to differ materially from those projected. Such risks and uncertainties include, among others, general economic and business conditions, changes in political, social and economic conditions, regulatory initiatives and compliance with governmental regulations, litigation and various other events, conditions and circumstances, many of which are beyond the control of the City. These forward-looking statements speak only as of the date they were prepared. The City disclaims any obligation or undertaking to release publicly any updates or revisions to any forward-looking statement contained herein to reflect any change in the City's expectations with regard thereto or any change in events, conditions or circumstances on which any such statement is based between modifications to the City's financial plan required by law.

Deloitte & Touche LLP, the City's independent auditor, has not reviewed, commented on or approved, and is not associated with, this Official Statement. The report of Deloitte & Touche LLP relating to the City's financial statements for the fiscal years ended June 30, 2008 and 2007, which is a matter of public record, is included in this Official Statement. However, Deloitte & Touche LLP has not performed any procedures on any financial statements or other financial information of the City, including without limitation any of the information contained in this Official Statement, since the date of such report and has not been asked to consent to the inclusion of its report in this Official Statement.

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

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 $970,000,000 aggregate principal amount of the City's General Obligation Bonds, Fiscal 2010 Series A (the "Bonds"). The Bonds consist of $170,000,000 taxable bonds, Subseries A-1 (the "Subseries A-1 Bonds") and $800,000,000 taxable bonds, Subseries A-2 (Build America Bonds) (the "Subseries A-2 Bonds" or the "Build America Bonds"). The City expects to issue simultaneously with the Bonds its tax-exempt General Obligation Bonds, Fiscal 2010 Series B and C in the aggregate principal amount of approximately $1,100,000,000. Such bonds are being offered pursuant to a separate official statement.

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 8,000,000, 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 2008 fiscal years, the City's General Fund 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—2004-2008 Summary of Operations." City fiscal years end on June 30 and are referred to by the calendar year in which they end. 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 (the "State") law without proposed 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 the New York State Financial Emergency Act For The City of New York (the "Financial Emergency Act" or the "Act") and the New York City Charter (the "City Charter"), 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 budget balance in the 2009 and 2010 fiscal years in accordance with GAAP except for the application of Statement No. 49 of the Government Accounting Standards Board ("GASB 49") as described below. The City's current financial plan projects budget gaps for each of the 2011 through 2013 fiscal years. A pattern of current year balance and projected subsequent year budget gaps has been consistent through the entire period since 1982, during which the City has achieved an excess of revenues over expenditures, before discretionary transfers, for each fiscal year. For information regarding the current financial plan and recent actions by the New York State Financial Control Board (the "Control Board") with respect to the application of GASB 49 to the City budget, see "SECTION I: RECENT FINANCIAL DEVELOPMENTS" and "SECTION VII: FINANCIAL PLAN." The City is required to submit its financial plans to 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.*"

For its normal operations, the City depends on aid from 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 delays or reductions in State aid to the City from amounts currently projected; that State budgets for fiscal years 2010-2011 and thereafter 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—2009-2013 Financial Plan." In addition, the City has made various assumptions with respect to federal aid. Future federal actions could have adverse effects on the City's cash flow or revenues.

The Mayor is responsible for preparing the City's financial plan which relates to the City and certain entities that receive funds from the City, including the financial plan for the 2009 through 2012 fiscal years submitted to the Control Board on June 30, 2008 (the "June 2008 Financial Plan"), Modification No. 09-4 to the June 2008 Financial Plan and the financial plan for the 2010 through 2013 fiscal years submitted to the Control Board on June 23, 2009 (as so modified the "2009-2013 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, the impact on City revenues and expenditures of any future federal or State legislation and policies affecting the City and the cost of future labor settlements. See "SECTION I: RECENT FINANCIAL DEVELOPMENTS."

Implementation of the Financial Plan is dependent on the City's ability to market successfully its bonds and notes, including revenue and tax anticipation notes that it may issue under certain circumstances to finance seasonal working capital requirements. Implementation of the Financial Plan is also dependent upon the ability to market the securities of other financing entities including the New York City Municipal Water Finance Authority (the "Water Authority") and the New York City Transitional Finance Authority ("TFA"). See "SECTION VII: FINANCIAL PLAN—Financing Program." The success of projected public sales of City, Water Authority, TFA and other bonds and notes will be subject to prevailing market conditions. Future developments in the financial markets generally, as well as future developments concerning the City, and public discussion of such developments, 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 described throughout this Official Statement are complex and are not intended to be summarized in this Introductory Statement. The economic and financial condition of the City may be affected by various financial, social, economic, geo-political and other factors which could have a material effect on the City. This Official Statement should be read in its entirety.

SECTION I: RECENT FINANCIAL DEVELOPMENTS

2009-2013 Financial Plan

For the 2008 fiscal year, the City's General Fund had an operating surplus of $4.64 billion, before discretionary and other transfers, and achieved balanced operating results in accordance with GAAP, after discretionary and other transfers. The 2008 fiscal year is the twenty-eighth consecutive year that the City has achieved balanced operating results when reported in accordance with GAAP.

The City's expense and capital budgets for the 2009 fiscal year were adopted on June 29, 2008. The June 2008 Financial Plan, which was consistent with the City's expense and capital budgets as adopted for the 2009 fiscal year, projected revenues and expenses for the 2009 fiscal year balanced in accordance with GAAP, except for the application of GASB 49, as described below. The June 2008 Financial Plan projected gaps of $2.3 billion, $5.2 billion and $5.1 billion in fiscal years 2010 through 2012, respectively.

On June 23, 2009, the City submitted to the Control Board the Financial Plan for the 2009 through 2013 fiscal years which relates to the City and certain entities that receive funds from the City and which reflects changes as a result of the City's expense and capital budgets for the 2010 fiscal year which were adopted on June 19, 2009. The Financial Plan is a modification to the June 2008 Financial Plan, as subsequently modified by the financial plans submitted to the Control Board on November 12, 2008, January 30, 2009 and

May 1, 2009. The Financial Plan projects revenues and expenses for the 2009 and 2010 fiscal years balanced in accordance with GAAP, except for the application of GASB 49 as described below, and projects gaps of $4.9 billion, $5 billion and $5.6 billion in fiscal years 2011 through 2013, respectively, after implementation of a gap-closing program described below.

The Financial Plan reflects decreases, since the June 2008 Financial Plan, in projected net revenues of $582 million, $3.8 billion, $3.8 billion and $4 billion in fiscal years 2009 through 2012, respectively. Changes in projected revenues include: (i) an increase in property tax revenues of $13 million in fiscal year 2009 and decreases in property tax revenues of $144 million, $82 million and $301 million in fiscal years 2010 through 2012, respectively; (ii) decreases in personal income tax revenues of $551 million, $1.5 billion, $1.4 billion and $1.5 billion in fiscal years 2009 through 2012, respectively; (iii) an additional decrease in personal income tax revenues of $420 million in fiscal year 2009 as a result of an adjustment by the State for prior overpayments by the State, and annual increases of $94 million in personal income tax revenues in fiscal years 2010 through 2012, as a result of the adjustment in the full amount of such overpayments in fiscal year 2009; (iv) an increase in business tax revenues of $75 million in fiscal year 2009 and decreases in business tax revenues of $953 million, $880 million and $732 million in fiscal years 2010 through 2012, respectively; (v) an increase in sales tax revenues of $9 million in fiscal year 2009 and decreases in sales tax revenues of $599 million, $634 million and $695 million in fiscal years 2010 through 2012, respectively; (vi) decreases in real estate transaction tax revenues of $675 million, $795 million, $660 million and $658 million in fiscal years 2009 through 2012, respectively; (vii) an increase in tax audit revenues of $400 million in fiscal year 2009, primarily due to general corporation tax audits; (viii) an increase in all other taxes of $94 million in fiscal year 2009 and decreases in all other taxes of $104 million, $153 million and $228 million in fiscal years 2010 through 2012, respectively; (ix) increases of $17 million, $13 million and $13 million, in fiscal years 2010 through 2012, respectively, as a result of the expansion of the red-light traffic camera program; (x) a net increase in other non-tax revenue of $348 million and $141 million in fiscal years 2009 and 2010, respectively, and net decreases in other non-tax revenues of $48 million and $6 million in fiscal years 2011 and 2012, respectively; and (xi) an increase of $125 million in fiscal year 2009 from restitution agreements. Decreases in projected revenues reflect the weakening of the City economy since the June 2008 Financial Plan. A rapid deceleration in the nation's economic activity combined with the financial market turmoil that worsened in September 2008 stressed the City's securities and real estate industries more than anticipated in the June 2008 Financial Plan. The economic forecasts underlying the projections in the Financial Plan reflect New York Stock Exchange member firm losses of $42.6 billion in calendar year 2008, compared to the $7.1 billion in gains assumed in the June 2008 Financial Plan. The Financial Plan reflects an assumption of private sector job losses of 314,000 in the forecast two-year downturn period corresponding to fiscal years 2009 through 2010, compared to 89,000 job losses assumed in the June 2008 Financial Plan during the then-forecast one-year downturn from the second quarter in calendar year 2008 to the second quarter of calendar 2009. The Financial Plan assumption is based on the assumption of national job losses of approximately 7.3 million through the first half of calendar year 2010. So far through August 2009, the nation has lost 6.9 million jobs. The Financial Plan also reflects an assumption that total wage earnings in the City will contract by 10.7 percent in calendar year 2009, and contract further by 4.8 percent in calendar year 2010, compared to an estimated decline of 3.6 percent assumed in calendar year 2009 in the June 2008 Financial Plan.

The Financial Plan also reflects, since the June 2008 Financial Plan, decreases in projected net expenditures of $1.1 billion, $231 million and $248 million in fiscal years 2009, 2011 and 2012, respectively, and an increase in projected net expenditures of $415 million in fiscal year 2010. Changes in projected expenditures include: (i) increases to pension contributions of $97 million, $348 million and $615 million in fiscal years 2009, 2011 and 2012, respectively; (ii) a decrease in pension contributions of $110 million in fiscal year 2010; (iii) reductions in the contributions to the Retiree Health Benefits Trust Fund of $82 million, $395 million and $672 million in fiscal years 2010 through 2012, respectively, effectively drawing down the balance in that fund by those amounts in the respective fiscal years; (iv) increases in expenses of $44 million, $162 million, $112 million and $116 million in fiscal years 2009 through 2012, respectively, associated with State budget actions; (v) decreases in energy expenditures of $99 million, $134 million, $63 million and $13 million in fiscal years 2009 through 2012, respectively; (vi) a reduction in prior year payables of $500 million and a reduction in the general reserve of $260 million in fiscal year 2009; (vii) decreases in debt service costs of $204 million, $165 million, $140 million and $233 million in fiscal years 2009 through 2012, respectively; (viii) increases of $14 million, $43 million, $44 million and $46 million in fiscal years 2009 through 2012, respectively, due to the imposition of an MTA payroll tax; (ix) decreases in the labor reserve of $200 million, $279 million and $279 million in fiscal years 2010 through 2012, respectively, as a result of the lower final costs of labor settlements; (x) an increase in health benefit expenses of $50 million in fiscal year 2012 resulting from lower than projected health benefit savings; (xi) decreases in fringe benefit expenses of $100 million, $113 million, $129 million and $155 million in fiscal years 2009 through 2012, respectively, primarily due to lower retiree health insurance expenses as a result of slower retirement rates; (xii) the deferral of $182 million in agency expenditures from fiscal year 2009 to subsequent fiscal years resulting in increases in agency expenditures of $142 million, $13 million and $14 million in fiscal years 2010 through 2012, respectively; (xiii) increases in expenditures of $364 million in fiscal year 2010 as a result of City Council restorations and initiatives; and (xiv) increases in other expenses of $139 million, $508 million, $258 million and $263 million in fiscal years 2009 through 2012, respectively.

In addition, the Financial Plan sets forth a gap-closing program to maintain budget balance in fiscal year 2010, to increase the forecast transfer of financial resources from fiscal year 2009 to fiscal year 2010 and to reduce previously projected gaps for each of fiscal years 2011 and 2012. The gap-closing actions include: (i) agency programs reflecting reduced agency expenditures or increased revenues totaling $507 million, $2.2 billion, $2.1 billion and $2.1 billion in fiscal years 2009 through 2012, respectively, and include City personnel headcount reductions through either layoffs or attrition of approximately 11,200 positions; (ii) the early rescission of the 7 percent property tax reduction effective January 1, 2009 resulting in increased revenue of $576 million in fiscal year 2009; (iii) the elimination of the $400 property tax rebate resulting in increased revenues of $256 million in each of fiscal years 2010 through 2012; (iv) the decrease in City-funded Medicaid expenses of $447 million, $850 million and $295 million in fiscal years 2009 through 2011, respectively, from the temporary increase in the federal Medicaid share provided through the American Recovery and Reinvestment Act of 2009 ("ARRA"); (v) annual savings of $200 million in pension costs commencing in fiscal year 2011 as a result of reforms to pension benefits for new employees, which requires agreement of the municipal unions and enactment by the State legislature; and (vi) restructuring employee health benefits for savings of $357 million and $386 million in fiscal years 2011 and 2012, respectively, which requires agreement of the municipal unions.

The gap-closing program also reflects tax proposals, as a result of changes in State law, assumed to be effective July 1, 2009, including (i) increased sales tax yielding revenues of $720 million, $745 million and $790 million in fiscal years 2010 through 2012, respectively, including the repeal of the sales tax exemption on clothing above $110 with estimated increased revenues of $119 million, $124 million and $133 million in fiscal years 2010 through 2012, respectively, an increase of 0.50 percent in the sales tax rate with estimated increased revenues of $518 million, $537 million and $570 million in fiscal years 2010 through 2012, respectively, and the imposition of a 4.5 percent sales tax on all electric and natural gas transmission and distribution with estimated increased revenues of $83 million, $84 million and $87 million in fiscal years 2010 through 2012, respectively; and (ii) increases in City business taxes with estimated increased revenues of $159 million, $132 million and $153 million in fiscal years 2010 through 2012, respectively. State legislation enacting these tax proposals was effective August 1, 2009. The Financial Plan does not reflect the impact of the delay, from July 1, 2009 to August 1, 2009, in the effective date of the State legislation enacting the gap-closing program tax proposals. It is estimated that such delay will reduce tax revenues by $70 million in fiscal year 2010.

The Financial Plan also reflects, since the June 2008 Financial Plan, an increase of $2 billion in the provision for prepayments of future expenses in fiscal year 2009, as a result of decreased expenditures or increased revenues, resulting in the net additional benefit of $2 billion in fiscal year 2010. The Financial Plan also reflects, since the June 2008 Financial Plan, a decrease of $350 million in the provision for prepayments of future expenses in fiscal year 2010, resulting in decreased benefit of $350 million in fiscal year 2011.

The Financial Plan assumes pension fund losses of twenty percent in fiscal year 2009. Tentative returns through June 30, 2009 reflect lower losses than those forecast in the Financial Plan. The Financial Plan does not make provision for increased pension expenditures if the returns in each of fiscal years 2010 through 2012 are less than the 8 percent returns forecast in the Financial Plan. Each 1 percent reduction in fiscal year 2010 below the assumed rate would result in additional pension expenditures of $15 million and $28 million in fiscal years 2012 and 2013, respectively. For information on pension fund performance see "SECTION IX: OTHER INFORMATION — Pension Systems."

The Financial Plan does not reflect the additional expense budget costs that may be incurred, commencing in fiscal year 2011, unless there is a change in applicable law or action by the Control Board, as a result of GASB 49 relating to the accounting treatment of pollution remediation costs. Currently, many of these costs are included in the City's capital budget and financed through the issuance of bonds. The Control Board, pursuant to existing authorization under the Financial Emergency Act, has approved a phase-in of the budgetary impact of GASB 49, enabling the City to continue to finance with the issuance of bonds certain remediation costs for projects authorized prior to fiscal year 2011 and, consequently, to achieve balance in fiscal year 2009 in accordance with GAAP, except in the application of GASB 49. The City is proposing legislation amending the Financial Emergency Act to authorize the Control Board to permit the permanent waiver of the budgetary impact of GAAP changes that would have a substantial adverse impact on the delivery of essential services in the City, such as those included in GASB 49. If such legislation were not enacted or the Control Board did not further delay or waive the implementation of GASB 49 for budgetary purposes, there would be significant increased costs to the City's expense budget starting in fiscal year 2011 as a result of GASB 49.

For information on reports issued and to be issued by the City Comptroller and others reviewing and commenting on the Financial Plan and identifying various risks see "SECTION VII: FINANCIAL PLAN — Certain Reports."

The State

The Governor's Executive Budget for the 2009-2010 fiscal year projected ending the 2009-2010 fiscal year in balance on a cash basis. The State Legislature completed action on the $131.8 billion budget for the 2009-2010 fiscal year on April 3, 2009 (the "Enacted Budget"). The Enacted Budget enabled the State to end its 2008-2009 fiscal year in balance on a cash basis.

The State Annual Information Statement dated May 15, 2009 (the "Annual Information Statement") reflects the Enacted Budget and revisions to the spending estimates therein through May 1, 2009, the date of the State financial plan. The State updates the Annual Information Statement quarterly and released its first quarterly update on July 30, 2009 (the "July AIS update").

The State released a supplement to its Annual Information Statement on May 29, 2009 (the "Supplement"), which contains information regarding preliminary operating results for the State's general fund, the performance of the State's pension fund and certain litigation against the State. The State's Division of Budget estimated that the State general fund receipts for subsequent months would be below the cash-flow forecast contained in the Annual Information Supplement, primarily due to lower than expected personal income tax collections. The Supplement also describes the preliminary estimate of the State Comptroller indicating that the rate of return for the State's pension fund assets was a negative 26.3 percent, with the fund's value declining to approximately $109.9 billion for the fiscal year that ended March 31, 2009. In addition, the Supplement describes litigation resulting in a preliminary injunction enjoining the State from implementing or enforcing certain amendments to the State's bottle deposit bill until April 1, 2010. The State's financial plan for fiscal year 2009-10 includes revenue of $115 million related to such amendments.

In the July AIS Update, the State's Division of Budget estimates current year State General Fund receipts to total $52.4 billion, a reduction of $1.97 billion from the Enacted Budget forecast. Such reduction results primarily from significant downward revisions to the forecasts for personal income taxes and sales taxes. State General Fund disbursements are estimated to increase $151 million from the Enacted Budget forecast to $55.1 billion. The State's Division of Budget estimates that, absent legislative and administrative action, such estimated reduction in receipts and increase in disbursements would result in a budget gap of $2.1 billion in the 2009-10 fiscal year. The cumulative four-year budget gap has increased approximately $13 billion, from

$25 billion to $38 billion, compared to the Enacted Budget forecast, with projected gaps of $4.6 billion, $13.3 billion and $18.2 billion in fiscal years 2010-11, 2011-12 and 2012-13, respectively. The main factors contributing to the increase in the cumulative gap since the Enacted Budget are lower projected tax receipts, higher State pension contributions, lower lottery receipts, reduced investment income and increased child welfare and public assistance costs.

The Annual Information Statement, as supplemented and updated, identifies a number of risks inherent in the implementation of the Enacted Budget and the State financial plan. Such risks include, but are not limited to, the performance of the national and State economies; the impact of continuing write-downs and other costs on the profitability of the financial services sector, and the concomitant effect on bonus income and capital gains realizations; the impact of calendar year 2009 wage and bonus activity on the State tax settlement in fiscal year 2010-2011; increased demand in entitlement and claims based programs; access to the capital markets; litigation against the State, including potential challenges to certain tax actions authorized in the Enacted Budget; costs that may materialize in connection with the State's negotiation of future collective bargaining agreements with the State's employee unions; and actions taken by the Federal government, including audits, disallowances, changes in aid levels and changes in Medicaid rules.

On September 23, 2009, Governor David Paterson said the State faces an estimated $3 billion deficit and called for a special session of the State legislature to deal with the deficit. State revenue collections since April 1, 2009 have fallen $444.5 million below those projected in the July AIS Update according to a report by the State Comptroller's office dated September 17, 2009.

SECTION II: THE BONDS

General

The Bonds will be general obligations of the City issued pursuant to the Constitution and laws of the State, including the Local Finance Law (the "LFL"), and the City Charter and in accordance with bond resolutions of the Mayor and a certificate of the Deputy Comptroller for Public Finance (with related proceedings, the "Certificate"). The Bonds will mature and bear interest as described on the cover and 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 and interest on the Bonds. Interest on the Bonds, calculated on a 30/360 day basis, will be payable to the registered owners thereof as shown on the registration books of the City on the Record Date (the fifteenth day of the calendar month immediately preceding the applicable interest payment date).

Designation of the Subseries A-2 Bonds as "Build America Bonds"

The City intends to make an irrevocable election to treat the Subseries A-2 Bonds as "Build America Bonds" under Section 54AA of the Internal Revenue Code of 1986, as amended (the "Code"), for which it will receive, pursuant to Sections 54AA(g) and 6431 of the Code, a cash subsidy payment from the United States Treasury equal to 35% of the interest payable by the City on the Build America Bonds. It is expected that any cash subsidy payments received will be deposited, upon receipt, to the credit of the City.

Payment Mechanism

Pursuant to the Financial Emergency Act, a general debt service fund (the "General Debt Service Fund" or the "Fund") has been established for City bonds and certain City notes. Pursuant to the Act, payments of the City real estate tax must be deposited upon receipt in the Fund, and retained under a statutory formula, for the payment of debt service (with exceptions for debt service, such as principal of seasonal borrowings, that is set aside under other procedures). The statutory formula has in recent years resulted in retention of sufficient real estate taxes to comply with the City Covenants (as defined in "—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, 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. For information regarding the termination date of the Act, see "SECTION III: GOVERNMENT AND FINANCIAL CONTROLS—City Financial Management, Budgeting and Controls—*Financial Emergency Act and City Charter.*"

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 when due. 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 New York 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 New York 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 applicable redemption premium, if any, from the City could be adversely affected by a restructuring of the City's debt under Chapter 9 of the Federal Bankruptcy Code. No assurance can be given that any priority of holders of City securities (including the Bonds) to payment from money retained in the Fund or from other sources would be recognized if a petition were filed by or on behalf of the City under the Federal Bankruptcy Code or pursuant to other subsequently enacted laws relating to creditors' rights; such money might then be available for the payment of all City creditors generally. Judicial enforcement of the City's obligation to make payments into the Fund, of the obligation to retain money in the Fund, of the rights of holders of bonds and notes of the City to money in the Fund, of the obligations of the City under the City Covenants and of the State under the State Pledge and Agreement (in each case, as defined in "—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 provide a general reserve for each fiscal year to cover potential reductions in its projected revenues or increases in its projected expenditures during each such fiscal year, 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 covenant to make continuing disclosure with respect to the

Bonds (the "Undertaking") to the extent summarized in "SECTION IX: OTHER INFORMATION—Continuing Disclosure Undertaking." In the opinion of Bond Counsel, the enforceability of the City Covenants, the Undertaking and the State Pledge and Agreement may be subject to bankruptcy, insolvency, reorganization, moratorium and other similar laws affecting creditors' rights heretofore or hereafter enacted and may also be subject to the exercise of the State's police powers and of judicial discretion in appropriate cases. The City Covenants, the Undertaking and the State Pledge and Agreement 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 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 for capital purposes and other discrete capital purposes and the payment of certain costs of issuance.

Mandatory Redemption

The Bonds maturing on October 1, 2022 and bearing interest at 4.589% are Term Bonds subject to mandatory redemption, pro rata, at a redemption price equal to the principal amount thereof, plus accrued interest, without premium, on the dates and in the amounts set forth below:

October 1	Principal Amount to be Redeemed
2017	$16,695,000
2018	31,525,000
2019	32,970,000
2020	34,475,000
2021	36,055,000
2022(1)	18,490,000

(1) Stated Maturity

The Bonds maturing on October 1, 2031 are Term Bonds subject to mandatory redemption, pro rata, at a redemption price equal to the principal amount thereof, plus accrued interest, without premium, on the dates and in the amounts set forth below:

October 1	Principal Amount to be Redeemed
2025	$43,335,000
2026	45,605,000
2027	47,990,000
2028	50,500,000
2029	53,140,000
2030	55,920,000
2031(1)	58,845,000

(1) Stated Maturity

The Bonds maturing on October 1, 2034 are Term Bonds subject to mandatory redemption, pro rata, at a redemption price equal to the principal amount thereof, plus accrued interest, without premium, on the dates and in the amounts set forth below:

October 1	Principal Amount to be Redeemed
2032	$61,920,000
2033	65,435,000
2034(1)	47,100,000

(1) Stated Maturity

Optional Redemption

Make-Whole Optional Redemption

The Bonds (except for the Bonds maturing on October 1, 2034, which are subject to redemption as set forth below) are subject to redemption prior to their stated maturity dates at the option of the City, in whole or in part on any date, at a redemption price (the "Make-Whole Redemption Price") equal to the greater of:

(1) the issue price set forth on the inside cover page hereof (but not less than 100%) of the principal amount of such Bonds to be redeemed; or

(2) the sum of the present value of the remaining scheduled payments of principal and interest to the maturity date of such Bonds to be redeemed, not including any portion of those payments of interest accrued and unpaid as of the date on which such Bonds are to be redeemed, discounted to the date on which such Bonds are to be redeemed on a semi-annual basis, assuming a 360-day year consisting of twelve 30-day months, at the Treasury Rate (described below) plus the number of basis points set forth below:

		Basis Points
Subseries A-1 Bonds		15
Subseries A-2 Bonds		
maturing:	2022(1)	20
	2022(2)	25
	2023	25
	2024	25
	2031	20

(1) Term Bond bearing interest at 4.589%

(2) Bonds bearing interest at 4.669%

plus, in each case, accrued interest on such Bonds to be redeemed to the redemption date.

"Treasury Rate" means, with respect to any redemption date for a particular Bond, the yield to maturity as of such redemption date of United States Treasury securities with a constant maturity (as compiled and published in the Federal Reserve Statistical Release H.15 (519) that has become publicly available at least two Business Days, but not more than 45 calendar days, prior to the redemption date (excluding inflation indexed securities) (or, if such Statistical Release is no longer published, any publicly available source of similar market data)) most nearly equal to the period from the redemption date to the maturity date of the Bond to be redeemed; provided, however, that if the period from the redemption date to such maturity date is less than one year, the weekly average yield on actually traded United States Treasury securities adjusted to a constant maturity of one year will be used.

Optional Redemption of Bonds Maturing on October 1, 2034

The Bonds maturing on October 1, 2034 are subject to redemption prior to their maturity at the option of the City in whole or in part at any time:

(i) if prior to October 1, 2019, at a redemption price equal to the greater of:

(a) the issue price set forth on the inside cover page hereof (but not less than 100%) of the principal amount of such Bonds to be redeemed; or

(b) the sum of the present value of the remaining scheduled payments of principal and interest to the maturity date of such Bonds to be redeemed, not including any portion of those payments of interest accrued and unpaid as of the date on which such Bonds are to be redeemed, discounted to the date on which such Bonds are to be redeemed on a semi-annual basis, assuming a 360-day year consisting of twelve 30-day months, at the Treasury Rate plus 25 basis points; and

(ii) if on and after October 1, 2019, at a redemption price of 100% of the principal amount thereof plus, in each case, accrued interest to the redemption date.

Extraordinary Optional Redemption

The Build America Bonds are subject to redemption prior to their stated maturity dates at the option of the City, in whole or in part upon the occurrence of an Extraordinary Event, at a redemption price (the "Extraordinary Redemption Price") equal to the greater of:

(1) the issue price set forth on the inside cover page hereof (but not less than 100%) of the principal amount of such Bonds to be redeemed; or

(2) the sum of the present value of the remaining scheduled payments of principal and interest to the maturity date of such Bonds to be redeemed, not including any portion of those payments of interest accrued and unpaid as of the date on which such Bonds are to be redeemed, discounted to the date on which such Bonds are to be redeemed on a semi-annual basis, assuming a 360-day year consisting of twelve 30-day months, at the Treasury Rate plus 100 basis points;

plus, in each case, accrued interest on such Bonds to be redeemed to the redemption date.

An "Extraordinary Event" will have occurred if a material adverse change has occurred to Section 54AA or 6431 of the Internal Revenue Code of 1986, as amended (the "Code") (as such Sections were added by Section 1531 of the Recovery Act, pertaining to the "Build America Bonds") pursuant to which the City's 35% cash subsidy payment from the United States Treasury is reduced or eliminated.

Selection of Bonds to Be Redeemed

The particular maturities of Bonds to be redeemed at the option of the City will be determined by the City in its sole discretion.

If the Bonds are not registered in book-entry only form, any redemption of less than all of a maturity of the Bonds shall be allocated among the registered owners of such Bonds as nearly as practicable in proportion to the principal amounts of the Bonds owned by each registered owner, subject to the authorized denominations applicable to the Bonds. This will be calculated based on the following formula.

$$\frac{\text{(principal to be redeemed) x (principal amount owned by owner)}}{\text{(principal amount outstanding)}}$$

If the Bonds are registered in book-entry only form and so long as DTC or a successor securities depository is the sole registered owner of the Bonds, partial redemptions of a maturity will be done in accordance with DTC procedures. It is the City's intent that redemption allocations made by DTC, the DTC Participants or such other intermediaries that may exist between the City and the Beneficial Owners be made in accordance with these same proportional provisions. However, the City can provide no assurance that DTC, the DTC Participants or any other intermediaries will allocate redemptions among Beneficial Owners on such a proportional basis.

Notice of Redemption

When Bonds are redeemed, the City will give notice of redemption only to DTC (not to the Beneficial Owners of the Bonds) not less than 30 or more than 60 days prior to the date fixed for redemption.

Defeasance

As a condition to legal defeasance of any of the Bonds, the City must obtain an opinion of counsel to the effect that the owners thereof will not recognize income, gain or loss for federal income tax purposes as a result of such legal defeasance and will be subject to federal income tax on the same amounts, in the same manner and at the same times as would have been the case if such legal defeasance had not occurred.

Book-Entry Only System

The Depository Trust Company ("DTC"), New York, New York, acts as securities depository for the Bonds. Reference to the Bonds under the caption "Book-Entry Only System" shall mean all Bonds held through DTC. The Bonds will be issued as fully-registered bonds registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered Bond certificate will be issued for each maturity of the Bonds, each in the aggregate principal amount of such maturity, and will be deposited with DTC. Purchasers may own beneficial ownership interests in the Bonds in the United States through DTC and in Europe through Clearstream Banking, société anonyme ("Clearstream"), or the Euroclear System ("Euroclear").

DTC, the world's largest depository, 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 and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity, corporate and municipal debt issues, and money market instruments from over 100 countries that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions, in deposited securities through electronic computerized book-entry transfers and pledges between Direct Participants' accounts, thereby eliminating the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC is the holding company for DTC National Securities Clearing Corporation and Fixed Income Securities Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated securities. Access to the DTC system is also available to both U.S. and non-U.S. securities brokers and dealers, bank, trust companies and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). DTC has Standard & Poor's highest rating: AAA. The DTC rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com and www.dtc.org.

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 Direct and Indirect 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 Direct Participants with DTC are registered in the name of Cede & Co. or such other name as may be requested by an authorized representative of DTC. The deposit of Bonds with DTC and their registration in the name of Cede & Co. or such other DTC nominee 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 Direct 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. (nor such other DTC nominee) will consent or vote with respect to Bonds unless authorized by a Direct Participant in accordance with DTC's procedures. 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 will be sent to DTC.

Payment of redemption proceeds and principal and interest on the Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the City or its Fiscal Agent, The Bank of New York Mellon, on the payment date in accordance with their respective holdings shown on DTC's records. 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 redemption proceeds and principal and interest payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of 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.

The services of DTC as securities depository with respect to the Bonds may be discontinued 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 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 under this caption "Book-Entry Only System" has been extracted from information furnished by DTC. The City does not make 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.

Global Clearance Procedures

The Bonds initially will be registered in the name of Cede & Co. as registered owner and nominee for DTC, which will act as securities depository for the Bonds. Purchases of the Bonds will be in book-entry form only. Clearstream and Euroclear may hold omnibus positions on behalf of their participants through customers' securities accounts in Clearstream's and/or Euroclear's names on the books of their respective U.S. Depositories, which, in turn, hold such positions in customers' securities accounts in the U.S. Depositories' names on the books of DTC. Citibank, N.A. acts as the U.S. Depository for Clearstream and JPMorgan Chase Bank acts as the U.S. Depository for Euroclear.

Clearstream

Clearstream Banking, société anonyme, 42 Avenue J.F. Kennedy, L-1855 Luxembourg ("Clearstream, Luxembourg"), was incorporated in 1970 as "Cedel S.A.", a company with limited liability under

Luxembourg law (a société anonyme). Cedel S.A. subsequently changed its name to Cedelbank. On 10 January 2000, Cedelbank's parent company, Cedel International, société anonyme ("CI") merged its clearing, settlement and custody business with that of Deutsche Börse AG ("DBAG"). The merger involved the transfer by CI of substantially all of its assets and liabilities (including its shares in Cedelbank), and the transfer by DBAG of its shares in Deutsche Börse Clearing ("DBC"), to a new Luxembourg company, which with effect from 14 January 2000 was renamed Clearstream International, société anonyme, and was then 50% owned by CI and 50% owned by DBAG. Following this merger, the subsidiaries of Clearstream International were also renamed to give them a cohesive brand name. On 18 January 2000, Cedelbank was renamed "Clearstream Banking, société anonyme", and Cedel Global Services was renamed "Clearstream Services, société anonyme". On 17 January 2000, Deutsche Börse Clearing AG was renamed "Clearstream Banking AG". Today Clearstream International is 100% owned by DBAG. The shareholders of DBAG are comprised of mainly banks, securities dealers and financial institutions.

Clearstream, Luxembourg holds securities for its customers and facilitates the clearance and settlement of securities transactions between Clearstream, Luxembourg customers through electronic book-entry changes in accounts of Clearstream, Luxembourg customers, thereby eliminating the need for physical movement of certificates. Transactions may be settled by Clearstream, Luxembourg in any of 36 currencies, including United States Dollars. Clearstream, Luxembourg provides to its customers, among other things, services for safekeeping, administration, clearance and settlement of internationally traded securities and securities lending and borrowing. Clearstream, Luxembourg also deals with domestic securities markets in over 30 countries through established depository and custodial relationships.

Clearstream, Luxembourg is registered as a bank in Luxembourg, and as such is subject to regulation by the Commission de Surveillance du Secteur Financier ("CSSF") and the Banque Centrale du Luxembourg ("BCL") which supervise and oversee the activities of Luxembourg banks. Clearstream, Luxembourg's customers are world-wide financial institutions including underwriters, securities brokers and dealers, banks, trust companies and clearing corporations. Clearstream, Luxembourg's U.S. customers are limited to securities brokers and dealers and banks. Currently, Clearstream, Luxembourg has approximately 2,000 customers located in over 80 countries, including all major European countries, Canada, and the United States. Indirect access to Clearstream, Luxembourg is available to other institutions that clear through or maintain a custodial relationship with an account holder of Clearstream, Luxembourg. Clearstream, Luxembourg has established an electronic bridge with Euroclear Bank S.A./N.V. as the Operator of the Euroclear System (the "Euroclear Operator") in Brussels to facilitate settlement of trades between Clearstream, Luxembourg and the Euroclear Operator.

Euroclear

Euroclear Bank S.A./N.V. ("Euroclear Bank") holds securities and book-entry interests in securities for participating organizations and facilitates the clearance and settlement of securities transactions between Euroclear Participants, and between Euroclear Participants and Participants of certain other securities intermediaries through electronic book-entry changes in accounts of such Participants or other securities intermediaries. Euroclear Bank provides Euroclear Participants, among other things, with safekeeping, administration, clearance and settlement, securities lending and borrowing, and related services. Euroclear Participants are investment banks, securities brokers and dealers, banks, central banks, supranationals, custodians, investment managers, corporations, trust companies and certain other organizations. Certain of the managers or underwriters for this offering, or other financial entities involved in this offering, may be Euroclear Participants. Non-Participants in the Euroclear System may hold and transfer book-entry interests in the securities through accounts with a Participant in the Euroclear System or any other securities intermediary that holds a book-entry interest in the securities through one or more securities intermediaries standing between such other securities intermediary and Euroclear Bank.

Clearance and Settlement. Although Euroclear Bank has agreed to the procedures provided below in order to facilitate transfers of securities among Participants in the Euroclear System, and between

Euroclear Participants and Participants of other intermediaries, it is under no obligation to perform or continue to perform such procedures and such procedures may be modified or discontinued at any time.

Initial Distribution. Investors electing to acquire securities through an account with Euroclear Bank or some other securities intermediary must follow the settlement procedures of such an intermediary with respect to the settlement of new issues of securities. Securities to be acquired against payment through an account with Euroclear Bank will be credited to the securities clearance accounts of the respective Euroclear Participants in the securities processing cycle for the business day following the settlement date for value as of the settlement date, if against payment.

Secondary Market. Investors electing to acquire, hold or transfer securities through an account with Euroclear Bank or some other securities intermediary must follow the settlement procedures of such an intermediary with respect to the settlement of secondary market transactions in securities. Euroclear Bank will not monitor or enforce any transfer restrictions with respect to the securities offered herein.

Custody. Investors who are Participants in the Euroclear System may acquire, hold or transfer interests in the securities by book-entry to accounts with Euroclear Bank. Investors who are not Participants in the Euroclear System may acquire, hold or transfer interests in the securities by book-entry to accounts with a securities intermediary who holds a book-entry interest in the securities through accounts with Euroclear Bank.

Custody Risk. Investors that acquire, hold and transfer interests in the securities by book-entry through accounts with Euroclear Bank or any other securities intermediary are subject to the laws and contractual provisions governing their relationship with their intermediary, as well as the laws and contractual provisions governing the relationship between such an intermediary and each other intermediary, if any, standing between themselves and the individual securities.

Euroclear Bank has advised as follows:

Under Belgian law, investors that are credited with securities on the records of Euroclear Bank have a co-property right in the fungible pool of interests in securities on deposit with Euroclear Bank in an amount equal to the amount of interests in securities credited to their accounts. In the event of the insolvency of Euroclear Bank, Euroclear Participants would have a right under Belgian law to the return of the amount and type of interests in securities credited to their accounts with Euroclear Bank. If Euroclear Bank did not have a sufficient amount of interests in securities on deposit of a particular type to cover the claims of all Participants credited with such interests in securities on Euroclear Bank's records, all Participants having an amount of interests in securities of such type credited to their accounts with Euroclear Bank would have the right under Belgian law to the return of their pro-rata share of the amount of interests in securities actually on deposit.

Under Belgian law, Euroclear Bank is required to pass on the benefits of ownership in any interests in securities on deposit with it (such as dividends, voting rights and other entitlements) to any person credited with such interests in securities on its records.

Initial Settlement; Distributions; Actions on Behalf of the Owners. All of the Bonds will initially be registered in the name of Cede & Co., the nominee of DTC. Clearstream and Euroclear may hold omnibus positions on behalf of their participants through customers' securities accounts in Clearstream's and/or Euroclear's names on the books of their respective U.S. Depository, which, in turn, holds such positions in customers' securities accounts in its U.S. Depository's name on the books of DTC. Citibank, N.A. acts as depository for Clearstream and JPMorgan Chase Bank acts as depository for Euroclear (the "US Depositories"). Holders of the Bonds may hold their Bonds through DTC (in the United States) or Clearstream or Euroclear (in Europe) if they are participants of such systems, or directly through organizations that are participants in such systems. Investors electing to hold their Bonds through Euroclear or Clearstream accounts will follow the settlement procedures applicable to conventional EuroBonds in registered form. Securities will be credited to the securities custody accounts of Euroclear and Clearstream holders on the business day following the settlement date against payment for value on the settlement date.

Distributions with respect to the Bonds held beneficially through Clearstream will be credited to the cash accounts of Clearstream customers in accordance with its rules and procedures, to the extent received by its U.S. Depository. Distributions with respect to the Bonds held beneficially through Euroclear will be credited to the cash accounts of Euroclear Participants in accordance with the Terms and Conditions, to the extent received by its U.S. Depository. Such distributions will be subject to tax reporting in accordance with relevant United States tax laws and regulations.

Clearstream or the Euroclear Operator, as the case may be, will take any other action permitted to be taken by an owner of the Bonds on behalf of a Clearstream customer or Euroclear Participant only in accordance with the relevant rules and procedures and subject to the U.S. Depository's ability to effect such actions on its behalf through DTC.

Procedures May Change. Although DTC, Clearstream and Euroclear have agreed to these procedures in order to facilitate transfers of securities among DTC and its Participants, Clearstream and Euroclear, they are under no obligation to perform or continue to perform these procedures and these procedures may be discontinued and may be changed at any time by any of them.

Secondary Market Trading. Secondary market trading between Participants (other than U.S. Depositories) will be settled using the procedures applicable to U.S. corporate debt obligations in same-day funds. Secondary market trading between Euroclear Participants and/or Clearstream customers will be settled using the procedures applicable to conventional EuroBonds in same-day funds. When securities are to be transferred from the account of a Participant (other than U.S. Depositories) to the account of a Euroclear Participant or a Clearstream customer, the purchaser must send instructions to the applicable U.S. Depository one business day before the settlement date. Euroclear or Clearstream, as the case may be, will instruct its U.S. Depository to receive securities against payment. Its U.S. Depository will then make payment to the Participant's account against delivery of the securities. After settlement has been completed, the securities will be credited to the respective clearing system and by the clearing system, in accordance with its usual procedures, to the Euroclear Participant's or Clearstream customers' accounts. Credit for the securities will appear on the next day (European time) and cash debit will be back-valued to, and the interest on the Bonds will accrue from the value date (which would be the preceding day when settlement occurs in New York). If settlement is not completed on the intended value date (i.e., the trade fails), the Euroclear or Clearstream cash debit will be valued instead as of the actual settlement date.

Euroclear Participants and Clearstream customers will need to make available to the respective clearing systems the funds necessary to process same-day funds settlement. The most direct means of doing so is to pre-position funds for settlement, either from cash on hand or existing lines of credit, as they would for any settlement occurring within Euroclear or Clearstream. Under this approach, they may take on credit exposure to Euroclear or Clearstream until the securities are credited to their accounts one day later. As an alternative, if Euroclear or Clearstream has extended a line of credit to them, participants/customers can elect not to pre-position funds and allow that credit line to be drawn upon to finance settlement. Under this procedure, Euroclear Participants or Clearstream customers purchasing securities would incur overdraft charges for one day, assuming they cleared the overdraft when the securities were credited to their accounts. However, interest on the securities would accrue from the value date. Therefore, in many cases, the investment income on securities earned during that one day period may substantially reduce or offset the amount of such overdraft charges, although this result will depend on each participant's/customer's particular cost of funds. Because the settlement is taking place during New York business hours, Participants can employ their usual procedures for sending securities to the applicable U.S. Depository for the benefit of Euroclear Participants or Clearstream customers. The sale proceeds will be available to the DTC seller on the settlement date. Thus, to the participant, a cross-market transaction will settle no differently from a trade between two participants.

Due to time zone differences in their favor, Euroclear Participants and Clearstream customers may employ their customary procedure for transactions in which securities are to be transferred by the respective clearing system, through the applicable U.S. Depository to another participant's. In these cases, Euroclear will instruct its U.S. Depository to credit the securities to the participant's account against payment. The payment will then be reflected in the account of the Euroclear Participant or Clearstream customer the following business day, and receipt of the cash proceeds in the Euroclear Participant's or Clearstream customers' accounts will be back valued to the value date (which would be the preceding day, when settlement occurs in New York). If the Euroclear Participant or Clearstream customer has a line of credit with its respective clearing system and elects to draw on such line of credit in anticipation of receipt of the sale proceeds in its account, the back-valuation may substantially reduce or offset any overdraft charges incurred over that one day period.

If settlement is not completed on the intended value date (i.e., the trade fails), receipt of the cash proceeds in the Euroclear Participant's or Clearstream customer's accounts would instead be valued as of the actual settlement date.

THE CITY AND FISCAL AGENT CANNOT AND DO NOT GIVE ANY ASSURANCES THAT DTC, DIRECT PARTICIPANTS OR INDIRECT PARTICIPANTS OF DTC, CLEARSTREAM, CLEARSTREAM CUSTOMERS, EUROCLEAR OR EUROCLEAR PARTICIPANTS WILL DISTRIBUTE TO THE BENEFICIAL OWNERS OF THE BONDS (1) PAYMENTS OF PRINCIPAL OF OR INTEREST OR REDEMPTION PREMIUM ON THE BONDS (2) CONFIRMATIONS OF THEIR OWNERSHIP INTERESTS IN THE BONDS OR (3) OTHER NOTICES SENT TO DTC OR CEDE & CO., ITS PARTNERSHIP NOMINEE, AS THE REGISTERED OWNER OF THE BONDS, OR THAT THEY WILL DO SO ON A TIMELY BASIS, OR THAT DTC, DIRECT PARTICIPANTS OR INDIRECT PARTICIPANTS, CLEARSTREAM, CLEARSTREAM CUSTOMERS, EUROCLEAR OR EUROCLEAR PARTICIPANTS WILL SERVE AND ACT IN THE MANNER DESCRIBED IN THIS OFFICIAL STATEMENT.

THE CITY AND FISCAL AGENT WILL NOT HAVE ANY RESPONSIBILITY OR OBLIGATIONS TO DTC, THE DIRECT PARTICIPANTS, THE INDIRECT PARTICIPANTS OF DTC, CLEARSTREAM, CLEARSTREAM CUSTOMERS, EUROCLEAR, EUROCLEAR PARTICIPANTS OR THE BENEFICIAL OWNERS WITH RESPECT TO (1) THE ACCURACY OF ANY RECORDS MAINTAINED BY DTC OR ANY DIRECT PARTICIPANTS OR INDIRECT PARTICIPANTS OF DTC, CLEARSTREAM, CLEARSTREAM CUSTOMERS, EUROCLEAR OR EUROCLEAR PARTICIPANTS; (2) THE PAYMENT BY DTC OR ANY DIRECT PARTICIPANTS OR INDIRECT PARTICIPANTS OF DTC, CLEARSTREAM, CLEARSTREAM CUSTOMERS, EUROCLEAR OR EUROCLEAR PARTICIPANTS OF ANY AMOUNT DUE TO ANY BENEFICIAL OWNER IN RESPECT OF THE PRINCIPAL AMOUNT OF OR INTEREST OR REDEMPTION PREMIUM ON THE BONDS; (3) THE DELIVERY BY DTC OR ANY DIRECT PARTICIPANTS OR INDIRECT PARTICIPANTS OF DTC, CLEARSTREAM, CLEARSTREAM CUSTOMERS, EUROCLEAR OR EUROCLEAR PARTICIPANTS OF ANY NOTICE TO ANY BENEFICIAL OWNER THAT IS REQUIRED OR PERMITTED TO BE GIVEN TO OWNERS UNDER THE TERMS OF THE CERTIFICATE; OR (4) ANY CONSENT GIVEN OR OTHER ACTION TAKEN BY DTC AS THE REGISTERED HOLDER OF THE BONDS.

THE INFORMATION CONTAINED HEREIN CONCERNING DTC, CLEARSTREAM AND EUROCLEAR AND THEIR BOOK-ENTRY SYSTEMS HAS BEEN OBTAINED FROM DTC, CLEARSTREAM AND EUROCLEAR, RESPECTIVELY, AND THE CITY MAKES NO 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.

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.* Michael R. Bloomberg, the Mayor of the City, took office on January 1, 2002 and was elected to a second term which commenced on January 1, 2006. 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 City 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.* William C. Thompson, Jr., the Comptroller of the City, took office on January 1, 2002 and was elected to a second term which commenced on January 1, 2006. 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 $90.9 billion as of July 31, 2009, 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 City 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.* Elizabeth F. Gotbaum, the Public Advocate, took office on January 1, 2002 and was elected to a second term which commenced on January 1, 2006. The Public Advocate is elected in a general election for a four-year term. 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, pending an election to fill the vacancy. 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 Panel for Educational Policy (as defined below) and has various responsibilities relating to, among other things, reviewing and making recommendations regarding applications for the use, development or improvement of land located within the borough, monitoring and making recommendations regarding the performance of contracts providing for the delivery of services in the borough and overseeing the coordination of a borough-wide public service complaint program.

On November 3, 2008, the City Charter was amended to provide that no person shall be eligible to be elected to or serve in the office of Mayor, Public Advocate, Comptroller, Borough President or Council member if that person has previously held such office for three or more full consecutive terms, unless one full term or more has elapsed since that person last held such office. Prior to this amendment, the City Charter had set forth a limitation of no more than two full consecutive terms. Lawsuits challenging the amendment were dismissed by the New York Supreme Court and the United States District Court for the Southern District of New York. An action challenging the amendment was dismissed by the United States District Court for the Eastern District of New York and such dismissal was affirmed by the United States Court of Appeals for the Second Circuit. In addition, the amendment received pre-clearance from the United States Department of Justice pursuant to Section 5 of the Voting Rights Act on March 17, 2009.

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 City's Office of Management and Budget ("OMB"), with a staff of approximately 300, 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, OMB is responsible for the preparation of a Ten-Year Capital Strategy.

State law requires the City to maintain its Expense Budget balanced when reported in accordance with GAAP. In addition, the City Charter requires that the City Council set tax rates on real property at a level sufficient to produce a balanced budget in accordance with GAAP. In addition to the 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 defined below) 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.

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 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 (the "CAFR") for the 2008 fiscal year, which includes, among other things, the City's financial statements for the 2008 fiscal year, was issued on October 28, 2008. The CAFR for the 2008 fiscal year received the Government Finance Officers Association award of the Certificate of Achievement for Excellence in Financial Reporting, the twenty-ninth consecutive year the CAFR 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-eight consecutive fiscal years with a General Fund surplus when reported in accordance with then applicable GAAP.

In June 2004, the Government Accounting Standards Board ("GASB") issued Statement No. 45, "Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions" ("GASB 45"). GASB 45 establishes standards for the measurement, recognition, and display of other post-employment benefits ("OPEB") expense and related liabilities. OPEB includes post-employment health-care, as well as other forms of post-employment benefits such as life insurance, when provided separately from a pension plan. The approach followed in GASB 45 generally is consistent with the approach adopted with regard to accounting for pension expense and liabilities, with modifications to reflect differences between pension benefits and OPEB. For fiscal year 2008, the City reported an OPEB liability of $63.3 billion in its government-wide financial statements, based upon an actuarial valuation in accordance with GASB 45. See "APPENDIX B—FINANCIAL STATEMENTS—Note E-5." There is no requirement to fund the future OPEB obligation. For information on the trust established to fund a portion of the future OPEB liability, see "SECTION VI: FINANCIAL OPERATIONS—2004-2008 Summary of Operations."

In November 2006 GASB issued Statement No. 49, "Accounting and Financial Reporting for Pollution Remediation Obligations." GASB 49 sets standards for the accounting and financial reporting for pollution remediation obligations, which are obligations to address the current or potential detrimental effects of existing pollution through activities such as site assessments and cleanups. The standard became effective for the City's fiscal year 2009, which began on July 1, 2008.

Under GASB 49, costs incurred for pollution remediation obligations will be reported as expenses rather than as capital expenditures in the City's financial statements commencing in fiscal year 2009. On April 30, 2008, pursuant to existing authority under the Financial Emergency Act, the Control Board approved a phase-in of the budgetary impact of GASB 49, enabling the City to continue to finance with the issuance of bonds certain pollution remediation costs for projects authorized prior to fiscal year 2011 and, consequently, to achieve budget balance in fiscal years 2009 and 2010 in accordance with GAAP except for the application of GASB 49. The City is proposing legislation amending the Financial Emergency Act to authorize the Control Board to permanently waive the budgetary impact of GAAP changes that would have a substantial adverse impact on the delivery of services in the City, such as those included in GASB 49. For further information on GASB 49, see "SECTION I: RECENT FINANCIAL DEVELOPMENTS."

Both OMB and the Office of the Comptroller utilize a financial management system which provides comprehensive current and historical information regarding the City's financial condition. This information, which is independently evaluated by each office, provides a basis for City action required to maintain a balanced budget and continued financial stability.

The City's operating results and forecasts are analyzed, reviewed and reported on by each of OMB and the Office of the Comptroller as part of the City's overall system of internal control. Internal control systems are reviewed regularly, and the City Comptroller requires an annual report on internal control and accountability from each agency. Comprehensive service level and productivity targets are formulated and monitored for each agency by the Mayor's Office of Operations and reported publicly in a semiannual management report.

The City has developed and utilizes a cash forecasting system which forecasts its daily cash balances. This enables the City to predict more accurately its short-term borrowing needs and maximize its return on the investment of available cash balances. Monthly statements of operating revenues and expenditures, capital revenues and expenditures and cash flow are reported after each month's end, and major variances from the financial plan are identified and explained.

City funds held for operating 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, high grade commercial paper 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 93% 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 July 31, 2009 aggregate pension assets were allocated approximately as follows: 41.3% U.S. equities; 31.3% U.S. fixed income; 15.8% international equities; 8.0% private equity and real estate; 1.6% cash; and 2.0% opportunistic equity.

Financial Emergency Act and City Charter

The Financial Emergency Act requires that the City submit to the Control Board, at least 50 days prior to the beginning of each fiscal year (or on such other date as the Control Board may approve), a financial plan for the City and certain State governmental agencies, public authorities or public benefit corporations ("PBCs") which receive or may receive monies from the City directly, indirectly or contingently (the

"Covered Organizations") covering the four-year period beginning with such fiscal year. The New York City Transit Authority and the Manhattan and Bronx Surface Transit Operating Authority (collectively, "New York City Transit" or "NYCT" or "Transit Authority"), 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. Subject to certain conditions, the Financial Emergency Act and the City Charter require the City to 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. Pursuant to the Act and the City Charter, the City is required to develop a four-year financial plan each year and to modify the plan as changing circumstances require. Under current law, prior to July 1, 2008 the Control Board was required to 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 were (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 impaired 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 was a substantial likelihood that such securities could 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 would 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.

In 2003, the State Legislature amended the Act to change its termination date from the *earlier* of July 1, 2008 or the date on which certain bonds are discharged to the *later* of July 1, 2008 or the date on which such bonds are discharged. The bonds referred to in the amended section of the Act are all bonds containing the State pledge and agreement authorized under section 5415 of the Act (the "State Covenant").

The State Covenant is authorized to be included in bonds of the City. Since enactment of this amendment to the Act, the City has not issued bonds containing the State Covenant. However, many City bonds issued prior to the amendment do contain the State Covenant. Because the City has issued such bonds with maturities as long as 30 years, the effect of the amendment was to postpone termination of the Act from July 1, 2008 to 2033 (or earlier if all City bonds containing the State Covenant are discharged). The State Legislature could, without violation of the State Covenant contained in the City's outstanding bonds, enact legislation that would terminate the Control Board and the Act after July 1, 2008 because, at the time of issuance of those bonds, the termination date of the Act was July 1, 2008 (or the date of the earlier discharge of such bonds).

While the State Legislature amended the Act to extend the termination date of the Control Board, the power to impose or continue a Control Period terminated July 1, 2008. The power to impose or continue a Control Period is covered by a section of the Act that provides that no Control Period shall continue beyond the earlier of July 1, 2008 or the date on which all bonds containing the State Covenant are discharged. The State Legislature did not amend this provision. Therefore, under current law, although the Act continues in effect beyond July 1, 2008, no Control Period may be imposed after July 1, 2008. The City is proposing legislation amending the section of the Financial Emergency Act governing the Control Board's authority to impose a Control Period as part of its proposed legislation authorizing the Control Board to permit the City's budget to exclude the impact of certain GAAP changes (see "SECTION I: RECENT FINANCIAL DEVELOPMENTS"). The legislation would, if approved by the State legislature in its current form, extend the ability of the Control Board to impose a Control Period until 2033 or earlier if all City bonds containing the State Covenant are discharged.

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 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 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 2009, while federal aid has been sharply reduced. The City projects that local revenues will provide approximately 69.0% of total revenues in the 2010 fiscal year while federal aid, including categorical grants, will provide 11.1%, and State aid, including unrestricted aid and categorical grants, will provide 19.9%. 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 additional 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 DEMOGRAPHIC INFORMATION."

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 45.7% of its total tax revenues and 27.0% of its total revenues for the 2010 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—2004-2008 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 the debt service levy represents of 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)	Debt Service Levy as a Percentage of Total Levy	Operating Limit	Levy Within Operating Limit as a Percentage of Operating Limit	Rate Per $100 of Full Valuation(3)	Average Tax Rate Per $100 of Assessed Valuation(4)
				(Dollars in Millions, except for Tax Rates)				
2004	$12,250.7	$ 9,387.4	$2,821.2	23.0%	$ 9,893.5	94.9%	$2.50	$12.28
2005	12,720.0	9,615.0	2,485.6	19.5	10,675.8	90.1	2.46	12.28
2006	13,668.1	11,633.5	1,141.0	8.3	11,666.2	99.7	2.49	12.28
2007	14,291.2	13,094.4	221.0	1.5	13,224.4	99.0	2.30	12.28
2008	14,356.2	10,462.4	2,952.1	20.6	14,949.0	70.0	2.02	11.42
2009(5) . . .	15,903.5	13,213.6	1,168.9	7.6	17,525.7	75.4	1.87	12.28
2010	17,588.1	16,472.3	295.8	1.7	18,641.4	88.4	2.01	12.28

(1) As approved by the City Council.

(2) The debt service levy includes a portion of the total reserve for uncollected real estate taxes.

(3) Full valuation is based on the special equalization ratios (discussed below) and the billable assessed valuation. Special equalization ratios and full valuations are revised periodically as a result of surveys by the State Board of Real Property Services (as defined below).

(4) The decrease in the average tax rate between fiscal years 2007 and 2008 reflects the 7% decrease effective July 1, 2007. The increase in the average tax rate between fiscal years 2008 and 2009 reflects the recission of the 7% property tax decrease effective January 1, 2009.

(5) Includes the mid-year property tax increase of $576 million, effective January 1, 2009, rescinding the 7% property tax decrease enacted in June 2007.

Assessment

The City has traditionally assessed real property at less than market 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 shown in the table below, which were used to compute the 2010 fiscal year operating limit and general debt limit, have been established by the State Board and include the results of the calendar year 2007 market value survey.

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)
2006	$111,397,956,330		0.1808		$616,139,138,993
2007	116,477,764,261		0.1600		727,986,026,631
2008	125,777,268,853		0.1705		737,696,591,513
2009	134,294,731,881		0.1707		786,729,536,503
2010	143,334,172,616		0.1635		876,661,606,214
				Average:	$749,042,579,971

(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 2009 fiscal year, the billable assessed value of all real estate (taxable and exempt) was $228.3 billion comprised of $80.9 billion of fully exempt real estate, $53.0 billion of partially taxable real estate and $94.3 billion of fully taxable real estate.

(2) Figures 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 2010 fiscal year. These figures differ from the assessed and full valuation of taxable real estate reported in the CAFR, 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 2010, class one was assessed at approximately 6% of market value and classes two, three and four were each assessed at 45.0% of market value. In addition, individual assessments on class one parcels cannot increase by more than 6% per year or 20% 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 State Real Property Tax Law. Each class 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. Class share adjustments are limited to a 5% maximum increase per year. Maximum class increases below 5% must be, and typically are, approved by the State legislature. Fiscal year 2010 tax rates were set on June 19, 2009 and reflect a 5% limitation on the market value adjustment for 2009. The average tax rate for the first half of fiscal year 2009 was maintained at $11.42 per $100 of assessed value. In January 2009, the tax rate was increased to $12.28 per $100 of assessed value.

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. 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" are determined for each class by the State Board by calculating the ratio of assessed value to market value. Various proceedings challenging assessments of real property for real estate tax purposes are pending. For further information regarding the City's potential exposure in certain of these proceedings, see

"SECTION IX: OTHER INFORMATION—Litigation—*Taxes*" and "APPENDIX B—FINANCIAL STATEMENTS—Notes to Financial Statements—Note D.5."

Trend in Taxable Assessed Value

During the decade prior to fiscal year 1993, real estate 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 estate tax revenue increased through fiscal year 1993 even as market values declined during the local recession. From fiscal year 1994 through fiscal year 1997 billable assessed values declined, reflecting the impact of the protracted local recession on office vacancy rates and on office building valuations. Billable assessed value resumed slow growth in fiscal year 1998, growing 0.7%, 2.2%, 3.1%, 4.0% and 6.0% in fiscal years 1998 through 2002, respectively.

For fiscal year 2003, billable assessed valuation rose by $5.0 billion to $93.3 billion. The billable assessed valuation as determined by the City Department of Finance rose to $98.6 billion, $102.4 billion, $110.0 billion, $115.1 billion, $124.5 billion and $133.0 billion for fiscal years 2004 through 2009, respectively. The Department of Finance released the final assessment roll for fiscal year 2010 on May 29, 2009. The billable assessed value rose by $8.8 billion over the 2009 assessment roll to $141.8 billion, a growth of 6.7%. Billable assessed valuations are forecast to grow by 4.9%, 3.4% and 2.2% in fiscal years 2011 through 2013, respectively. The growth in billable assessed valuation reflects the phase-in of prior years' strong market growth.

Collection of the Real Estate Tax

Real estate tax payments are due each July 1 and January 1. Prior to January 1, 2009, owners of class one and class two properties assessed at $80,000 or less and cooperatives whose individual units on average are valued at $80,000 or less were eligible to make tax payments in quarterly installments on July 1, October 1, January 1 and April 1. Effective January 1, 2009, owners of all properties assessed at $250,000 or less are eligible to make tax payments in quarterly installments. Prior to January 1, 2009, an annual interest rate of 9% compounded daily was imposed upon late payments on properties with an assessed value of $80,000 or less except in the case of (i) any parcel with respect to which the real estate taxes are held in escrow and paid by a mortgage escrow agent and (ii) parcels consisting of vacant or unimproved land. As of January 1, 2009, the assessed value threshold subject to the late payment interest rate of 9% was raised from $80,000 to $250,000. 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 has been authorized to sell real estate 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 authorization to sell real estate tax liens is effective through December 31, 2010. 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 in the General Fund. 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.

From time to time, the City sells tax liens to separate statutory trusts. In fiscal years 2004 through 2008, the City's tax lien program resulted in net proceeds of approximately $89.8 million, $37.7 million, $93.8 million, $40.2 million and $35.5 million, respectively. The Financial Plan reflects receipt of $35 million and $48 million in fiscal years 2009 and 2010, respectively, from tax lien sales.

REAL ESTATE TAX COLLECTIONS AND DELINQUENCIES

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)
					(Dollars In Millions)				
2004	$12,250.7	$11,370.3	92.8%	$180.1	$(195.1)	$ (591.0)	$(289.3)	2.36%	$89.8
2005	12,720.0	11,521.7	90.6	136.2	(231.4)	(898.0)	(300.3)	2.36	37.7
2006	13,668.1	12,459.0	91.2	140.3	(222.1)	(929.9)	(279.2)	2.04	93.8
2007	14,291.2	12,986.7	90.9	159.5	(228.8)	(1,067.4)	(306.4)	2.14	40.2
2008	14,356.2	13,070.7	91.0	194.8	(239.3)	(1,023.6)	(261.9)	1.82	35.5
2009(6)	15,903.5	14,421.9	90.7	181.0	(267.0)	(1,140.5)	(341.1)	2.14	35.0
2010(6)	17,588.1	16,274.7	92.5	185.0	(436.0)	(903.4)	(410.0)	2.33	48.0

(1) As approved by the City Council through fiscal year 2010.

(2) Quarterly collections on current year levy.

(3) Includes repurchases of defective tax liens amounting to $5.6 million, $2.9 million, $0.2 million and $3.0 million in the 2004, 2005, 2006 and 2007 fiscal years, respectively.

(4) These figures include taxes due on certain publicly owned property and exclude delinquency on shelter rent and exempt property.

(5) Net of reserve for defective liens.

(6) Forecast.

Other Taxes

The City expects to derive 54.3% of its total tax revenues for the 2010 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 4½% 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; and (iv) a banking corporation tax imposed on the income of banking corporations doing business in the City.

For local taxes other than the real estate 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 impose real estate taxes to fund general operations in an amount not to exceed 2.5% 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 2.5% 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 estate taxes, see "Real Estate Tax" above. Payments by the State to the City of sales tax and stock transfer tax revenues are subject to appropriation by the State. Until the defeasance of all outstanding bonds of the Municipal Assistance Corporation For The City of New York ("MAC") with the proceeds of Sales Tax Asset Receivable Corporation ("STAR Corp.") bonds and MAC funds in fiscal year 2005, such sales tax and stock transfer tax revenues, less State administrative costs, were made available first to MAC for payment of MAC debt service, reserve fund requirements, operating expenses, and administrative expenses of the Control Board and OSDC with the balance payable to the City. Currently, sales tax and stock transfer tax revenues are payable to the City. Administrative expenses of the Control Board and OSDC, which are projected to be approximately $7 million in fiscal year 2010, and State administrative costs are deducted from sales tax revenues payable to the City. A portion of sales tax revenues payable to the City would be paid to the TFA if personal income tax revenues did not satisfy specified debt service ratios.

Revenues from taxes other than the real estate tax in the 2008 fiscal year increased by $678 million, an increase of approximately 2.7% from the 2007 fiscal year. The following table sets forth, by category, revenues from taxes, other than the real estate tax, for each of the City's 2004 through 2008 fiscal years.

	2004	2005	2006	2007	2008
			(In Millions)		
Personal Income(1)	$ 5,984	$ 6,638	$ 7,657	$ 7,933	$ 9,697
General Corporation	1,540	1,994	2,379	3,124	2,932
Banking Corporation	415	601	656	1,219	628
Unincorporated Business Income	908	1,117	1,308	1,670	1,852
Sales	4,018	4,355	4,418	4,619	4,868
Commercial Rent	426	445	477	512	545
Real Property Transfer	766	1,055	1,295	1,723	1,408
Mortgage Recording	817	1,250	1,353	1,570	1,138
Utility	291	340	391	360	392
Cigarette	138	125	123	122	123
Hotel	217	257	296	326	379
All Other(2)	487	475	448	457	419
Audits	576	600	775	1,085	1,016
Total	$16,583	$19,250	$21,575	$24,719	$25,397

Note: Totals may not add due to rounding.

(1) Personal Income excludes $109 million, $497 million, $350 million, $685 million and $164 million retained by the TFA in fiscal years 2004 through 2008, respectively. In fiscal years 2004 through 2008, Personal Income includes $540 million, $632 million, $692 million, $928 million and $1.113 billion, respectively, which was provided to the City by the State as a reimbursement for the reduced personal income tax revenues resulting from the School Tax Relief Program ("STAR Program"). Personal Income taxes flow directly from the State to the TFA, and from the TFA to the City only to the extent not required by the TFA for debt service, reserves, operating expenses and contractual and other obligations incurred pursuant to the TFA indenture. Personal Income also reflects the impact of the early provision for TFA debt service payments in each of fiscal years 2003 through 2007, thereby increasing tax revenue by $624 million, $400 million, $947 million, $229 million and $391 million in fiscal years 2004, 2005, 2006, 2007 and 2008, respectively. Personal Income reflects the impact of a $546 million grant to the TFA in fiscal year 2007 which was used by the TFA to pay debt service in fiscal year 2008, thereby increasing personal income tax revenues in that fiscal year.

(2) All Other includes, among others, surtax revenues from New York City Off-Track Betting Corporation ("OTB"), beer and liquor taxes, and the automobile use tax, but excludes the State's STAR Program aid of $677 million, $784 million, $857 million, $1.093 billion and $1.255 billion in fiscal years 2004 through 2008, 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 2004 through 2008 fiscal years.

	2004	2005	2006	2007	2008
			(In Millions)		
Licenses, Permits and Franchises	$ 374	$ 395	$ 418	$ 470	$ 502
Interest Income	30	149	362	473	377
Charges for Services	592	614	611	613	638
Water and Sewer Payments	885	899	990	1,064	1,202
Rental Income	108	944	209	211	257
Fines and Forfeitures	697	745	723	741	830
Other	684	1,327	548	671	1,238
Total	$3,370	$5,073	$3,862	$4,243	$5,044

Note: Totals may not add due to rounding.

Rental income in fiscal year 2005 includes approximately $781.9 million in Port Authority payments for back rent and renegotiated lease payments for the City's airports. Rental income in fiscal years 2006, 2007 and 2008 includes approximately $93.5 million, $98 million and $102.7 million, respectively, in Port Authority lease payments for the City airports.

Fees and charges collected from the users of the water and sewer system of the City are revenues of the Water Board, a body corporate and politic, constituting 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 years 2004, 2005, 2006 and 2008 include $67 million, $68 million, $5 million and $552 million, respectively, of tobacco settlement receivables ("TSRs") from the settlement of litigation with certain cigarette manufacturers, that were not retained by TSASC for debt service, trapping requirements and operating expenses or for later release to the City. Other miscellaneous revenues for fiscal years 2004 through 2008 do not include TSRs retained by TSASC for debt service, trapping requirements and operating expenses, or for later release to the City totaling $147 million, $149 million, $194 million, $208 million and $79 million, respectively. In June 2003, the downgrade of a major tobacco company below investment grade resulted in a trapping event for TSASC under its indenture pursuant to which it was required to retain a portion of the TSRs it received in a reserve account for the benefit of its bondholders. In February 2006, TSASC restructured all of its outstanding debt through the issuance of refunding bonds under an amended indenture. Pursuant to the TSASC debt restructuring, less than 40% of the TSRs are pledged to the TSASC bondholders and the remainder will flow to the City. The pledged TSRs will fund regularly scheduled TSASC debt service and operating expenses. Any pledged TSRs received in excess of those requirements will be used to pay the newly issued TSASC bonds. No TSRs are required to be retained or trapped for the benefit of bondholders beyond the pledged TSRs. The unpledged TSRs received in fiscal years 2006, 2007 and 2008 and funds in the trapping account were released to the City in fiscal year 2008. For further information see "SECTION VII: FINANCIAL PLAN—Assumptions—*Revenue Assumptions*—4. Miscellaneous Revenues" and "SECTION VIII: INDEBTEDNESS—Indebtedness of the City and Certain Other Entities."

Other miscellaneous revenues for fiscal year 2004 include $95 million from the sale of 300 taxi medallions and $71 million from a financing by the New York City Industrial Development Agency

("IDA") which reimbursed the City for costs incurred in connection with the New York Stock Exchange project. Other miscellaneous revenues for fiscal year 2005 include $631 million from the refinancing of MAC debt by STAR Corp. which reimbursed the City for revenues retained by MAC in fiscal years 2004 and 2005, $97.9 million from the sale of 273 taxi medallions, $44.5 million from the sale of the former headquarters of the BOE (as defined below) and $39.6 million from the refund of prior year expenditures. Other miscellaneous revenues for fiscal year 2006 include a $49 million payment from the Fiscal Year 2005 Securitization Corp., $45 million from the release of remediation funds in a trust and agency account, $11 million from the refund of prior year expenditures, $9 million from the reimbursement for landfill closure costs and $7.9 million from HHC for City administrative support. Other miscellaneous revenues for fiscal year 2007 include $170 million from HHC reimbursement, $141 million from the sale of 308 taxi medallions and $39 million from the refund of prior year expenditures. Other miscellaneous revenues for fiscal year 2008 include $180 million from HHC reimbursement, $25 million from asset sales and $48 million from the sale of 109 taxi medallions.

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 2004 through 2008 fiscal years.

	2004	2005	2006	2007	2008
			(In Millions)		
State Per Capita Aid	$327	$327	$327	$20	$242
Other(1)	636	277	167	15	0
Total	$963	$604	$494	$35	$242

(1) Included in the 2004 through 2006 fiscal years are $250 million, $264 million and $142 million, respectively, of aid associated with the partial State takeover of long-term care Medicaid costs. Included in the 2004 fiscal year is approximately $151 million in non-recurring Federal Emergency Management Agency ("FEMA") reimbursement for costs related to the September 11 attack, approximately $197 million for unpaid prior year education aid and $9 million of federal reimbursement for snow removal costs are included in fiscal year 2004.

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 Block Grant Program ("Community Development"). 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. Certain claims submitted to the State Medicaid program by the City are the subject of investigation by the Office of the Inspector General of the United States Department of Health and Human Services ("OIG"). For a discussion of claims for which a final audit report has been issued by OIG, see "SECTION IX: OTHER INFORMATION—Litigation—*Miscellaneous*." 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 2004 through 2008 fiscal years.

	2004	2005	2006 (In Millions)	2007	2008
Federal					
Community Development(1)	$ 240	$ 268	$ 261	$ 241	$ 260
Social Services	2,448	2,405	2,181	2,429	2,619
Education	1,770	1,909	1,693	1,745	1,739
Other(2)	957	2,072	1,108	1,056	1,074
Total	$5,415	$6,654	$5,243	$ 5,471	$ 5,692
State					
Social Services	$1,724	$1,741	$1,906	$ 1,889	$ 2,060
Education	5,873	6,177	6,702	7,145	8,011
Higher Education	139	140	153	165	174
Health and Mental Health	377	393	415	428	487
Other	342	372	410	559	689
Total	$8,455	$8,823	$9,586	$10,186	$11,421

(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.

(2) A total of approximately $1 billion reimbursement from FEMA for insurance covering claims relating to work at the World Trade Center site following the September 11 attack is included in Other in fiscal year 2005.

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 Budget by the City 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 and the Transit Authority. 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—2004-2008 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. The City receives the federal Temporary Assistance for Needy Families ("TANF") block grant funds through the State which, supplemented by City and State contributions, fund the Family Assistance Program. The Family Assistance Program provides benefits for households with minor children subject, in most cases, to a five-year time limit. The Safety Net Assistance Program provides benefits for adults without minor children, families who have reached the Family

Assistance Program time limit, and others, including certain immigrants, who are ineligible for the Family Assistance Program but are eligible for public assistance. The cost of the Safety Net Assistance Program is borne equally by the City and the State.

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."

As of July 2002, the Mayor assumed responsibility for the City's public schools. The Board of Education ("BOE") has been replaced by the Department of Education ("DOE") which is overseen by a Chancellor, appointed by the Mayor, and the 13-member Panel for Educational Policy where the Mayor appoints 8 members including the Chancellor, and the Borough Presidents each appoint one member. The number of pupils in the school system is estimated to be approximately 1 million in each of the 2010 through 2013 fiscal years. Actual enrollment in fiscal years 2005 through 2009 has been 1,048,662, 1,033,366, 1,015,586, 1,011,240 and 1,009,968 respectively. See "SECTION VII: FINANCIAL PLAN—Assumptions—*Expenditure Assumptions*—2. OTHER THAN PERSONAL SERVICES COSTS—*Department of Education.*" The City's system of higher education, consisting of its Senior Colleges and Community Colleges, is operated under the supervision of the City University of New York ("CUNY"). The City is projected to provide approximately 45.4% of the costs of the Community Colleges in the 2010 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, four long-term care facilities, six free standing diagnostic and treatment centers, a certified home health-care program, 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. Prior to State legislation in fiscal year 2006 capping City Medicaid payments, the State had assumed 81.2% of the non-federal share of long-term care costs, all of the costs of providing medical assistance to the mentally disabled, and 50% of the non-federal share of Medicaid costs for all other clients. As a result of the State legislation capping City Medicaid payments, the State percentage of the non-federal share may vary. The federal government pays 50% of Medicaid costs for federally eligible recipients.

The City's Expense Budget increased during the five-year period ended June 30, 2008, due to, among other factors, the increasing costs of pensions and Medicaid, the costs of labor settlements and the impact of inflation on various other than personal services costs.

Employees and Labor Relations

Employees

The following table presents the number of full-time and full-time equivalent employees of the City, including the mayoral agencies, the DOE and CUNY, at the end of each of the City's 2004 through 2008 fiscal years.

	2004	2005	2006	2007	2008
Education	134,325	135,771	137,067	137,678	140,268
Police	50,544	50,141	51,223	51,957	51,977
Social Services, Homeless and Children's Services	23,340	23,060	23,178	23,034	23,454
City University Community Colleges and Hunter Campus Schools	6,450	6,582	6,444	6,608	6,936
Environmental Protection and Sanitation	15,473	15,570	15,800	16,092	16,106
Fire	15,522	15,902	16,140	16,216	16,390
All Other	50,903	52,645	53,186	54,697	55,887
Total	296,557	299,671	303,038	306,282	311,018

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 2004 through 2008 fiscal years.

	2004	2005	2006	2007	2008
Transit Authority	47,400	46,706	47,114	47,746	49,055
Housing Authority	13,841	13,128	12,751	12,398	11,800
HHC	35,833	36,227	36,727	37,799	38,439
Total(1)	97,074	96,061	96,592	97,943	99,294

(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, including programs funded under the Workforce Investment Act, 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. For those employees, wages, hours or working conditions may be changed only as provided for under collective bargaining agreements. Although State law prohibits strikes by municipal employees, strikes and work stoppages by employees of the City and the Covered Organizations have occurred.

Collective bargaining for City employees is under the jurisdiction of either the New York City Office of Collective Bargaining, which was created under the New York City Collective Bargaining Law, or the New York State Public Employment Relations Board ("PERB"), which was created under the State Employees Fair Employment Act. Collective bargaining matters relating to police, firefighters and pedagogical employees are under the jurisdiction of PERB. Under applicable law, the terms of future wage settlements could be determined through an impasse procedure which, except in the case of pedagogical employees, can result in the imposition of a binding settlement. Pedagogical employees do not have access to binding arbitration but are covered by a fact-finding impasse procedure under which a binding settlement may not be imposed.

For information regarding the City's assumptions with respect to the current status of the City's agreements with its labor unions, the cost of future labor settlements and related effects on the Financial

Plan, see "SECTION VII: FINANCIAL PLAN—Assumptions—*Expenditure Assumptions*—1. PERSONAL SERVICES COSTS."

Pensions

The City maintains a number of pension systems providing benefits for its employees and employees of various independent agencies (including certain Covered Organizations). For further information regarding the City's pension systems and the City's obligations thereto, see "SECTION IX: OTHER INFORMATION—Pension Systems."

Capital Expenditures

The City makes substantial capital expenditures to reconstruct, rehabilitate and expand the City's infrastructure and physical assets, including City mass transit facilities, water and sewer facilities, 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 Program" and "—Financing Program."

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 Plan 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 Plan translates mid-range policy goals into specific projects. The Capital Budget defines for each fiscal year specific projects and the timing of their initiation, design, construction and completion.

On May 1, 2009, the City published the Ten-Year Capital Strategy for fiscal years 2010 through 2019. The Ten-Year Capital Strategy totals $61.7 billion, of which approximately 76% 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 includes, among other items: (i) $21.9 billion to construct new schools and improve existing educational facilities; (ii) $12.9 billion for improvements to the water and sewer system; (iii) $3.5 billion for expanding and upgrading the City's housing stock; (iv) $3.2 billion for reconstruction or resurfacing of City streets; (v) $601.2 million for continued City-funded investment in mass transit; (vi) $4.6 billion for the continued reconstruction and rehabilitation of all four East River bridges and 132 other bridge structures; (vii) $1.4 billion to expand current jail capacity; and (viii) $302.5 million 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 by the City and bonds issued by the Water Authority and the TFA. 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—Financing Program."

The City's capital expenditures, including expenditures funded by State and federal grants, totaled $39.7 billion during the 2005 through 2009 fiscal years. City-funded expenditures, which totaled $29.8 billion during the 2005 through 2009 fiscal years, have been financed through the issuance of bonds by the City, the TFA, the Water Authority, TSASC, HHC and the Dormitory Authority of the State of New York ("DASNY"). The following table summarizes the major categories of capital expenditures in the City's 2005 through 2009 fiscal years.

	2005	2006	2007	2008	2009	Total
			(In Millions)			
Education	$ 975	$1,782	$2,132	$2,358	$2,800	$10,047
Environmental Protection	1,679	1,841	1,949	2,313	2,558	10,340
Transportation	786	657	757	767	814	3,782
Transit Authority(1)	160	126	70	47	77	480
Housing	343	459	436	503	432	2,173
Hospitals	346	232	187	143	189	1,097
Sanitation	159	94	131	188	244	816
All Other(2)	2,207	1,404	1,834	2,687	2,841	10,973
Total Expenditures(3)	$6,655	$6,595	$7,496	$9,005	$9,956	$39,708
City-funded Expenditures(4)	$5,274	$6,211	$4,799	$6,310	$7,241	$29,835

(1) Excludes the Transit Authority's non-City portion of the Metropolitan Transportation Authority ("MTA") capital program.

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

(3) Total Expenditures for the 2005 through 2009 fiscal years include City, State and federal funding and represent amounts which include an accrual for work-in-progress. These figures for the 2005 through 2008 fiscal years are derived from the CAFR. Fiscal year 2009 expenditures are preliminary and subject to change.

(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 Program."

SECTION VI: FINANCIAL OPERATIONS

The City's Basic Financial Statements and the independent auditors' opinion thereon are presented in "APPENDIX B—FINANCIAL STATEMENTS." Further details are set forth in the CAFR for the fiscal year ended June 30, 2008, 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 "2004-2008 Summary of Operations" below.

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, neither the City's independent auditors, nor any other independent accountants, have compiled, examined or performed any procedures with respect to the Financial Plan or other estimates or projections contained elsewhere herein, nor have they expressed any opinion or any other form of assurance on such prospective financial information or its achievability, and assume no responsibility for, and disclaim any association with, all such prospective financial information.

The Financial Plan is prepared in accordance with standards set forth in the Financial Emergency Act and the City Charter. The Financial Plan contains projections and estimates that are based on expectations and assumptions which existed at the time such projections and estimates were prepared. 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. This prospective information is not fact and should not be relied upon as being necessarily indicative of future results. Readers of this Official Statement are cautioned not to place undue reliance on the prospective financial information. The City makes no representation or warranty that these estimates and projections will be realized. The estimates and projections contained in this Section and elsewhere herein were not prepared with a view towards compliance with the guidelines established by the American Institute of Certified Public Accountants with respect to prospective financial information.

2004-2008 Summary of Operations

The following table sets forth the City's results of operations for its 2004 through 2008 fiscal years in accordance with GAAP.

The information regarding the 2004 through 2008 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 2007 and 2008 financial statements included in "APPENDIX B—FINANCIAL STATEMENTS." The 2004 through 2006 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				
	2004	2005	2006	2007	2008
	(In Millions)				
Revenues and Transfers					
Real Estate Tax(2)	$11,582	$11,616	$12,636	$13,123	$13,204
Other Taxes(3)(4)	16,583	19,250	21,575	24,719	25,397
Miscellaneous Revenues(3)	3,370	5,073	3,862	4,243	5,044
Other Categorical Grants	956	862	1,150	1,037	1,090
Unrestricted Federal and State Aid(3)	963	604	494	35	242
Federal Categorical Grants	5,415	6,654	5,243	5,471	5,692
State Categorical Grants	8,455	8,823	9,586	10,186	11,421
Less: Disallowances Against Categorical Grants	(27)	(87)	(542)	(103)	(114)
Total Revenues and Transfers(5)	$47,297	$52,795	$54,004	$58,711	$61,976
Expenditures and Transfers					
Social Services	$ 9,650	$10,329	$10,148	$11,078	$12,511
Board of Education	13,061	13,776	14,794	15,748	16,855
City University	493	567	550	577	621
Public Safety and Judicial	6,125	6,507	6,694	6,842	7,259
Health Services	2,418	2,424	2,758	2,272	1,588
Pensions(6)	2,308	3,234	3,879	4,846	5,616
Debt Service(3)(7)	3,472	4,023	4,510	4,334	5,371
MAC Debt Service and Administrative Expenses(3)(7)	502	111	10	10	3
All Other(7)(8)	9,263	11,819	10,656	12,999	12,147
Total Expenditures and Transfers(5)	$47,292	$52,790	$53,999	$58,706	$61,971
Surplus(7)(8)	$ 5	$ 5	$ 5	$ 5	$ 5

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(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 are not included in the City's results of operations. Expenditures required to be made and revenues earned by the City with respect to such PBCs are included in the City's results of operations. For further information regarding the particular PBCs included in the City's financial statements, see "APPENDIX B—FINANCIAL STATEMENTS—Notes to Financial Statements—Note A."

(2) In fiscal years 2004 through 2008, Real Estate Tax includes $137.3 million, $151.7 million, $165.4 million, $165.1 million and $142.2 million, respectively, which was provided to the City by the State as a reimbursement for the reduced property tax revenues resulting from the State's STAR Program.

(3) Other Taxes and MAC Debt Service and Administrative Expenses include amounts paid to MAC by the State for debt service, operating expenses and State oversight costs from sales tax receipts, stock transfer tax receipts and State per capita aid otherwise payable by the State to the City. For more information see "SECTION IV: SOURCES OF CITY REVENUES—Other Taxes." MAC Debt Service and Administrative Expenses was reduced by payments by the City of debt service on City obligations held by MAC through fiscal year 2005. Other Taxes excludes $109 million, $497 million, $350 million, $685 million and $164 million of personal income taxes in fiscal years 2004 through 2008, respectively, retained by the TFA. Debt Service does not include debt service on TFA bonds or TSASC bonds. Miscellaneous Revenues includes TSRs that are not retained by TSASC for debt service and operating expenses.

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

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

(6) For information regarding pension expenditures, see "SECTION IX: OTHER INFORMATION."

(7) Surplus is the surplus after discretionary and other transfers and expenditures. The City had general fund operating revenues exceeding expenditures of $4.640 billion, $4.670 billion, $3.756 billion, $3.534 billion and $1.928 billion before discretionary and other transfers and expenditures for the 2008, 2007, 2006, 2005 and 2004 fiscal years, respectively. Discretionary and other transfers are included in Debt Service, MAC Debt Service and Administrative Expenses and for transit and other subsidies, including grants and payments to the TFA, in All Other.

(8) All Other includes grants to the TFA of $624 million, $400 million and $947 million in fiscal years 2003, 2004 and 2005, respectively, which were used by the TFA to pay TFA debt service in each subsequent fiscal year and thereby increased tax revenue by $624 million, $400 million, and $947 million in fiscal years 2004, 2005 and 2006, respectively. All Other includes grants to the TFA of $546 million in each of fiscal years 2007 and 2008 for use by the TFA to pay debt service in fiscal years 2008 and 2009 resulting in increased personal income tax revenues of $546 million in each of those fiscal years. All Other includes a payment to the TFA of $718 million in fiscal year 2007 for the early retirement of TFA debt due in fiscal years 2009 and 2010 which will result in increased personal income tax revenues in those fiscal years. All Other includes deposits into a trust of $1 billion and $1.5 billion in fiscal years 2006 and 2007, respectively, to fund a portion of the future costs of OPEB for current and future retirees. All Other includes a $460 million prepayment into the OPEB trust in fiscal year 2008 to fund $460 million of fiscal year 2009 OPEB expense.

Forecast of 2009 Results

The following table compares the forecast for the 2009 fiscal year contained in the June Financial Plan, which was submitted to the Control Board in June 2008 (the "June 2008 Forecast") with the forecast contained in the Financial Plan, which was submitted to the Control Board on June 23, 2009 (the "June 2009 Forecast"). Each forecast was prepared on a basis consistent with GAAP except for the application of GASB 49. For information regarding recent developments, including actions by the Control Board with respect to the application of GASB 49 to the City budget, see "SECTION I: RECENT FINANCIAL DEVELOPMENTS."

	June 2008 Forecast	June 2009 Forecast	Increase/(Decrease) from June 2008 Forecast
		(In Millions)	
REVENUES			
Taxes			
General Property Tax	$13,782	$14,371	$ 589 (1)
Other Taxes	21,063	19,592	(1,471) (2)
FY 2008 Discretionary Transfer	546	546	—
Debt Defeasance	362	362	— (3)
Tax Audit Revenue	577	980	403 (4)
Tax Program	(3)	—	3 (5)
Subtotal — Taxes	$36,327	$35,851	$ (476)
Miscellaneous Revenues	5,671	6,382	711 (6)
Unrestricted Intergovernmental Aid	340	340	—
Less: Intra-City Revenues	(1,538)	(1,675)	(137)
Disallowances Against Categorical Grants	(15)	(15)	—
Subtotal – City Funds	$40,785	$40,883	$ 98
Other Categorical Grants	1,029	1,087	58
Inter-Fund Revenues	463	468	5
Total City Funds, Other Categorical Grants & Inter-Fund Revenues	$42,277	$42,438	$ 161
Federal Categorical Grants	5,366	6,270	904 (7)
State Categorical Grants	11,526	12,220	694 (8)
Total Revenues	$59,169	$60,928	$ 1,759
EXPENDITURES			
Personal Services			
Salaries and Wages	$21,942	$21,987	$ 45
Pensions	6,296	6,392	96
Fringe Benefits	6,719	6,727	8
Total – Personal Services	$34,957	$35,106	$ 149
Other Than Personal Services			
Medical Assistance	5,602	5,192	(410)
Public Assistance	1,177	1,313	136
All Other	18,340	18,887	547 (9)
Total – Other Than Personal Services	$25,119	$25,392	$ 273
Debt Service	3,877	3,623	(254) (10)
Debt Redemption	(279)	(279)	— (11)
FY 2008 Budget Stabilization & Discretionary Transfers	(4,079)	(4,089)	(10) (12)
FY 2009 Budget Stabilization & Discretionary Transfers	812	2,810	1,998 (13)
General Reserve	300	40	(260)
Total Expenditures	$60,707	$62,603	$ 1,896
Less: Intra-City Expenses	(1,538)	(1,675)	(137)
Net Total Expenditures	$59,169	$60,928	$ 1,759

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(1) The increase of $589 million is due to increased revenues of $576 million as a result of the property tax rate increase effective January 1, 2009 and an increase of $13 million in collections.

(2) The decrease in Other Taxes is due to decreases in personal income tax of $892 million, general corporation tax of $278 million, mortgage recording tax of $352 million, real property transfer tax of $323 million, hotel tax of $35 million, cigarette tax of $6 million and State STAR Program aid of $66 million offset by increases in unincorporated business tax of $143 million, utility tax of $37 million, banking corporation tax of $210 million, commercial rent tax of $3 million, sales tax of $9 million and all other taxes of $79 million

(3) Payment to the TFA in fiscal year 2007 of $718 million for debt defeasance resulted, in part, in increased personal income tax revenues of $362 million in fiscal year 2009.

(4) The increase in Tax Audit Revenue reflects an increase of $346 million in general corporation tax, $10 million in banking corporation tax, $42 million in utility tax, $15 million in commercial rent tax and $3 million in sales tax offset by a decline of $13 million in unincorporated business tax.

(5) The change to the Tax Program reflects the elimination of the tax reduction program.

(6) The increase in Miscellaneous Revenues is due to increases of approximately $137 million in intra-City revenues, $26 million in licenses, permits and franchises, $50 million in fines and forfeitures, $64 million in charges for services, $35 million in rental income, $377 million in other miscellaneous revenues and $39 million in interest income, offset by a decrease of approximately $17 million in water and sewer payments.

(7) The increase in Federal Categorical Grants is due to increases of $116 million in social services funding, $167.4 million in police department funding, $86.6 million in health and mental hygiene funding, $78.7 million in transportation funding, $142.5 million in housing development and preservation funding, $79.7 million in fire department funding, $39.5 million for emergency management, $86.2 million in children's services funding and $107.4 million in other grants.

(8) The increase in State Categorical Grants is due to increases of $155.5 million in social services funding, $38 million in transportation funding, $36.9 million in health and mental hygiene funding, $19 million in police department funding, $68.8 million in education funding, $291.8 in miscellaneous agency funding, $20.3 million in homeless services funding, $17.1 million in administrative services funding and $45.6 million in other grants.

(9) The increase in Other Than Personal Services—All Other is due to $1.09 billion in budget modifications reflecting increases in categorical expenditures which are offset by categorical grants and the transfer of funds between personal services and other than personal services, and $190 million in net agency expenditures, offset by reductions of $233 million in agency expenditures from agency reduction programs and $500 million in prior year expenses.

(10) The decrease in Debt Service is due to lower short term interest rates which reduced payments on floating rate debt and interest exchange agreements.

(11) The use in fiscal year 2007 of $536 million for general obligation debt redemption resulted, in part, in reduced debt service of $279 million in fiscal year 2009.

(12) FY 2008 Budget Stabilization & Discretionary Transfers reflects the discretionary transfer of $3.073 billion into the General Debt Service Fund in fiscal year 2008 for debt service due in fiscal year 2009 and the payment in fiscal year 2008 of $500 million in subsidies, $460 million in retiree health benefits, $10 million of equity to a bond refunding and $46 million in lease debt service, respectively, otherwise due in fiscal year 2009.

(13) FY 2009 Budget Stabilization & Discretionary Transfers reflects the discretionary transfer of $1.286 billion into the General Debt Service Fund in fiscal year 2009 for debt service due in fiscal year 2010, the payment in fiscal year 2009 of $110 million in lease debt service, $225 million in retiree health benefits and $643 million in other subsidies, respectively, otherwise due in fiscal year 2010, and a grant of $546 million to the TFA which will be used to pay TFA debt service in fiscal year 2010 resulting in increased personal income tax revenues of that amount in fiscal year 2010.

SECTION VII: FINANCIAL PLAN

The following table sets forth the City's projected operations on a basis consistent with GAAP, except for the application of GASB 49, for the 2009 through 2013 fiscal years as contained in the 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, including recent actions by the Control Board with respect to the application of GASB 49 to the City budget, see "SECTION I: RECENT FINANCIAL DEVELOPMENTS."

	Fiscal Years(1)(2)				
	2009	2010	2011	2012	2013
			(In Millions)		
REVENUES					
Taxes					
General Property Tax(3)	$14,371	$16,072	$17,148	$17,737	$18,125
Other Taxes(4)(5)	19,592	16,725	18,313	19,684	20,950
Discretionary Transfers(6)	546	546	—	—	—
Debt Defeasance(7)	362	382	—	—	—
Tax Audit Revenue	980	596	596	595	594
Anticipated Tax Program(8)	—	879	877	943	976
Subtotal – Taxes	$35,851	$35,200	$36,934	$38,959	$40,645
Miscellaneous Revenues(9)	6,382	5,973	5,715	5,750	5,792
Unrestricted Intergovernmental Aid	340	340	340	340	340
Less: Intra-City Revenues	(1,675)	(1,669)	(1,583)	(1,586)	(1,590)
Disallowances Against Categorical Grants	(15)	(15)	(15)	(15)	(15)
Subtotal – City Funds	$40,883	$39,829	$41,391	$43,448	$45,172
Other Categorical Grants	1,087	1,053	1,029	1,033	1,031
Inter-Fund Revenues(10)	468	486	453	443	443
Total City Funds, Other Categorical Grants and Inter-Fund Revenues	$42,438	$41,368	$42,873	$44,924	$46,646
Federal Categorical Grants	6,270	6,600	6,389	5,355	5,344
State Categorical Grants	12,220	11,512	11,975	12,380	13,034
Total Revenues	$60,928	$59,480	$61,237	$62,659	$65,024
EXPENDITURES					
Personal Services					
Salaries and Wages	$21,987	$22,563	$23,277	$22,843	$23,690
Pension	6,392	6,700	7,034	7,358	7,631
Fringe Benefits	6,727	6,911	6,703	6,775	7,708
Total-Personal Services	$35,106	$36,174	$37,014	$36,976	$39,029
Other Than Personal Services					
Medical Assistance	5,192	4,907	5,622	6,091	6,271
Public Assistance	1,313	1,299	1,299	1,299	1,299
All Other(11)	18,887	18,859	18,853	19,479	19,976
Total-Other Than Personal Services	$25,392	$25,065	$25,774	$26,869	$27,546
Debt Service	3,623	4,187	4,657	5,094	5,372
Debt Redemption and Defeasance(7)(12)	(279)	(2,313)	—	—	—
FY 2008 Budget Stabilization & Discretionary Transfers(13)	(4,089)	—	—	—	—
FY 2009 Budget Stabilization(6)(14)	2,810	(2,264)	—	—	—
General Reserve	40	300	300	300	300
	$62,603	$61,149	$67,745	$69,239	$72,247
Less: Intra-City Expenses	(1,675)	(1,669)	(1,583)	(1,586)	(1,590)
Total Expenditures	$60,928	$59,480	$66,162	$67,653	$70,657
GAP TO BE CLOSED	$ —	$ —	$(4,925)	$(4,994)	$(5,633)

(1) The four year financial plan for the 2009 through 2012 fiscal years, as submitted to the Control Board on June 30, 2008, contained the following projections for the 2009-2012 fiscal years: (i) for 2009, total revenues of $59.169 billion and total expenditures of $59.169 billion; (ii) for 2010, total revenues of $60.285 billion and total expenditures of $62.629 billion, with a gap to be closed of $2.344 billion; (iii) for 2011, total revenues of $63.240 billion and total expenditures of $68.398 billion, with a gap to be closed of $5.158 billion; and (iv) for 2012, total revenues of $65.818 billion and total expenditures of $70.926 billion, with a gap to be closed of $5.108 billion.

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The four year financial plan for the 2008 through 2011 fiscal years, as submitted to the Control Board on June 20, 2007, contained the following projections for the 2008-2011 fiscal years: (i) for 2008, total revenues of $58.965 billion and total expenditures of $58.965 billion; (ii) for 2009, total revenues of $58.701 billion and total expenditures of $60.251 billion, with a gap to be closed of $1.550 billion; (iii) for 2010, total revenues of $61.433 billion and total expenditures of $64.830 billion, with a gap to be closed of $3.397 billion; and (iv) for 2011, total revenues of $63.551 billion and total expenditures of $67.920 billion, with a gap to be closed of $4.369 billion.

The four year financial plan for the 2007 through 2010 fiscal years, as submitted to the Control Board in July 2006, contained the following projections for the 2007-2010 fiscal years: (i) for 2007, total revenues of $52.940 billion and total expenditures of $52.940 billion; (ii) for 2008, total revenues of $53.589 billion and total expenditures of $57.399 billion, with a gap to be closed of $3.810 billion; (iii) for 2009, total revenues of $54.497 billion and total expenditures of $59.081 billion, with a gap to be closed of $4.584 billion; and (iv) for 2010, total revenues of $56.259 billion and total expenditures of $60.328 billion, with a gap to be closed of $4.069 billion.

The four year financial plan for the 2006 through 2009 fiscal years, as submitted to the Control Board on July 6, 2005, contained the following projections for the 2006-2009 fiscal years: (i) for 2006, total revenues of $50.188 billion and total expenditures of $50.188 billion; (ii) for 2007, total revenues of $49.433 billion and total expenditures of $53.940 billion, with a gap to be closed of $4.507 billion; (iii) for 2008, total revenues of $50.518 billion and total expenditures of $54.988 billion, with a gap to be closed of $4.470 billion; and (iv) for 2009, total revenues of $52.142 billion and total expenditures of $56.067 billion, with a gap to be closed of $3.925 billion.

(2) The Financial Plan combines the operating revenues and expenditures of the City, the DOE and CUNY. The Financial Plan does not include the total operations of HHC, but does include the City's subsidy to HHC and the City's share of HHC revenues and expenditures related to HHC's role as a Medicaid provider. Certain Covered Organizations and PBCs which provide governmental services to the City, such as the Transit Authority, are separately constituted and their revenues (other than net OTB revenues), are not included in the Financial Plan; however, City subsidies and certain other payments to these organizations are included. Revenues and expenditures are presented net of intra-City items, which are revenues and expenditures arising from transactions between City agencies.

(3) For a description of the effects of the increase in the average real estate tax rate effective January 1, 2009, the State's STAR Program, and other real estate tax assumptions, see "SECTION VII: FINANCIAL PLAN—Assumptions—*Revenue Assumptions*—2. Real Estate Tax."

(4) Other Taxes includes OTB surtax revenues. Personal income taxes flow directly from the State to the TFA, and from the TFA to the City only to the extent not required by the TFA for debt service, reserves, operating expenses and contractual and other obligations incurred pursuant to the TFA indenture. Sales taxes will flow directly from the State to the TFA to the extent necessary to provide statutory coverage. Other Taxes does not include amounts that are expected to be retained by the TFA for its debt service and operating expenses. Estimates of Debt Service do not include debt service on TFA obligations.

(5) For Financial Plan assumptions, see "SECTION VII: FINANCIAL PLAN—Assumptions—*Revenue Assumptions*—3. Other Taxes."

(6) Discretionary Transfers reflects the impact of grants to the TFA of $546 million in each of fiscal years 2008 and 2009 which will be used by the TFA to pay debt service in the succeeding fiscal year resulting in increased personal income tax revenues in each of fiscal years 2009 and 2010.

(7) Payments to the TFA of $718 million in fiscal year 2007 for debt defeasance increased personal income tax revenues by $33 million, $362 million and $382 million in fiscal years 2008 through 2010, respectively.

(8) Anticipated Tax Program reflects proposals to modify the sales tax and various businesses taxes, effective July 1, 2009, including the repeal of the sales tax exemption on clothing above $110 with estimated increased revenues of $119 million, $124 million, $133 million and $141 million in fiscal years 2010 through 2013, respectively, an increase of 0.50 percent in the sales tax rate with estimated increased revenues of $518 million, $537 million, $570 million and $606 million in fiscal years 2010 through 2013, respectively, the imposition of a 4.5 percent sales tax on all electric and natural gas transmission and distribution with estimated increased revenues of $83 million, $84 million, $87 million and $89 million in fiscal years 2010 through 2013, respectively, and increases to City business taxes with estimated increased revenues of $159 million, $132 million, $153 million and $140 million in fiscal years 2010 through 2013, respectively. State legislation enacting these tax proposals was effective August 1, 2009. It is estimated that the delay in the effective date will reduce tax revenues by $70 million in fiscal year 2010. See "SECTION I: RECENT FINANCIAL DEVELOPMENTS—2009-2013 Financial Plan."

(9) Miscellaneous Revenues reflects the receipt by the City of TSRs not used by TSASC for debt service and other expenses. For information on TSASC, see "SECTION IV: SOURCES OF CITY REVENUES—Miscellaneous Revenues."

(10) 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.

(11) For a discussion of the categories of expenditures in Other Than Personal Services—All Other, see "SECTION VII: FINANCIAL PLAN—Assumptions—*Expenditure Assumptions*—2. Other Than Personal Services Costs."

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(12) The use in fiscal year 2007 of $536 million for general obligation debt redemption reduced debt service by $27 million, $279 million and $277 million in fiscal years 2008 through 2010, respectively. The use in fiscal year 2008 of $1.986 billion for general obligation debt defeasance reduced debt service by $2.036 billion in fiscal year 2010.

(13) FY 2008 Budget Stabilization & Discretionary Transfers reflects the discretionary transfer of $3.073 billion into the General Debt Service Fund in fiscal year 2008 for debt service due in fiscal year 2009 and the payment in fiscal year 2008 of $500 million in subsidies, $460 million in retiree health benefits, $10 million of equity to a bond refunding and $46 million in lease debt service, respectively, otherwise due in fiscal year 2009. Total budget stabilization and discretionary transfers in fiscal 2008 were $4.625 billion and included a grant of $546 million to the TFA reflected in Discretionary Transfers.

(14) FY 2009 Budget Stabilization & Discretionary Transfers reflects the discretionary transfer of $1.286 billion into the General Debt Service Fund in fiscal year 2009 for debt service due in fiscal year 2010, the payment in fiscal year 2009 of $110 million in lease debt service, $225 million in retiree health benefits and $643 million in other subsidies, respectively, otherwise due in fiscal year 2010, and a grant of $546 million to the TFA which will be used to pay debt service in fiscal year 2010 resulting in an increase in personal income tax revenues by that amount in fiscal year 2010.

Implementation of various measures in the Financial Plan may be uncertain. If these measures cannot be implemented, the City will be required to take actions to decrease expenditures or increase revenues to maintain a balanced financial plan. See "Assumptions" and "Certain Reports" below.

Actions to Close the Remaining Gaps

Although the City has maintained balanced budgets in each of its last twenty-eight fiscal years and is projected to achieve balanced operating results for the 2009 and 2010 fiscal years, there can be no assurance that the Financial Plan or future actions to close projected outyear gaps 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 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 2009 through 2013 fiscal years; realization of projected earnings 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 and other such entities 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 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; and the ability of the City and other financing entities to market their securities successfully in the public credit markets. See "SECTION I: RECENT FINANCIAL DEVELOPMENTS." Certain of these assumptions are reviewed in reports issued 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 a decrease in economic activity in calendar years 2009 and 2010 compared to calendar year 2008. The following table presents a forecast of the key economic indicators for the calendar years 2008 through 2013. This forecast is based upon information available in May 2009.

Forecast of Key Economic Indicators

	Calendar Years					
	2008	**2009**	**2010**	**2011**	**2012**	**2013**
U.S. Economy						
Economic Activity and Income						
Real GDP (billions of 2000 dollars)	11,652	11,247	11,403	11,799	12,271	12,676
Percent Change	1.1	(3.5)	1.4	3.5	4.0	3.3
Non-Agricultural Employment (millions)	137.0	132.1	131.0	132.9	136.2	139.2
Change from Prior Year	(0.6)	(5.0)	(1.0)	1.9	3.2	3.0
CPI-All Urban (1982-84=100)	215.2	212.8	216.3	220.7	225.5	230.8
Percent Change	3.8	(1.1)	1.6	2.1	2.2	2.3
Wage Rate ($ per year)	47,795	49,166	50,218	51,322	52,554	54,087
Percent Change	3.4	2.9	2.1	2.2	2.4	2.9
Personal Income ($ billions)	12,103	12,120	12,340	12,821	13,488	14,227
Percent Change	3.8	0.1	1.8	3.9	5.2	5.5
Pre-Tax Corp Profits ($ billions)	1,597	1,334	1,595	1,829	1,884	1,899
Percent Change	(15.3)	(16.5)	19.5	14.6	3.0	0.8
Unemployment Rate (Percent)	5.8	9.1	10.2	9.6	8.5	7.7
10-Year Treasury Bond Rate	3.7	2.8	2.9	3.8	4.5	4.8
Federal Funds Rate	1.9	0.1	0.2	1.7	3.3	3.6
New York City Economy						
Real Gross City Product (billions of dollars)	486.2	427.8	419.8	433.0	447.6	457.7
Percent Change	(4.5)	(12.0)	(1.9)	3.2	3.4	2.2
Non-Agricultural Employment (thousands)	3,790	3,619	3,490	3,499	3,539	3,580
Change from Prior Year	47	(172)	(129)	9	39	42
CPI-All Urban NY-NJ Area (1982-84=100)	235.8	235.1	238.9	244.3	250.1	256.2
Percent Change	3.9	(0.3)	1.6	2.2	2.4	2.4
Wage Rate ($ per year)	80,433	74,781	73,548	75,694	78,138	80,887
Percent Change	0.5	(7.0)	(1.6)	2.9	3.2	3.5
Personal Income ($ billions)	420.8	406.1	406.1	419.4	437.1	456.6
Percent Change	3.5	(3.5)	0.0	3.3	4.2	4.4
New York Real Estate Market						
Manhattan Primary Office Market						
Asking Rental Rate ($ per square foot)	82.78	70.61	63.00	62.72	62.07	61.87
Percent Change	15.2	(14.7)	(10.8)	(0.4)	(1.0)	(0.3)
Vacancy Rate – Percent	7.2	11.7	13.9	12.5	11.5	11.4

Source: OMB.

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."

Projections of real estate tax revenues reflect the increase, effective January 1, 2009, in the average tax rate to $12.28 per $100 of assessed value resulting in increased revenues of $576 million, $1.22 billion, $1.3 billion, $1.36 billion and $1.39 billion in fiscal years 2009 through 2013, respectively. The increase rescinded the 7% decrease enacted July 1, 2007.

Projections of real estate tax revenues include net revenues of $5 million, $78 million, $40 million, $40 million and $40 million in fiscal years 2009, 2010, 2011, 2012 and 2013, respectively, from the sale of real property tax liens. The authorization to sell such real estate tax liens is effective until December 31, 2010. The Financial Plan assumes the enactment of local legislation to extend such authorization. Projections of real estate tax revenues include the effects of the State's STAR Program which will reduce the real estate tax revenues by an estimated $148 million and $154 million in fiscal years 2009 and 2010, respectively. Projections of real estate tax revenues reflect the estimated cost of extending the current tax reduction for owners of cooperative and condominium apartments amounting to $357 million, $382 million, $401 million, $414 million and $423 million in fiscal years 2009 through 2013, respectively. Projections of real estate tax revenues also reflect the elimination of the real estate tax rebate of $400 to owner-occupants of houses, co-ops and condominiums resulting in increased annual revenues of $256 million in fiscal years 2010 through 2013.

The delinquency rate was 2.4% for each of fiscal years 2004 and 2005, 2.0% in fiscal year 2006, 2.1% in fiscal year 2007 and 1.8% in fiscal year 2008. The Financial Plan projects delinquency rates of 2.1%, 2.3%, 2.4%, 2.4% and 2.3% in fiscal years 2009 through 2013, respectively. 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 exclude the Criminal Justice Fund and audit revenues.

	2009	2010	2011	2012	2013
			(In Millions)		
Personal Income(1)	$ 5,551	$ 4,949	$ 5,769	$ 6,168	$ 6,527
General Corporation	2,345	2,024	2,338	2,705	2,947
Banking Corporation	857	478	649	711	745
Unincorporated Business Income	1,811	1,455	1,461	1,596	1,689
Sales(2)	4,675	4,069	4,205	4,469	4,762
Commercial Rent	569	543	531	528	537
Real Property Transfer	740	613	649	708	794
Mortgage Recording	519	475	551	602	694
Utility	414	391	420	434	439
Cigarette	96	96	94	92	90
Hotel(3)	359	329	331	314	295
All Other(4)	1,656	1,303	1,315	1,357	1,431
Total	$19,592	$16,725	$18,313	$19,684	$20,950

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Note: Totals may not add due to rounding.

(1) Personal Income does not include $138 million, $110 million, $1.118 billion, $1.157 billion, and $1.158 billion of personal income tax revenues projected to be retained by the TFA for debt service and other expenses in the 2009, 2010, 2011, 2012 and 2013 fiscal years, respectively. Personal Income does not include $362 million and $382 million of additional personal income tax revenues in fiscal years 2009 and 2010, respectively, which are reflected in the Financial Plan under Debt Defeasance, reflecting the early provision for TFA debt defeasance resulting in increased revenues in those fiscal years. Personal Income does not reflect the impact of the grants to the TFA of $546 million in fiscal years 2008 and 2009, which are reflected in the Financial Plan under Discretionary Transfers and will be used by the TFA to pay debt service in the subsequent fiscal year, thereby increasing personal income tax revenue by that amount in each of fiscal years 2009 and 2010. These projections reflect reductions in personal income tax revenues as a result of the State's STAR Program under law in effect at the date of the Financial Plan in the amount of $1.039 billion, $723 million, $734 million, $771 million and $846 million in the 2009 through 2013 fiscal years, respectively. The State will reimburse the City for reduced revenues resulting from the STAR Program.

(2) Does not include any proposed modifications to the sales tax reflected under Anticipated State Actions in the Financial Plan. See "SECTION I: RECENT FINANCIAL DEVELOPMENTS — 2009-2013 Financial Plan."

(3) Hotel includes the impact of an additional temporary hotel occupancy tax of 0.875 percent resulting in additional revenues of $15 million, $62 million, $66 million and $35 million in fiscal years 2009 through 2012, respectively.

(4) All Other includes, among others, OTB surtax revenues, beer and liquor taxes, and the automobile use tax. All Other also includes $1.188 billion, $902 million, $913 million, $950 million and $1.025 billion in fiscal years 2009 through 2013, 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 State's STAR Program.

The Financial Plan reflects the following assumptions regarding projected revenues from Other Taxes: (i) with respect to the personal income tax, a decline in fiscal year 2009 reflecting a steep decline in Wall Street bonuses in calendar year 2008, increased employment losses and a decline in non-wage income due to lower capital gains, and reduced revenues attributable to an adjustment by the State for prior over-payments, a further decline in fiscal year 2010 reflecting a decline in Wall Street bonuses in calendar year 2009, continuing employment losses and weakness in non-wage income and a rebound in fiscal years 2011 through 2013 reflecting a recovery in Wall Street profitability and employment gains; (ii) with respect to the general corporation tax, a decline in fiscal year 2009 in finance sector tax payments reflecting the extraordinary Wall Street losses in calendar year 2008 and a moderate decline in fiscal year 2009 in non-finance sector tax payments reflecting the impact of the national recession on profitability and the high levels of refunds, a further decline in fiscal year 2010 reflecting continuing Wall Street losses and the national recession as net operating losses are liquidated and refunds remain large, a rebound in fiscal years 2011 through 2013 reflecting a return to trend levels of Wall Street profitability and the recovery of the national and local economies; (iii) with respect to the banking corporation tax, strong growth in fiscal year 2009 due to unexpected payment strength despite the large write-downs at major City banking corporations, a decline in fiscal year 2010 from the write-downs expected in calendar year 2009, weak credit markets, which will reduce bank profitability, and high levels of refunds, a rebound in fiscal year 2011 and moderate growth in fiscal years 2012 and 2013 reflecting a return to trend levels of Wall Street profitability and the recovery of the national and local economies; (iv) with respect to the unincorporated business tax, a slight decline in fiscal year 2009 reflecting job losses in both the finance and non-finance sectors and declines in hedge fund and private equity firm tax payments, a decline in growth in fiscal year 2010 reflecting continued employment losses and another year of Wall Street losses, and growth in fiscal years 2011 through 2013 reflecting a return to trend levels of Wall Street profitability and the recovery of the national and local economies; (v) with respect to the sales tax, a decline in fiscal year 2009 due to a decline in consumption stemming from employment losses, a collapse in consumer confidence and a drop in tourist consumption, a further decline in fiscal year 2010 reflecting continued employment losses and declines in travel and tourism, and moderate growth in fiscal years 2011 through 2013 paralleling the recovery of the national and local economies; (vi) with respect to the real property transfer tax, a steep decline in fiscal year 2009, as the credit crunch and the slowing local economy effect the number of transactions in the residential market and put downward pressure on the average sales price, and the number and value of large commercial real estate transactions collapse as a result of the tighter credit market and the re-pricing of real estate related risk, a decline in fiscal year 2010 as a result of continuing decline in the number and value of residential and commercial transactions, and a return to growth in fiscal year 2011; (vii) with respect to the mortgage recording tax, a steep decline in fiscal year 2009, as the number of transactions and the average sales price in the residential market decline sharply and the tighter lending standards requiring higher down payments reduces the average mortgage loan amount subject to tax, a continuing decline in fiscal year 2010 as both the number of transactions and the average sales price for both the residential and commercial markets continue to decline as the credit markets continue to struggle, and a return to growth in fiscal year 2011; and (viii) with respect to the commercial rent tax, slowing growth in fiscal year 2009, reflecting rising vacancy rates and declining asking rents as the local economy suffers from the impact of the national slowdown and the expectation of Wall Street and business service layoffs, declines in fiscal years 2010 through 2012 as the local office market suffers from the employment losses, paralleling the slower employment growth forecast for the local economy, before a return to growth in fiscal year 2013.

4. Miscellaneous Revenues

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

	2009	2010	2011	2012	2013
			(In Millions)		
Licenses, Permits and Franchises	$ 487	$ 479	$ 484	$ 488	$ 488
Interest Income	124	30	43	99	128
Charges for Services	655	674	659	659	659
Water & Sewer Payments (1)	1,301	1,369	1,340	1,356	1,368
Rental Income	253	220	214	214	214
Fines and Forfeitures	798	899	887	865	864
Other	1,089	633	505	483	481
Intra-City Revenues	1,675	1,669	1,583	1,586	1,590
	$6,382	$5,973	$5,715	$5,750	$5,792

(1) Received from the Water Board. For further information regarding the Water Board, see "Section VII: Financial Plan—Financing Program."

Miscellaneous Revenues—Rental Income reflects approximately $102.7 million in each of fiscal years 2009 through 2013 for lease payments for the City's airports.

Miscellaneous Revenues—Other reflects $146 million, $123 million, $123 million, $124 million and $124 million of projected resources in fiscal years 2009 through 2013, respectively, from the receipt by the City of TSRs. For more information, see "Section IV: Sources of City Revenues—Miscellaneous Revenues." Economic and legal uncertainties relating to the tobacco industry and the settlement, including pending anti-trust litigation challenging a State statute implementing the settlement agreement and adjustments provided for under the settlement agreement, may significantly affect the receipt of TSRs by TSASC and the City.

Miscellaneous Revenues—Other reflects, in fiscal year 2009, $177.9 million from restitution agreements and $125 million in the refund of FICA overpayments from the period 1989 through 2005.

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.

	2009	2010	2011	2012	2013
			(In Millions)		
State Revenue Sharing	$327	$327	$327	$327	$327
Other Aid	13	13	13	13	13
Total	$340	$340	$340	$340	$340

The Other Aid category consists of 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, see "Section I: Recent Financial Developments—The State."

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.

	2009	2010	2011	2012	2013
Federal					
Community Development	$ 290	$ 305	$ 246	$ 241	$ 241
Social Services	2,717	2,562	2,536	2,527	2,526
Education	1,738	2,746	2,775	1,758	1,759
Other	1,525	987	832	829	818
Total	$ 6,270	$ 6,600	$ 6,389	$ 5,355	$ 5,344
State					
Social Services	$ 2,146	$ 1,947	$ 1,926	$ 1,917	$ 1,917
Education	8,583	8,186	8,614	8,965	9,551
Higher Education	211	198	211	211	212
Health and Mental Hygiene	497	480	475	477	477
Other	783	701	749	810	877
Total	$12,220	$11,512	$11,975	$12,380	$13,034

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 "Introductory Statement" and "Section I: Recent Financial Developments—The State." As of May 31, 2009, approximately 13.1% of the City's full-time and full-time equivalent employees (consisting of employees of the mayoral agencies and the DOE) were paid by Community Development funds, water and sewer funds and from other sources not funded by unrestricted revenues of the City.

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 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 increased from $124 million in the 1977 fiscal year to $542 million in the 2006 fiscal year. The amount of such disallowance was $103 million and $114 million in the 2007 and 2008 fiscal years, respectively. As of June 30, 2008, the City had an accumulated reserve of $1.1 billion for all disallowances of categorical aid.

Expenditure Assumptions

1. Personal Services Costs

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

	2009	2010	2011	2012	2013
			(In Millions)		
Wages and Salaries	$21,522	$21,496	$21,652	$20,766	$21,307
Pensions	6,392	6,700	7,034	7,358	7,631
Other Fringe Benefits	6,727	6,911	6,703	6,775	7,708
Reserve for Collective Bargaining					
Department of Education	41	321	592	652	652
Other	424	746	1,033	1,425	1,731
Reserve Subtotal	465	1,067	1,625	2,077	2,383
Total	$35,106	$36,174	$37,014	$36,976	$39,029

The Financial Plan projects that the authorized number of City-funded full-time and full-time equivalent employees whose salaries are paid directly from City funds, as opposed to federal or State funds or water and sewer funds, will decrease from an estimated level of 267,869 as of June 30, 2009 to an estimated level of 256,885 by June 30, 2013.

Pensions reflects savings of $200 million annually in fiscal years 2011 through 2013 as a result of pension reform, which requires approval of collective bargaining units and the State.

Other Fringe Benefits includes $1.3 billion, $1.3 billion, $1.4 billion, $1.3 billion and $2.1 billion in fiscal years 2009 through 2013, respectively, for OPEB expenditures for current retirees, which costs are currently paid by the City on a pay-as-you-go basis. Other Fringe Benefits reflects prepayments into the Retiree Health Benefits Trust Fund of $460 million and $225 million in fiscal years 2008 and 2009, respectively, resulting in lowered expense of $235 million and $225 million in fiscal years 2009 and 2010, respectively. Other Fringe Benefits reflects lowered expense of $82 million, $395 million and $672 million in fiscal years 2010 through 2012, respectively, as a result of reduced contributions to the Retiree Health Benefits Trust Fund in those years. For additional information see "Section I: Recent Financial Developments." For fiscal year 2008, the City reported an OPEB liability of $63.3 billion in its government-wide financial statements, based upon an actuarial valuation and in accordance with GASB 45. There is no requirement to fund such liability. For information on deposits to a trust to fund a portion of the future cost of OPEB for current and future retirees, see "Section VI: Financial Operations—2004-2008 Summary of Operations." For information on the OPEB reporting requirement, see "Section III: Government and Financial Controls—City Financial Management, Budgeting and Controls—*Financial Reporting and Control Systems,*" and "Appendix B—Financial Statements—Notes to Financial Statements—Note E.5."

Other Fringe Benefits reflects health benefits savings of $357 million, $386 million and $418 million in fiscal years 2011 through 2013, respectively, which requires approval of collective bargaining units.

The Reserve for Collective Bargaining contains funds for the cost of collective bargaining increases for labor contracts not yet settled, consistent with the settled contract patterns through final contract expiration dates in the period March 2010 to July 2012. The pattern for the final two years for each contract provides for 4% annual wage increases for all collective bargaining units and an additional 1.59% for longevity or salary schedule increases for uniformed employees. After the expiration of each contract, the Financial Plan assumes annual increases of 1.25%. For additional information, see "SECTION V: CITY SERVICES AND EXPENDITURES — Employees and Labor Relations — *Labor Relations.*"

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 E.6. and Note F."

2. OTHER THAN PERSONAL SERVICES COSTS

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

	2009	2010	2011	2012	2013
			(In Millions)		
Administrative OTPS	$15,879	$15,773	$15,719	$16,147	$16,457
Public Assistance	1,313	1,299	1,299	1,299	1,299
Medical Assistance	5,192	4,907	5,622	6,091	6,271
HHC Support	219	186	173	173	173
Other	2,789	2,900	2,961	3,159	3,346
Total	$25,392	$25,065	$25,774	$26,869	$27,546

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 2009 fiscal year. Thereafter, to account for inflation, OTPS expenditures are projected to rise by 2.5% annually in fiscal years 2011 through 2013. Energy costs for each of the 2009 through 2013 fiscal years are assumed to vary annually, with total energy expenditures projected at $959.9 million in fiscal year 2009 and increasing to $1.19 billion by fiscal year 2013.

Public Assistance

The number of persons receiving benefits under cash assistance programs is projected to average 342,179 per month in the 2009 fiscal year. Of total cash assistance expenditures in the City, the City-funded portion is projected to be $489 million in fiscal year 2009 and $490 million in each of fiscal years 2010 through 2013.

Medical Assistance

Medical assistance payments projected in the Financial Plan consist of payments to voluntary hospitals, skilled nursing facilities, intermediate care facilities, home care, pharmacy, managed care and physicians and other medical practitioners. The City-funded portion of medical assistance payments is estimated at $5.05 billion for the 2009 fiscal year, which the Financial Plan projects will decrease to $4.796 billion in fiscal year 2010 as a result of a temporary increase in the federal share of Medicaid costs under ARRA. See "SECTION I: RECENT FINANCIAL DEVELOPMENTS—2009-2013 Financial Plan." The City-funded portion of medical assistance payments is expected to increase to $5.509 billion, $5.972 billion and $6.158 billion in fiscal years 2011, 2012 and 2013, respectively. Such payments include, among other things, City-funded Medicaid payments, including City-funded Medicaid payments to HHC. City Medicaid costs (including City-funded Medicaid payments to HHC) assumed in the Financial Plan do not include the non-federal share of long-term care costs which have been assumed by the State.

Health and Hospitals Corporation

HHC operates under its own section of the Financial Plan as a Covered Organization. The HHC financial plan projects City-funded expenditures of $215 million in fiscal year 2009 decreasing to $165 million in fiscal year 2013. City-funded expenditures include City subsidy, intra-City payments and grants and exclude prepayments.

On an accrual basis, HHC's total receipts before implementation of the HHC gap-closing program are projected to be $5.8 billion, $6.3 billion, $5.9 billion, $6.0 billion and $6.2 billion in fiscal years 2009 through 2013, respectively. Total disbursements before implementation of the HHC gap-closing program are projected to be $7.0 billion in fiscal year 2009 increasing to $7.7 billion in fiscal year 2013. These projections assume increases in other than personal services costs and fringe benefits in fiscal years 2009 through 2013. 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

NYCT operates under its own section of the Financial Plan as a Covered Organization. The financial plan for NYCT covering its 2009 through 2012 fiscal years was prepared in April 2009. The NYCT fiscal year coincides with the calendar year. The NYCT financial plan projects City assistance to the NYCT operating budget of $282.9 million in 2009 increasing to $327.7 million in 2012, in addition to real estate tax revenue dedicated for NYCT use of $500.7 million in 2009 increasing to $572.7 million in 2012.

For 2009, the NYCT financial plan projects $7.2 billion in revenues and $9.8 billion in expenses, excluding depreciation and other accrual adjustments, leaving a budget gap of $2.6 billion. After accounting for depreciation and accrual adjustments the 2009 budget gap is $92.7 million. The NYCT financial plan forecasts operating budget gaps of $325.5 million, $758 million and $877.9 million in 2010 through 2012, respectively, after the implementation of gap-closing actions approved by the MTA Board on March 25, 2009. The gap-closing actions included an average 23% fare and toll increase and service cuts including the elimination of 24 bus routes, 4 subway lines and implementation of station staffing changes.

The Financial Plan does not require that the NYCT financial plan out-year gaps be funded by the City. The Financial Plan assumes that the gaps in 2009 through 2012 will be closed by NYCT in part by productivity measures, increased user charges, additional management actions, reduced service levels, or some combination of these actions.

Subsequent to the MTA Board approval of the fare increases, the State Legislature passed, and the Governor signed on May 7, 2009, legislation providing assistance to the MTA through increased revenues from new taxes and fees to meet its operating needs. In addition, on May 11, 2009, the MTA Board rescinded the 23% fare and toll increase package and approved a 10% fee and toll increase. The MTA Board restored the previously planned reductions to scheduled service at its May 27, 2009 board meeting.

Subsequent to the release of the Financial Plan, in July 2009 the preliminary budget and financial plan for NYCT covering 2010 through 2013 was proposed by the MTA (the "NYCT July financial plan"). The NYCT July financial plan forecasts smaller budget gaps than those in the NYCT financial plan and proposes gap-closing actions including maintenance and administrative savings. It is anticipated that the MTA will submit the final budget and financial plan for NYCT covering 2010 through 2013 to the MTA Board in November 2009.

A 2005-2009 Capital Program was approved by the MTA Board and adopted by the Capital Program Review Board ("CPRB") in 2005. It included $21.15 billion for all MTA agencies, including $16 billion for its basic infrastructure program, $11.3 billion of which would be invested in the NYCT core system, and over $5 billion for NYCT network expansion and security upgrades. The 2005-2009 Capital Program included approximately $497 million to be funded with proceeds of City general obligation bonds and approximately

$2 billion for extension of the Number 7 subway line and other public improvements which will be funded with proceeds of bonds issued by the Hudson Yards Infrastructure Corporation ("HYIC"). See "SECTION VIII: INDEBTEDNESS—Indebtedness of the City and Certain Other Entities—*Indebtedness of the City and Related Issuers*." On November 7, 2008, the CPRB approved an amendment to the 2005-2009 Capital Program which increased overall capital funding to a total of $23.7 billion, primarily reflecting additions of federal funding of $267 million for East Side access of the Long Island Railroad to Grand Central Terminal and $764 million for the Second Avenue Subway.

The 2005-2009 Capital Program follows the $17.9 billion capital program for 2000 through 2004, which included $12.3 billion for NYCT. The capital program for 2000 through 2004 superseded the previous capital program for the period 1995 through 1999, which totaled $13.2 billion, with $9.3 billion in projects for NYCT.

There can be no assurance that funding sources currently identified for the 2005-2009 Capital Program 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.

Department of Education

State law requires the City to provide City funds for the DOE each year in an amount not less than the amount appropriated for the preceding fiscal year, excluding amounts for debt service and pensions for the DOE. Such City funding must be maintained, unless total City funds for the fiscal year are estimated to be lower than in the preceding fiscal year, in which case the mandated City funding for the DOE may be reduced by an amount up to the percentage reduction in total City funds.

Judgments and Claims

In the fiscal year ended on June 30, 2008, the City expended $625.4 million for judgments and claims, $150.5 million of which was reimbursed by HHC. The Financial Plan includes provisions for judgments and claims of $637.7 million, $662.9 million, $720.0 million, $781.0 million and $844.2 million for the 2009 through 2013 fiscal years, respectively. These projections incorporate a substantial amount of claims costs attributed to HHC for which HHC will reimburse the City. These amounts are estimated at $189.9 million for each of fiscal years 2009 through 2013. 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, 2008 amounted to approximately $5.7 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 Financial Statements for the fiscal year ended June 30, 2008 include an estimate that the City's liability in the *certiorari* proceedings, as of June 30, 2008, could amount to approximately $893 million. Provision has been made in the Financial Plan for estimated refunds of $267 million, $436 million, $319 million, $349 million and $365 million for the 2009 through 2013 fiscal years, respectively. For further information concerning these claims, certain remedial legislation related thereto and the City's estimates of potential liability, see "SECTION IX: OTHER INFORMATION—Litigation—*Taxes*" and "APPENDIX B—FINANCIAL STATEMENTS—Notes to Financial Statements—Note D.5."

3. DEBT SERVICE

Debt service estimates for the 2009 through 2013 fiscal years include estimates of debt service costs on outstanding City bonds and notes and conduit debt and future debt issuances based on current and projected future market conditions. Such debt service estimates also include estimated payments pursuant to interest rate exchange agreements but do not reflect receipts pursuant to such agreements.

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 July 27, 2009, the City Comptroller released a report on the Mayor's adopted budget for fiscal year 2010 and the Financial Plan. The report notes that in fiscal year 2009 tax revenues declined substantially as a result of the recession and the Enacted Budget exhausts reserves that had been accumulated from fiscal years 2003 through 2008. The report does not anticipate significant expenditure risks in fiscal year 2010 and, due to a more positive outlook for the City's economy, estimates that tax revenues in fiscal year 2010 may exceed the City's projections by $1.26 billion which may result in additional resources to apply to unexpected contingencies in the current fiscal year or to fiscal year 2011 gap-closing programs.

In his report, the City Comptroller identified additional resources for 2010 and net risks for fiscal years 2011 through 2013 which, when added to the results projected in the Financial Plan, would result in a surplus of $1.10 billion in fiscal year 2010 and gaps of $5.24 billion, $5.70 billion and $6.58 billion in fiscal years 2011 through 2013, respectively. The differences from the Financial Plan projections result in part from the City Comptroller's expenditure projections, which exceed those in the Financial Plan by $104 million, $1.07 billion, $1.04 billion and $1.05 billion in fiscal years 2010 through 2013, respectively, resulting from: (i) increased overtime expenditures of $137 million in fiscal year 2010 and $100 million in each of fiscal years 2011 through 2013; (ii) the uncertainty that the Mayor's proposal to require employee contributions of 10 percent of health insurance premiums will be approved by the municipal unions, which would result in increased costs of $357 million, $386 million and $418 million in fiscal years 2011 through 2013, respectively; (iii) the possibility that the State legislature does not approve the City's proposal to restructure pension benefits for new employees, which would result in increased costs of $200 million in each of fiscal years 2011 through 2013; (iv) an increase in public assistance grants of $50 million in fiscal year 2013; (v) projected savings in judgment and claims expenses of $33 million, $88 million, $148 million and $213 million in fiscal years 2010 through 2013, respectively; and (vi) estimated increased costs of $500 million in each of fiscal years 2011 through 2013 as a result of GASB Statement No. 49. The differences from the Financial Plan also result from the City Comptroller's revenue projections. The report estimates that (i) property tax collections will be lower by $40 million and $55 million in fiscal years 2010 and 2011, respectively, and higher by $30 million and $70 million in fiscal years 2012 and 2013, respectively; (ii) personal income taxes will be higher by $190 million in fiscal year 2010 and lower by $95 million, $160 million and $335 million in fiscal years 2011 through 2013, respectively; (iii) business taxes will be higher by $375 million and $185 million in fiscal years 2010 and 2011, respectively, and lower by $200 million and $190 million in fiscal years 2012 and 2013, respectively; (iv) sales taxes will be higher by $300 million and $140 million in fiscal years 2010 and 2011, respectively, and lower by $84 million in fiscal year 2013; and (v) real estate related taxes will be higher by $435 million, $575 million, $655 million and $650 million in fiscal years 2010 through 2013, respectively. The revenue projections result in net additional tax revenues of $1.26 billion, $750 million, $325 million and $111 million in fiscal years 2010 through 2013, respectively. Additionally, the report projects a shortfall of $60 million in fiscal year 2010 as a result of the delay in implementing the City's sales tax initiatives.

On July 22, 2009, the staff of the OSDC issued a report on the Financial Plan. The OSDC report observed that, though the City has reacted quickly and been proactive through recent economic developments and closed the fiscal year 2010 budget gap, gaps in fiscal years 2011 through 2013 average more than $5 billion because the current fiscal year budget is balanced with nearly $6.6 billion in nonrecurring resources. The OSDC report further observed that balancing the budget in subsequent years, absent a strong economic recovery, could be difficult because the City has used most of the budget surpluses generated in past years and has already raised taxes and decreased spending.

The report identified possible risks to the Financial Plan of $250 million, $1.26 billion, $1.29 billion and $1.5 billion in fiscal years 2010 through 2013, respectively. When combined with the results projected in the Financial Plan, the report estimated that these risks could result in budget gaps of $250 million, $6.18 billion, $6.28 billion and $7.14 billion in fiscal years 2010 through 2013, respectively. The risks to the Financial Plan identified in the report include: (i) the delay in obtaining State legislative approval of the sales tax increase and the possibility of failing to obtain State legislative approval for the restructuring of pension benefits for new employees and certain other agency actions, which would result in increased costs of $100 million, $250 million, $255 million and $256 million in fiscal years 2010 through 2013, respectively; (ii) the possibility that the Mayor's proposal to require employee contributions of 10 percent of health insurance premiums is not accepted by the municipal unions, which would result in increased costs of $357 million, $386 million and $418 million in fiscal years 2011 through 2013, respectively; (iii) increased police department overtime costs of $80 million in each of fiscal years 2010 through 2013; (iv) increased special education costs of $70 million in each of fiscal years 2010 through 2013; (v) increased costs of $500 million in each of fiscal years 2011 through 2013 as a result of implementing GASB Statement No. 49; (vi) increased Department of Education health insurance costs of $125 million in fiscal year 2013 due to a higher number of retirees and higher health insurance premiums than anticipated; and (vii) increased public assistance costs of $58 million in fiscal year 2013.

In addition to the adjustments to the Financial Plan projections, the OSDC report identified two additional risks that could have a significant impact on the City. First, the report identifies the possibility that wages increase at the projected rate of inflation rather than the 1.25 percent per annum provided for in the Financial Plan, which would increase costs by $110 million, $318 million and $590 million in fiscal years 2011 through 2013, respectively. Second, the report states that the City may have to offset a potential shortfall of $350 million in anticipated State education aid in fiscal year 2011 and replace federal economic stimulus funds for education when the benefits of those funds are exhausted, resulting in increased costs of $1 billion in each of fiscal years 2012 and 2013.

On July 22, 2009, the staff of the Control Board issued a report on the Financial Plan. The report observes that the City will be able to achieve budget balance for fiscal year 2010 with the use of prior-year surpluses, agency reduction programs, tax increases and federal stimulus funds. The Control Board's analysis cites possible lower tax revenue collections, additional expenditures relating to overtime and pollution remediation, and the possibility of failure to obtain legislative approval for certain labor concessions contained in the Financial Plan as risks to the budget in the Financial Plan years. The report also notes that the rapid growth of the City's OPEB liability is of particular concern.

The report quantified possible additional resources, offset by certain risks, to the Financial Plan. The report identified possible net risks of $74 million, $1.24 billion, $1.29 billion and $1.35 billion in fiscal years 2010 through 2013, respectively. When combined with the results projected in the Financial Plan, these net risks would result in estimated gaps of $74 million, $6.16 billion, $6.29 billion and $6.98 billion in fiscal years 2010 through 2013, respectively. The possible additional resources identified in the report result from increased miscellaneous revenues of $100 million in fiscal year 2009 and $150 million in each of fiscal years 2011 through 2013. The risks identified in the report result from: (i) a reduction in non-property tax collections of $150 million and $75 million in fiscal years 2011 and 2012, respectively; (ii) a reduction in property tax collections of $100 million, $200 million and $300 million in fiscal years 2011 through 2013, respectively; (iii) increased uniformed services overtime expenses of $104 million, $82 million, $81 million and $81 million in fiscal years 2010 through 2013, respectively; (iv) estimated increases related to the funding of pollution remediation projects in the City's expense budget instead of its capital budget of $500 million in each of fiscal years 2011 through 2013; (v) the possibility that the Mayor's proposal to require employee contributions of 10 percent of health insurance premiums is not accepted by the municipal unions, which would result in increased costs of $357 million, $386 million and $418 million in fiscal years 2011 through 2013, respectively; (vi) the possibility that the State legislature does not approve the City's proposal to restructure pension benefits for new employees, which would result in increased costs of $200 million in each of fiscal years 2011 through 2013; and (vii) the delay in obtaining State legislative approval of the sales tax increase, resulting in decreased revenue of $70 million in fiscal year 2010.

Long-Term Capital Program

The City makes substantial capital expenditures to reconstruct and rehabilitate the City's infrastructure and physical assets, including City mass transit facilities, water and sewer facilities, 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 Plan translates mid-range policy goals into specific projects. The Capital Budget defines specific projects and the timing of their initiation, design, construction and completion. On September 17, 2009, the City released a capital plan covering fiscal years 2010 through 2013 (the "2010-2013 Capital Commitment Plan").

City-funded commitments, which were $344 million in fiscal year 1979, are projected to reach $11.1 billion in fiscal year 2010. City-funded expenditures are forecast at $7.0 billion in fiscal year 2010; total expenditures are forecast at $8.7 billion in fiscal year 2010. For additional information concerning the City's capital expenditures and the Ten-Year Capital Strategy covering fiscal years 2010 through 2019, see "SECTION V: CITY SERVICES AND EXPENDITURES—Capital Expenditures."

The following table sets forth the major areas of capital commitment projected in the 2010-2013 Capital Commitment Plan.

2010-2013 CAPITAL COMMITMENT PLAN

	2010		2011		2012		2013		Total	
	City Funds	All Funds	City Funds	All Funds	City Funds	All Funds	City Funds	All Funds	City Funds	All Funds
	(In millions)									
Mass Transit(1)	$ 173	$ 243	$ 52	$ 52	$ 49	$ 49	$ 66	$ 66	$ 341	$ 411
Roadway, Bridges	1,287	2,160	496	887	445	703	437	546	2,665	4,296
Environmental Protection(2)	2,885	3,215	1,641	1,641	1,318	1,318	1,246	1,256	7,090	7,431
Education(3)	1,327	2,507	1,027	2,053	1,061	2,122	1,045	2,072	4,460	8,754
Housing	608	802	201	311	182	280	271	374	1,261	1,767
Sanitation	954	958	256	256	37	37	149	149	1,395	1,400
City Operations/Facilities	7,239	7,690	1,452	1,641	911	960	2,027	2,080	11,630	12,370
Economic and Port Development	1,214	1,466	105	105	91	91	263	263	1,672	1,924
Reserve for Unattained Commitments	(4,542)	(4,542)	1,696	1,696	417	417	(348)	(348)	(2,777)	(2,778)
Total Commitments(4)	$11,143	$14,499	$6,927	$8,642	$4,511	$5,977	$5,157	$6,458	$27,738	$35,574
Total Expenditures(5)	$ 8,713	$ 9,730	$8,120	$9,838	$7,290	$9,039	$6,459	$8,125	$30,582	$36,732

Note: Totals may not add due to rounding.

(1) Excludes NYCT's non-City portion of the MTA capital program.

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

(3) All Funds reflects State funding for educational facilities in the form of financing of $2.5 billion from the proceeds of bonds of the TFA that are expected to be paid from State aid to education.

(4) Commitments represent contracts registered with the City Comptroller, except for certain projects which are undertaken jointly by the City and State.

(5) Expenditures represent cash payments and appropriations planned to be expended for capital costs, excluding amounts for original issue discount.

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.

In January 2009, the City issued an Asset Information Management System Report (the "AIMS Report"), which is 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. 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 $5.55 billion in capital investment would be needed for fiscal years 2010 through 2013 to bring the assets to a state of good repair. The report also estimated that $329 million, $195 million, $217 million and $197 million should be spent on maintenance in fiscal years 2010 through 2013, respectively.

The recommended capital investment for each inventoried asset is not readily comparable to the capital spending allocated by the City in the 2009-2013 Capital Commitment Plan and the Ten-Year Capital Strategy. Only a portion of the funding set forth in the 2009-2013 Capital Commitment 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 2009-2013 Capital Commitment 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, issued in June 2009, concluded that the capital investment in the Four-Year Capital Plan, for fiscal years 2010 through 2013, for the specifically identified inventoried assets funded 51% of the total investment recommended in the preceding AIMS Report issued in January 2009. Capital investment allocated in the Ten-Year Capital Strategy published in April 2009 funded an additional portion of the recommended investment. In the same Reconciliation Report, OMB estimated that 49% of the expense maintenance levels recommended were included in the financial plan.

Financing Program

The following table sets forth the par amount of bonds issued and expected to be issued during the 2010 through 2013 fiscal years to implement those fiscal years of the 2009-2013 Capital Commitment Plan. See "SECTION VIII: INDEBTEDNESS—Indebtedness of the City and Certain Other Entities."

2010-2013 FINANCING PROGRAM

	2010	2011	2012	2013	Total
City General Obligation Bonds(1)	$3,225	$3,000	$2,650	$2,360	$11,235
TFA Future Tax Secured Bonds(1)	3,225	3,000	2,650	2,360	11,235
Water Authority Bonds(1)(2)	2,373	2,055	1,861	1,602	7,892
Total	$8,823	$8,055	$7,161	$6,322	$30,362

Note: Totals may not add due to rounding.

(1) Figures exclude refunding bonds.

(2) Water Authority Bonds includes commercial paper and a total allocation for reserve funds and costs of issuance of $492 million.

The City's financing program includes the issuance of water and sewer revenue bonds by the Water Authority which is authorized to issue bonds to finance capital investment in the City's water and sewer system. Pursuant to State law, debt service on Water Authority 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, which 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 applicable to the City's water and sewer system covering fiscal years 2010 through 2019, projects City-funded water and sewer investment (which is expected to be financed with proceeds of Water Authority debt) at approximately $12.8 billion. The City's Capital Commitment Plan for fiscal years 2010 through 2013 reflects total anticipated City-funded water and sewer commitments of $7.1 billion which are expected to be financed with the proceeds of Water Authority debt.

The TFA is authorized to have outstanding $13.5 billion of Future Tax Secured Bonds (excluding such bonds issued for costs relating to the terrorist attack on the World Trade Center ("Recovery Bonds")) and may issue additional Future Tax Secured Bonds provided that the amount of such additional bonds, together with the amount of indebtedness contracted by the City, does not exceed the debt limit of the City. Future Tax Secured Bonds are issued for general City capital purposes and are secured by the City's personal income tax revenues and, to the extent such revenues do not satisfy specified debt ratios, sales tax revenues. In addition, the TFA is authorized to have outstanding $9.4 billion of Building Aid Revenue Bonds to pay for a portion of the City's five-year educational facilities capital plan. Building Aid Revenue Bonds are secured by State building aid, which the Mayor has assigned to the TFA. The TFA expects to issue $250 million, $800 million, $700 million and $750 million of Building Aid Revenue Bonds in fiscal years 2010 through 2013, respectively.

Implementation of the financing program is dependent upon the ability of the City and other financing entities to market their securities successfully in the public credit markets which 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. A significant portion of bond financing is used to reimburse the City's General Fund for capital expenditures already incurred. If the City and such other entities are 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 2010 through 2019 totals $61.7 billion, of which approximately 76% is to be financed with funds borrowed by the City and such other entities. See "INTRODUCTORY STATEMENT" and "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 debt-service costs of carrying out the major portion of the City's capital plan which is currently eligible for tax-exempt financing.

Interest Rate Exchange Agreements

In an effort to reduce its borrowing costs over the life of its bonds, the City began entering into interest rate exchange agreements commencing in fiscal year 2003. For a description of such agreements, see "APPENDIX B—FINANCIAL STATEMENTS—Notes to Financial Statements—Note A.13."As of June 30, 2009, the aggregate notional amount of the City's interest rate exchange agreements was $2,899,585,000 and the total marked-to-market value of such agreements was ($181,453,691).

In addition, in connection with its Courts Facilities Lease Revenue Bonds (The City of New York Issue) Series 2005A and B, DASNY entered into interest rate exchange agreements with Goldman Sachs Mitsui Marine Derivative Products, L.P. and JPMorgan Chase Bank, National Association. The City is obligated, subject to appropriation, to make lease payments to DASNY reflecting DASNY's obligations under these interest rate exchange agreements. Pursuant to such agreements with a notional amount of $125,500,000, an effective date of May 15, 2013 and a termination date of May 15, 2032, DASNY is to make payments based on the Securities Industry and Financial Markets Association Index ("SIFMA") and receive a fixed rate of 4.179%. Pursuant to such agreements with a notional amount of $125,500,000, an effective date of June 15, 2005 and a termination date of May 15, 2039, DASNY pays a fixed rate of 3.017% and receives payments based on a LIBOR-indexed variable rate. As of June 30, 2009, the total marked-to-market value of the DASNY agreements was ($6,870,266).

Seasonal Financing Requirements

The City since 1981 has fully satisfied its seasonal financing needs, when necessary, in the public credit markets, repaying all short-term obligations within their fiscal year of issuance. To finance its projected cash flow needs, the City issued $1.5 billion of short-term obligations in fiscal years 2002, 2003 and 2004. No short-term obligations were required to be issued in each of fiscal years 2005 through 2009. The City regularly reviews its cash position and the need for short-term borrowing. The Financial Plan does not include the issuance of short term obligations in fiscal year 2010. The Financial Plan reflects the issuance of short term obligations in the amount of $2.4 billion in each of fiscal years 2011 through 2013.

SECTION VIII: INDEBTEDNESS

Indebtedness of the City and Certain Other Entities

Outstanding City and PBC Indebtedness

The following table sets forth outstanding City and PBC indebtedness as of June 30, 2009. "City indebtedness" refers to general obligation debt of the City, net of reserves. "PBC indebtedness" refers to obligations of the City, net of reserves, to the following public benefit corporations ("PBCs"): the Housing Authority, the New York City Educational Construction Fund ("ECF"), New York State Housing Finance Agency ("HFA"), DASNY, CUCF, and the New York State Urban Development Corporation ("UDC"). PBC indebtedness is not debt of the City. However, the City has entered into agreements to make payments, subject to appropriation, to PBCs to be used for debt service on certain obligations constituting PBC indebtedness. Neither City indebtedness nor PBC indebtedness includes outstanding debt of the TFA, TSASC, Fiscal Year 2005 Securitization Corp. or STAR Corp., which are not obligations of, and are not paid by, the City; nor does such indebtedness include obligations of HYIC, for which the City has agreed to pay, as needed and subject to appropriation, interest on but not principal of such obligations.

(In Thousands)		
Gross City Long-Term Indebtedness(1)	$39,907,904	
Less: Assets Held for Debt Service(2)	(1,260,145)	
Net City Long-Term Indebtedness		$38,647,759
PBC Indebtedness		
Bonds Payable	305,464	
Capital Lease Obligations	1,430,870	
Gross PBC Indebtedness	1,736,334	
Less: Assets Held for Debt Service	(252,820)	
Net PBC Indebtedness		1,483,514
Combined Net City and PBC Indebtedness		$40,131,273

(1) Reflects capital appreciation bonds at accreted values as of June 30, 2008.

(2) Assets Held for Debt Service consists of General Debt Service Fund assets.

Trend in Outstanding Net City and PBC Indebtedness

The following table shows the trend in the outstanding net City and PBC indebtedness as of June 30 of each of the fiscal years 1999 through 2008 and at June 30, 2009.

	City Indebtedness		PBC	
	Long-Term	**Short-Term**	**Indebtedness**	**Total**
	(In Millions)			
1999	$26,287	$—	$1,403	$27,690
2000	25,543	—	1,575	27,118
2001	25,609	—	1,533	27,142
2002	27,312	—	1,537	28,849
2003	29,043	—	2,059	31,102
2004	30,498	—	1,766	32,264
2005	33,688	—	1,941	35,629
2006	34,076	—	1,751	35,827
2007	34,396	—	1,637	36,033
2008	33,129	—	1,558	34,687
June 30, 2009	38,648	—	1,484	40,131

Rapidity of Principal Retirement

The following table details, as of June 30, 2009, the cumulative percentage of total City indebtedness 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	19.62%
10 years	45.33
15 years	68.92
20 years	88.01
25 years	97.28
30 years	100.00

City and PBC Debt Service Requirements

The following table summarizes future debt service requirements, as of June 30, 2009, on City and PBC indebtedness.

	City Long-Term Debt		PBC	
Fiscal Years	**Principal**	**Interest**	**Indebtedness**	**Total**
	(In thousands)			
2010	$ 1,642,058	$ 1,876,150	$ 73,120	$ 3,591,328
2011	2,015,441	1,804,377	65,699	3,885,517
2012 through 2147	36,250,405	16,946,132	1,597,515	54,794,052
Total	$39,907,904	$20,626,659	$1,736,334	$62,270,897

Certain Debt Ratios

The following table sets forth the approximate ratio of City long-term indebtedness to taxable property value as of June 30 of each of the fiscal years 1999 through 2008.

Fiscal Year	City Long-Term Indebtedness (In Millions)	Percentage of Actual Taxable Value of Property(1)	Per Capita
1999	$27,834	33.88%	$3,502
2000	27,245	31.73	3,398
2001	27,147	29.97	3,364
2002	28,465	29.20	3,517
2003	29,679	28.90	3,644
2004	31,378	29.38	3,834
2005	33,903	30.73	4,128
2006	35,844	29.26	4,344
2007	34,506	27.03	4,170
2008	36,100	24.80	4,363

Source: CAFR for the fiscal year ended June 30, 2008.

(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.

Indebtedness of the City and Related Issuers

The following table sets forth obligations of the City and other issuers as of June 30 of each of the fiscal years 1999 through 2008. General obligation bonds are debt of the City. Although IDA Stock Exchange bonds and PBC indebtedness are not debt of the City, the City has entered into agreements to make payments, subject to appropriation, to the respective issuers to be used for debt service on the indebtedness included in the following table. ECF bonds are also not debt of the City. ECF bonds are expected to be paid from revenues of ECF, provided, however, that if such revenues are insufficient, the City has agreed to make payments, subject to appropriation, to ECF for debt service on its bonds. Indebtedness of the TFA, TSASC, STAR Corp. and MAC does not constitute debt of, and is not paid by, the City.

Fiscal Year	General Obligation Bonds(1)	ECF	MAC(2)	TFA	TSASC	STAR	SFC(3)	PBC Indebtedness and Other(4)	IDA Stock Exchange
				(In Millions)					
1999	$27,834	$150	$3,832	$ 4,150	$ —	$ —	$160	$1,525	$ —
2000	27,245	142	3,532	5,923	709	—	120	1,803	—
2001	27,147	134	3,217	7,386	704	—	80	1,805	—
2002	28,465	125	2,880	8,289	740	—	40	2,298	—
2003	29,679	117	2,151	12,024	1,258	—	—	2,211	—
2004	31,378	107	1,758	13,364	1,256	—	—	2,346	108
2005	33,903	135	—	12,977	1,283	2,552	—	3,044	106
2006	35,844	84	—	12,233	1,334	2,470	—	2,925	104
2007	34,506	123	—	14,607	1,317	2,368	—	2,832	102
2008	36,100	109	—	14,828	1,297	2,339	—	2,025	101

Source: CAFR for the fiscal year ended June 30, 2008.

(1) General Obligation Bonds include general obligation bonds held by MAC, the debt service on which was used by MAC to pay debt service on its bonds. Such general obligation "mirror" bonds totaled $299 million, $230 million, $168 million, $116 million, $64 million, $52 million and $39 million in fiscal years 1999 through 2005, respectively. All of such general obligation "mirror" bonds have been paid.

(Footnotes continued on next page)

(Footnotes continued from previous page)

(2) All MAC bonds outstanding after 2004 were defeased with a portion of the proceeds of STAR Corp. bonds issued in November 2004.

(3) The City issued general obligation bonds to the New York City Samurai Funding Corp. ("SFC") in order to provide funds to SFC for the payment of its bonds. Such general obligation bonds are reflected under SFC in the table.

(4) PBC Indebtedness and Other includes PBC indebtedness (excluding ECF) and includes capital leases of the City.

As of June 30, 2009, $2 billion aggregate principal amount of HYIC bonds were outstanding. Such bonds were issued to finance the extension of the Number 7 subway line and other public improvements. They are secured by and payable from payments in lieu of taxes and other revenues generated by development in the Hudson Yards area. To the extent such payments in lieu of taxes and other revenues are insufficient to pay interest on the HYIC bonds, the City has agreed to pay the amount of any shortfall in interest on such bonds, subject to appropriation. The City has no obligation to pay the principal of such bonds.

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 Financial Emergency 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, accounts have been established by the State Comptroller within the Fund to pay the principal of outstanding City TANs and RANs. For the expiration date of the Financial Emergency Act, see "SECTION III: GOVERNMENT AND FINANCIAL CONTROLS—City Financial Management, Budgeting and Controls—*Financial Emergency Act*."

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 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*.” 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 authority for variable rate bonds is currently limited, with statutory exceptions, to 25% 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.

Water Authority and TSASC indebtedness and the City’s commitments with other PBCs or related issuers are not chargeable against the City’s constitutional debt limit. The TFA and TSASC were created to provide financing for the City’s capital program. Without the TFA 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. TSASC has issued approximately $1.3 billion of bonds that are payable from TSRs. TSASC does not intend to issue additional bonds. The TFA is permitted to have outstanding $13.5 billion of Future Tax Secured Bonds (excluding Recovery Bonds) and may issue additional Future Tax Secured Bonds, provided that the amount of such additional bonds, together with the amount of indebtedness contracted by the City, do not exceed the debt limit of the City. Future Tax Secured Bonds are secured by the City’s personal income tax revenues and sales tax revenues, if personal income tax revenues do not satisfy specified debt ratios. The TFA currently has outstanding approximately $11.9 billion of Future Tax Secured Bonds (excluding Recovery Bonds). The TFA may also issue $9.4 billion of Building Aid Revenue Bonds, which are secured by State building aid and are not chargeable against the City’s constitutional debt limit.

The following table sets forth the calculation of the debt-incurring power of the City as of August 31, 2009.

(In Thousands)

Total City Debt-Incurring Power under General Debt Limit		$74,904,257
Gross Debt-Funded	$38,637,628	
Less: Excluded Debt	(248,224)	
	38,389,404	
Less: Appropriations for Payment of Principal	(588,709)	
	37,800,694	
Contracts and Other Liabilities, Net of Prior Financings Thereof	9,559,062	
Total Indebtedness		47,359,757
City Debt-Incurring Power		$27,544,500

Note: Numbers may not add due to rounding.

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 Federal Bankruptcy 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 pursuant to the Financial

Emergency Act, has the legal capacity to file a petition under the Federal Bankruptcy Code. For the expiration date of the Financial Emergency Act, see "SECTION III: GOVERNMENT AND FINANCIAL CONTROLS—City Financial Management, Budgeting and Controls—*Financial Emergency Act*."

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.

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. *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.

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

3. *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.

Certain PBCs are further described below.

New York City Educational Construction Fund

As of June 30, 2009, $102.1 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.

Dormitory Authority of the State of New York

As of June 30, 2009, $615.2 million principal amount and $781.4 million principal amount of DASNY bonds issued to finance the design, construction and renovation of court facilities and health facilities, respectively, in the City were outstanding. The court facilities and health facilities are leased to the City by DASNY, with lease payments made by the City in amounts sufficient to pay debt service on DASNY bonds and certain fees and expenses of DASNY.

City University Construction Fund

As of June 30, 2009, approximately $403.2 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 the 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 June 30, 2009, $33.4 million principal amount of UDC bonds subject to executed or proposed lease arrangements was outstanding. 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, 2007 consisted of approximately 359,000 active employees, of whom approximately 90,000 were employees of certain independent agencies whose pension costs in some cases are provided by City appropriations. In addition, there were approximately 287,000 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.

For fiscal year 2008, the City's pension contributions for the five major actuarial pension systems, made on a statutory basis based on actuarial valuations performed as of June 30, 2006, plus the other pension expenditures, were approximately $5.741 billion. Expense projections for fiscal years 2009 through 2013 are estimated at $6.392 billion, $6.700 billion, $7.034 billion, $7.358 billion and $7.631 billion, respectively. These projections are based on actuarial valuation estimates and reflect funding assumptions formulated by the Chief Actuary and the assumed rate of return on pension investments of eight percent as governed by State law. The projections incorporate the impact of actual pension fund investment performance since 2002 which include losses in fiscal year 2003, gains in fiscal years 2004 through 2007 followed by losses in fiscal year 2008. The incremental costs or benefit of the return on pension investments in any given year is phased in using six-year averaging periods under the Chief Actuary's funding assumptions.

The statutory provision establishing the eight percent assumed rate of return was extended to July 1, 2010. Required contributions are sensitive to changes in the assumed rate of return. For example, an approximately one percent reduction in the assumed rate could require an additional annual pension contribution of approximately $1 billion. Adjustments in required contributions caused by changes in the assumed rate of return would not be subject to phase-in or averaging.

The Financial Plan reflects higher additional required contributions associated with actual pension fund investment performance in fiscal year 2008 as well as anticipated losses in fiscal year 2009. In fiscal year 2008, the pension funds realized a negative 5.4 percent investment return which is significantly below the assumed positive rate of return of eight percent. The June Financial Plan projected zero percent earnings for fiscal year 2008. The Financial Plan reflects additional contributions of $82 million, $152 million, $225 million and $297 million in fiscal years 2010 through 2013, respectively, as a result of the incremental investment loss in fiscal year 2008.

In addition, the Financial Plan assumes an investment loss of twenty percent for fiscal year 2009 and reflects additional pension contributions of $431 million, $794 million and $1.173 billion in fiscal years 2011 through 2013, respectively. The Financial Plan reflects additional pension contributions of $82 million,

$583 million, $1.019 billion and $1.470 billion in fiscal years 2010 through 2013, respectively, as a result of the combined impact of the actual losses in fiscal year 2008 and the assumed losses in fiscal year 2009. Tentative returns through June 30, 2009 reflect lower losses than those forecast in the Financial Plan. Each one percent reduction in returns in fiscal year 2010 below the assumed rate would result in phased-in additional pension expenditures, beginning two fiscal years later, of $15 million, $28 million, $41 million, $54 million, $72 million and $90 million in the six subsequent fiscal years, respectively.

In addition, these projections reflect the costs of settling certain litigation and the expected cost of recently enacted changes to the pension program for teachers. For further information on recent litigation, see "SECTION IX: OTHER INFORMATION — LITIGATION."

An independent actuarial firm issued a report in November 2006 on its statutory audit of the actuarial assumptions and methods governing City pension contributions. The Chief Actuary of the City is reviewing the report and may recommend revised funding assumptions to the trustees of the City's pension funds. Although the report is advisory and not binding, it calls for changing certain actuarial assumptions such as life expectancy which, with other recommendations, could result in net increased annual pension contributions. The Financial Plan includes an annual reserve of $200 million in each of fiscal years 2011 through 2013 to address this issue. However, actual increased pension contributions could substantially exceed that amount.

In addition, the Financial Plan reflects, commencing in fiscal year 2010, annual savings of $200 million associated with reforming pension benefits for new employees. Pension reform would require approval by the State legislature.

The City accounts for its pensions consistent with the requirements of GASB, which has resulted in the City's pensions being reported as 99.9% funded in the CAFR for the 2008 fiscal year. The funded status of the City's pension systems was also reported in the CAFR for the 2008 fiscal year under an alternative valuation method, the entry-age actuarial cost method, which resulted in assets being reported as less than liabilities by approximately $35 billion, or 73.7% funded. For further information see APPENDIX B — FINANCIAL STATEMENTS — Notes to Financial Statements — Notes E.6. and F."

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 2008 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 35% 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.

Annual pension costs are computed in accordance with GASB Statement No. 27, as amended by GASB Statement No. 50, and are consistent with generally accepted actuarial principles. Actual pension contributions are less than annual pension costs, primarily because the City is only one of the participating employers in the New York City Employees' Retirement System ("NYCERS"), the Teachers' Retirement System of The City of New York (the "Teachers System") and the New York City Board of Education Retirement System (the "BOE System").

For the New York City Police Pension Fund (the "Police Fund") and the New York City Fire Department Pension Fund (the "Fire Fund"), Net Pension Obligations, which reflect the current funding assumptions which commenced in fiscal year 2006, of approximately $485.5 million and approximately $206.7 million, respectively, were recorded as of June 30, 2008.

The following table sets forth, for the five major actuarial pension systems, the amounts by which the actuarial accrued liabilities exceeded the actuarial values of assets for June 30, 1995 to June 30, 2007. For those retirement systems where the actuarial asset values exceeded the actuarial accrued liabilities (i.e., NYCERS for June 30, 1995 to 1999, the Teachers System for June 30, 1999 only, the BOE System for June 30, 1999 to 2002 and the Police Fund for June 30, 1999 to 2007), the amounts shown include zero for these retirement systems.

June 30	Unfunded Pension Liability Amount(1) (In Billions)
1995	$4.03
1996	4.29
1997	4.28
1998	4.64
1999	.15
2000	.17
2001	.21
2002	.19
2003	.33
2004	.27
2005	.21
2006	.15
2007	.10

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

For further information regarding the City's pension systems see "APPENDIX B—FINANCIAL STATEMENTS—Notes to Financial Statements—Notes E.6 and F."

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, 2008 amounted to approximately $5.7 billion. See "SECTION VII: FINANCIAL PLAN—Assumptions—*Expenditure Assumptions*—2. Other Than Personal Services Costs—*Judgments and Claims*."

Taxes

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 $893 million at June 30, 2008. 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 D.5."

Miscellaneous

1. In March 2005, the United Federation of Teachers, the union that represents the teachers in the New York City public school system, commenced an action and an Article 78 proceeding in New York

Supreme Court, New York County, against the Teachers' System and the City alleging that, due to certain miscalculations relating, *inter alia*, to the interest earned on member contributions to a retirement plan known as the 20 Year Pension Plan, teachers who retired under this plan do not receive the entire amount of retirement benefits to which they are entitled. Plaintiffs sought declaratory relief and an award to 20 Year Pension Plan members of not less than $800 million to equal the difference between what plaintiffs allege they are entitled to under the 20 Year Pension Plan and the amount actually received. The City moved to dismiss the Article 78 proceeding and submitted an answer in the action. By decision dated October 17, 2006, the Court denied the City's motion to dismiss the Article 78 proceeding but granted the City's motion to dismiss the petitioners' contract claims. In October of 2007, the action and Article 78 proceeding were resolved by agreement of the parties. The parties agreed to resolve the dispute by supplementing the retirement benefits for the affected group by a total of $160 million over the appropriate actuarially calculated period, which is normally approximately ten years. On April 9, 2009, the court preliminarily approved an order certifying a class settlement and ordering class notice and a fairness hearing, to be held on September 30, 2009. Individual plaintiffs may opt out of the settlement prior to final approval.

2. Numerous proceedings alleging respiratory or other injuries from alleged exposures to World Trade Center dust and debris at the World Trade Center site or the Fresh Kills landfill have been commenced against the City and other entities involved in the post-September 11 rescue and recovery process. Plaintiffs include, among others, Department of Sanitation employees, firefighters, police officers, construction workers and building clean-up workers. Complaints on behalf of approximately 11,900 plaintiffs alleging similar causes of action have been filed naming the City or other defendants. Approximately 5,000 of these plaintiffs have to date named the City as a defendant. It is not possible yet to evaluate the magnitude of liability arising from these claims. The actions were either commenced in or have been removed to federal District Court pursuant to the Air Transportation and System Stabilization Act, which grants exclusive federal jurisdiction for all claims related to or resulting from the September 11 attack. The City's motion to dismiss these actions on immunity grounds was denied on October 17, 2006 by the District Court. On March 26, 2008, the Second Circuit upheld the District Court's decision, holding that determining whether the City had immunity for its actions requires developing the factual record. A not-for-profit "captive" insurance company, WTC Captive Insurance Company, Inc. (the "WTC Insurance Company") has been formed to cover claims against the City and its private contractors relating to debris removal work at the World Trade Center site and the Fresh Kills landfill. The insurance company has been funded by a grant from the Federal Emergency Management Agency in the amount of $999,900,000. Most of the claims against the City and its private contractors set forth above that arise from such debris removal are expected to be eligible for coverage by the WTC Insurance Company. No assurance can be given that such insurance will be sufficient to cover all liability that might arise from such claims.

One property damage claim relating to the September 11 attack alleges significant damages. The claim, which relates to the original 7 World Trade Center ("7 WTC"), alleges damages to Con Edison and its insurers of $214 million, subject to clarification, for the loss of the electrical substation over which 7 WTC was built. The claim alleges that a diesel fuel tank, which stored fuel for emergency back-up power to the City's Office of Emergency Management facility on the 23rd floor, contributed to the building's collapse. Con Edison and its insurers filed suit based on the allegations in their claim. Plaintiff has submitted to the Court a claim form required of all property damage plaintiffs in the September 11 litigation in the amount of approximately $750 million for damages suffered at several different locations in the aftermath of the September 11 attacks. Although it is not clear what portion of the increased damages plaintiff alleges to be the responsibility of the City, it appears that no part of the increased claim can be attributed to the City's actions. The City's motion for summary judgment was granted in January 2006. The action, however, is proceeding against other defendants, and plaintiff intends to appeal the dismissal of its claim against the City when discovery is complete or at the conclusion of the case.

3. The Office of the Inspector General of the United States Department of Health and Human Services ("HHS") issued audit reports on claims submitted to the New York State Medicaid program by DOE as well as other school districts in the State during the period between 1990 and 2001 with respect to health-related special education services to children with disabilities. The audits alleged that the State

improperly billed HHS for State Medicaid expenditures for services that were not sufficiently supported by documentation establishing the provision of such services in accordance with applicable standards. The audits asserted that as a result of these alleged problems, the State should return approximately $770 million of the Medicaid funding. Of the $770 million amount at issue in the audits, DOE had received approximately $270 million. In addition, a lawsuit was filed against the State, DOE and others by a relator, and subsequently, joined by the United States Department of Justice ("DOJ"), under the False Claims Act, which alleged that school districts across the State, including DOE, had submitted improper Medicaid claims to the federal government for school-based, health-related services. This lawsuit remained under seal by order of the federal courts until the sealing restriction was removed in connection with a settlement on July 21, 2009. On July 21, 2009, notwithstanding the City's substantial defenses to the allegations of false claims, the City and DOE agreed to resolve the outstanding audit issues and settle the lawsuit with DOJ in a settlement agreement also involving the State and the relator. Of the total $540 million settlement amount, the State agreed to pay $440 million over a specified period and the City agreed to pay $100 million to the federal government over the next four to five years. Releases received by the City and DOE from the Centers for Medicare and Medicaid Services of HHS and the State covered claims for the broader period from 1990 to 2008, though with an exception for certain excluded claims.

4. In 2002, more than sixteen thousand police officers and detectives opted into Scott v. City of New York, a collective action brought in the United States District Court for the Southern District of New York, pursuant to the Fair Labor Standards Act (the "FLSA"). The police officers allege that the New York City Police Department has violated the overtime provisions of the FLSA in a number of ways. Under the FLSA, successful plaintiffs would be entitled to double damages for a period going back three years from the filing of the case in 2002, and attorneys' fees. Plaintiffs sought damages in excess of $135 million. During trial, the Court decertified one claim relating to an alleged cap on the amount of cash overtime police officers can earn. On December 1, 2008, the jury returned a verdict in favor of the City on two other claims. With respect to two claims on which the City was previously found liable by the judge on summary judgment, the judge has determined that damages are $900,000 plus interest. All of these are subject to appeal. A final adverse determination in this case could result in substantial costs to the City. Although 16,000 police officers and detectives have opted in, the City estimates there are approximately 22,000 additional police officers and detectives who have not opted in but may have similar unasserted claims.

Tax Matters

In General

Interest on the Bonds will be includable in the gross income of the owners thereof for purposes of federal income taxation. See "Certain, U.S. Federal Income Tax Considerations" below. Under existing law, interest on the Bonds will be exempt from personal income taxes imposed by the State or any political subdivision thereof, including the City.

Certain U.S. Federal Income Tax Considerations

The following summary of certain United States federal income tax consequences of the purchase, ownership and disposition of the Bonds is based upon laws, regulations, rulings and decisions now in effect, all of which are subject to change (including changes in effective dates), which change may be retroactive, or possible differing interpretations. It deals only with Bonds held as capital assets and does not purport to deal with persons in special tax situations, such as financial institutions, insurance companies, regulated investment companies, dealer's in securities or currencies, persons holding Bonds as a hedge against currency risks or as a position in a "straddle" for tax purposes, or persons whose functional currency is not the U.S. dollar. It also does not deal with holders other than investors who purchase Bonds in the initial offering at the first price at which a substantial amount of such substantially identical Bonds are sold to the general public (except where otherwise specifically noted). Persons considering the purchase of the Bonds should consult their own tax advisors concerning the application of U.S. federal income tax laws to their particular situations as well as any consequences of the purchase, ownership and disposition of the Bonds arising under the laws of any other taxing jurisdiction.

As used herein, the term "U.S. Holder" means a beneficial owner of a Bond that is for U.S. federal income tax purposes (i) a citizen or resident of the United States, (ii) a corporation (including an entity treated as a corporation for U.S. federal income tax purposes) created or organized in or under the laws of the United States, any state thereof or the District of Columbia, (iii) an estate, the income of which is subject to U.S. federal income taxation regardless of its source or (iv) a trust if (a) a court within the United States is able to exercise primary supervision over the administration of the trust and one or more United States persons have the authority to control all substantial decisions of the trust, or (b) the trust was in existence on August 20, 1996 and properly elected to continue to be treated as a United States person. Moreover, as used herein, the term "U.S. Holder" includes any holder of a Bond whose income or gain in respect of its investment in a Bond is effectively connected with a U.S. trade or business.

Payments of Interest

Payments of interest on a Bond generally will be taxable to a U.S. Holder as ordinary interest income at the time such payments are accrued or are received (in accordance with the U.S. Holder's regular method of tax accounting).

Original Issue Discount

The following summary is a general discussion of the U.S. federal income tax consequences to U.S. Holders of the purchase, ownership and disposition of Bonds issued with original issue discount ("OID Bonds"), if any. The following summary is based upon final Treasury regulations (the "OID Regulations") released by the IRS under the original issue discount provisions of the Code.

For U.S. federal income tax purposes, original issue discount is the excess of the stated redemption price at maturity of a bond over its issue price, if such excess equals or exceeds a *de minimis* amount (generally 1/4 of 1% of the bond's stated redemption price at maturity multiplied by the number of complete years to its maturity from its issue date or, in the case of a bond providing for the payment of any amount other than qualified stated interest (as defined below) prior to maturity, multiplied by the weighted average maturity of such bond). The issue price of each maturity of substantially identical Bonds equals the first price at which a substantial amount of such maturity of Bonds has been sold (ignoring sales to bond houses, brokers or similar persons or organizations acting in the capacity of underwriters, placement agents or wholesalers). The stated redemption price at maturity of a Bond is the sum of all payments provided by the Bond other than "qualified stated interest" payments. The term "qualified stated interest" generally means stated interest that is unconditionally payable in cash or property (other than debt instruments of the issuer) at least annually at a single fixed rate. Payments of qualified stated interest on a Bond are generally taxable to a U.S. Holder as ordinary interest income at the time such payments are accrued or are received (in accordance with the U.S. Holder's regular method of tax accounting). A U.S. Holder of an OID Bond must include original issue discount in income as ordinary income for U.S. federal income tax purposes as it accrues under a constant yield method in advance of receipt of the cash payments attributable to such income, regardless of such U.S. Holder's regular method of tax accounting. In general, the amount of original issue discount included in income by the initial U.S. Holder of an OID Bond is the sum of the daily portions of original issue discount with respect to such OID Bond for each day during the taxable year (or portion of the taxable year) on which such U.S. Holder held such OID Bond. The "daily portion" of original issue discount on any OID Bond is determined by allocating to each day in any accrual period a ratable portion of the original issue discount allocable to that accrual period. An "accrual period" may be of any length and the accrual periods may vary in length over the term of the OID Bond, provided that each accrual period is no longer than one year and each scheduled payment of principal or interest occurs either on the final day of an accrual period or on the first day of an accrual period. The amount of original issue discount allocable to each accrual period is generally equal to the difference between (i) the product of the OID Bond's adjusted issue price at the beginning of such accrual period and its yield to maturity (determined on the basis of compounding at the close of each accrual period and appropriately adjusted to take into account the length of the particular accrual period) and (ii) the amount of any qualified stated interest payments allocable to such accrual period. The "adjusted issue price" of an OID Bond at the beginning of any accrual period is the sum of the issue price of the OID Bond plus the amount of original issue discount allocable to all prior accrual periods minus the amount of any prior payments on the OID

Bond that were not qualified stated interest payments. Under these rules, U.S. Holders generally will have to include in income increasingly greater amounts of original issue discount in successive accrual periods.

A U.S. Holder who purchases an OID Bond for an amount that is greater than its adjusted issue price as of the purchase date and less than or equal to the sum of all amounts payable on the OID Bond after the purchase date, other than payments of qualified stated interest, will be considered to have purchased the OID Bond at an "acquisition premium." Under the acquisition premium rules, the amount of original issue discount which such U.S. Holder must include in its gross income with respect to such OID Bond for any taxable year (or portion thereof in which the U.S. Holder holds the OID Bond) will be reduced (but not below zero) by the portion of the acquisition premium properly allocable to the period.

U.S. Holders may generally, upon election, include in income all interest (including stated interest, acquisition discount, original issue discount, *de minimis* original issue discount, market discount, *de minimis* market discount, and unstated interest, as adjusted by any amortizable bond premium or acquisition premium) that accrues on a debt instrument by using the constant yield method applicable to original issue discount, subject to certain limitations and exceptions. This election will generally apply only to the debt instrument with respect to which it is made and may be revoked only with the consent of the IRS.

Market Discount

If a U.S. Holder purchases a Bond, other than an OID Bond, for an amount that is less than its issue price (or, in the case of a subsequent purchaser, its stated redemption price at maturity) or, in the case of an OID Bond, for an amount that is less than its adjusted issue price as of the purchase date, such U.S. Holder will be treated as having purchased such Bond at a "market discount," unless the amount of such market discount is less than the specified *de minimis* amount.

Under the market discount rules, a U.S. Holder will be required to treat any partial principal payment (or, in the case of an OID Bond, any payment that does not constitute qualified stated interest) on, or any gain realized on the sale, exchange, retirement or other disposition of, a Bond as ordinary income to the extent of the lesser of (i) the amount of such payment or realized gain or (ii) the market discount which has not previously been included in gross income and is treated as having accrued on such Bond at the time of such payment or disposition. Market discount will be considered to accrue ratably during the period from the date of acquisition to the maturity date of the Bonds, unless the U.S. Holder elects to accrue market discount on the basis of semiannual compounding.

A U.S. Holder may be required to defer the deduction of all or a portion of the interest paid or accrued on any indebtedness incurred or maintained to purchase or carry a Bond with market discount until the maturity of such Bond or certain earlier dispositions, because a current deduction is only allowed to the extent the interest expense exceeds an allocable portion of market discount. A U.S. Holder may elect to include market discount in income currently as it accrues (on either a ratable or semiannual compounding basis), in which case the rules described above regarding the treatment as ordinary income of gain upon the disposition of the Bond and upon the receipt of certain cash payments and regarding the deferral of interest deductions will not apply. Generally, such currently included market discount is treated as ordinary income for U.S. federal income tax purposes. Such an election will apply to all debt instruments acquired by the U.S. Holder on or after the first day of the first taxable year to which such election applies and may be revoked only with the consent of the IRS.

Premium

If a U.S. Holder purchases a Bond for an amount that is greater than the sum of all amounts payable on the Bond after the purchase date, other than payments of qualified stated interest, such U.S. Holder will be considered to have purchased the Bond with "amortizable bond premium" equal in amount to such excess. A U.S. Holder may elect to amortize such premium using a constant yield method over the remaining term of the Bond and may offset interest otherwise required to be included in respect of the Bond during any taxable year by the amortized amount of such excess for the taxable year. However, if the Bond may be optionally redeemed after the U.S. Holder acquires it at a price in excess of its stated redemption price at maturity, special rules would apply which could result in a deferral of the amortization of some bond premium until later in the term of the Bond (as discussed in more detail below). Any election to amortize bond premium applies to all taxable debt instruments held by the U.S. Holder on or after the first day of the first taxable year to which such election applies and may be revoked only with the consent of the IRS.

The following rules apply to any Bond which may be optionally redeemed after the U.S. Holder acquires it at a price in excess of its stated redemption price at maturity. The amount of amortizable bond premium attributable to such Bond shall be equal to the lesser of (1) the difference between (A) such U.S. Holder's tax basis in the Bond and (B) the sum of all amounts payable on the Bond after the purchase date, other than payments of qualified stated interest or (2) the difference between (X) such U.S. Holder's tax basis in the Bond and (Y) the sum of all amounts payable on the Bond after the purchase date due on or before the early call date, other than payments of qualified stated interest. If the Bonds may be redeemed on more than one date prior to maturity, the early call date and amount payable on that early call date that produces the lowest amount of amortizable bond premium, is the early call date and amount payable on the early call date that is initially used for purposes of calculating the amount pursuant to clause (2) of the previous sentence. If an early call date is not taken into account in computing premium amortization and the early call is in fact exercised, a U.S. Holder will be allowed a deduction for the excess of the U.S. Holder's tax basis in the Bond over the amount realized pursuant to the redemption. If an early call date is taken into account in computing premium amortization and the early call is not exercised, the Bond will be treated as reissued on such early call date for the call price. Following the deemed reissuance, the amount of amortizable bond premium is recalculated pursuant to the rules of this section "— Premium." The rules relating to a Bond which may be optionally redeemed are complex and prospective purchasers are urged to consult their own tax advisors regarding the application of the amortizable bond premium rules to their particular situation.

Disposition of a Bond

Except as discussed above, upon the sale, exchange or retirement of a Bond a U.S. Holder generally will recognize taxable gain or loss equal to the difference between the amount realized on the sale, exchange or retirement (other than amounts representing accrued and unpaid interest) and such U.S. Holder's tax basis in the Bond. A U.S. Holder's tax basis in a Bond generally will equal such U.S. Holder's initial investment in the Bond increased by any original issue discount included in income (and accrued market discount, if any, if the U.S. holder has included market discount in income) and decreased by the amount of payments, other than qualified stated interest payments, received and amortizable bond premium taken with respect to such Bond. Such gain or loss generally will be long-term capital gain or loss if the Bond has been held by the U.S. Holder at the time of disposition for more than one year.

Non-U.S. Holders

A non-U.S. Holder will not be subject to United States federal income taxes on payments of principal, premium (if any), interest (including original issue discount, if any) on a Bond, unless such non-U.S. Holder is a controlled foreign corporation related to the City or a bank receiving interest described in section 881(c)(3)(A) of the Code. To qualify for the exemption from taxation, the Withholding Agent, as defined below, must have received a statement from the individual or corporation that:

- is signed by the beneficial owner of the Bond under penalties of perjury,
- certifies that such owner is not a U.S. Holder, and
- provides the beneficial owner's name and address.

A "Withholding Agent" is the last United States payor (or a non-U.S. payor who is a qualified intermediary, U.S. branch of a foreign person, or withholding foreign partnership) in the chain of payment prior to payment to a non-U.S. Holder (which itself is not a Withholding Agent). Generally, this statement is made on an IRS Form W-8BEN ("W-8BEN"), which is effective for the remainder of the year of signature plus three full calendar years unless a change in circumstances makes any information on the form incorrect. Notwithstanding the preceding sentence, a W-8BEN with a U.S. taxpayer identification number will remain effective until a change in circumstances makes any information on the form incorrect, provided that the Withholding Agent reports at least annually to the beneficial owner on IRS Form 1042-S. The beneficial owner must inform the Withholding Agent within 30 days of such change and furnish a new W-8BEN. A non-U.S. Holder who is not an individual or corporation (or an entity treated as a corporation for federal income tax purposes) holding the Bonds on its own behalf may have substantially increased reporting requirements. In particular, in the case of Bonds held by a foreign partnership (or foreign trust), the partners (or beneficiaries) rather than the partnership (or trust) will be required to provide the certification discussed above, and the partnership (or trust) will be required to provide certain additional information.

A foreign non-U.S. Holder whose income with respect to its investment in a Bond is effectively connected with the conduct of a U.S. trade or business would generally be taxed as if the holder was a U.S. person provided the holder provides to the Withholding Agent an IRS Form W-8ECI.

Certain securities clearing organizations, and other entities who are not beneficial owners, may be able to provide a signed statement to the Withholding Agent. However, in such case, the signed statement may require a copy of the beneficial owner's W-8BEN (or the substitute form).

Generally, a non-U.S. Holder will not be subject to United States federal income taxes on any amount which constitutes capital gain upon retirement or disposition of a Bond, unless such non-U.S. Holder is an individual who is present in the United States for 183 days or more in the taxable year of the disposition and such gain is derived from sources within the United States. Certain other exceptions may be applicable, and a non-U.S. Holder should consult its tax advisor in this regard.

The Bonds will not be includible in the estate of a non-U.S. Holder unless at the time of such individual's death, payments in respect of the Bonds would have been effectively connected with the conduct by such individual of a trade or business in the United States.

Backup Withholding

Backup withholding of United States federal income tax may apply to payments made in respect of the Bonds to registered owners who are not "exempt recipients" and who fail to provide certain identifying information (such as the registered owner's taxpayer identification number) in the required manner. Generally, individuals are not exempt recipients, whereas corporations and certain other entities generally are exempt recipients. Payments made in respect of the Bonds to a U.S. Holder must be reported to the IRS, unless the U.S. Holder is an exempt recipient or establishes an exemption. Compliance with the identification procedures described in the preceding section would establish an exemption from backup withholding for those non-U.S. Holders who are not exempt recipients.

In addition, upon the sale of a Bond to (or through) a broker, the broker must report the sale and withhold on the entire purchase price, unless either (i) the broker determines that the seller is a corporation or other exempt recipient or (ii) the seller certifies that such seller is a non-U.S. Holder (and certain other conditions are met). Certification of the registered owner's non-U.S. status would be made normally on an IRS Form W-8BEN under penalties of perjury, although in certain cases it may be possible to submit other documentary evidence.

Any amounts withheld under the backup withholding rules from a payment to a beneficial owner would be allowed as a refund or a credit against such beneficial owner's United States federal income tax provided the required information is furnished to the IRS.

Circular 230 Notice

Any discussion of U.S. federal tax issues set forth in this Official Statement relating to the Bonds was written in connection with the promotion and marketing of the transactions described in this Official Statement. Such discussion is not intended or written to be legal or tax advice with respect to the Bonds to any person and is not intended or written to be used, and cannot be used, by any person for the purpose of avoiding any U.S. federal tax penalties that may be imposed on such person. Each investor should seek advice based on its particular circumstances from an independent tax advisor.

Owners of Build America Bonds Not to Receive Tax Credit

While the Build America Bonds offered hereby will be issued as "Build America Bonds", the City will elect to receive a cash subsidy payment from the United States Treasury equal to 35% of the interest payable by the City on the Build America Bonds. UNDER NO CIRCUMSTANCES WILL THE OWNERS OF THE BUILD AMERICA BONDS RECEIVE OR BE ENTITLED TO A CREDIT AT ANY TIME AGAINST THE TAX IMPOSED BY THE CODE.

Future Tax Developments

Future legislative proposals, if enacted into law, regulations, rulings or court decisions may cause interest on the Bonds to be subject to State or local income taxation, or otherwise prevent beneficial owners from realizing the full current benefit of the tax status of such interest. Further, legislation or regulatory actions and proposals may affect the economic value of the State tax exemption or the market value of the Bonds. Prospective purchasers of the Bonds should consult their own tax advisors regarding any pending or proposed federal or State tax legislation, regulations, rulings or litigation, as to which Bond Counsel expresses no opinion.

Ratings

The Bonds have been rated "Aa3" by Moody's Investors Service, Inc. ("Moody's"), "AA" by Standard & Poor's Ratings Services ("Standard & Poor's") and "AA−" by Fitch, Inc. ("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.

Legal Opinions

The legality of the authorization and issuance of the Bonds will be covered by the approving legal opinion of Sidley Austin LLP, New York, New York, Bond Counsel to the City. Reference should be made to the form of such opinion as set forth in Appendix C hereto for the matters covered by such opinion and the scope of Bond Counsel's engagement in relation to the issuance and conversion 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.

Orrick, Herrington & Sutcliffe LLP, New York, New York, Special Disclosure Counsel to the City, will pass upon certain legal matters in connection with the preparation of this Official Statement.

Certain legal matters will be passed upon for the Underwriters by Hawkins Delafield & Wood LLP, New York, New York, counsel for the Underwriters.

Underwriting

The Bonds are being purchased for reoffering by the Underwriters for whom Morgan Stanley & Co., Incorporated is acting as lead manager. The compensation for services rendered in connection with the underwriting of the Bonds shall be $6,165,689.72. All of the Bonds will be purchased if any are purchased.

The following paragraph has been provided to the City by J.P. Morgan Securities Inc. for inclusion in this Official Statement.

J.P. Morgan Securities Inc., one of the Underwriters of the Bonds has entered into an agreement (the "Distribution Agreement") with UBS Financial Services Inc. for the retail distribution of certain municipal securities offerings, including the Bonds at the original issue prices. Pursuant to the Distribution Agreement, J.P. Morgan Securities Inc. will share a portion of its underwriting compensation with respect to the Bonds with UBS Financial Services Inc.

The following paragraph has been provided to the City by Morgan Stanley & Co. Incorporated and Citigroup Global Markets Inc. for inclusion in this Official Statement.

Morgan Stanley and Citigroup, Inc., the respective parent companies of Morgan Stanley & Co. Incorporated and Citigroup Global Markets Inc., each an Underwriter, have entered into a retail brokerage joint venture. As part of the joint venture, each of Morgan Stanley & Co. Incorporated and Citigroup Global Markets Inc. will distribute municipal securities to retail investors through the financial advisor network of a new broker-dealer, Morgan Stanley Smith Barney LLC. This distribution arrangement became effective on June 1, 2009. As part of this arrangement, each of Morgan Stanley & Co. Incorporated and Citigroup Global Markets Inc. will compensate Morgan Stanley Smith Barney LLC for its selling efforts in connection with their respective allocations of Bonds.

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") to provide:

(a) within 185 days after the end of each fiscal year, to the Electronic Municipal Market Access system ("EMMA") (www.emma.msrb.org) established by the Municipal Securities Rulemaking Board (the "MSRB"), 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 "2004-2008 Summary of Operations" in Section VI and "Pension Systems" in Section IX; and

(b) in a timely manner, to EMMA, 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;

(11) rating changes; and

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

Event (3) is included pursuant to a letter from the SEC staff to the National Association of Bond Lawyers dated September 19, 1995. However, event (3) may not be applicable, since the terms of the 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, 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 to optional redemptions or security purchases.

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 field 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 lime. 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 Advisors

The City has retained Public Resources Advisory Group and A.C. Advisory, Inc. to act as financial advisors with respect to the City's financing program and the issuance of the Bonds.

Financial Statements

The City's financial statements for the fiscal years ended June 30, 2008 and 2007 are included herein as Appendix B. Deloitte & Touche LLP, the City's independent auditor, has not reviewed, commented on or approved, and is not associated with, this Official Statement. The report of Deloitte & Touche LLP relating to the City's financial statements for the fiscal years ended June 30, 2008 and 2007, which is a matter of public record, is included in this Official Statement. However, Deloitte & Touche LLP has not performed any procedures on any financial statements or other financial information of the City, including without limitation any of the information contained in this Official Statement, since the date of such report and has not been asked to consent to the inclusion of its report in this Official Statement.

Further Information

The references herein to, and summaries of, provisions of federal, State and local laws, including but not limited to the State Constitution, the Financial Emergency 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, Attn: Director of Investor Relations, 75 Park Place, New York, New York 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, New York 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 purchaser or any holders of the Bonds.

THE CITY OF NEW YORK

ECONOMIC AND DEMOGRAPHIC INFORMATION

This section presents information regarding certain economic and demographic information about the City. All information is presented on a calendar year basis unless otherwise indicated. The data set forth are the latest available but, in many cases, do not reflect the economic downturn that has impacted the City commencing in 2007. 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 provided by non-City sources and does not warrant its accuracy.

New York City Economy

The City has a 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, professional and business services, 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 missions to the United Nations and the foreign consulates. No single assessed property in the City accounts for more than .5% of the City's real property tax revenue.

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. The City experienced a recession in the early 1970s through the middle of that decade, followed by a period of expansion in the late 1970s through the late 1980s. The City fell into recession again in the early 1990s which was followed by an expansion that lasted until 2001. The economic slowdown that began in 2001 as a result of the September 11 attack, a national economic recession, and a downturn in the securities industry came to an end in 2003. Subsequently, Wall Street activity, tourism, and the real estate market drove a broad based economic recovery. The Financial Plan assumes that a decrease in economic activity began in the second half of calendar year 2007 and will persist through the beginning of 2010.

Personal Income

Total personal income for City residents, unadjusted for the effects of inflation and the differential in living costs, increased from 1997 to 2007 (the most recent year for which City personal income data are available). From 1997 to 2007, personal income in the City and the nation averaged 5.4% growth. After increasing by 8.9% in 2006, total personal income increased by 7.9% in 2007. The following table sets forth information regarding personal income in the City from 1997 to 2007.

PERSONAL INCOME(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.
1997	$245.5	$31,579	$25,334	124.6%
1998	262.0	33,341	26,883	124.0
1999	275.4	34,658	27,939	124.0
2000	296.0	36,916	29,847	123.7
2001	302.7	37,544	30,582	122.8
2002	299.8	37,052	30,838	120.2
2003	306.1	37,677	31,530	119.5
2004	327.8	40,124	33,157	121.0
2005	353.7	43,063	34,690	124.1
2006	385.2	46,682	36,794	126.9
2007	415.6	50,011	38,615	129.5

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, supplements to wages and salaries, proprietors' income, personal dividend income, personal interest income, rental income of persons, and transfer payments.

Employment

The City is a leading center for the banking and securities industry, life insurance, communications, publishing, fashion design and retail fields. From 1989 to 1992, the City lost approximately 9% of its employment base. From 1992 through 2000, the City experienced significant private sector job growth with the addition of approximately 452,700 new private sector jobs (an average annual growth rate of approximately 2.0%). Between 2000 and 2003 the City lost 174,300 private sector jobs. From 2003 through 2007, the City fully recovered those jobs, adding a total of 210,300 private sector jobs.

As of August 2009, total employment in the City was 3,730,100 compared to 3,787,200 in August 2008, a decrease of approximately 1.5%. The August 2009 employment numbers contain certain seasonal employees paid with federal stimulus funds who may no longer be employed in the City.

The table below shows the distribution of employment from 1998 to 2008.

EMPLOYMENT DISTRIBUTION

	Average Annual Employment (in thousands)										
	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008
Goods Producing Sectors											
Construction	101	112	121	122	116	113	112	113	118	127	131
Manufacturing	196	187	177	156	139	127	121	114	106	101	95
Service Producing Sectors											
Trade Transportation and Utilities	542	556	570	557	536	534	539	547	558	570	573
Information	166	173	187	200	177	164	160	163	165	165	168
Financial Activities	477	481	489	474	445	434	435	445	458	468	465
Professional and Business Services	525	553	587	582	550	537	542	556	572	593	605
Education and Health Services	589	604	615	627	646	658	665	679	695	705	719
Leisure and Hospitality	236	244	257	260	255	260	270	277	285	298	308
Other Services	134	142	147	149	150	149	151	153	154	158	161
Total Private	2,966	3,052	3,149	3,127	3,015	2,975	2,995	3,047	3,111	3,185	3,227
Government	560	567	569	562	566	557	554	556	555	559	564
Total	3,527	3,619	3,718	3,689	3,581	3,531	3,549	3,603	3,667	3,744	3,790

Note: Totals may not add due to rounding.
Source: U.S. Department of Labor, Bureau of Labor Statistics. Data are presented using the North American Industry Classification System ("NAICS").

Sectoral Distribution of Employment and Earnings

In 2007, the City's service producing sectors provided approximately 3.0 million jobs and accounted for approximately 79% of total employment. Figures on the sectoral distribution of employment in the City from 1980 to 2000 reflect a significant shift to the service producing sectors and a shrinking manufacturing base relative to the nation.

The structural shift to the service producing sectors affects the total earnings as well as the average wage per employee because employee compensation in certain of those sectors, such as financial activities and professional and business services, tends to be considerably higher than in most other sectors. Moreover, average wage rates in these sectors are significantly higher in the City than in the nation. In the City in 2007, the employment share for the financial activities and professional and business services sectors was approximately 28% while the earnings share for that same sector was approximately 52%. In the nation, those same service producing sectors accounted for only approximately 19% of employment and 26% of earnings in 2007. Due to the earnings distribution in the City, sudden or large shocks in the financial markets may have a disproportionately adverse effect on the City relative to the nation.

The City's and the nation's employment and earnings by sector for 2007 are set forth in the following table.

Sectoral Distribution of Employment and Earnings in 2007(1)

	Employment		Earnings(2)	
	NYC	U.S.	NYC	U.S.
Goods Producing Sectors				
Mining	0.0%	0.5%	0.3%	1.4%
Construction	3.4	5.5	2.8	6.2
Manufacturing	2.7	10.1	2.2	12.1
Total Goods Producing	6.1	16.2	5.3	19.7
Service Producing Sectors				
Trade, Transportation and Utilities	15.2	19.4	8.3	15.9
Information	4.4	2.2	7.5	3.6
Financial Activities	12.5	6.0	32.2	10.1
Professional and Business Services	15.8	13.0	19.8	16.1
Education and Health Services	18.8	13.3	9.6	10.9
Leisure & Hospitality	8.0	9.8	3.7	3.9
Other Services	4.2	4.0	2.3	2.9
Total Service Producing	79.0	67.7	83.3	63.4
Total Private Sector	85.1	83.9	90.1	83.5
Government(3)	14.9	16.1	9.9	16.5

Note: Data may not add due to rounding or restrictions on reporting earnings data. Data are presented using NAICS.
Sources: The two primary sources are the U.S. Department of Labor, Bureau of Labor Statistics and the 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 proprietor's income. The latest information available is 2007 data.
(3) Excludes military establishments.

The comparison of employment and earnings in 1980 and 2000 set forth below is presented using the industry classification system which was in use until the adoption of NAICS in the late 1990's. Though NAICS has been implemented for most government industry statistical reporting, most historical earnings data have not been converted. Furthermore, it is not possible to compare data from the two classification systems except in the general categorization of government, private and total employment. The table below reflects the overall increase in the service producing sectors and the declining manufacturing base in the City from 1980 to 2000.

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)

	Employment				Earnings(2)			
	1980		2000		1980		2000	
	NYC	U.S.	NYC	U.S.	NYC	U.S.	NYC	U.S.
Private Sector:								
Non-Manufacturing:								
Services	27.0%	19.8%	39.1%	30.7%	26.0%	18.4%	30.2%	28.7%
Wholesale and Retail Trade	18.6	22.5	16.8	23.0	15.1	16.6	9.3	14.9
Finance, Insurance and Real Estate	13.6	5.7	13.2	5.7	17.6	5.9	35.5	10.0
Transportation and Public Utilities	7.8	5.7	5.7	5.3	10.1	7.6	5.2	6.8
Contract Construction	2.3	4.8	3.3	5.1	2.6	6.3	2.9	5.9
Mining	0.0	1.1	0.0	0.4	0.4	2.1	0.1	1.0
Total Non-Manufacturing	69.3	59.6	78.1	70.3	71.8	56.9	83.2	67.3
Manufacturing:								
Durable	4.4	13.4	1.6	8.4	3.7	15.9	1.3	10.5
Non-Durable	10.6	9.0	4.9	5.6	9.5	8.9	4.8	6.1
Total Manufacturing	15.0	22.4	6.5	14.0	13.2	24.8	6.1	16.6
Total Private Sector	84.3	82.0	84.7	84.3	85.2	82.1	89.8	84.6
Government(3)	15.7	18.0	15.3	15.7	14.8	17.9	10.3	15.4

Note: Totals may not add due to rounding. Data are presented using the Standard Industrial Classification System ("SICS").
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 2000 data.
(3) Excludes military establishments.

Unemployment

As of August 2009, the total unemployment rate in the City was 10.3%, compared to 6.0% in August 2008, based on data provided by the New York State Department of Labor, which is not seasonally adjusted. The annual unemployment rate of the City's resident labor force is shown in the following table.

Annual Unemployment Rate(1)

	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008
New York City	7.9%	6.9%	5.8%	6.1%	8.0%	8.3%	7.1%	5.8%	5.0%	4.9%	5.5%
United States	4.5%	4.2%	4.0%	4.7%	5.8%	6.0%	5.5%	5.1%	4.6%	4.6%	5.8%

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).

Public Assistance

As of August 2009, the number of persons receiving public assistance in the City was 346,935 compared to 336,430 in August 2008. The following table sets forth the number of persons receiving public assistance in the City.

PUBLIC ASSISTANCE

(Annual Averages in Thousands)

1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008
873.6	760.1	668.2	573.0	492.8	434.0	424.7	434.8	416.9	393.1	360.8	341.8

Taxable Sales

The City is a major retail trade market with the greatest volume of retail sales of any city in the nation. The sales tax is levied on a variety of economic activities including retail sales, utility and communication sales, services and manufacturing. Between 1997 and 2007, total taxable sales volume grew steadily with a growth rate averaging over 3.6%. The following table illustrates the volume of sales and purchases subject to the sales tax from 1997 to 2007.

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
1997	$31.5	$ 9.8	$13.5	$3.9	$ 8.8	$67.5
1998	33.4	9.8	14.8	4.2	9.7	71.9
1999	35.0	9.6	16.1	4.2	9.6	74.5
2000(6)	29.9	9.8	19.4	2.1	15.4	76.6
2001(6)	25.1	11.3	21.4	2.2	19.0	79.1
2002(6)	25.6	11.9	20.7	2.0	15.2	75.5
2003(6)	26.1	11.4	21.0	1.9	14.8	75.2
2004(6)	32.3	11.6	21.7	1.9	14.8	82.3
2005(6)	36.5	12.0	24.1	2.1	16.2	90.9
2006(6)	35.9	13.2	26.3	2.2	17.9	95.5
2007(6)	33.2	13.0	28.0	2.3	19.7	96.2

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

(1) For 1997 through 1999, 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. For 2000 through 2007 the yearly data is for the period from March 1 of the year prior to the listed year through the last day of February 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) Other sales include construction, wholesale trade and others. Beginning in 2000, Other sales also includes arts, entertainment and recreation.

(6) Prior to 2000, the sectors were classified according to SICS. Beginning in 2000, the sectors are classified according to NAICS. The definitions of certain categories have changed.

Population

The City has been the most populous city in the United States since 1790. The City's population is larger than the combined population of Los Angeles and Chicago, the next most populous cities in the nation.

POPULATION

Year	Total Population
1970	7,895,563
1980	7,071,639
1990	7,322,564
2000	8,008,278

Note: Figures do not include an undetermined number of undocumented aliens.
Source: U.S. Department of Commerce, Bureau of the Census.

The following table sets forth the distribution of the City's population by age between 1990 and 2000.

DISTRIBUTION OF POPULATION BY AGE

	1990		2000	
Age		% of Total		% of Total
Under 5	509,740	7.0	540,878	6.8
5 to 14	907,549	12.4	1,091,931	13.6
15 to 19	470,786	6.4	520,641	6.5
20 to 24	576,581	7.9	589,831	7.4
25 to 34	1,369,510	18.7	1,368,021	17.1
35 to 44	1,116,610	15.2	1,263,280	15.8
45 to 54	773,842	10.6	1,012,385	12.6
55 to 64	644,729	8.8	683,454	8.5
65 and Over	953,317	13.0	937,857	11.7

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

Housing

In 2008, the housing stock in the City consisted of approximately 3,328,395 housing units, excluding certain special types of units primarily in institutions such as hospitals and universities ("Housing Units") according to the 2008 Housing and Vacancy Survey released June 30, 2009. The 2008 housing inventory represented an increase of approximately 68,000 units, or 2.1%, since 2005. The 2008 Housing and Vacancy Survey indicates that rental housing units predominate in the City. Of all occupied housing units in 2008, approximately 31.4% were conventional home-ownership units, cooperatives or condominiums and approximately 64.4% were rental units. Due to the difference in the inventory basis for the 2002, 2005 and 2008 Housing and Vacancy Surveys, respectively, and previous Housing and Vacancy Surveys, it is not possible to accurately compare 2002, 2005 and 2008 results to the results of earlier Surveys until such time as the data is reweighted. The following table presents trends in the housing inventory in the City.

Housing Inventory
(In Thousands)

Ownership/Occupancy Status	1984	1987	1991	1993	1996	1999	2002	2005	2008
Total Housing Units	2,803	2,840	2,981	2,977	2,995	3,039	3,209	3,261	3,328
Owner Units	807	837	858	825	858	932	997	1,032	1,046
Owner-Occupied	795	817	829	805	834	915	982	1,010	1,019
Vacant for Sale	12	19	29	20	24	17	15	21	26
Rental Units	1,940	1,932	2,028	2,040	2,027	2,018	2,085	2,092	2,144
Renter-Occupied	1,901	1,884	1,952	1,970	1,946	1,953	2,024	2,027	2,082
Vacant for Rent	40	47	77	70	81	64	61	65	62
Vacant Not Available for Sale or Rent(1)	56	72	94	111	110	89	127	137	138

Note: Details may not add up to totals due to rounding.
Sources: U.S. Bureau of the Census, 1984, 1987, 1991, 1993, 1996, 1999, 2002, 2005 and 2008 New York City Housing and Vacancy Surveys.
(1) Vacant units that are dilapidated, intended for seasonal use, held for occasional use, held for maintenance purposes or other reasons.

APPENDIX B

FINANCIAL STATEMENTS

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Basic Financial Statements of The City of New York
June 30, 2008 and 2007

Index

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Independent Auditors' Report

The People of The City of New York:

We have audited the accompanying financial statements of the governmental activities, the aggregate discretely presented component units, each major governmental fund, and the aggregate remaining governmental fund information of The City of New York (The "City") as of and for the years ended June 30, 2008 and 2007, which collectively comprise The City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of The City's management. Our responsibility is to express opinions on these financial statements based on our audits. We did not audit the financial statements of those entities disclosed in Note E.1 which represent 23 percent and 17 percent and 37 percent and 20 percent, as of and for the years ended June 30, 2008 and 2007 respectively, of the assets and revenues of the government-wide financial statements and 8 percent and 5 percent and 7 percent and 6 percent, as of and for the years ended June 30, 2008 and 2007 respectively, of the assets and revenues of the fund financial statements of The City. Those financial statements were audited by other auditors whose reports thereon have been furnished to us, and our opinions, insofar as they relate to the amounts included for those entities disclosed in Note E.1, are based solely on the reports of 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 audit to obtain reasonable assurance about whether the respective financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of The City's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the respective financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits and the reports of other auditors provide a reasonable basis for our opinion.

In our opinion, based on our audits and the reports of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the aggregate discretely presented component units, each major governmental fund, and the aggregate remaining governmental fund information of The City, as of June 30, 2008 and 2007, and the respective changes in financial position, where applicable, thereof and the respective budgetary comparison for the General Fund for the years then ended in conformity with accounting principles generally accepted in the United States of America.

The Management's Discussion and Analysis on pages B-4 through B-26 and the Required Supplementary Information on pages B-82, B-98 and B-99 are not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. This supplementary information is the responsibility of The City's management. We, and the other auditors as it relates to Management's Discussion and Analysis only, have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required 2008 and 2007 supplementary information. However, we did not audit the information and express no opinion on it.

Deloitte & Touche LLP

October 28, 2008

Overview of the Financial Statements

The following is a narrative overview and analysis of the financial activities of The City of New York (City) for the fiscal years ended June 30, 2008 and 2007. This discussion and analysis is intended to serve as an introduction to the City's basic financial statements, which have the following components: (1) government-wide financial statements, (2) fund financial statements, and (3) notes to financial statements.

Government-wide financial statements

The government-wide financial statements are designed to provide readers with a broad overview of the City's finances in a manner similar to a private-sector business.

The *statement of net assets* presents information on all of the City's assets and liabilities, with the difference between the two reported as *net assets*. Over time, increases or decreases in *net assets* may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

The *statement of activities* presents information showing how the City's net assets changed during the fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in the statement for some items that will affect cash flow in future fiscal periods (for example, uncollected taxes, and earned, but unused vacation leave).

The government-wide financial statements present information about the City as a primary government, which includes the City's blended component units. All of the activities of the primary government are considered to be governmental activities. This information is presented separately from the City's discretely presented component units.

Fund financial statements

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements, including the Financial Emergency Act.

Governmental funds

Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. Governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of a fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate the comparison between *governmental funds and governmental activities.*

The City adopts an annual appropriated budget for its General Fund. A budgetary comparison statement has been provided for the General Fund to demonstrate compliance with this budget.

Fiduciary funds

Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the City's own programs. The fiduciary funds include the Pension and Other Employee Benefit Trust Funds, Other Trust Funds, and the Agency Funds.

The City implemented Governmental Accounting Standards Board (GASB) Statement No. 43, "Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans" (GASB43) in fiscal year 2006. GASB43 establishes financial reporting standards for other postemployment benefits (OPEB) plans that are administered by a trust. The City also established the New York City Retiree Health Benefits Trust (RHBT), for the administration of the City's OPEB Plan (Plan). The RHBT is reported in the City's financial statement as a fiduciary component unit. The RHBT was established for the exclusive benefit of the City's retired employees and their dependents in providing the following current postemployment benefits: a health insurance program, Medicare Part B premium reimbursements and welfare fund contributions. The City is not required to provide funding for the Plan other than the "pay-as-you-go" amount necessary to provide these benefits to current eligible retirees and their dependents. During fiscal year 2008, the City contributed $1.9 billion to RHBT, $1.4 billion was considered pay-as-you-go.

New York City Tax Lien Trusts (NYCTLT) is a series of tax lien trusts that were created to acquire certain tax liens securing unpaid real property taxes, assessments, sewer rents, sewer surcharges, water rents, and other charges payable to the City and the Water Board from the City in exchange for the proceeds from bonds issued by NYCTLT, net of reserves funded by bond proceeds and bond issuance costs. The City is the sole beneficiary of the trusts and is entitled to receive distributions from the trusts after payments to bondholders and certain reserve requirements have been satisfied. The City is not entitled to cause the trusts to make distributions to it and consequently, NYCTLT is presented as an Other Trust Fund in the City's financial statements.

Notes to financial statements

The notes to financial statements provide additional information that is essential for a full understanding of the information provided in the government-wide and fund financial statements. The notes also present certain required supplementary information concerning the City's progress in funding its obligation to provide pension and OPEB benefits to its employees and retirees and their dependents.

Financial Reporting Entity

The financial reporting entity consists of the primary government including the Department of Education of The City of New York and the community colleges of the City University of New York, other 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 it is able to either 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.

Blended Component Units

Certain component units, despite being legally separate from the primary government, are blended with the primary government. Blended component units all provide services exclusively to the City and thus are reported as if they were part of the primary government. The blended component units, which are all reported as nonmajor governmental funds, comprise the following:

New York City School Construction Authority (SCA)
New York City Transitional Finance Authority (TFA)
TSASC, Inc. (TSASC)
Municipal Assistance Corporation for The City of New York (MAC)
New York City Educational Construction Fund (ECF)
Fiscal Year 2005 Securitization Corporation (FSC)
Sales Tax Asset Receivable Corporation (STAR)
Hudson Yards Development Corporation (HYDC)
Hudson Yards Infrastructure Corporation (HYIC)

Discretely Presented Component Units

Discretely presented component units are legally separate from the primary government and 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 following entities are presented discretely in the City's financial statements as major component units:

New York City Water and Sewer System (NYW)
- New York City Water Board (Water Board)
- New York City Municipal Water Finance Authority (Water Authority)

New York City Housing Authority (HA)

New York City Housing Development Corporation (HDC)
New York City Health and Hospitals Corporation (HHC)
New York City Economic Development Corporation (EDC)

The following entities are presented discretely in the City's financial statements as nonmajor component units:

WTC Captive Insurance Company, Inc. (WTC Captive)
Jay Street Development Corporation (JSDC)
Brooklyn Navy Yard Development Corporation (BNYDC)
New York City Industrial Development Agency (IDA)
Business Relocation Assistance Corporation (BRAC)
New York City Capital Resource Corporation (CRC)

Financial Analysis of the Government-wide Financial statements

In the government-wide financial statements, all of the activities of the City, aside from its discretely presented component units, are considered governmental activities. Governmental activities decreased the City's net assets by $5.8 billion during fiscal year 2008, and decreased net assets by $2.8 billion during fiscal year 2007, and decreased net assets by $53.7 billion during fiscal year 2006.

As mentioned previously, the basic financial statements include a reconciliation between the fiscal year 2008 governmental funds statement of revenues, expenditures, and changes in fund balances which reports a decrease of $449 million in fund balances and the reported decrease in the excess of liabilities over assets reported in the government-wide statement of activities $5.8 billion, a difference of $5.3 billion. A similar reconciliation is provided for fiscal year 2007 amounts.

Key elements of the reconciliation of these two statements are that the government-wide statement of activities report the issuance of debt as a liability, the purchases of capital assets as assets which are then charged to expense over their useful lives (depreciated) and changes in long-term liabilities as adjustments of expenses. Conversely, the governmental funds statements report the issuance of debt as an other financing source of funds, the repayment of debt as an expenditure, the purchase of capital assets as an expenditure and do not reflect changes in long-term liabilities.

Key elements of these changes are as follows:

	Governmental Activities for the fiscal years ended June 30,		
	2008	2007	2006
		(in thousands)	
Revenues:			
Program revenues:			
Charges for services	$ 4,094,423	$ 3,766,023	$ 3,345,160
Operating grants and contributions	17,867,973	16,359,008	15,126,979
Capital grants and contributions	1,363,822	882,239	475,674
General revenues:			
Taxes	38,055,401	38,778,225	35,381,695
Investment income	637,711	669,173	465,685
Unrestricted Federal and State aid	632,162	498,791	973,766
Other	257,470	297,427	319,122
Total revenues	62,908,962	61,250,886	56,088,081
Expenses:			
General government	3,892,968	3,057,503	3,861,343
Public safety and judicial	16,253,188	15,510,212	38,107,802
Education	21,597,632	19,645,691	34,564,249
City University	733,165	675,888	907,472
Social services	13,529,238	12,080,533	13,025,782
Environmental protection	3,406,311	3,218,040	6,906,033
Transportation services	1,793,394	1,839,849	2,155,180
Parks, recreation and cultural activities	897,363	780,515	974,610
Housing	1,403,838	1,287,183	1,711,951
Health (including payments to HHC)	2,309,449	3,025,268	4,699,686
Libraries	310,048	375,453	301,342
Debt service interest	2,615,635	2,560,133	2,573,905
Total expenses	68,742,229	64,056,268	109,789,355
Change in net assets	(5,833,267)	(2,805,382)	(53,701,274)
Net Deficit—Beginning	(83,699,197)	(80,893,815)	(27,192,541)
Net Deficit—Ending	$ (89,532,464)	$ (83,699,197)	$ (80,893,815)

In fiscal year 2008, the government-wide revenues increased from fiscal year 2007 levels by approximately $1.7 billion, while government-wide expenses increased by approximately $4.7 billion. The primary cause of the increase in expenses is due to the City's implementation of GASB Statement No. 45, "Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions" (GASB45) in fiscal year 2006.

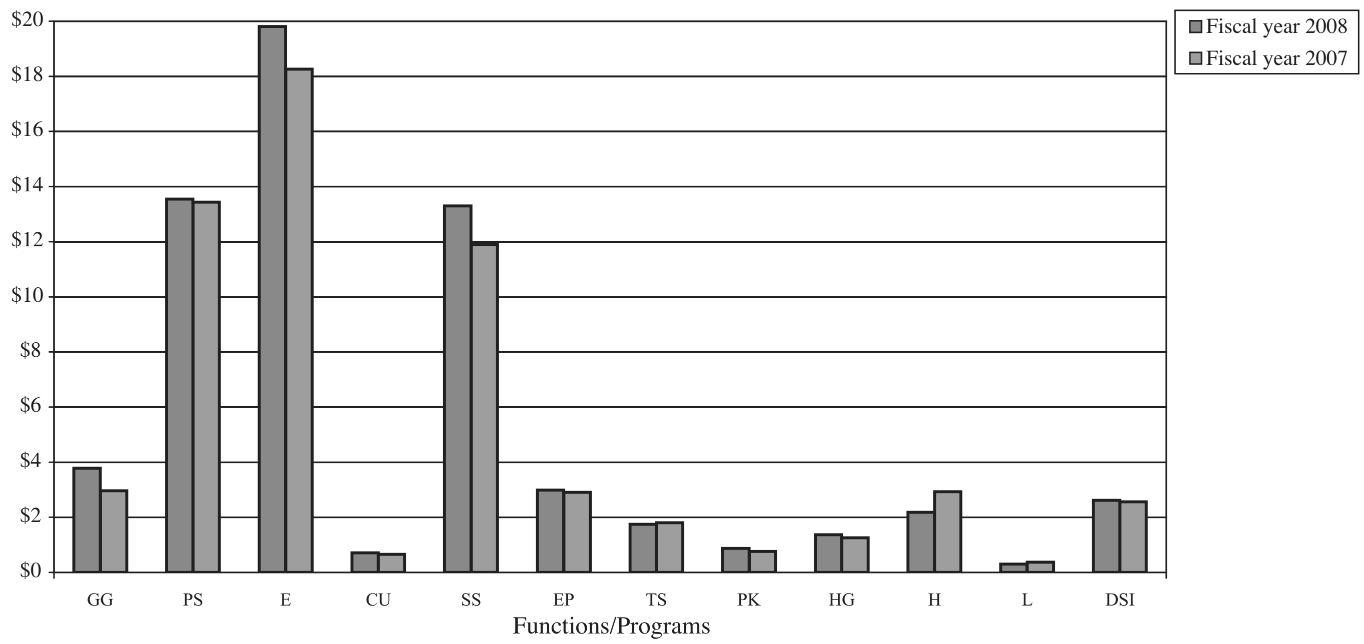
GASB45 establishes standards for the measurement, recognition and display of Other Postemployment Benefits (OPEB) expense/expenditures and related liabilities (assets), note disclosures, and, if applicable, required supplementary information in the financial reports of state and local governmental employers. Postemployment benefits are part of an exchange of current salaries and benefits for employee services rendered. Prior to GASB45, most OPEB Plans were reported on a pay-as-you-go basis and a government's financial statements did not report the financial effects of these postemployment benefits until paid.

GASB45 requires the financial reports of governments to provide a systematic, accrual-basis measurement of an annual OPEB cost. The following schedule displays the effect of the GASB45 expenses as they appear in the Statement of Activities for fiscal year 2008 and a comparison to fiscal year 2007:

	Fiscal Year 2008 (in thousands)		
Functions/Programs	**Expenses per Statement of Activities**	**GASB45 Expenses**	**Expenses excluding GASB45**
General government (GG)	$ 3,892,968	$ 107,196	$ 3,785,772
Public safety and judicial (PS)	16,253,188	2,711,558	13,541,630
Education (E)	21,597,632	1,791,116	19,806,516
City University (CU)	733,165	23,956	709,209
Social services (SS)	13,529,238	233,003	13,296,235
Environmental protection (EP)	3,406,311	418,127	2,988,184
Transportation services (TS)	1,793,394	46,486	1,746,908
Parks, recreation and cultural activities (PK)	897,363	28,246	869,117
Housing (HG)	1,403,838	37,072	1,366,766
Health, including payments to HHC (H)	2,309,449	126,255	2,183,194
Libraries (L)	310,048	5,265	304,783
Debt service interest (DSI)	2,615,635	—	2,615,635
Total expenses	$ 68,742,229	$ 5,528,280	$63,213,949

	Fiscal Year 2007 (in thousands)		
Functions/Programs	**Expenses per Statement of Activities**	**GASB45 Expenses**	**Expenses excluding GASB45**
General government (GG)	$ 3,057,503	$ 96,945	$ 2,960,558
Public safety and judicial (PS)	15,510,212	2,074,002	13,436,210
Education (E)	19,645,691	1,388,841	18,256,850
City University (CU)	675,888	18,370	657,518
Social services (SS)	12,080,533	178,666	11,901,867
Environmental protection (EP)	3,218,040	311,083	2,906,957
Transportation services (TS)	1,839,849	35,645	1,804,204
Parks, recreation and cultural activities (PK)	780,515	21,659	758,856
Housing (HG)	1,287,183	28,427	1,258,756
Health, including payments to HHC (H)	3,025,268	96,812	2,928,456
Libraries (L)	375,453	4,037	371,416
Debt service interest (DSI)	2,560,133	—	2,560,133
Total expenses	$ 64,056,268	$ 4,254,487	$59,801,781

Expenses — Governmental Activities[1]
for the fiscal years ending June 30, 2008 and 2007
(in billions)



(1) Expenses exclude GASB45.

The major components of the government-wide revenue increases were:

- Operating and capital grants and contributions increased primarily due to large increases in State grants for education.
- Tax revenues, net of refunds, declined overall, as categories of taxes with decreased revenues outweighed those with increases:
  - The overall decrease in sales and use taxes is driven primarily by a large drop in mortgage tax collections due to a slowdown in mortgage originations and tighter lending standards that required higher down payments. This decrease off-set the increases seen in general sales tax where there were employment gains and also strong tourist consumption.
  - The large increase in personal income tax revenue growth was due to employment gains, strong bonus payouts, and also strong capital gains realizations from the equity market and hedge fund managers' large investment and fee income.
  - The decrease in other income taxes is due in large part to the credit crisis. There were large asset write-down losses and large bank tax refunds, about $220 million more in 2008 than 2007.
  - A decrease in other taxes is primarily due to a large decrease in real property transaction taxes focused mostly on a slow-down in large commercial transactions in 2008 compared to 2007.

The major components of the government-wide increases in expenses were:

- Citywide, pension costs increased due to investment losses in previous years and growth in wages.
- General government expenses rose due to increased judgments and claims, increased operating and maintenance costs for the City's newly operational emergency communications and wireless networks, increased spending on new and enhanced youth programs, and price level increases for energy and commodities.
- Expenses for education grew due to collective bargaining increases, expansion of programs such as collaborative team teaching, half day pre-k and multiple pathways. Energy costs also rose significantly.
- Social service expenses increased primarily due to the transfer of Medicaid costs from health to social services and an increase in spending for Medicaid and public assistance. Medicaid cost growth reflects an annual 3% increase as well as the shifting of certain costs previously paid by New York State to the City. Public assistance costs increased primarily due to growth in cash assistance expenditures, including rental subsidies for homeless individuals and families.
- Health expenses decreased due to the transfer of Medicaid costs from health to social services and because 2007 included a large one-time subsidy to HHC which did not recur in 2008.

In fiscal year 2007, the government-wide revenues increased from fiscal year 2006 by approximately $5.2 billion, while government-wide expenses decreased by approximately $45.7 billion.

The major components of the government-wide revenues were:

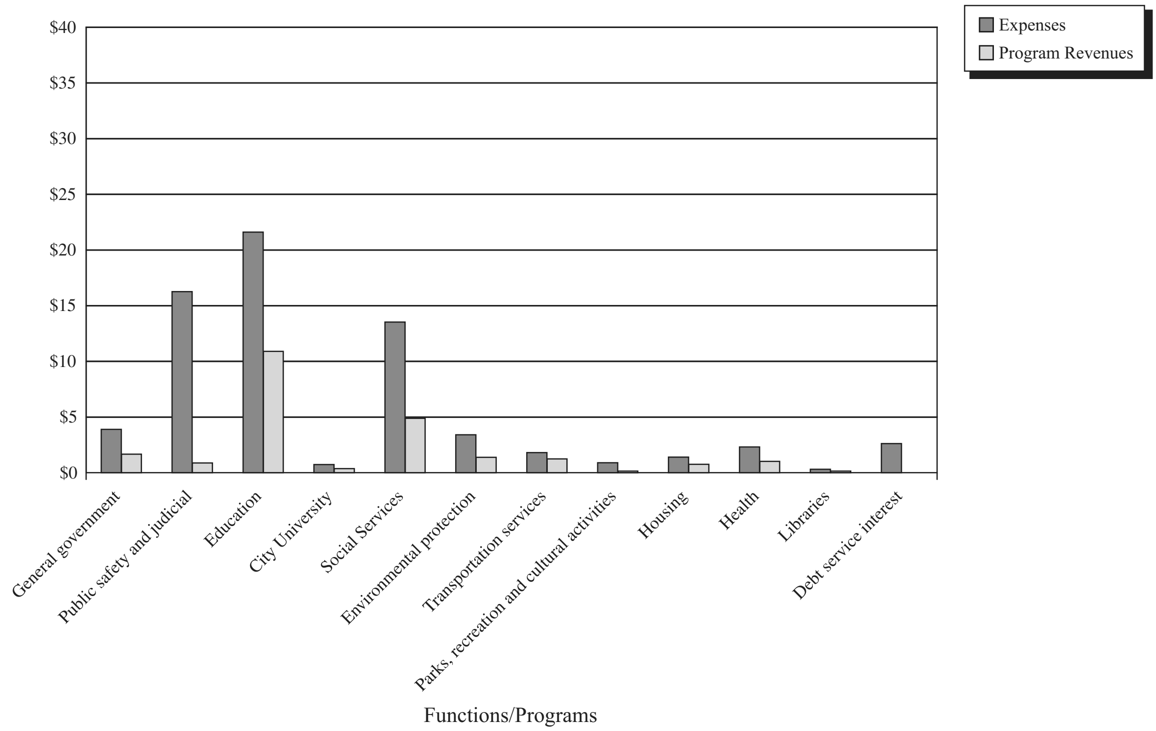
- The increase in operating grants and contributions is primarily composed of:
  - An increase in federal grants for social services that reflects higher rates paid for children in foster care and for adoption placements.
  - An increase in Medicaid reimbursements that reflects higher medical and administrative costs of the program.
  - An increase in education state aid that is primarily due to an increase in education formula aid.
- The increase in the real estate tax revenues is due to growth of 4.6 percent in the billable assessed value of real property.
- An increase in taxable sales is due to increased employment and an increase in wage rates of those living and working in the City.
- The NYS School Tax Relief program was expanded by the state legislature leading to an increase in revenues to the City.
- Strong personal income tax revenue growth is due to a near record of $20.9 billion in Wall Street profits in calendar year 2006 leading to strong bonus payouts, as well as strong non-finance sector job growth.
- An increase in other taxes is primarily due to a large increase in real property transaction taxes and mortgage recording taxes. This growth was the result of the continued real estate boom as homeowners moved to lock-in historically low interest rates and as investor interest in Manhattan commercial real estate continued.

The major components of the government-wide expenses were:

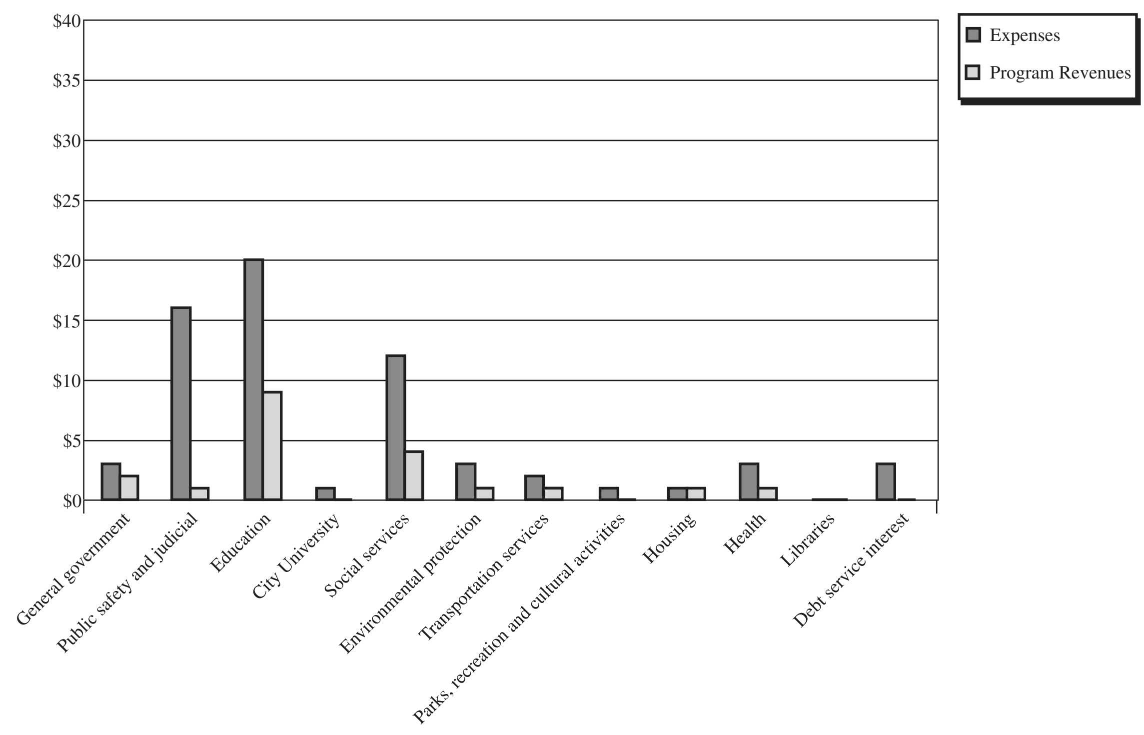
- The fiscal year 2006 expense numbers include the recognition of $53.5 billion of unfunded retirement health and related benefits earned by employees in fiscal year 2006 and prior years as part of the City's implementation of GASB45. The fiscal year 2007 expense numbers include $4.3 billion of unfunded retirement health and related benefits earned by employees in fiscal year 2007. (This should be considered when reviewing the year-to-year change in expenses.)
- Expenses for education grew due to collective bargaining increases, the opening of new schools, the implementation or expansion of policy initiatives such as collaborative team teaching, the lead teacher program, and improving translation and interpretation services.
- City-wide, pension costs increased due to investment losses in previous years, a growth in wages, and changes in actuarial assumptions; fringe benefits costs increased due to increases in health insurance and the Medicare Part B premiums. Generally, pension and fringe benefit costs increased disproportionately for uniform employees, which are reflected in the increase in the public safety and judicial expense category.
- Social service expenses increased due to an increase in Medicaid costs, some of which are reflected as social service expenses rather than health expenses for the first time in fiscal year 2007. Social service expenses reflected higher rates paid for children in foster care and for adoption placements.

The following charts compare the amounts of expenses and program revenues for fiscal years 2008 and 2007:

Expenses and Program Revenues — Governmental Activities(1)
June 30, 2008
(in billions)



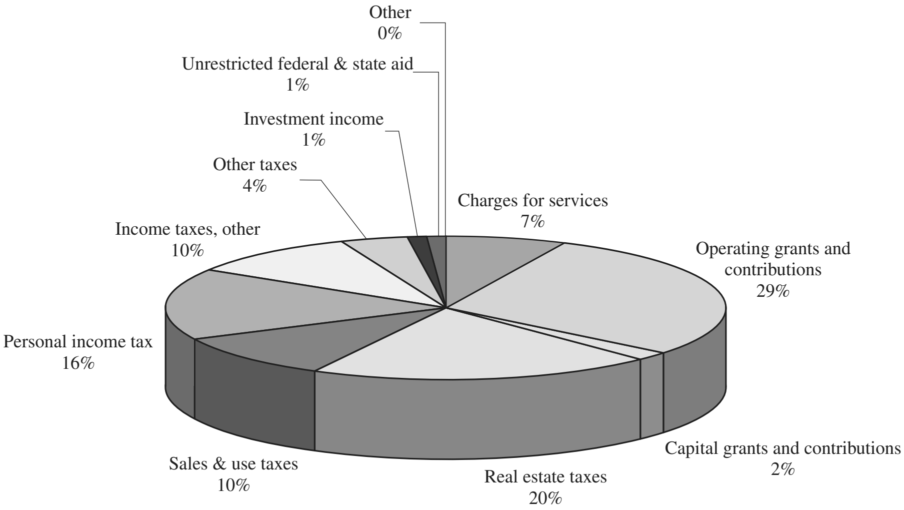
Expenses and Program Revenues — Governmental Activities(1)
June 30, 2007
(in billions)



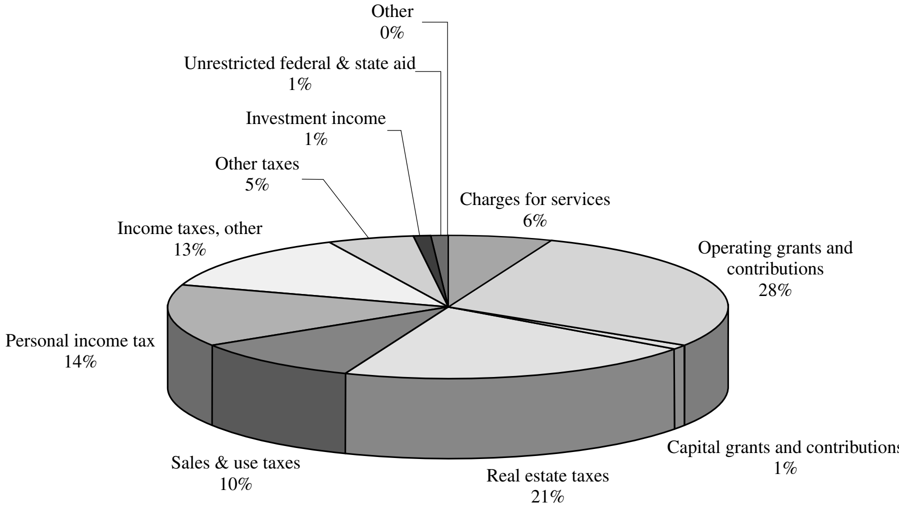
(1) Expenses include GASB45.

The following charts compare the amounts of program and general revenues for fiscal years 2008 and 2007:

Revenues by Source — Governmental Activities for the Year Ended June 30, 2008



Revenues by Source — Governmental Activities for the Year Ended June 30, 2007



As noted earlier, increases and decreases of net assets may over time serve as a useful indicator of changes in a government's financial position. In the case of the City, liabilities exceed assets by $89.5 billion at the close of the most recent fiscal year, an increase in the excess of liabilities over assets of $5.8 billion from June 30, 2007, compared with an increase of $2.8 billion in the prior fiscal year.

	Governmental Activities		
	2008	2007	2006
		(in thousands)	
Current and other assets	$ 32,135,165	$ 30,998,631	$ 27,878,882
Capital assets (net of depreciation)	36,892,858	34,331,152	32,170,950
Total assets	69,028,023	65,329,783	60,049,832
Long-term liabilities	137,697,829	130,201,374	121,963,394
Other liabilities	20,862,658	18,827,606	18,980,253
Total liabilities	158,560,487	149,028,980	140,943,647
Net assets:			
Invested in capital assets, net of related debt	(3,112,434)	(5,239,185)	(5,373,813)
Restricted	8,926,022	6,794,774	5,246,663
Unrestricted	(95,346,052)	(85,254,786)	(80,766,665)
Total net deficit	$(89,532,464)	$(83,699,197)	$(80,893,815)

The excess of liabilities over assets reported on the government-wide statement of net assets is a result of several factors. The largest components of the net deficit are the result of the City having long-term debt with no corresponding capital assets and the City's OPEB liability. The following summarizes the main components of the net deficit as of June 30, 2008 and 2007:

Components of Net Deficit	**2008**	**2007**
	(in billions)	
Net Assets Invested in Capital Assets		
Some City-owned assets have a depreciable life used for financial reporting that is different from the period over which the related debt principal is being repaid. Schools and related education assets depreciate more quickly than their related debt is paid, and they comprise one of the largest components of this difference	$ (3.1)	$ (5.2)
Net Assets Restricted for:		
Debt Service	7.0	5.4
Capital Projects	1.9	1.4
Total net assets restricted	8.9	6.8
Unrestricted Net Assets		
TFA issued debt to finance costs related to the recovery from the September 11, 2001 World Trade Center disaster, which are operating expenses of the City	(1.5)	(1.8)
STAR issued debt related to the defeasance of the MAC issued debt	(2.3)	(2.4)
The City has issued debt for the acquistion and construction of public purpose capital assets which are not reported as City-owned assets on the Statement of Net Assets. This includes assets of the New York City Transit Authority (TA), NYW, HHC, and certain public libraries and cultural institutions. This is the debt outstanding for non-City owned assets at year end.	(14.0)	(11.1)
Certain long-term obligations do not require current funding:		
OPEB liability	(63.3)	(57.8)
Judgments and claims	(5.7)	(5.4)
Vacation and sick leave	(3.4)	(3.1)
Pension liability	(0.7)	(0.7)
Landfill closure and postclosure costs	(1.7)	(1.6)
Other:	(2.7)	(1.4)
Total unrestricted net assets	(95.3)	(85.3)
Total net deficit	$(89.5)	$(83.7)

Financial Analysis of the Governmental Funds

As noted earlier, the City uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The table below summarizes the changes in the fund balances of the City's governmental funds.

Governmental Funds

	General Fund	New York City Capital Projects Fund	General Debt Service Fund	Nonmajor Governmental Funds	Adjustments/ Eliminations	Total
			(in thousands)			
Fund balances (deficit), June 30, 2006	$ 422,483	$(2,203,941)	$ 3,243,672	$ 1,822,275	$ —	$ 3,284,489
Revenues	58,772,970	2,797,692	22,148	3,193,500	(1,861,580)	62,924,730
Expenditures	(53,107,582)	(7,496,388)	(3,919,643)	(3,929,254)	1,861,580	(66,591,287)
Other financing sources (uses)	(5,660,573)	3,573,719	4,025,819	4,608,723	—	6,547,688
Fund balances (deficit), June 30, 2007	427,298	(3,328,918)	3,371,996	5,695,244	—	6,165,620
Revenues	61,423,517	3,666,977	18,060	3,195,701	(2,376,158)	65,928,097
Expenditures	(55,996,802)	(9,005,444)	(3,493,379)	(4,433,242)	2,376,158	(70,552,709)
Other financing sources (uses)	(5,421,706)	5,161,500	5,220,591	(784,401)	—	4,175,984
Fund balances (deficit), June 30, 2008	$ 432,307	$(3,505,885)	$5,117,268	$3,673,302	$ —	$ 5,716,992

The City's General Fund is required to adopt an annual budget prepared on a basis consistent with generally accepted accounting principles. Surpluses from any fiscal year cannot be appropriated in future fiscal years.

If the City anticipates that the General Fund will have an operating surplus, the City will make discretionary transfers to the General Debt Service Fund as well as advance payments of certain subsidies and other payments that reduce the amount of the General Fund surplus for financial reporting purposes. As detailed later, the General Fund had operating surpluses of $4.640 billion and $4.670 billion before certain expenditures and transfers (discretionary and other) for fiscal years 2008 and 2007, respectively. After these certain expenditures and transfers (discretionary and other), the General Fund reported an operating surplus of $5 million in both fiscal years 2008 and 2007, which resulted in an increase in fund balance by this amount.

The General Debt Service Fund receives transfers (discretionary and other) from the General Fund from which it pays the City's debt service requirements. Its fund balance at June 30, 2008, can be attributed principally to transfers (discretionary transfer and other, as described above) from the General Fund totaling $3.083 billion in fiscal year 2008. Similar transfers in fiscal year 2007 of $3.315 billion also primarily account for the General Debt Service Fund balance at June 30, 2007.

The New York City Capital Projects Fund accounts for the financing of the City's capital program. The primary resource is obtained from the issuance of City and TFA debt. Capital-related expenditures are first paid from the General Fund, which is reimbursed for these expenditures by the New York City Capital Projects Fund. To the extent that capital expenditures exceed proceeds from bond issuances, and other revenues and financing sources, the Capital Projects Fund will have a deficit. The deficit fund balances at June 30, 2008 and 2007, 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.

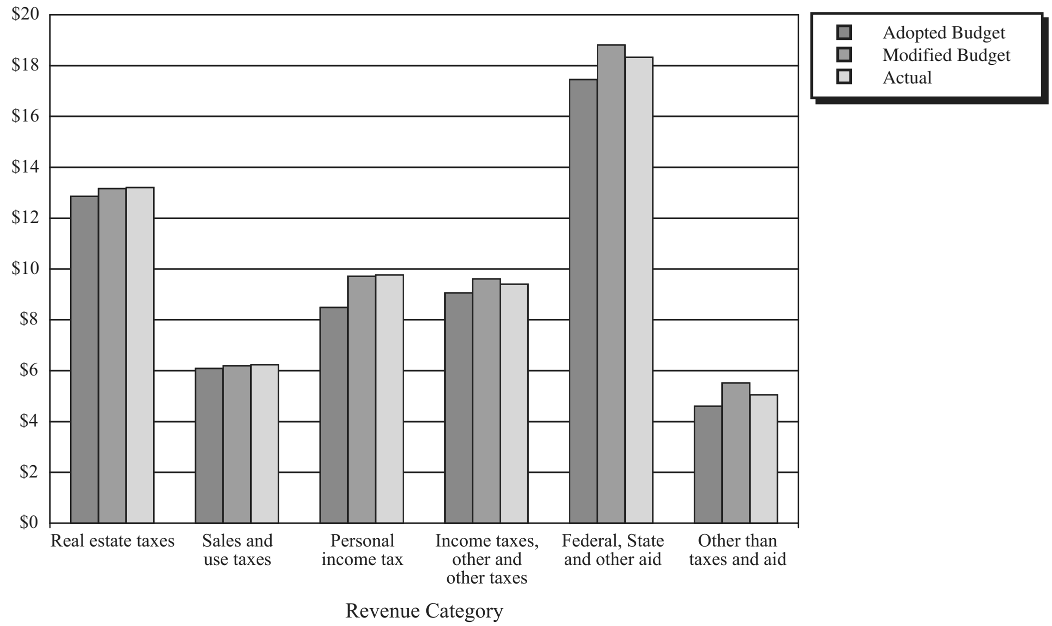
General Fund Budgetary Highlights

The following information is presented to assist the reader in comparing the original budget (Adopted Budget), and the final amended budget (Modified Budget) and the actual results compared with these budgeted amounts. The Adopted Budget can be modified subsequent to the end of the fiscal year.

General Fund Revenues

The following charts and tables summarize actual revenues by category for fiscal years 2008 and 2007 and compare revenues with each fiscal year's Adopted Budget and Modified Budget.

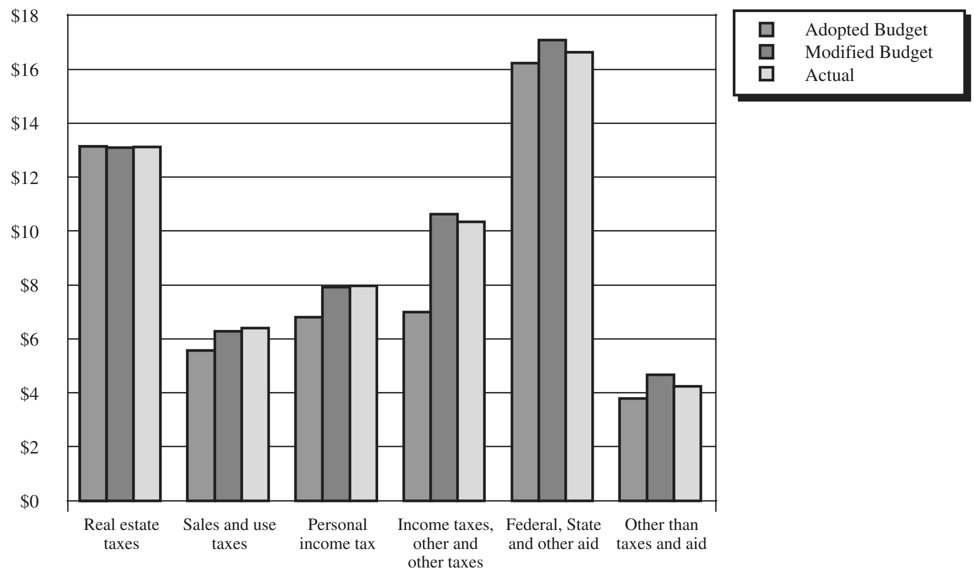
General Fund Revenues
Fiscal Year 2008
(in billions)



General Fund Revenues
Fiscal Year 2008
(in millions)

	Adopted Budget	Modified Budget	Actual
Taxes (net of refunds):			
Real estate taxes	$12,854	$13,163	$13,204
Sales and use taxes	6,082	6,185	6,228
Personal income tax	8,487	9,714	9,764
Income taxes, other	6,007	5,968	6,785
Other taxes	3,045	3,638	2,619
Taxes (net of refunds)	36,475	38,668	38,600
Federal, State and other aid:			
Categorical	17,110	18,553	18,088
Unrestricted	340	255	242
Federal, State and other aid	17,450	18,808	18,330
Other than taxes and aid:			
Charges for services	1,951	2,086	2,126
Other revenues	2,104	2,878	2,368
Transfers from Nonmajor Debt Service Fund	549	552	552
Other than taxes and aid	4,604	5,516	5,046
Total revenues	$58,529	$62,992	$61,976

General Fund Revenues
Fiscal Year 2007
(in billions)



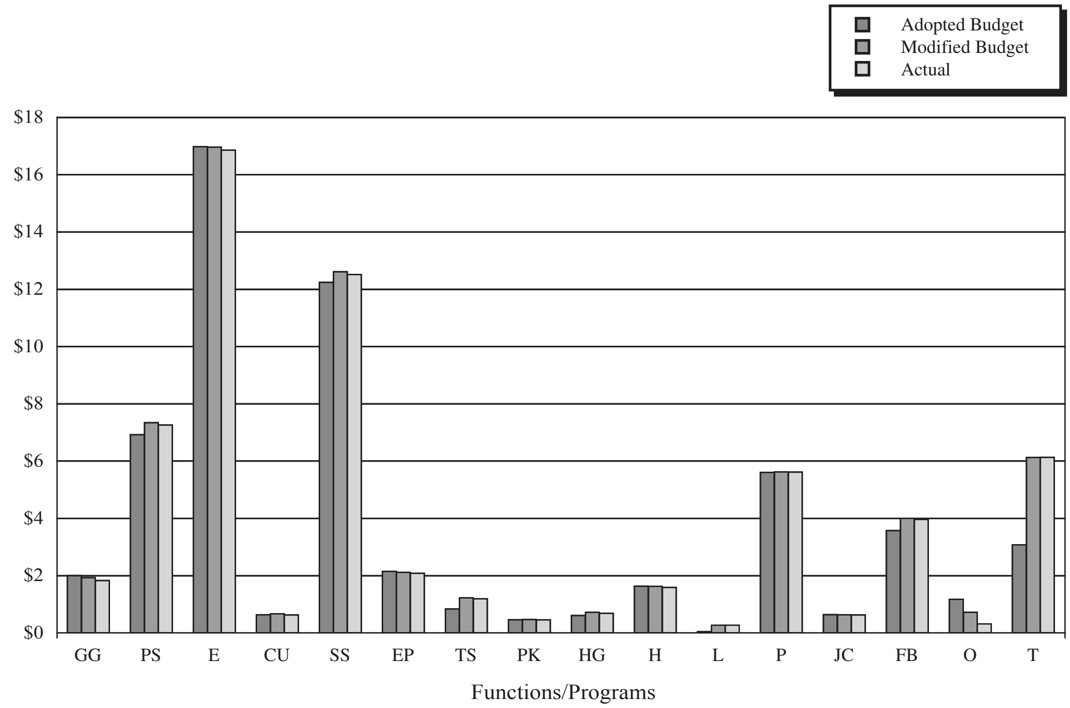
General Fund Revenues
Fiscal Year 2007
(in millions)

	Adopted Budget	**Modified Budget**	**Actual**
Taxes (net of refunds):			
Real estate taxes	$13,140	$13,098	$13,123
Sales and use taxes	5,580	6,281	6,412
Personal income tax	6,812	7,930	7,963
Income taxes, other	4,584	6,645	7,451
Other taxes	2,405	3,981	2,892
Taxes (net of refunds)	32,521	37,935	37,841
Federal, State and other aid:			
Categorical	15,884	17,041	16,653
Unrestricted	340	33	35
Federal, State and other aid	16,224	17,074	16,688
Other than taxes and aid:			
Charges for services	1,820	1,914	1,921
Other revenues	1,980	2,743	2,323
Other than taxes and aid	3,800	4,657	4,244
Total revenues	$52,545	$59,666	$58,773

General Fund Expenditures

The following charts and tables summarize actual expenditures by function/program for fiscal years 2008 and 2007 and compare expenditures with each fiscal year's Adopted Budget and Modified Budget.

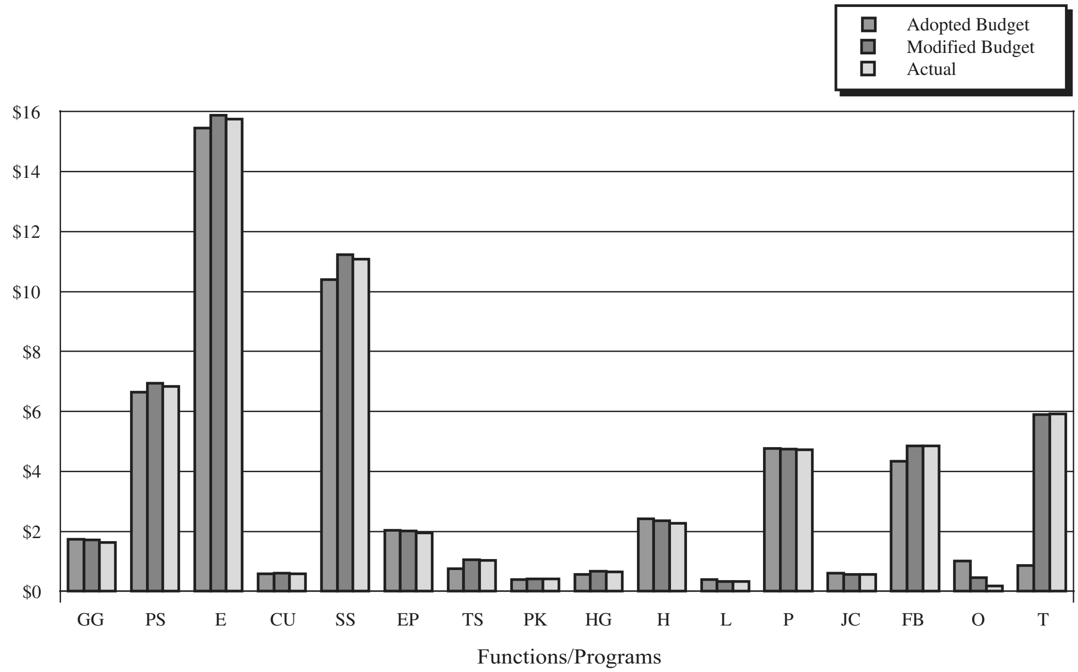
General Fund Expenditures
Fiscal Year 2008
(in billions)



General Fund Expenditures
Fiscal Year 2008
(in millions)

	Adopted Budget	Modified Budget	Actual
General government (GG)	$ 1,999	$ 1,926	$1,828
Public safety and judicial (PS)	6,919	7,337	7,259
Education (E)	16,974	16,962	16,855
City University (CU)	629	660	621
Social services (SS)	12,241	12,610	12,511
Environmental protection (EP)	2,145	2,115	2,083
Transportation services (TS)	837	1,223	1,187
Parks, recreation and cultural activities (PK)	455	463	450
Housing (HG)	604	716	680
Health, including HHC (H)	1,626	1,624	1,588
Libraries (L)	47	267	266
Pensions (P)	5,603	5,620	5,616
Judgments and claims (JC)	635	629	625
Fringe benefits and other benefit payments (FB)	3,573	3,995	3,957
Other (O)	1,169	721	313
Transfers and other payments for debt service (T)	3,073	6,124	6,132
Total expenditures	$58,529	$62,992	$61,971

General Fund Expenditures
Fiscal Year 2007
(in billions)



General Fund Expenditures
Fiscal Year 2007
(in millions)

	Adopted Budget	Modified Budget	Actual
General government (GG)	$ 1,731	$ 1,704	$ 1,620
Public safety and judicial (PS)	6,652	6,932	6,842
Education (E)	15,446	15,876	15,748
City University (CU)	574	601	577
Social services (SS)	10,388	11,227	11,078
Environmental protection (EP)	2,027	2,005	1,943
Transportation services (TS)	749	1,060	1,021
Parks, recreation and cultural activities (PK)	392	417	411
Housing (HG)	560	666	641
Health, including HHC (H)	2,413	2,346	2,273
Libraries (L)	39	331	330
Pensions (P)	4,755	4,737	4,726
Judgments and claims (JC)	602	564	564
Fringe benefits and other benefit payments (FB)	4,337	4,846	4,846
Other (O)	1,015	464	178
Transfers and other payments for debt service (T)	865	5,890	5,970
Total expenditures	$52,545	$59,666	$58,768

General Fund Surplus

The City had General Fund operating surpluses of $4.640 billion, $4.670 billion and $3.756 billion before certain expenditures and transfers (discretionary and other) for fiscal years 2008, 2007 and 2006, respectively. For the fiscal years 2008, 2007 and 2006, the General Fund surplus was $5 million after expenditures and transfers (discretionary and other).

The expenditures and transfers (discretionary and other) made by the City after the adoption of its fiscal years 2008, 2007 and 2006 budgets follow:

	2008	2007	2006
		(in millions)	
Transfer, as required by law, to the General Debt Service Fund of real estate taxes collected in excess of the amount needed to finance debt service	$ 672	$ 153	$ 98
Discretionary transfers to the General Debt Service Fund	2,401	3,160	3,106
Net equity contribution in bond refunding that accrued to future years debt service savings	10	2	1
Debt service prepayments for lease purchase debt service due in the fiscal year	46	165	74
Grant to TFA	546	546	—
Advance cash subsidies to the Public Library system	225	273	224
Advance cash subsidies to the TA and Metropolitan Transportation Authority (MTA)	275	275	248
Advance cash subsidies to the HHC	—	91	—
Payment to RHBT	460	—	—
Total expenditures and transfers (discretionary and other)	4,635	4,665	3,751
Reported surplus	5	5	5
Total surplus	$4,640	$4,670	$3,756

Fiscal Year 2008

Final results for any given fiscal year may differ greatly from that year's Adopted Budget. The following table shows the variance between actuals and amounts for the fiscal year ended 2008 Adopted Budget:

	2008
Additional resources:	(in millions)
Greater than expected personal income tax collections	$1,297
Greater than expected sales tax collections	338
Greater than expected unincorporated business tax collections	301
Greater than expected general corporation tax collections	281
Greater than expected real estate tax collections	61
Greater than expected utility tax collections	36
Greater than expected real property transfer tax collections	30
Greater than expected all other tax collections	67
Greater than expected charges for services	175
Greater than expected fines and forfeitures	105
Greater than expected revenues from licenses, permits, privileges, and franchises	83
Greater than expected asset sales	19
Greater than expected all other miscellaneous revenues	69
Federal categorical aid	396
State categorical aid	597
Greater than expected non-grant revenues	83
Lower than expected all other health insurance expenditures	113
Lower than expected personal services spending (net of pension, health insurance and overtime)	628
Lower than expected supplies and materials costs	225
Lower than expected fuel and energy costs	8
Lower than expected all other general administrative OTPS spending	498
Lower than expected lease purchase debt service costs	65
Lower than expected all other debt service costs	61
Reduced Pay-As-You-Go capital spending	100
Reduced contribution to SMART Fund	50
General Reserve	300
All other net underspending and revenues above budget	19
Total	6,005
Enabled the City to provide for:	
Additional prepayments of certain debt service costs and subsidies due in fiscal years 2009–2011	1,614
Retirement of capital debt	1,986
Additional prepayment to the RHBT	460
Higher than expected overtime costs	288
Higher than expected pensions costs	13
Higher than expected spending for contractual services	685
Higher than expected property and equipment costs	96
Higher than expected judgments and claims costs	29
Higher than expected payment to the HHC (excluding Medicaid)	28
Higher than expected all other fixed and miscellaneous charges	94
Higher than expected provisions for disallowance reserve	99
Higher than expected Medicaid spending (including HHC)	62
Higher than expected public assistance spending	56
Higher than expected all other social services spending (excluding Medicaid and public assistance)	47
Lower than expected banking corporation tax collections	223
Lower than expected mortgage tax collections	111
Lower than expected unrestricted federal and state aid	98
Lower than expected interest income	11
Total	6,000
Reported Surplus	$ 5

Fiscal Year 2007

Final results for any given fiscal year may differ greatly from that year's Adopted Budget. The following table shows the variance between actuals and amounts for the fiscal year ended 2007 Adopted Budget:

	2007
	(in millions)
Additional resources:	
Greater than expected personal income tax collections	$1,133
Greater than expected general corporation tax collections	1,219
Greater than expected mortgage tax collections	688
Greater than expected sales tax collections	117
Greater than expected banking corporation tax collections	762
Greater than expected unincorporated business tax collections	444
Greater than expected property transfer tax collections	855
Greater than expected commercial rent tax collections	26
Greater than expected all other tax collections	96
Federal categorical aid	408
State categorical aid	316
Greater than expected charges for services	101
Greater than expected interest income	160
Greater than expected non-grant revenues	70
Greater than expected revenues from licenses, permits, privileges, and franchises	76
Greater than expected fines and forfeitures	14
Lower than expected all other general administrative OTPS spending	630
Lower than expected supplies and materials costs	83
Lower than expected debt service costs	315
Lower than expected all other health insurance expenditures	204
Lower than expected public assistance spending	179
Greater than expected asset sales	12
Lower than expected judgments & claims expenditures	103
Lower than expected fuel and energy costs	103
Lower than expected all other social services spending (net of Medicaid and Public Assistance)	35
Greater than expected all other miscellaneous revenues	81
Lower than expected pension costs	40
General Reserve	300
All other net underspending and revenues above budget	22
Total	8,592
Enabled the City to provide for:	
Higher than expected personal services spending (net of pension, health insurance and overtime)	150
Additional contribution to the RHBT	500
Higher than expected spending for contractual services	667
Higher than expected overtime costs	296
Higher than expected Medicaid spending (including HHC)	289
Higher than expected all other fixed and miscellaneous charges	84
Higher than expected property and equipment costs	99
Higher than expected provisions for disallowance reserve	88
Lower than expected unrestricted Federal and State aid	305
Additional prepayment of certain debt service costs and subsidies due in fiscal years 2008-2010	4,663
Retirement of capital debt	1,254
Additional pay-as-you-go capital spending	100
Higher than expected payments to the HHC	55
Lower than expected real estate tax collections	17
Higher than expected payments to the libraries	20
Total	8,587
Reported Surplus	$ 5

Capital Assets

The City's investment in capital assets (net of accumulated depreciation), is detailed as follows:

	Governmental Activities		
	2008	**2007**	**2006**
		(in millions)	
Land*	$ 1,097	$ 1,067	$ 968
Buildings	21,026	20,205	19,319
Equipment	1,652	1,301	1,393
Infrastructure**	8,737	8,132	7,537
Construction work-in-progress*	4,381	3,626	2,954
Total	$36,893	$34,331	$32,171

* not depreciable

** Infrastructure elements include the roads, bridges, curbs and gutters, streets and sidewalks, park land and improvements, and tunnels.

The net increase in the City's capital assets during fiscal year 2008 was $2.562 billion, a 7.5% increase. Capital assets additions in fiscal year 2008 were $8.314 billion, an increase of $2.174 billion from fiscal year 2007. Capital assets additions in the Education program totaling $1.424 billion and total new construction work-in-progress (the majority of which was in the Education program) totaling $3.526 billion accounted for 60% of the capital assets additions in fiscal year 2008.

The net increase in the City's capital assets during fiscal year 2007 was $2.160 billion, a 6.7% increase. Capital assets additions in fiscal year 2007 were $6.140 billion, an increase of $1.158 billion from fiscal year 2006. Capital assets additions in the Education program totaling $1.312 billion and total new construction work-in-progress (the majority of which was in the Education program) totaling $2.644 billion accounted for 64% of the capital assets additions in fiscal year 2007.

Additional information on the City's capital assets can be found in Note D.2 of the financial statements.

Debt Administration

The City, through the Comptroller's Office of Public Finance, in conjunction with the Mayor's Office of Management and Budget, is charged with issuing debt to finance the implementation of the City's capital program. The following table summarizes the debt outstanding for New York City and City-related issuing entities at the end of fiscal years 2008, 2007 and 2006.

	New York City and City-Related Debt		
	2008	**2007**	**2006**
		(in millions)	
General Obligation Bonds[(a)]	$36,100	$34,506	$35,844
TFA Bonds	11,306	11,542	10,392
TFA Recovery Bonds	1,522	1,765	1,841
TFA BARBs	2,000	1,300	—
TSASC Bonds	1,297	1,317	1,334
IDA Bonds	101	102	104
STAR Bonds	2,339	2,368	2,470
FSC Bonds	321	337	387
HYIC Bonds	2,000	2,000	—
HYIC Notes	67	100	—
ECF Bonds	109	123	84
Total bonds and notes payable	$57,162	$55,460	$52,456

(a) Does not include capital contract liabilities.

General Obligation

On July 1, 2008, the City's outstanding General Obligation (GO) debt, including capital contract liabilities, totaled $42.6 billion (compared with $39.5 and $39.7 billion as of July 1, 2007 and 2006, respectively). The State Constitution provides that, with certain exceptions, the City may not contract indebtedness in an amount greater than 10% of the average full value of taxable real estate in the City for the most recent five years. As of July 1, 2008, the City's 10% general limitation was $70.4 billion (compared with $60 and $53 billion as of July 1, 2007 and 2006 respectively). The City's remaining GO debt incurring power as of July 1, 2008, after providing for capital contract liabilities, totaled $27.8 billion.

As of June 30, 2008, the City's outstanding GO variable and fixed rate debt totaled $7.41 billion and $28.69 billion, respectively. During fiscal year 2008, the City's GO tax exempt daily and weekly variable rate debt averaged 2.61% and 2.91%, respectively. Of the $7.38 billion in GO bonds issued by the City in fiscal year 2008, a total of $3.96 billion was issued to refund certain outstanding bonds and a total of $3.42 billion was issued for new money capital purposes. The proceeds of the refunding issues were placed in irrevocable escrow accounts in amounts sufficient to pay when due all principal, interest, and applicable redemption premium, if any, on the refunded bonds. These refundings produce budgetary dissavings of $23.28 million in fiscal year 2008, and budgetary savings of $41.17 million and $56.63 million in 2009 and 2010, respectively. The refundings will generate approximately $131.96 million in net present value savings throughout the life of the bonds.

The balance of the refunding bonds, $1.53 billion, was sold to refinance insured auction rate debt and other variable rate debt insured by certain municipal bond insurers. Interest rates on this debt were resetting at higher levels due to credit and liquidity concerns associated with the municipal bond insurers and the auction rate market. This refunding was focused on replacing poorly-performing debt rather than achieving a savings target.

A total of $581.4 million fixed rate bonds of the $7.38 billion GO bonds issued during fiscal year 2008 was issued as taxable debt and offered on a competitive basis. In addition, $343.16 million variable rate taxable bonds were issued and offered on a negotiated basis.

In fiscal year 2008, the City applied surplus funds of $1.986 billion towards the redemption of General Obligation bonds in fiscal year 2010.

On July 18, 2008, Moody's Investors Service (Moody's) raised its rating on New York City General Obligation bonds from A1 to Aa3. During fiscal year 2008 Standard & Poor's Ratings Services (S&P) and Fitch Ratings (Fitch) maintained their ratings at AA and AA- respectively.

Short-term Financing

In fiscal year 2008, the City had no short-term borrowings.

Transitional Finance Authority

In 1997, in order to continue to fund the City's capital commitments in the face of an approaching General Obligation debt limit, the New York State Legislature created the New York City Transitional Finance Authority (TFA). The TFA, a bankruptcy-remote separate legal entity, was initially authorized to issue debt secured by the City's collections of personal income tax and, if necessary, sales tax. These TFA bonds are identified as Future Tax Secured Bonds. The TFA was initially authorized to issue up to $7.5 billion of Future Tax Secured Bonds. In fiscal year 2000, the debt incurring authorization for these bonds was increased by $4 billion to a total of $11.5 billion, and in fiscal year 2006, by $2 billion to a total of $13.5 billion. Essentially all bonds authorized to be issued under this existing authorization have been issued.

In September 2001, the New York State Legislature approved a special TFA authorization of $2.5 billion to fund capital and operating costs related to or arising from the events of September 11, 2001 (Recovery Bonds). The Legislature also authorized TFA to issue debt without limit as to principal amount, secured solely by state or federal aid received as a result of the disaster. To date, TFA has issued $2 billion in Recovery Bonds pursuant to this authorization.

In fiscal year 2006, the New York State Legislature authorized TFA to issue bonds and notes or other obligations in an amount outstanding of up to $9.4 billion to finance a portion of the City's educational facilities capital plan and authorized the City to assign to TFA all or any portion of the state aid payable to the City or its school district pursuant to Section 3602.6 of the New York State Education Law (State Building Aid) as security for the obligations.

Pursuant to this authority, the Building Aid Revenue Bond (BARB) credit was created. The City assigned all the State Building Aid to the TFA. In fiscal year 2008, the City issued $700 million in new money BARBs to finance a portion of the City's educational facilities capital plan. The BARBs are rated AA- by S&P, A1 by Moody's and A+ by Fitch.

As of June 30, 2008, TFA BARBs outstanding totaled $2 billion.

The TFA did not issue Future Tax Secured bonds in fiscal year 2008. As of June 30, 2008, the TFA's fixed rate debt outstanding, including Recovery bonds and Subordinate Lien bonds, totaled approximately $9.93 billion.

As of June 30, 2008, the TFA's outstanding variable rate debt, which included $1.52 billion of TFA Recovery Bonds, totaled $2.89 billion, all of which is secured by Future Tax Revenue. During fiscal year 2008, TFA's tax exempt daily and weekly variable rate debt averaged 2.60% and 2.79%, respectively.

For the TFA Future Tax Secured Bonds, S&P maintained its rating on both Senior Lien Bonds and Subordinate Lien Bonds at AAA. Fitch maintained its rating on these TFA Bonds at AA+. Moody's maintained its ratings on Senior Lien Bonds at Aa1 and Subordinate Lien Bonds at Aa2.

TSASC, Inc.

TSASC, Inc. (TSASC) is a special purpose, bankruptcy-remote local development corporation created pursuant to the Not-for-Profit Corporation Law of the State of New York. TSASC is authorized to issue bonds to purchase from the City its future right, title and interest under a Master Settlement Agreement (the MSA) between participating cigarette manufacturers and 46 states, including the State of New York.

TSASC had no financing activity in fiscal year 2008. As of June 30, 2008, TSASC had approximately $1.30 billion of bonds outstanding.

As of June 30, 2008, TSASC's bonds are rated BBB by S&P and BBB+ by Fitch.

Additional information on the City's long-term debt can be found in Note D.5. of the Basic Financial Statements.

Sales Tax Asset Receivable Corporation

In May, 2003, New York State statutorily committed $170 million of New York State Sales Tax receipts to the City in each fiscal year from 2004 through 2034. The Sales Tax Asset Receivable Corporation (STAR) was formed to securitize these payments and to use the proceeds to retire existing MAC debt, thereby expecting to save the City approximately $500 million per year for fiscal years 2004 through 2008.

As of June 30, 2008, STAR has $2.34 billion bonds outstanding. It had no financing activity in fiscal year 2008. The bonds are rated A1 by Moody's, AAA by S&P and AA- by Fitch.

Fiscal Year 2005 Securitization Corporation

In fiscal year 2005, $498.85 million of taxable bonds were issued by the Fiscal Year 2005 Securitization Corporation (FSC), a bankruptcy-remote local development corporation, established to restructure an escrow fund that was previously funded with GO bonds proceeds.

As of June 30, 2008, FSC has $321 million bonds outstanding. It had no financing activity in fiscal year 2008.

Hudson Yards Infrastructure Corporation

In December, 2006, $2 billion of tax-exempt bonds were issued by the Hudson Yards Infrastructure Corporation (HYIC), a local development corporation established to provide financing for infrastructure improvements to facilitate economic development on Manhattan's far west side. Principal on the bonds will be repaid from revenues generated by the new development. To the extent that such revenues are not sufficient to cover interest payments, the City, subject to appropriation, has agreed to make interest support payments to HYIC. The interest support payments do not cover principal repayment of the bonds.

As of June 30, 2008, HYIC has $2 billion bonds and $67 million notes outstanding. It did not sell bonds in fiscal year 2008. The bonds are rated A3 by Moody's, A by S&P and A- by Fitch.

New York City Educational Construction Fund

The New York City Educational Construction Fund (ECF), a public benefit corporation, established to facilitate the construction and improvement of City elementary and secondary school buildings in combination with other compatible lawful uses such as housing, office or other commercial buildings. The City is required to make rental payments on the school portions of the ECF projects sufficient to make debt service payments as they come due on ECF Bonds, less the revenue received by the ECF from the non-school portions of the ECF projects.

The ECF did not sell bonds in fiscal year 2008.

As of June 30, 2008, ECF has $109 million bonds outstanding. The bonds are rated A1 by Moody's and A+ by S&P.

Interest Rate Exchange Agreements

In an effort to lower its borrowing costs over the life of its bonds and to diversify its existing portfolio, the City has from time to time entered into interest rate exchange agreements (swaps) and sold options related to some of these swaps. No new swaps were initiated in fiscal year 2008. The City and a counterparty did amend one swap confirmation, agreeing to eliminate the Counterparty's existing cancellation option in exchange for the City's agreement to increase its fixed rate payment from 2.818% per annum to 3.109% per annum starting on August 1, 2007. On April 1, 2008, New York City executed a bond refunding transaction pursuant to which a portion of one swap was deemed terminated for tax purposes as of May 1, 2008. Nevertheless, the swap remains in effect. The City received specific authorization to enter into these agreements, or swaps, under Section 54.90 of the New York State Local Finance Law. As of June 30, 2008, the outstanding notional amount on the City's various swap agreements was $3.04 billion.

Subsequent Events

Subsequent to June 30, 2008, the City and TFA completed the following long-term financing:

Long-term Financing

City Debt: On July 21, 2008, the City converted its Fiscal 1994 Series H bonds of $25 million from Commercial Paper Mode to Daily Mode and its Fiscal 1995 Series B bonds of $50 million from Daily Mode to Weekly Mode to mitigate volatility in the municipal credit markets.

On August 20, 2008, the City converted its Fiscal 2003 Series G bonds of $33.45 million from Auction Rate Mode to Fixed Rate Mode to mitigate volatility in the municipal credit markets; also, the City sold its Fiscal 2009 Series A bonds of $965 million for capital purposes.

On September 30, 2008, the City sold its Fiscal 2009 Series B, C, and D bonds of $1.14 billion for capital and refunding purposes.

On October 23, 2008, the City sold its Fiscal 2009 Series E bonds of $550 million for capital purposes.

TFA Debt: On October 7, 2008, TFA sold its Fiscal 2009 Series S-1 Building Aid Revenue bonds of $300 million for capital purposes.

Commitments

At June 30, 2008, the outstanding commitments relating to projects of the New York City Capital Projects Fund amounted to approximately $18.2 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 New York City Capital Projects Fund expenditures of $74.7 billion over the remaining fiscal years 2009 through 2017. To help meet its capital spending program, the City and TFA borrowed $4.1 billion in the public credit market in fiscal year 2008. The City and TFA plan to borrow $5.6 billion in the public credit market in fiscal year 2009.

Request for Information

This financial report is designed to provide a general overview of the City's finances for all those with an interest in its finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to The City of New York, Office of the Comptroller, Bureau of Accountancy, 1 Centre Street, Room 808, New York, New York 10007-2341.

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THE CITY OF NEW YORK
STATEMENT OF NET ASSETS
JUNE 30, 2008
(in thousands)

	Primary Government	
	Governmental Activities	Component Units
ASSETS:		
Cash and cash equivalents	$ 8,786,324	$ 3,173,800
Investments, including accrued interest	3,508,509	2,580,352
Receivables:		
Real estate taxes (less allowance for uncollectible amounts of $203,001)	317,470	—
Federal, State and other aid	5,948,949	—
Taxes other than real estate	4,587,246	—
Other	1,621,762	2,558,976
Mortgage loans and interest receivable, net	69	5,540,764
Inventories	257,215	42,538
Due from Primary Government	—	22,925
Due from Component Units	1,361,455	—
Restricted cash and investments	4,435,551	2,894,215
Deferred charges	873,065	—
Capital assets:		
Land and construction work-in-progress	5,477,887	5,726,417
Other capital assets (net of depreciation):		
Property, plant and equipment	22,678,469	21,575,625
Infrastructure	8,736,502	—
Other	437,550	1,376,642
Total assets	69,028,023	45,492,254
LIABILITIES:		
Accounts payable and accrued liabilities	12,879,077	1,823,780
Accrued interest payable	677,361	107,310
Unearned revenues:		
Prepaid real estate taxes	3,118,576	—
Other	2,707,270	227,401
Due to Primary Government	—	1,361,455
Due to Component Units	22,925	—
Estimated disallowance of Federal, State and other aid	1,114,543	—
Payable for investment securities purchased	257,000	—
Other	85,906	113,054
Noncurrent liabilities:		
Due within one year	3,994,017	1,506,416
Due in more than one year	133,703,812	33,410,863
Total liabilities	158,560,487	38,550,279
NET ASSETS:		
Invested in capital assets, net of related debt	(3,112,434)	8,487,669
Restricted for:		
Capital projects	1,939,548	62,580
Debt service	6,986,474	777,606
Loans/security deposits	—	59,953
Donor/statutory restrictions	—	48,983
Operations	—	458,434
Unrestricted (deficit)	(95,346,052)	(2,953,250)
Total net assets (deficit)	$(89,532,464)	$ 6,941,975

See accompanying notes to financial statements.

THE CITY OF NEW YORK

STATEMENT OF NET ASSETS

JUNE 30, 2007
(in thousands)

	Primary Government	
	Governmental Activities	Component Units
ASSETS:		
Cash and cash equivalents	$ 8,795,609	$ 3,367,090
Investments, including accrued interest	1,897,633	2,488,658
Receivables:		
Real estate taxes (less allowance for uncollectible amounts of $352,926)	557,878	—
Federal, State and other aid	4,826,378	—
Taxes other than real estate	4,982,417	—
Other	1,237,987	2,751,656
Mortgage loans and interest receivable, net	79	5,146,770
Inventories	261,568	40,313
Due from Primary Government	—	15,718
Due from Component Units	1,221,880	—
Restricted cash and investments	5,781,118	3,418,626
Deferred charges	1,079,700	—
Capital assets:		
Land and construction work-in-progress	4,693,685	5,967,717
Other capital assets (net of depreciation):		
Property, plant and equipment	21,505,610	19,474,137
Infrastructure	8,131,857	—
Other	356,384	698,968
Total assets	65,329,783	43,369,653
LIABILITIES:		
Accounts payable and accrued liabilities	11,362,553	1,717,622
Accrued interest payable	731,737	107,401
Unearned revenues:		
Prepaid real estate taxes	2,695,880	—
Other	2,686,198	216,489
Due to Primary Government	—	1,221,880
Due to Component Units	15,718	—
Estimated disallowance of Federal, State and other aid	1,000,243	—
Payable for investment securities purchased	257,000	—
Other	78,277	110,676
Noncurrent liabilities:		
Due within one year	3,946,241	1,505,132
Due in more than one year	126,255,133	31,026,016
Total liabilities	149,028,980	35,905,216
NET ASSETS:		
Invested in capital assets, net of related debt	(5,239,185)	8,546,383
Restricted for:		
Capital projects	1,410,481	94,494
Debt service	5,384,293	912,804
Loans/security deposits	—	67,410
Donor/statutory restrictions	—	43,751
Operations	—	322,552
Unrestricted (deficit)	(85,254,786)	(2,522,957)
Total net assets (deficit)	$ (83,699,197)	$ 7,464,437

See accompanying notes to financial statements.

THE CITY OF NEW YORK
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2008
(in thousands)

		Program Revenues			Net (Expense) Revenue and Changes in Net Assets	
					Primary Government	
Functions/Programs	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Component Units
Primary government:						
General government	$ 3,892,968	$ 784,024	$ 844,807	$ 27,597	$ (2,236,540)	$ —
Public safety and judicial	16,253,188	302,161	555,770	11,395	(15,383,862)	—
Education	21,597,632	69,925	9,838,874	987,945	(10,700,888)	—
City University	733,165	195,703	176,196	—	(361,266)	—
Social services	13,529,238	33,947	4,826,623	8,277	(8,660,391)	—
Environmental protection	3,406,311	1,353,616	19,308	4,236	(2,029,151)	—
Transportation services	1,793,394	880,845	201,804	155,442	(555,303)	—
Parks, recreation and cultural activities	897,363	97,452	12,732	36,262	(750,917)	—
Housing	1,403,838	247,187	376,953	127,808	(651,890)	—
Health (including payments to HHC)	2,309,449	129,563	1,014,906	—	(1,164,980)	—
Libraries	310,048	—	—	4,860	(305,188)	—
Debt service interest	2,615,635	—	—	—	(2,615,635)	—
Total primary government	$68,742,229	$4,094,423	$17,867,973	$1,363,822	(45,416,011)	—
Component Units	$13,463,488	$9,070,937	$ 2,128,958	$1,082,222	—	(1,181,371)
General revenues:						
Taxes (Net of Refunds):						
Real estate taxes					12,823,352	—
Sales and use taxes					6,238,357	—
Personal income tax					9,813,965	—
Income taxes, other					6,514,783	—
Other taxes					2,664,944	—
Investment income					637,711	344,049
Unrestricted Federal and State aid					632,162	6,892
Other					257,470	156,024
Total general revenues					39,582,744	506,965
Change in net assets					(5,833,267)	(674,406)
Net Assets (Deficit) - Beginning					(83,699,197)	7,616,381
Net Assets (Deficit) - Ending					$(89,532,464)	$ 6,941,975

See accompanying notes to financial statements.

THE CITY OF NEW YORK
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2007
(in thousands)

		Program Revenues			Net (Expense) Revenue and Changes in Net Assets	
					Primary Government	
Functions/Programs	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Component Units
Primary government:						
General government	$ 3,057,503	$ 716,687	$ 750,801	$ 52,268	$ (1,537,747)	$ —
Public safety and judicial	15,510,212	384,840	576,334	2,552	(14,546,486)	—
Education	19,645,691	61,056	8,905,177	480,026	(10,199,432)	—
City University	675,888	195,766	166,392	1,133	(312,597)	—
Social services	12,080,533	44,388	4,446,502	4,609	(7,585,034)	—
Environmental protection	3,218,040	1,205,445	9,959	17,664	(1,984,972)	—
Transportation services	1,839,849	801,441	175,737	200,890	(661,781)	—
Parks, recreation and cultural activities	780,515	75,798	9,698	18,230	(676,789)	—
Housing	1,287,183	208,802	365,056	104,698	(608,627)	—
Health (including payments to HHC)	3,025,268	71,799	953,352	—	(2,000,117)	—
Libraries	375,453	1	—	169	(375,283)	—
Debt service interest	2,560,133	—	—	—	(2,560,133)	—
Total primary government	$64,056,268	$3,766,023	$16,359,008	$ 882,239	(43,048,998)	—
Component Units	$14,298,914	$9,477,788	$ 2,249,623	$ 920,387	—	(1,651,116)
General revenues:						
Taxes (Net of Refunds):						
Real estate taxes					12,891,783	—
Sales and use taxes					6,430,020	—
Personal income tax					8,715,777	—
Income taxes, other					7,877,281	—
Other taxes					2,863,364	—
Investment income					669,173	292,609
Unrestricted Federal and State aid					498,791	3,237
Other					297,427	(378,595)
Total general revenues					40,243,616	(82,749)
Change in net assets					(2,805,382)	(1,733,865)
Net Assets (Deficit) - Beginning					(80,893,815)	9,198,302
Net Assets (Deficit) - Ending					$(83,699,197)	$ 7,464,437

See accompanying notes to financial statements.

THE CITY OF NEW YORK

GOVERNMENTAL FUNDS
BALANCE SHEET

JUNE 30, 2008
(in thousands)

	General	New York City Capital Projects	General Debt Service	Nonmajor Governmental Funds	Adjustments/ Eliminations	Total Governmental Funds
ASSETS:						
Cash and cash equivalents	$ 4,685,418	$ 31,637	$4,023,830	$ 45,439	$ —	$ 8,786,324
Investments, including accrued interest	2,150,177	—	1,100,681	257,651	—	3,508,509
Accounts receivable:						
Real estate taxes (less allowance for uncollectible amounts of $203,001)	317,470	—	—	—	—	317,470
Federal, State and other aid	5,158,894	790,055	—	—	—	5,948,949
Taxes other than real estate	4,140,791	—	—	446,455	—	4,587,246
Other	1,537,742	—	—	84,020	—	1,621,762
Mortgage loans and interest receivable (less allowance for uncollectible amounts of $319,711)	—	—	—	69	—	69
Due from other funds	3,253,329	144,348	—	413,556	(413,556)	3,397,677
Due from Component Units	842,988	518,467	—	—	—	1,361,455
Restricted cash and investments	—	651,327	—	3,784,224	—	4,435,551
Other	—	86,339	—	313,531	—	399,870
Total assets	$22,086,809	$ 2,222,173	$5,124,511	$5,344,945	$ (413,556)	$34,364,882
LIABILITIES AND FUND BALANCES:						
Liabilities:						
Accounts payable and accrued liabilities	$10,251,219	$ 1,885,357	$ 7,243	$ 735,258	$ —	$12,879,077
Accrued tax refunds:						
Real estate taxes	40,538	—	—	—	—	40,538
Personal income tax	48,056	—	—	25,455	—	73,511
Other	178,809	—	—	—	—	178,809
Accrued judgments and claims	394,833	150,620	—	—	—	545,453
Deferred revenues:						
Prepaid real estate taxes	3,118,576	—	—	—	—	3,118,576
Uncollected real estate taxes	262,741	—	—	—	—	262,741
Taxes other than real estate	3,691,170	—	—	—	—	3,691,170
Other	2,531,092	25,196	—	509,582	—	3,065,870
Due to other funds	—	3,666,885	—	144,348	(413,556)	3,397,677
Due to Component Units	22,925	—	—	—	—	22,925
Estimated disallowance of Federal, State and other aid	1,114,543	—	—	—	—	1,114,543
Payable for investment securities purchased	—	—	—	257,000	—	257,000
Total liabilities	21,654,502	5,728,058	7,243	1,671,643	(413,556)	28,647,890
Fund balances:						
Reserved for:						
Capital projects	—	411,125	—	1,528,423	—	1,939,548
Debt service	—	—	5,117,268	1,869,137	—	6,986,405
Noncurrent mortgage loans	—	—	—	69	—	69
Unreserved (deficit), reported in:						
General Fund	432,307	—	—	—	—	432,307
New York City Capital Projects Fund	—	(3,917,010)	—	—	—	(3,917,010)
Nonmajor Capital Projects Funds	—	—	—	42,770	—	42,770
Nonmajor Debt Service Funds	—	—	—	232,903	—	232,903
Total fund balances (deficit)	432,307	(3,505,885)	5,117,268	3,673,302	—	5,716,992
Total liabilities and fund balances	$22,086,809	$ 2,222,173	$5,124,511	$5,344,945	$ (413,556)	$34,364,882

The reconciliation of the fund balances of governmental funds to the net assets (deficit) of governmental activities in the Statement of Net Assets is presented in an accompanying schedule.

See accompanying notes to financial statements.

THE CITY OF NEW YORK
GOVERNMENTAL FUNDS
BALANCE SHEET

JUNE 30, 2007
(in thousands)

	General	New York City Capital Projects	General Debt Service	Nonmajor Governmental Funds	Adjustments/ Eliminations	Total Governmental Funds
ASSETS:						
Cash and cash equivalents	$ 6,429,077	$ 36,277	$2,284,172	$ 46,083	$ —	$ 8,795,609
Investments, including accrued interest	136,728	—	1,094,258	666,647	—	1,897,633
Accounts receivable:						
Real estate taxes (less allowance for uncollectible amounts of $352,926)	557,878	—	—	—	—	557,878
Federal, State and other aid	4,211,523	614,855	—	—	—	4,826,378
Taxes other than real estate	4,397,260	—	—	585,157	—	4,982,417
Other	1,154,897	—	—	83,000	—	1,237,897
Mortgage loans and interest receivable (less allowance for uncollectible amounts of $317,010)	—	—	—	79	—	79
Due from other funds	2,956,382	249,638	—	311,411	(311,411)	3,206,020
Due from Component Units	860,020	361,860	—	—	—	1,221,880
Restricted cash and investments	—	488,443	—	5,292,675	—	5,781,118
Other	—	45,193	—	270,107	—	315,300
Total assets	$20,703,765	$ 1,796,266	$3,378,430	$7,255,159	$(311,411)	$32,822,209
LIABILITIES AND FUND BALANCES:						
Liabilities:						
Accounts payable and accrued liabilities	$ 9,196,929	$ 1,772,144	$ 6,434	$ 387,046	$ —	$11,362,553
Accrued tax refunds:						
Real estate taxes	48,544	—	—	—	—	48,544
Personal income tax	46,513	—	—	45,149	—	91,662
Other	39,646	—	—	—	—	39,646
Accrued judgments and claims	375,288	85,247	—	—	—	460,535
Deferred revenues:						
Prepaid real estate taxes	2,695,880	—	—	—	—	2,695,880
Uncollected real estate taxes	493,601	—	—	—	—	493,601
Taxes other than real estate	3,934,476	—	—	—	—	3,934,476
Other	2,429,629	—	—	621,082	—	3,050,711
Due to other funds	—	3,267,793	—	249,638	(311,411)	3,206,020
Due to Component Units	15,718	—	—	—	—	15,718
Estimated disallowance of Federal, State and other aid	1,000,243	—	—	—	—	1,000,243
Payable for investment securities purchased	—	—	—	257,000	—	257,000
Total liabilities	20,276,467	5,125,184	6,434	1,559,915	(311,411)	26,656,589
Fund balances:						
Reserved for:						
Capital projects	—	282,088	—	1,128,393	—	1,410,481
Debt service	—	—	3,371,996	2,012,218	—	5,384,214
Noncurrent mortgage loans	—	—	—	79	—	79
Unreserved (deficit), reported in:						
General Fund	427,298	—	—	—	—	427,298
New York City Capital Projects Fund	—	(3,611,006)		—	—	(3,611,006)
Nonmajor Capital Projects Funds	—	—	—	1,910,089	—	1,910,089
Nonmajor Debt Service Funds	—	—	—	644,465	—	644,465
Total fund balances (deficit)	427,298	(3,328,918)	3,371,996	5,695,244	—	6,165,620
Total liabilities and fund balances	$20,703,765	$ 1,796,266	$3,378,430	$7,255,159	$(311,411)	$32,822,209

The reconciliation of the fund balances of governmental funds to the net assets (deficit) of governmental activities in the Statement of Net Assets is presented in an accompanying schedule.

See accompanying notes to financial statements.

THE CITY OF NEW YORK

RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS TO THE STATEMENT OF NET ASSETS

JUNE 30, 2008
(in thousands)

Amounts reported for *governmental activities* in the Statement of Net Assets are different because:

Total fund balances—governmental funds	$ 5,716,992
Inventories recorded in the Statement of Net Assets are recorded as expenditures in the governmental funds	257,215
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds	36,892,858
Other long-term assets are not available to pay for current period expenditures and, therefore, are deferred in the funds	5,223,256
Long-term liabilities are not due and payable in the current period and accordingly are not reported in the funds:	
Bonds and notes payable	(58,058,125)
OPEB liability	(63,290,218)
Accrued interest payable	(677,361)
Capital lease obligations	(2,024,663)
Accrued vacation and sick leave	(3,389,007)
Pension liability	(692,200)
Landfill closure and post-closure care costs	(1,698,490)
Other long-term liabilities	(7,792,721)
Net assets (deficit) of governmental activities	$(89,532,464)

See accompanying notes to financial statements.

THE CITY OF NEW YORK

RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS TO THE STATEMENT OF NET ASSETS

JUNE 30, 2007
(in thousands)

Amounts reported for *governmental activities* in the Statement of Net Assets are different because:

Total fund balances—governmental funds	$ 6,165,620
Inventories recorded in the Statement of Net Assets are recorded as expenditures in the governmental funds	261,568
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds	34,331,152
Other long-term assets are not available to pay for current period expenditures and, therefore, are deferred in the funds	5,913,464
Long-term liabilities are not due and payable in the current period and accordingly are not reported in the funds:	
Bonds and notes payable	(56,281,716)
OPEB liability	(57,761,938)
Accrued interest payable	(731,737)
Capital lease obligations	(2,831,919)
Accrued vacation and sick leave	(3,110,959)
Pension liability	(726,600)
Landfill closure and post-closure care costs	(1,612,871)
Other long-term liabilities	(7,313,261)
Net assets (deficit) of governmental activities	$(83,699,197)

See accompanying notes to financial statements.

THE CITY OF NEW YORK
GOVERNMENTAL FUNDS
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES

FOR THE YEAR ENDED JUNE 30, 2008
(in thousands)

	General	New York City Capital Projects	General Debt Service	Nonmajor Governmental Funds	Adjustments/ Eliminations	Total Governmental Funds
REVENUES:						
Real estate taxes	$13,203,930	$ —	$ —	$ —	$ —	$13,203,930
Sales and use taxes	6,228,357	—	—	—	—	6,228,357
Personal income tax	9,764,209	—	—	163,756	—	9,927,965
Income taxes, other	6,784,783	—	—	—	—	6,784,783
Other taxes	2,619,250	—	—	—	—	2,619,250
Federal, State and other categorical aid	18,088,020	1,357,927	—	170,000	—	19,615,947
Unrestricted Federal and State aid	242,115	—	—	—	—	242,115
Charges for services	2,125,870	—	—	—	—	2,125,870
Tobacco settlement	—	—	—	210,937	—	210,937
Investment income	376,798	—	18,007	239,725	—	634,530
Interest on mortgages, net	—	—	—	3,181	—	3,181
Other revenues	1,990,185	2,309,050	53	2,408,102	(2,376,158)	4,331,232
Total revenues	61,423,517	3,666,977	18,060	3,195,701	(2,376,158)	65,928,097
EXPENDITURES:						
General government	1,827,649	1,650,614	—	514,390	—	3,992,653
Public safety and judicial	7,258,568	282,627	—	—	—	7,541,195
Education	16,855,125	2,358,237	—	2,356,596	(2,376,158)	19,193,800
City University	620,730	37,345	—	—	—	658,075
Social services	12,511,340	64,448	—	—	—	12,575,788
Environmental protection	2,082,731	2,500,851	—	—	—	4,583,582
Transportation services	1,187,099	813,901	—	—	—	2,001,000
Parks, recreation and cultural activities	450,151	563,886	—	—	—	1,014,037
Housing	679,584	502,617	—	—	—	1,182,201
Health (including payments to HHC)	1,587,844	205,624	—	—	—	1,793,468
Libraries	266,399	25,294	—	—	—	291,693
Pensions	5,616,289	—	—	—	—	5,616,289
Judgments and claims	625,395	—	—	—	—	625,395
Fringe benefits and other benefit payments	3,956,861	—	—	—	—	3,956,861
Administrative and other	312,555	—	124,375	40,728	—	477,658
Debt Service:						
Interest	—	—	1,611,184	971,140	—	2,582,324
Redemptions	—	—	1,757,820	550,388	—	2,308,208
Lease payments	158,482	—	—	—	—	158,482
Total expenditures	55,996,802	9,005,444	3,493,379	4,433,242	(2,376,158)	70,552,709
Excess (deficiency) of revenues over expenditures	5,426,715	(5,338,467)	(3,475,319)	(1,237,541)	—	(4,624,612)
OTHER FINANCING SOURCES (USES):						
Transfers from General Fund	—	—	5,212,167	209,539	—	5,421,706
Transfers from Nonmajor Capital Projects Funds	—	1,656,409	—	154,931	—	1,811,340
Principal amount of bonds issued	—	3,425,400	—	700,000	—	4,125,400
Bond premium	—	62,948	87,414	5,557	—	155,919
Capitalized leases	—	16,743	—	—	—	16,743
Refunding bond proceeds	—	—	3,956,945	—	—	3,956,945
Transfers to New York City Capital Projects Fund	—	—	—	(1,656,409)	—	(1,656,409)
Transfers from (to) General Debt Service Fund	(5,212,167)	—	—	4,789	—	(5,207,378)
Transfers to Nonmajor Debt Service Funds, net	(209,539)	—	(4,789)	(154,931)	—	(369,259)
Payments to refunded bond escrow holder	—	—	(4,031,146)	(14,544)	—	(4,045,690)
Transferable development rights installment purchase agreement	—	—	—	(33,333)	—	(33,333)
Total other financing sources (uses)	(5,421,706)	5,161,500	5,220,591	(784,401)	—	4,175,984
Net change in fund balances	5,009	(176,967)	1,745,272	(2,021,942)	—	(448,628)
FUND BALANCES (DEFICIT) AT BEGINNING OF YEAR	427,298	(3,328,918)	3,371,996	5,695,244	—	6,165,620
FUND BALANCES (DEFICIT) AT END OF YEAR	$ 432,307	$(3,505,885)	$ 5,117,268	$ 3,673,302	$ —	$ 5,716,992

The reconciliation of the net change in fund balances of governmental funds to the change in net assets of governmental activities in the Statement of Net Assets is presented in an accompanying schedule.

See accompanying notes to financial statements.

THE CITY OF NEW YORK

GOVERNMENTAL FUNDS

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES

FOR THE YEAR ENDED JUNE 30, 2007

(in thousands)

	General	New York City Capital Projects	General Debt Service	Nonmajor Governmental Funds	Adjustments/ Eliminations	Total Governmental Funds
REVENUES:						
Real estate taxes	$13,122,812	$ —	$ —	$ —	$ —	$13,122,812
Sales and use taxes	6,412,020	—	—	—	—	6,412,020
Personal income tax	7,963,170	—	—	684,607	—	8,647,777
Income taxes, other	7,451,281	—	—	—	—	7,451,281
Other taxes	2,892,579	—	—	—	—	2,892,579
Federal, State and other categorical aid	16,652,745	875,011	—	170,000	—	17,697,756
Unrestricted Federal and State aid	35,054	—	—	—	—	35,054
Charges for services	1,920,752	—	—	—	—	1,920,752
Tobacco settlement	—	—	—	208,433	—	208,433
Investment income	473,060	—	22,067	169,966	—	665,093
Interest on mortgages, net	—	—	—	4,080	—	4,080
Other revenues	1,849,497	1,922,681	81	1,956,414	(1,861,580)	3,867,093
Total revenues	58,772,970	2,797,692	22,148	3,193,500	(1,861,580)	62,924,730
EXPENDITURES:						
General government	1,619,918	945,278	—	118,080	—	2,683,276
Public safety and judicial	6,841,914	206,533	—	—	—	7,048,447
Education	15,748,016	2,131,709	—	1,863,048	(1,861,580)	17,881,193
City University	577,201	18,409	—	—	—	595,610
Social services	11,078,051	72,644	—	—	—	11,150,695
Environmental protection	1,943,299	2,079,965	—	—	—	4,023,264
Transportation services	1,020,892	827,678	—	—	—	1,848,570
Parks, recreation and cultural activities	410,671	494,052	—	—	—	904,723
Housing	641,216	436,007	—	—	—	1,077,223
Health (including payments to HHC)	2,272,482	246,256	—	—	—	2,518,738
Libraries	330,061	37,857	—	—	—	367,918
Pensions	4,726,200	—	—	—	—	4,726,200
Judgments and claims	564,037	—	—	—	—	564,037
Fringe benefits and other benefit payments	4,846,211	—	—	—	—	4,846,211
Administrative and other	177,801	—	127,567	99,643	—	405,011
Debt Service:						
Interest	—	—	1,626,585	799,987	—	2,426,572
Redemptions	—	—	2,165,491	1,048,496	—	3,213,987
Lease payments	309,612	—	—	—	—	309,612
Total expenditures	53,107,582	7,496,388	3,919,643	3,929,254	(1,861,580)	66,591,287
Excess (deficiency) of revenues over expenditures	5,665,388	(4,698,696)	(3,897,495)	(735,754)	—	(3,666,557)
OTHER FINANCING SOURCES (USES):						
Transfers from General Fund	—	300,000	4,024,185	1,336,388	—	5,660,573
Transfers from Nonmajor Capital Projects Funds	—	2,383,609	—	114,492	—	2,498,101
Principal amount of bonds issued	—	820,000	—	5,340,710	—	6,160,710
Bond premium	—	24,845	44,792	264,555	—	334,192
Capitalized leases	—	45,265	—	—	—	45,265
Refunding bond proceeds	—	—	1,127,830	321,400	—	1,449,230
Transfers to New York City Capital Projects Fund	(300,000)	—	—	(2,383,609)	—	(2,683,609)
Transfers from (to) General Debt Service Fund	(4,024,185)	—	—	4,605	—	(4,019,580)
Transfers to Nonmajor Debt Service Funds, net	(1,336,388)	—	(4,605)	(114,492)	—	(1,455,485)
Payments to refunded bond escrow holder	—	—	(1,166,383)	(377,671)	—	(1,544,054)
Transferable development rights installment purchase agreement	—	—	—	102,345	—	102,345
Total other financing sources (uses)	(5,660,573)	3,573,719	4,025,819	4,608,723	—	6,547,688
Net change in fund balances	4,815	(1,124,977)	128,324	3,872,969	—	2,881,131
FUND BALANCES (DEFICIT) AT BEGINNING OF YEAR	422,483	(2,203,941)	3,243,672	1,822,275	—	3,284,489
FUND BALANCES (DEFICIT) AT END OF YEAR	$ 427,298	$(3,328,918)	$ 3,371,996	$ 5,695,244	$ —	$ 6,165,620

The reconciliation of the net change in fund balances of governmental funds to the change in net assets of governmental activities in the Statement of Net Assets is presented in an accompanying schedule.

See accompanying notes to financial statements.

THE CITY OF NEW YORK

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED JUNE 30, 2008
(in thousands)

Amounts reported for *governmental activities* in the Statement of Activities are different because:

Net change in fund balances—governmental funds		$ (448,628)
Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period.		
Purchases of capital assets	$ 5,542,866	
Depreciation expense	(2,264,510)	3,278,356
The net effect of various miscellaneous transactions involving capital assets and other (*i.e.* sales, trade-ins, and donations) is to decrease net assets		86,253
The issuance of long-term debt (*i.e.,* bonds, capital leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. Also, governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items.		
Proceeds from sales of bonds	(8,082,345)	
Principal payments of bonds	6,197,979	
Other	(49,849)	(1,934,215)
Some expenses reported in the statement of activities do not require the use of current financial resources and therefore, are not reported as expenditures in governmental funds		(567,465)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds		(719,288)
OPEB obligation		(5,528,280)
Change in net assets—governmental activities		$ (5,833,267)

See accompanying notes to financial statements.

THE CITY OF NEW YORK

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED JUNE 30, 2007
(in thousands)

Amounts reported for *governmental activities* in the Statement of Activities are different because:

Net change in fund balances—governmental funds		$ 2,881,131
Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period.		
Purchases of capital assets	$ 4,168,181	
Depreciation expense	(1,994,493)	2,173,688
The net effect of various miscellaneous transactions involving capital assets and other (*i.e.* sales, trade-ins, and donations) is to decrease net assets		96,914
The issuance of long-term debt (*i.e.,* bonds, capital leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. Also, governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items.		
Proceeds from sales of bonds	(7,709,940)	
Principal payments of bonds	4,423,849	
Other	(65,000)	(3,351,091)
Some expenses reported in the statement of activities do not require the use of current financial resources and therefore, are not reported as expenditures in governmental funds		(594,990)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds		243,453
OPEB obligation		(4,254,487)
Change in net assets—governmental activities		$ (2,805,382)

See accompanying notes to financial statements.

THE CITY OF NEW YORK
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE BUDGET AND ACTUAL

FOR THE YEAR ENDED JUNE 30, 2008
(in thousands)

	Budget			Better (Worse) Than Modified Budget
	Adopted	Modified	Actual	
Revenues:				
Real estate taxes	$12,854,090	$13,163,336	$13,203,930	$ 40,594
Sales and use taxes	6,082,000	6,185,000	6,228,357	43,357
Personal income tax	8,486,850	9,713,897	9,764,209	50,312
Income taxes, other	6,007,000	5,968,000	6,784,783	816,783
Other taxes	3,045,085	3,638,397	2,619,250	(1,019,147)
Federal, State and other categorical aid	17,110,310	18,552,901	18,088,020	(464,881)
Unrestricted Federal and State aid	339,797	254,497	242,115	(12,382)
Charges for services	1,950,572	2,085,839	2,125,870	40,031
Investment income	387,300	365,470	376,798	11,328
Other revenues	1,716,876	2,512,615	1,990,185	(522,430)
Total revenues	57,979,880	62,439,952	61,423,517	(1,016,435)
Expenditures:				
General government	1,998,923	1,926,139	1,827,649	98,490
Public safety and judicial	6,918,820	7,336,835	7,258,568	78,267
Education	16,974,359	16,961,745	16,855,125	106,620
City University	628,425	659,895	620,730	39,165
Social services	12,240,877	12,609,939	12,511,340	98,599
Environmental protection	2,144,383	2,114,997	2,082,731	32,266
Transportation services	836,887	1,222,810	1,187,099	35,711
Parks, recreation and cultural activities	455,346	463,512	450,151	13,361
Housing	604,108	716,263	679,584	36,679
Health (including payments to HHC)	1,626,443	1,624,410	1,587,844	36,566
Libraries	47,261	266,724	266,399	325
Pensions	5,603,272	5,620,242	5,616,289	3,953
Judgments and claims	634,806	628,700	625,395	3,305
Fringe benefits and other benefit payments	3,573,181	3,995,113	3,956,861	38,252
Lease payments for debt service	176,914	158,482	158,482	—
Other	1,169,056	720,637	312,555	408,082
Total expenditures	55,633,061	57,026,443	55,996,802	1,029,641
Excess of revenues over expenditures	2,346,819	5,413,509	5,426,715	13,206
Other Financing Sources (Uses):				
Transfer to Nonmajor Debt Service Fund	(10,000)	(761,545)	(761,545)	—
Transfer from Nonmajor Debt Service Fund	549,136	551,580	552,006	426
Transfer to New York City Capital Projects Fund	(100,000)	—	—	—
Transfers and other payments for debt service	(2,785,955)	(5,203,544)	(5,212,167)	(8,623)
Total other financing sources (uses)	(2,346,819)	(5,413,509)	(5,421,706)	(8,197)
Excess of Revenues over Expenditures and Other Financing Sources (Uses)	$ —	$ —	5,009	$ 5,009
Fund Balance at Beginning of Year			427,298	
Fund Balance at End of Year			$ 432,307	

See accompanying notes to financial statements.

THE CITY OF NEW YORK
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE BUDGET AND ACTUAL

FOR THE YEAR ENDED JUNE 30, 2007
(in thousands)

	Budget			Better (Worse) Than Modified Budget
	Adopted	Modified	Actual	
Revenues:				
Real estate taxes	$13,140,204	$13,097,924	$13,122,812	$ 24,888
Sales and use taxes	5,580,300	6,281,000	6,412,020	131,020
Personal income tax	6,812,101	7,930,450	7,963,170	32,720
Income taxes, other	4,583,500	6,645,000	7,451,281	806,281
Other taxes	2,404,964	3,980,942	2,892,579	(1,088,363)
Federal, State and other categorical aid	15,884,228	17,040,746	16,652,745	(388,001)
Unrestricted Federal and State aid	339,797	33,461	35,054	1,593
Charges for services	1,819,560	1,914,051	1,920,752	6,701
Investment income	313,220	477,160	473,060	(4,100)
Other revenues	1,667,050	2,265,348	1,849,497	(415,851)
Total revenues	52,544,924	59,666,082	58,772,970	(893,112)
Expenditures:				
General government	1,731,098	1,704,281	1,619,918	84,363
Public safety and judicial	6,652,146	6,931,718	6,841,914	89,804
Education	15,446,218	15,875,591	15,748,016	127,575
City University	573,801	601,186	577,201	23,985
Social services	10,388,283	11,226,460	11,078,051	148,409
Environmental protection	2,027,331	2,005,268	1,943,299	61,969
Transportation services	749,457	1,060,096	1,020,892	39,204
Parks, recreation and cultural activities	391,695	416,875	410,671	6,204
Housing	559,497	665,793	641,216	24,577
Health (including payments to HHC)	2,413,440	2,345,777	2,272,482	73,295
Libraries	39,377	330,697	330,061	636
Pensions	4,754,616	4,736,838	4,726,200	10,638
Judgments and claims	601,506	564,380	564,037	343
Fringe benefits and other benefit payments	4,337,174	4,846,210	4,846,211	(1)
Interest on short-term borrowings	36,685	—	—	—
Lease payments for debt service	284,773	312,380	309,612	2,768
Other	1,014,626	464,250	177,801	286,449
Total expenditures	52,001,723	54,087,800	53,107,582	980,218
Excess of revenues over expenditures	543,201	5,578,282	5,665,388	87,106
Other Financing Uses:				
Transfer to Nonmajor Debt Service Fund	(10,000)	(1,274,215)	(1,336,388)	(62,173)
Transfer to New York City Capital Projects Fund	(200,000)	(300,000)	(300,000)	—
Transfers and other payments for debt service	(333,201)	(4,004,067)	(4,024,185)	(20,118)
Total other financing uses	(543,201)	(5,578,282)	(5,660,573)	(82,291)
Excess of Revenues over Expenditures and Other Financing Uses	$ —	$ —	4,815	$ 4,815
Fund Balance at Beginning of Year			422,483	
Fund Balance at End of Year			$ 427,298	

See accompanying notes to financial statements.

THE CITY OF NEW YORK

FIDUCIARY FUNDS
STATEMENT OF FIDUCIARY NET ASSETS

JUNE 30, 2008
(in thousands)

	Pension and Other Employee Benefit Trust Funds	Other Trust Funds	Agency Funds
ASSETS:			
Cash and cash equivalents	$1,011,866	$ 2,200	$ 819,721
Receivables:			
Member loans	1,380,848	—	—
Investment securities sold	5,108,536	—	—
Accrued interest and dividends	528,002	—	—
Tax liens receivable (less allowance for uncollectible amounts of $143,324)	—	127,945	—
Other	27,074	—	—
Investments:			
Other short-term investments	2,920,948	—	—
Debt securities	27,326,198	—	952,804
Equity securities	54,269,589	—	—
Guaranteed investment contracts	2,503,315	—	—
Management investment contracts	74,549	—	—
Mutual funds	28,376,591	—	—
Collateral from securities lending transactions	17,318,580	—	—
Due from Pension Funds	4,243	—	—
Restricted investments	—	28,409	—
Other	392,192	2,273	—
Total assets	141,242,531	160,827	1,772,525
LIABILITIES:			
Accounts payable and accrued liabilities	951,610	3,324	697,596
Payable for investment securities purchased	5,785,424	—	—
Bonds payable, net of discounts	—	65,196	—
Accrued benefits payable	511,805	—	—
Payable to New York City Water Board	—	16,896	—
Due to Variable Supplements Trust Fund	4,243	—	—
Securities lending transactions	17,345,400	—	—
Other	589	—	1,074,929
Total liabilities	24,599,071	85,416	1,772,525
NET ASSETS:			
Held in Trust for Benefit Payments	$116,643,460		$ —
Held in Trust for Fiduciary Net Assets		$ 75,411	

See accompanying notes to financial statements.

THE CITY OF NEW YORK

FIDUCIARY FUNDS
STATEMENT OF FIDUCIARY NET ASSETS

JUNE 30, 2007
(in thousands)

	Pension and Other Employee Benefit Trust Funds	Agency Funds
ASSETS:		
Cash and cash equivalents	$ 1,359,747	$ 802,795
Receivables:		
Member loans	1,330,296	—
Investment securities sold	4,922,027	—
Accrued interest and dividends	503,496	—
Other	76,395	—
Investments:		
Other short-term investments	3,287,284	—
Debt securities	27,436,521	897,893
Equity securities	62,274,477	—
Guaranteed investment contracts	2,472,629	—
Management investment contracts	89,908	—
Mutual funds	30,110,263	—
Collateral from securities lending transactions	21,119,743	—
Due from Pension Funds	4,355	—
Other	88,107	—
Total assets	155,075,248	1,700,688
LIABILITIES:		
Accounts payable and accrued liabilities	1,408,044	728,045
Payable for investment securities purchased	6,935,436	—
Accrued benefits payable	574,015	—
Due to Variable Supplements Trust Funds	4,355	—
Securities lending transactions	21,163,951	—
Other	531	972,643
Total liabilities	30,086,332	1,700,688
NET ASSETS:		
Held in Trust for Benefit Payments	$124,988,916	$ —

See accompanying notes to financial statements.

THE CITY OF NEW YORK

FIDUCIARY FUNDS

STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS

FOR THE YEAR ENDED JUNE 30, 2008
(in thousands)

	Pension and Other Employee Benefit Trust Funds	Other Trust Funds
ADDITIONS:		
Contributions:		
Member contributions	$ 1,458,013	$ —
Employer contributions	8,387,130	—
Other employer contributions	27,577	—
Total contributions	9,872,720	—
Investment income:		
Interest income	2,118,591	—
Dividend income	1,712,201	—
Net depreciation in fair value of investments	(9,803,408)	—
Other	—	564
Less investment expenses	325,668	—
Investment income, net	(6,298,284)	564
Securities lending transactions:		
Securities lending income	1,021,683	—
Securities lending fees	(871,639)	—
Net securities lending income	150,044	—
Tax liens receivables	—	89,265
Decrease in allowance for doubtful accounts	—	1,989
Payments from Pension Funds	8,556	—
Other	54,789	—
Total additions	3,787,825	91,818
DEDUCTIONS:		
Benefit payments and withdrawals	11,970,529	—
Bond interest expense	—	1,029
Distributions to The City of New York	—	42,805
Additional liability due to New York City Water Board	—	1,982
Payments to Variable Supplemental Funds	8,556	—
Increase in allowance for doubtful accounts	—	16,509
Administrative expenses	124,236	4,673
Other	29,960	10,605
Total deductions	12,133,281	77,603
Increase (decrease) in plan net assets	(8,345,456)	14,215
NET ASSETS:		
Held in Trust for Benefit Payments:		
Beginning of Year	124,988,916	—
End of Year	$116,643,460	—
Held in Trust for Fiduciary Net Assets:		
Beginning of Year		61,196
End of Year		$ 75,411

See accompanying notes to financial statements.

THE CITY OF NEW YORK

FIDUCIARY FUNDS

STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS

FOR THE YEAR ENDED JUNE 30, 2007
(in thousands)

	Pension and Other Employee Benefit Trust Funds
ADDITIONS:	
Contributions:	
Member contributions	$ 1,409,070
Employer contributions	8,323,415
Other employer contributions	21,839
Total contributions	9,754,324
Investment income:	
Interest income	1,987,595
Dividend income	2,072,722
Net appreciation in fair value of investments	15,925,884
Less investment expenses	275,408
Investment income, net	19,710,793
Securities lending transactions:	
Securities lending income	1,253,727
Securities lending fees	(1,195,918)
Net securities lending income	57,809
Payments from Pension Funds	7,608
Other	84,929
Total additions	29,615,463
DEDUCTIONS:	
Benefit payments and withdrawals	11,497,207
Payments to Variable Supplements Trust Funds	7,608
Other	4,754
Administrative expenses	112,353
Total deductions	11,621,922
Increase in plan net assets	17,993,541
NET ASSETS:	
Held in Trust for Benefit Payments:	
Beginning of Year	106,995,375
End of Year	$124,988,916

See accompanying notes to financial statements.

THE CITY OF NEW YORK
COMPONENT UNITS
STATEMENT OF NET ASSETS

JUNE 30, 2008
(in thousands)

	Water and Sewer System	Housing Authority December 31, 2007	Housing Development Corporation October 31, 2007	Health and Hospitals Corporation	Economic Development Corporation	Nonmajor Component Units	Total
ASSETS:							
Cash and cash equivalents	$ 1,249,401	$ 582,896	$ 218,545	$ 977,897	$ 68,773	$ 76,288	$ 3,173,800
Investments, including accrued interest	446,854	745,002	264,123	100,578	28,241	995,554	2,580,352
Other receivables	372,300	109,507	389,248	1,483,856	188,853	15,212	2,558,976
Mortgage loans and interest receivable, net	—	66	5,489,526	—	51,172	—	5,540,764
Inventories	—	7,826	—	34,712	—	—	42,538
Due from Primary Government	22,925	—	—	—	—	—	22,925
Restricted cash and investments	—	165,644	1,907,264	168,413	123,133	529,761	2,894,215
Capital assets:							
Construction work-in-progress	4,011,216	1,382,276	—	331,830	1,095	—	5,726,417
Property, plant and equipment	23,013,895	9,844,807	4,577	5,577,311	5,680	227,135	38,673,405
Accumulated depreciation	(7,677,961)	(5,992,091)	(2,813)	(3,363,508)	(3,043)	(58,364)	(17,097,780)
Other	154,404	69,662	48,384	17,412	52,060	1,034,720	1,376,642
Total assets	21,593,034	6,915,595	8,318,854	5,328,501	515,964	2,820,306	45,492,254
LIABILITIES:							
Accounts payable and accrued liabilities	84,183	311,864	286,968	965,722	166,075	8,968	1,823,780
Accrued interest payable	29,306	7,396	59,277	11,331	—	—	107,310
Deferred revenues	74,676	16,485	119,193	—	12,533	4,514	227,401
Due to Primary Government	518,467	—	842,988	—	—	—	1,361,455
Other	17,363	31,799	—	—	32,055	31,837	113,054
Noncurrent Liabilities:							
Due within one year	1,035,015	125,809	193,131	152,461	—	—	1,506,416
Due in more than one year	18,668,133	2,530,480	5,704,137	3,832,337	112,434	2,563,342	33,410,863
Total liabilities	20,427,143	3,023,833	7,205,694	4,961,851	323,097	2,608,661	38,550,279
NET ASSETS:							
Invested in capital assets, net of related debt	1,737,181	5,023,714	—	1,574,650	2,637	149,487	8,487,669
Restricted for:							
Capital projects	—	—	—	—	62,580	—	62,580
Debt service	209,130	—	455,733	112,743	—	—	777,606
Loans/security deposits	—	—	—	—	56,234	3,719	59,953
Statutory reserve	—	—	—	37,208	—	—	37,208
Donor restrictions	—	—	—	11,775	—	—	11,775
Operations	200,438	257,996	—	—	—	—	458,434
Unrestricted (deficit)	(980,858)	(1,389,948)	657,427	(1,369,726)	71,416	58,439	(2,953,250)
Total net assets	$ 1,165,891	$ 3,891,762	$1,113,160	$ 366,650	$ 192,867	$ 211,645	$ 6,941,975

See accompanying notes to financial statements.

THE CITY OF NEW YORK
COMPONENT UNITS
STATEMENT OF NET ASSETS

JUNE 30, 2007
(in thousands)

	Water and Sewer System	Housing Authority December 31, 2006	Housing Development Corporation October 31, 2006	Health and Hospitals Corporation	Economic Development Corporation	Off-Track Betting Corporation	Nonmajor Component Units	Total
ASSETS:								
Cash and cash equivalents	$ 1,175,086	$ 569,379	$ 224,082	$ 1,225,523	$ 64,016	$ 20,471	$ 88,533	$ 3,367,090
Investments, including accrued interest	437,464	681,862	267,132	100,814	21,382	—	980,004	2,488,658
Other receivables	447,486	104,747	337,518	1,263,437	112,677	644	485,147	2,751,656
Mortgage loans and interest receivable, net	—	83	5,095,738	—	50,949	—	—	5,146,770
Inventories	—	10,134	—	30,179	—	—	—	40,313
Due from Primary Government	15,718	—	—	—	—	—	—	15,718
Restricted cash and investments	—	250,635	1,491,539	178,667	114,621	8,088	1,375,076	3,418,626
Capital assets:								
Construction work-in-progress	4,338,126	1,293,002	—	335,494	1,095	—	—	5,967,717
Property, plant and equipment	20,532,735	9,514,986	4,609	5,266,501	8,339	68,539	189,180	35,584,889
Accumulated depreciation	(7,125,846)	(5,684,444)	(2,828)	(3,182,663)	(5,770)	(57,079)	(52,122)	(16,110,752)
Other	134,673	79,610	46,585	19,587	31,884	—	386,629	698,968
Total assets	19,955,442	6,819,994	7,464,375	5,237,539	399,193	40,663	3,452,447	43,369,653
LIABILITIES:								
Accounts payable and accrued liabilities	42,898	354,098	263,248	914,776	92,455	41,334	8,813	1,717,622
Accrued interest payable	34,609	7,726	53,267	11,799	—	—	—	107,401
Deferred revenues	73,727	30,764	104,571	—	4,022	—	3,405	216,489
Due to Primary Government	361,860	—	859,819	—	—	201	—	1,221,880
Other	13,654	30,174	—	583	29,457	5,381	31,427	110,676
Noncurrent Liabilities:								
Due within one year	1,010,971	120,261	180,809	153,184	—	7,377	32,530	1,505,132
Due in more than one year	16,691,440	2,397,896	4,968,605	3,547,892	104,079	138,720	3,177,384	31,026,016
Total liabilities	18,229,159	2,940,919	6,430,319	4,628,234	230,013	193,013	3,253,559	35,905,216
NET ASSETS:								
Invested in capital assets, net of related debt	2,056,879	4,967,031	—	1,371,576	2,569	11,270	137,058	8,546,383
Restricted for:								
Capital projects	—	—	—	20,669	67,628	6,197	—	94,494
Debt service	161,661	—	448,713	114,237	—	—	188,193	912,804
Loans/security deposits	—	—	—	—	63,828	—	3,582	67,410
Statutory reserve	—	—	—	32,667	—	—	—	32,667
Donor restrictions	—	—	—	11,084	—	—	—	11,084
Operations	175,161	147,391	—	—	—	—	—	322,552
Unrestricted (deficit)	(667,418)	(1,235,347)	585,343	(940,928)	35,155	(169,817)	(129,945)	(2,522,957)
Total net assets (deficit)	$ 1,726,283	$ 3,879,075	$ 1,034,056	$ 609,305	$ 169,180	$ (152,350)	$ 198,888	$ 7,464,437

See accompanying notes to financial statements.

THE CITY OF NEW YORK
COMPONENT UNITS
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2008
(in thousands)

	Water and Sewer System	Housing Authority December 31, 2007	Housing Development Corporation October 31, 2007	Health and Hospitals Corporation	Economic Development Corporation	Nonmajor Component Units	Total
Expenses	$ 2,876,805	$ 2,994,987	$ 279,370	$6,380,742	$ 832,658	$ 98,926	$13,463,488
Program Revenues:							
Charges for services	2,103,287	729,154	266,384	5,655,542	257,142	59,428	9,070,937
Operating grants and contributions	—	1,813,220	—	279,715	36,023	—	2,128,958
Capital grants, contributions and other	—	361,669	—	155,679	546,813	18,061	1,082,222
Total program revenues	2,103,287	2,904,043	266,384	6,090,936	839,978	77,489	12,282,117
Net (expenses) program revenues	(773,518)	(90,944)	(12,986)	(289,806)	7,320	(21,437)	(1,181,371)
General Revenues:							
Investment income	108,892	61,278	84,531	47,151	7,597	34,600	344,049
Unrestricted Federal and State aid	—	—	—	—	6,892	—	6,892
Other	104,234	42,353	7,559	—	1,878	—	156,024
General revenues, net	213,126	103,631	92,090	47,151	16,367	34,600	506,965
Change in net assets	(560,392)	12,687	79,104	(242,655)	23,687	13,163	(674,406)
Net Assets—Beginning	1,726,283	3,879,075	1,034,056	609,305	169,180	198,482	7,616,381
Net Assets—Ending	$ 1,165,891	$ 3,891,762	$ 1,113,160	$ 366,650	$ 192,867	$ 211,645	$ 6,941,975

See accompanying notes to financial statements.

THE CITY OF NEW YORK

COMPONENT UNITS
STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED JUNE 30, 2007
(in thousands)

	Water and Sewer System	Housing Authority December 31, 2006	Housing Development Corporation October 31, 2006	Health and Hospitals Corporation	Economic Development Corporation	Off-Track Betting Corporation	Nonmajor Component Units	Total
EXPENSES	$ 2,804,227	$ 4,403,149	$ 235,353	$ 5,887,605	$ 592,280	$ 285,943	$ 90,357	$ 14,298,914
PROGRAM REVENUES:								
Charges for services	2,133,077	690,258	256,767	5,863,324	210,484	252,068	71,810	9,477,788
Operating grants and contributions	—	1,910,000	—	307,770	31,853	—	—	2,249,623
Capital grants, contributions and other	—	356,611	—	199,350	346,193	—	18,233	920,387
Total program revenues	2,133,077	2,956,869	256,767	6,370,444	588,530	252,068	90,043	12,647,798
Net (expenses) program revenues.	(671,150)	(1,446,280)	21,414	482,839	(3,750)	(33,875)	(314)	(1,651,116)
GENERAL REVENUES:								
Investment income	98,132	52,596	64,629	49,416	8,646	1,588	17,602	292,609
Unrestricted Federal and State aid	—	—	—	—	3,237	—	—	3,237
Other	(600,080)	24,735	98,154	94,178	1,650	2,227	541	(378,595)
General revenues	(501,948)	77,331	162,783	143,594	13,533	3,815	18,143	(82,749)
Change in net assets	(1,173,098)	(1,368,949)	184,197	626,433	9,783	(30,060)	17,829	(1,733,865)
Net Assets (deficit)—Beginning	2,899,381	5,248,024	849,859	(17,128)	159,397	(122,290)	181,059	9,198,302
Net Assets (deficit)—Ending	$ 1,726,283	$ 3,879,075	$ 1,034,056	$ 609,305	$ 169,180	$ (152,350)	$ 198,888	$ 7,464,437

See accompanying notes to financial statements.

A. Summary of Significant Accounting Policies

The accompanying basic 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 of America as prescribed by the Governmental Accounting Standards Board (GASB). The amounts shown in the "Primary Government" and "Component Units" columns of the accompanying government-wide 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:

1. Reporting Entity

The City of New York is a municipal corporation governed by the Mayor and the City Council. The City's operations also include those normally performed at the county level, and accordingly, transactions applicable to the operations of the five counties that comprise the City are included in these financial statements.

The financial reporting entity consists of the primary government including the Department of Education and the community colleges of the City University of New York, other 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.

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.

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). MAC is a corporate governmental agency and instrumentality of the State constituting a public benefit corporation. MAC was created by State legislation enacted in 1975 (as amended to date, the Act) for purposes of providing financing assistance including funding for certain oversight of the City's financial activities. To carry out such purposes, MAC was empowered to sell bonds and notes for the purpose of paying or loaning the proceeds of such sales to the City and to exchange its obligations for those of the City.

The Act provides that MAC shall continue for a term ending the later of July 1, 2008 or one year after all its liabilities have been fully paid and discharged. On July 1, 2008, MAC paid in full all its previously defeased bonds from amounts placed in an irrevocable trust. On July 1, 2008, MAC will have other liabilities such as accounts payable outstanding. MAC expects all of its liability to be paid and discharged by its final Board meeting on September 24, 2008, at which time it is contemplated that the Board will make the necessary statutory findings for dissolution and termination and set the date of termination at September 30, 2009. Upon the termination of the existence of MAC, all of its rights and property shall pass to and be vested in the State of New York.

New York City Transitional Finance Authority (TFA). TFA, a corporate governmental agency constituting a public benefit corporation and instrumentality of the State of New York was created in 1997 to assist the City in funding its capital program, the purpose of which is to maintain, rebuild, and expand the infrastructure of the City.

In addition to State legislative authorization to issue Future Tax Secured bonds for capital purposes for which TFA had issued its statutory limit of $13.5 billion as of June 30, 2007, TFA is authorized to have outstanding Recovery bonds of $2.5 billion to fund the City's costs related to and arising from events on September 11, 2001 at the World Trade Center; also, legislation enacted in

April, 2006 enables TFA to have outstanding up to $9.4 billion of Building Aid Revenue bonds for purposes of funding costs of the five-year educational facilities capital plan for the City school system and TFA's operating expenditures. As of June 30, 2008, $2.0 billion of Building Aid Revenue bonds have been issued and are outstanding.

TFA does not have any employees; its affairs are administered by employees of the City and of another component unit of the City, for which TFA pays a management fee, rent, and overhead based on its allocated share of personnel and overhead costs.

TSASC, Inc. (TSASC). TSASC is a special purpose, local development corporation organized in 1999 under the not-for-profit corporation law 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 (TSRs) 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 TSRs received by New York State. The future rights, title, and interest of the City to the TSRs were sold to TSASC.

The purchase price of the City's future right, title, and interest in the TSRs was financed by the issuance of a series of bonds and the Residual Certificate. Prior to the restructuring of TSASC's debt, the Residual Certificate represented the entitlement to receive all TSRs after payment of debt service, operating expenses, and certain other costs as set forth in the original Indenture.

On February 8, 2006, TSASC restructured all outstanding indebtedness by issuing Series 2006-1 bonds in the amount of $1.35 billion. The restructuring relieved TSASC of its obligation under the original bond Indenture to deposit a portion of all amounts in excess of specified percentages of TSRs and other revenue (Collections) into a trapping account.

Under the Amended and Restated Indenture dated January 1, 2006, the Residual Certificate represents the entitlement to receive Collections used to fund debt service and operating expenses of TSASC. The Collections in excess of the specified percentages will be transferred to the TSASC Tobacco Settlement Trust (Trust), as owner of the Residual Certificate and then to the City as the beneficial owner of the Trust. The Indenture allows transfers to the Trust after December 6, 2007.

The Indenture provides that a specified percentage of Collections are pledged, and required to be applied to the payment of debt service and operating costs. That percentage is 37.40% and is subject to reduction at June 1, 2024, and at each June 1st thereafter, depending on the magnitude of cumulative bond redemptions under the turbo redemption feature of Series 2006-1 bonds (which requires all pledged Collections, after payment of operating costs, to be applied to payment of principal of and interest on Series 2006-1 bonds).

TSASC does not have any employees; its affairs are administered by employees of the City and of another component unit of the City, for which TSASC pays a management fee, rent, and overhead based on its allocated share of personnel and overhead costs.

New York City Educational Construction Fund (ECF). ECF was created in 1967 as a corporate governmental agency of the State of New York, constituting a public benefit corporation. ECF was established to develop combined occupancy structures containing school and nonschool portions. ECF was created by the Education Law of the State and is authorized to issue bonds, notes, or other obligations to finance the construction and improvement of elementary and secondary school buildings within the City.

New York City School Construction Authority (SCA). SCA is a public benefit corporation created by the New York State Legislature in 1988. SCA's responsibilities as defined in the enabling legislation are the design, construction, reconstruction, improvement, rehabilitation and repair of the City's public schools. SCA is governed by a three-member Board of Trustees, all of whom are appointed by the Mayor which includes the Schools Chancellor of the City who serves as the Chairman.

SCA's operations are funded by appropriations made by the City which are guided by five-year capital plans, developed by the Department of Education (DOE) of the City.

SCA carries out certain projects funded by the City Council and Borough Presidents, pursuant to the City Charter.

As SCA represents a pass-through entity, in existence for the sole purpose of capital projects, all expenditures are capitalized into construction-in-progress. Upon completion of construction-in-progress projects, the assets are transferred to DOE.

Fiscal Year 2005 Securitization Corporation (FSC). FSC was established in 2004 as a special purpose, bankruptcy-remote, local development corporation organized under the not-for-profit corporation law of the State of New York. FSC is a financing instrumentality of the City, but is a separate legal entity from the City. FSC was formed for the purpose of issuing bonds, a major portion of the proceeds of $499 million of bonds issued in December, 2004 was used to acquire securities held in an escrow account securing City general obligation bonds. The securities, which are held by the trustee for FSC, as they mature will fully fund the debt service and operational expenditures of FSC for the life of FSC's bonds.

FSC does not have any employees; its affairs are administered by employees of the City and of another component unit of the City, for which FSC pays a management fee, rent, and overhead based on its allocated share of personnel and other costs.

Sales Tax Asset Receivable Corporation (STAR). STAR is a special purpose, bankruptcy-remote, local development corporation organized under the not-for-profit corporation law of the State of New York in 2003. STAR is a financing instrumentality of the City, but is a separate legal entity from the City. STAR was created to issue debt ($2.55 billion of bonds was issued in November, 2004) to finance the payment of principal, interest, and redemption premium (if any), on all outstanding bonds of MAC, on all outstanding bonds of the City held by MAC, and to reimburse the City for amounts retained by MAC since July 1, 2003 for debt service. The payment of the outstanding MAC bonds results in the receipt by the City of tax revenues that would otherwise be paid to MAC for the payment of debt service on MAC's bonds. The foregoing was consideration for an assignment by the City of all of its rights and interest in the $170 million annual payment by the New York State Local Government Assistance Corporation which commenced with fiscal year 2004 and will terminate with fiscal year 2034 and which will be used for debt service on STAR bonds.

STAR does not have any employees; its affairs are administered by employees of the City and of another component unit of the City, for which STAR pays a management fee, rent, and overhead based on its allocated share of personnel and other costs.

Hudson Yards Development Corporation (HYDC). HYDC, a local development corporation organized by the City under the not-for-profit corporation law of the State of New York began operations in 2005 to manage and implement the City's economic development initiative for the development and redevelopment activities (Project) of the Hudson Yards area on the West Side of Manhattan (Project Area). HYDC is governed by a Board of Directors, a majority of whom are appointed by the Mayor. HYDC works with various City and State agencies and authorities and with private developers on the design and construction and implementation of the various elements of the Project, and to further private development and redevelopment of the Project Area.

Hudson Yards Infrastructure Corporation (HYIC). HYIC, a local development corporation organized by the City under the not-for-profit corporation law of the State of New York began operations in 2005 for the purpose of financing certain infrastructure improvements in the Hudson Yards area on the West Side of Manhattan (Project). HYIC does not engage in development directly, but finances development to be spearheaded by HYDC and carried out by existing public entities. HYIC fulfills its purpose through the issuance of bonds to finance the Project, including the operations of HYDC, and to collect revenues, including payments in lieu of taxes and district improvement bonuses from private developers and appropriations from the City, to support its operations and pay principal and interest on its outstanding bonds. HYIC is governed by a Board of Directors elected by its five Members, all of whom are officials of the City. HYIC's Certificate of Incorporation requires the vote of an independent director as a condition to taking certain actions; the independent director would be appointed by the Mayor prior to any such actions.

HYIC does not have any employees; its affairs are administered by employees of the City and of another component unit of the City, for which HYIC pays a management fee, rent, and overhead based on its allocated share of personnel and other costs.

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 component units column in the government-wide financial statements include 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). HHC, a public benefit corporation, assumed responsibility for the operation of the City's municipal hospital system in 1970. HHC's integrated health care networks provide the full continuum of care—primary and specialty care, inpatient acute, outpatient, long-term care, and home health services—under a single medical and financial management structure. HHC's financial statements include the accounts of HHC and its blended component units, MetroPlus Health Plan, Inc., HHC Insurance Company, Inc., HHC Capital Corporation, and a closely affiliated not-for-profit corporation, The HHC Foundation of New York City, Inc.

HHC mainly provides, on behalf of the City, comprehensive medical and mental health services to City residents regardless of ability to pay. Funds appropriated from the City are payments, either directly or indirectly, for services rendered by HHC. The City pays for patient care rendered to prisoners, uniformed City employees, and various discretely funded facility-specific programs. HHC records both a revenue and an expense in an amount equal to expenditures made on its behalf by the City which includes settlements of claims for medical malpractice, negligence, other torts, and alleged breach of contracts, as well as other HHC costs including interest on City debt which funded HHC capital acquisitions. HHC reimburses the City for medical malpractice settlements it pays on behalf of HHC, up to an agreed upon amount to be negotiated each year.

New York City Off-Track Betting Corporation (OTB). 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% capital acquisition surcharge on multiple, exotic, and super exotic wagering pools; (iv) breakage, the revenue resulting from the rounding down of winning payoffs; (v) uncashed pari-mutuel tickets which represent winning tickets outstanding; and (vi) 50% of all out-of-state and 45% of all Finger Lakes simulcasting surcharge revenues. Pursuant to State law, OTB: (i) distributes various portions of the surcharge to other localities in the State; (ii) allocates various percentages of wagers handled to the racing industry; (iii) allocates various percentages of wagers handled together with all uncashed pari-mutuel tickets to the State; (iv) pays regulatory fees (.50% of OTB's gross handle) to the Racing and Wagering Board and (v) distributes to the City the remaining portion of surcharge (surcharge revenue), generally 50% from the tracks after deducting the amounts payable to other local governments and the revenue derived from surcharge. Also, after deducting the Corporation's operating expenses and statutory distributions any remaining net income, except for amounts retained for capital acquisitions, is distributable to the City. There is no such amount available for distribution for fiscal year 2007. In addition, OTB acted as a collection agent for the City with respect to surcharge and surcharge breakage due from other community off-track betting corporations.

On June 17, 2008, Governor Paterson signed legislation, designated as Chapter 115 of the Laws of 2008 that provided for a State takeover of OTB. In connection with this takeover, provisions of the Racing, Pari-Mutuel Wagering and Breeding Law were amended to reflect OTB's status change from being a component unit of The City of New York to becoming a component unit of the State of New York.

Capital assets and obligations related to the change have been reflected in the City's financial statements.

Jay Street Development Corporation (JSDC). JSDC is a special purpose, local development corporation organized by the City in 2000 under the not-for-profit corporation law of the State of New York. JSDC is an instrumentality of the City, but is a separate legal entity from the City. JSDC was created to purchase, lease, sublease, own, hold, sell, assign, or pledge the real property known as the Court Unit of 330 Jay Street Condominium located at 330 Jay Street in Brooklyn, New York and to finance the costs of construction of a building thereon which will be used for the "Courts Facility."

The City entered into a Lease and Agreement with JSDC for the City to lease the Courts Facility in exchange for rental payments in amounts sufficient to pay the principal of and interest (and redemption premium, if any) on JSDC's bonds, financing costs for the bonds, administrative expenses of JSDC, and certain other costs. The City also entered into a ground lease with the Developer for an undivided interest in the land appurtenant to the Courts Facility (Ground Lease). On April 1, 2005, JSDC purchased the Courts Facility from the Developer pursuant to its purchase option under the lease with the Developer. The City assigned to JSDC its purchase option under the Ground Lease, and on April 1, 2005, JSDC also purchased the undivided interest in the land appurtenant to the Courts Facility from the Developer, pursuant to that assigned option. Upon expiration of the lease and agreement in 2022 (when all of JSDC's outstanding bonds would have been paid), the title for the Courts Facility and the undivided interest in the land appurtenant would transfer to the City. The City had the option to purchase the Courts Facility and the undivided interest in the land appurtenant to the Courts Facility at any time prior to the expiration of the lease and agreement by providing 60 days written notice and making payment to JSDC of an amount sufficient to pay in full all principal and interest on bonds outstanding and all other obligations of JSDC.

On April 23, 2008, the City exercised the purchase option, at which time the City's obligations under the lease and agreement were paid. JSDC used the funds from the City, together with amounts on hand, to retire all of its outstanding bonds. As of June 30, 2008, JSDC retained approximately $1.4 million to wind down its affairs, after which any remaining funds will be returned to the City.

JSDC does not have any employees; its affairs are administered by employees of another component unit of the City, for which JSDC pays a management fee based on its allocated share of personnel and overhead costs.

New York City Housing Development Corporation (HDC). HDC, a corporate governmental agency constituting a public benefit corporation of the State of New York was established in 1971 to encourage private housing development by providing low interest mortgage loans. The combined financial statements include: (i) the accounts of HDC and (ii) two active discretely presented component units: Housing Assistance Corporation and the New York City Residential Mortgage Insurance Corporation. Also, HDC includes the Housing New York Corporation which became an inactive subsidiary of HDC on November 3, 2003 and is not expected to be dissolved and the NYC HDC Real Estate Owned Corporation which was established as a subsidiary of HDC on September 20, 2004 and during HDC's last fiscal year, there was no activity by this subsidiary. It is treated as a blended component of HDC. HDC finances significant amounts of its activities through issuance of bonds and notes. The bonds and notes of HDC are not debts of either the State or the City. HDC has a fiscal year ending October 31.

To accomplish its objectives, HDC is empowered to finance housing through new construction or rehabilitation and to provide permanent financing for multi-family residential housing. HDC is supported by mortgage loan earnings and other loan-related interests representing HDC's major source of operating revenue which also includes various loan and bond program fees such as commitment, financing, and mortgage insurance and servicing fees on certain of its mortgage loans and for loans serviced for the City. HDC's nonoperating revenues consist mostly of earnings on investments including purpose investments. HDC maintains separate accounts for each bond issue and component unit, and its general operating fund to control and manage money for particular purposes and to demonstrate that it is properly using specific resources.

New York City Housing Authority (HA). HA is a public benefit corporation chartered in 1934 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. HA also maintains a leased housing program which provides housing assistance payments to families.

Substantial operating deficits result from the essential services that HA provides, and such operating deficits will continue in the foreseeable future. To meet the funding requirements of these operating deficits, HA receives subsidies from: (a) the Federal government, primarily the U.S. Department of Housing and Urban Development, 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 debt service and capital payments; and (c) the City in the form of debt service and capital payments. Subsidies are established through budgetary procedures which establish amounts to be funded by the grantor agencies. Projected operating surplus or deficit amounts are budgeted on an annual basis and approved by the grantor agency. Capital project budgets are submitted at various times during the year. HA has a calendar year-end.

New York City Industrial Development Agency (IDA). IDA is a public benefit corporation established in 1974 to actively promote, retain, attract, encourage, and develop an economically sound commerce and industry base to prevent unemployment and economic deterioration in the City. IDA assists industrial, commercial, and not-for-profit organizations in obtaining long-term, low-cost financing for fixed assets through a financing transaction which includes the issuance of double and triple tax-exempt industrial development bonds (IDBs). The participating organizations, in addition to satisfying legal requirements under IDA's governing laws, must meet certain economic development criteria, the most important of which is job creation and/or retention. In addition, IDA assists participants who do not qualify for IDBs through a "straight lease" structure. The straight lease also provides tax benefits to the participants without having to issue IDBs or otherwise take part in the participants' financing. Whether IDA issues IDBs or merely enters into a straight lease, IDA may provide one or more of the following tax benefits: exemption from mortgage recording tax; payments in lieu of real property taxes that are less than full taxes; and exemption from City and State sales and use taxes as applied to construction materials and machinery and equipment. IDA is governed by a Board of Directors, which establishes official policies and reviews and approves requests for financing assistance. Its membership is prescribed by statute and includes public officials and private business leaders.

New York City Economic Development Corporation (EDC). EDC is a local development corporation organized in 1966 according to the not-for-profit corporation law of the State of New York. EDC's financial statements include the accounts of EDC and its affiliates, Metropolitan Business Assistance, Ltd. and Apple Industrial Development Corporation. EDC renders a variety of services and administers certain economic development programs on behalf of the City relating to attraction, retention, and expansion of commerce and industry in the City. These services and programs include encouragement of construction, acquisition, rehabilitation, and improvement of commercial and industrial enterprises within the City, and provision of grants to qualifying business enterprises as a means of helping to create and retain employment therein.

New York City Marketing Development Corporation (MDC). MDC is a local development corporation organized in 2003 under the not-for-profit corporation law of the State of New York. MDC is the City's central office for sponsorship, licensing, brand management, media management, advertising, and marketing. MDC assists the City through the development, enhancement, and protection of the trademarks, patents, copyrights, and other unique intangible assets of the City and by utilizing these assets in developing marketing partnerships, sponsorships, and licensing and other agreements for the financial benefit of the City. MDC's goals are to generate revenue for the City without raising taxes; support City agencies and important City initiatives; and promote the City for economic development, business prosperity, and growth in employment and tourism.

For fiscal year 2007, MDC operated under an extension of its contract with the City for fiscal year 2006. Midway through fiscal year 2007, the City decided to transition the functions and operations of MDC to another City-affiliated not-for-profit, NYC & Company, Inc. (NYCC). During this process, all employees of MDC became employees of NYCC effective February 1, 2007. The transition was completed with the registration of the NYCC contract with the City on June 14, 2007, which incorporated all the services formerly provided by MDC, and with the assignment of all MDC's revenue contracts to NYCC as of June 28, 2007. As a result, MDC's contract with the City was allowed to expire on June 30, 2007 and will only function to meet any outstanding financial and legal obligations incurred prior to that date.

Business Relocation Assistance Corporation (BRAC). BRAC is a not-for-profit corporation incorporated in 1981 according to the not-for-profit corporation law of the State of New York for the purpose of implementing and administering the Relocation Incentive Program (RIP) and other related programs. BRAC provides relocation assistance to qualifying commercial and manufacturing firms moving within the City.

The funds for RIP were provided by owners/developers of certain residential projects which caused the relocation of commercial and manufacturing businesses previously located at those sites. These funds consisted of conversion contributions or escrow payments mandated by the City's Zoning Resolution for this type of development. The ability of BRAC to extract fees for residential conversion ended as of January 1, 1998 per the Zoning Resolution.

As required by the Zoning Resolution, developers/owners of specific City properties needed to pay a conversion contribution (BRAC payment) in order to receive a building permit for the conversion of space from commercial to residential use. As stipulated by the Zoning Resolution, in the event that such conversion resulted in the displacement of industrial and/or commercial firms located within the City, the developer was required to establish an escrow account for each business displaced. The funds were released to the displaced firm once eligible relocation had taken place.

Contributions were deposited to the BRAC fund in the event that a displaced firm did not relocate within the City. In addition, if the space to be converted was vacant for less than five years, the conversion contribution was made directly to the BRAC fund.

All conversion contributions received by BRAC are restricted for the use of administering industrial retention/relocation programs consistent with the Zoning Resolution. One such program, the Industrial Relocation Grant Program provides grants up to $30,000 to eligible New York City manufacturing firms to defray their moving costs. Grants are awarded after a firm completes its relocation. This program will continue to operate only with the current accumulated net assets now available.

In fiscal year 2007, BRAC had received $1.5 million in contributions from EDC to administer the Greenpoint Relocation Program. This program is intended to help defray relocation costs for those industrial firms that may need to relocate due to the rezoning of the Greenpoint-Williamsburg area of Brooklyn by providing for maximum grants of $50,000. Grants for the Greenpoint Relocation Program will be available until funds are exhausted.

Brooklyn Navy Yard Development Corporation (BNYDC). BNYDC was organized in 1966 as a not-for-profit corporation according to the not-for-profit corporation law of the State of New York. The primary purpose of BNYDC is to provide economic rehabilitation in Brooklyn, to revitalize the economy, and create job opportunities. In 1971, BNYDC leased the Brooklyn Navy Yard from the City for the purpose of rehabilitating it and attracting new businesses and industry to the area. That lease was amended and restated in 1996. The Mayor appoints the majority of the members of the Board of Directors.

New York City Water Board (Water Board) and New York City Municipal Water Finance Authority (Water Authority). The Water and Sewer System (NYW), consisting of two legally separate and independent entities, the Water Board and the Water Authority began operations in 1985. NYW 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, and to refund any and all outstanding bonds and general obligation bonds of the City issued for water and sewer purposes. The Water Board was established to lease the water distribution and sewage collection system from the City and to establish and collect rates, fees, rents, and other charges for the use of, or for services furnished, rendered, or made available by the water distribution and sewage collection system to produce cash sufficient to pay debt service on the Water Authority's bonds and to place NYW on a self-sustaining basis. The physical operation and capital improvements of NYW are performed by the City's DEP subject to contractual agreements with the Water Board and Water Authority.

WTC Captive Insurance Company, Inc. (WTC Captive). WTC Captive is a not-for-profit corporation incorporated in the State of New York in 2004 in response to the events of September 11, 2001. WTC Captive was funded by the Federal Emergency Management Agency (FEMA) and used this funding to support issuance of a liability insurance contract that provides specified coverage (general liability, environmental liability, professional liability, and marine liability) against certain third-party claims made against the City and approximately 145 contractors and subcontractors working on the City's FEMA-funded debris removal project at the World Trade Center site or the Fresh Kills landfill during the 'exposure period' from September 11, 2001 to August 30, 2002. Coverage is provided on both an excess of loss and first dollar basis, depending on the line of coverage. WTC Captive has a calendar year-end.

New York City Capital Resource Corporation (CRC). CRC is a local development corporation organized in 2006 under the not-for-profit corporation law of the State of New York to assist qualified not-for-profit institutions, small manufacturing companies, and other entities eligible under the Federal tax laws in obtaining tax-exempt bond financing. CRC is a conduit bond issuer for the Loan Enhanced Assistance Program (LEAP). LEAP's goal is to facilitate access to private activity tax-exempt bond financing for qualified borrowers by simplifying the transaction structure, standardizing the required documentation, and achieving greater efficiency in marketing the tax-exempt debt.

CRC is a self-supporting entity and charges various program fees which may include application fees, financing fees, legal fees, and compliance fees. CRC is governed by a Board of Directors, which establishes official policies and reviews and approves requests for financing assistance. Its membership is prescribed by statute and includes public officials and private business leaders.

Note: These organizations publish separate annual financial statements which are available at: Office of the Comptroller, Bureau of Accountancy—Room 808, 1 Centre Street, New York, New York 10007.

2. Basis of Presentation

Government-wide Statements: The government-wide financial statements (*i.e.,* the statement of net assets and the statement of activities), display information about the primary government and its component units. These statements include the financial activities of the overall government except for fiduciary activities. Eliminations of internal activity have been made in these statements. The primary government is reported separately from certain legally separate component units for which the primary government is financially accountable. All of the activities of the City as primary government are governmental activities.

The statement of activities presents a comparison between direct expenses, which include allocated indirect expenses, and program revenues for each function of the City's governmental activities. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include: (i) charges for services such as rental revenue from operating leases on markets, ports, and terminals and (ii) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or program. Taxes and other revenues not properly included among program revenues are reported as general revenues.

Fund Financial Statements: The fund financial statements provide information about the City's funds, including fiduciary funds and blended component units. Separate statements for the governmental and fiduciary fund categories are presented. The emphasis of fund financial statements is on major governmental funds, each displayed in a separate column. All remaining governmental funds are aggregated and reported as nonmajor funds.

The City uses funds 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.

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 component units), each category, in turn, is divided into separate "fund types."

The City reports the following major governmental funds:

General Fund. This 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 liabilities.

New York City Capital Projects Fund. This fund is used to record all revenues, expenditures, assets, and liabilities associated with City capital projects. It accounts for resources used to construct or acquire fixed assets and make capital improvements. Resources of the New York City Capital Projects Fund are derived principally from proceeds of City and TFA bond issues, payments from the Water Authority, and from Federal, State, and other aid.

General Debt Service Fund. This fund, required by State legislation on January 1, 1979 is 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.

Additionally, the City reports the following fund types:

Fiduciary Funds

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

The **Pension and Other Employee Benefit Trust Funds** account for the operations of:

- 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 Pension Fund (POLICE)
- New York City Fire Pension Fund (FIRE)

- New York City Police Department Police Officers' Variable Supplements Fund (POVSF)
- New York City Police Department Police Superior Officers' Variable Supplements Fund (PSOVSF)
- New York City Fire Department Firefighters' Variable Supplements Fund (FFVSF)
- New York City 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 Officers' Variable Supplements Fund (COVSF)
- Deferred Compensation Plan for Employees of The City of New York and Related Agencies and Instrumentalities (DCP/457 Plan)
- Deferred Compensation Plan for Employees of The City of New York and Related Agencies and Instrumentalities (DCP/401(k) Plan)
- Deferred Compensation Plan for Employees of The City of New York and Related Agencies and Instrumentalities (DCP/408(q) Plan)
- New York City Retiree Health Benefits Trust (RHBT)

The **Other Trust Funds** account for the operations of:

- New York City Tax Lien Trust (NYCTLT 2008-A)
- New York City Tax Lien Trust (NYCTLT 2006-A)
- New York City Tax Lien Trust (NYCTLT 2005-A)
- New York City Tax Lien Trust (NYCTLT 2004-A)
- New York City Tax Lien Trust (NYCTLT 1999-1)
- New York City Tax Lien Trust (NYCTLT 1998-2)
- New York City Tax Lien Trust (NYCTLT 1998-1)
- New York City Tax Lien Trust (NYCTLT 1996-1)

Note: These organizations publish separate annual financial statements which are available at: Office of the Comptroller, Bureau of Accountancy—Room 808, 1 Centre Street, New York, New York 10007.

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 benefit 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.

Discretely Presented Component Units

The discretely presented component units consist of **HHC, HDC, HA, EDC, NYW** and the nonmajor component units. 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.

New Accounting Standards Adopted

In fiscal year 2008, the City adopted two new statements of financial accounting standards issued by the Governmental Accounting Standards Board (GASB):

—Statement No. 48 *Sales and Pledges of Receivables and Future Revenues and Intra-Entity Transfers of Assets and Future Revenues*

—Statement No. 50 *Pension Disclosures,* an amendment of GASB Statements No. 25 and No. 27

Statement No. 48 establishes criteria that governments will use to ascertain whether certain transactions should be regarded as a sale or as a collateralized borrowing. Such transactions are likely to comprise the sale of delinquent property tax liens, certain mortgages, student loans, or future revenues such as those arising from tobacco settlement agreements.

Statement No. 48 also includes a provision that stipulates that governments should not revalue assets that are transferred between financial reporting entity components.

In addition to clarifying guidance (supersedes Technical Bulletin No. 2004-1, *Tobacco Settlement Recognition and Financial Reporting Entity Issues* and amends Statement No. 34, *Basic Financial Statements—and Management's Discussion and Analysis—for State and Local Governments)* on accounting for sales and pledges of receivables and future revenues, Statement No. 48:

- Requires enhanced disclosures pertaining to future revenues that have been pledged or sold. These disclosures are intended to provide financial statement users with information about which revenues will be unavailable for other purposes and how long they will continue to be so.
- Provides guidance on sales of receivables and future revenues within the same financial reporting entity.
- Provides guidance on recognizing other assets and liabilities arising from the sale of specific receivables or future revenues, including residual interests and recourse provisions.

The implementation of Statement No. 48 did not have a material impact on the City's financial statements.

Statement No. 50 establishes and modifies requirements related to financial reporting by pension plans and by employers that provide defined benefit and defined contribution pensions. The Statement more closely aligns the financial reporting requirements for pensions with those for Other Postemployment Benefits (OPEB) and consequently, enhances information disclosed in notes to financial statements or presented as required supplementary information (RSI) by pension plans and by employers that provide pension benefits. The reporting changes required by Statement No. 50 amend applicable note disclosure and RSI requirements of Statements No. 25, *Financial Reporting for Defined Benefit Pension Plans and Note Disclosures for Defined Contribution Plans,* and No. 27, *Accounting for Pensions by State and Local Governmental Employers,* to conform with requirements of Statements No. 43, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans,* and No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions.* The Statement is intended to improve the transparency and decision usefulness of reported information about pensions by state and local governmental plans and employers.

There was no impact on the City's financial statements as a result of the implementation of Statement No. 50.

3. Basis of Accounting

The basis of accounting determines when transactions are reported on the financial statements. The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place. Nonexchange transactions, in which the City either gives or receives value without directly receiving or giving equal value in exchange, include sales and income taxes, property taxes, grants, entitlements, and donations which are recorded on the accrual basis of accounting. Revenues from sales and income taxes are recognized when the underlying exchange transaction takes place. Revenues from property tax are recognized in the fiscal year for which the taxes are levied. Revenues from grants, entitlements, and donations are recognized in the fiscal year in which all eligibility requirements have been satisfied.

Governmental fund types use the flow of current financial resources measurement focus. This focus is on the determination of, and changes in financial position, and generally only current assets and current liabilities are included on the balance sheet. These funds use the modified accrual basis of accounting, whereby revenues are recognized in the accounting period in which they become both measurable and available to finance expenditures of the fiscal period. Revenues from taxes are generally considered available if received within two months after the fiscal year-end. Revenues from categorical and other grants are generally considered available if received within one year after the fiscal year-end. Expenditures are recorded when the related liability is incurred and payment is due, except for principal and interest on long-term debt and certain estimated liabilities which are recorded only when payment is due.

The measurement focus of the Pension and Other Employee Benefit Trust Funds and Other Trust Funds 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 are included on the balance sheet. These funds use the accrual basis of accounting whereby revenues are recognized in the accounting period in which they are earned, and expenses are recognized in the period incurred. The 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.

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 Agency Funds use the accrual basis of accounting and do not measure the results of operations.

4. 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.

5. 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 2008 and 2007 were approximately $443 million and $1,228 million, respectively.

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

Investments in fixed income securities are recorded at fair value. Securities purchased pursuant to agreements to resell are carried at the contract price, exclusive of interest, at which the securities will be resold.

Investments of the Pension and Other Employee Benefit Trust Funds and Other Trust Funds are reported at fair value. Investments are stated at the last reported sales price on a national securities exchange or as priced by a nationally recognized securities pricing service as on the last business day of the fiscal year except for securities held as alternative investments where fair value is determined by the general partners of the partnerships the funds are invested in, and other experts with this asset class.

A description of the City's securities lending activities for the Pension and certain Other Employee Benefit Trust Funds in fiscal years 2008 and 2007 is included in Deposits and Investments (see Note D.1.).

6. Inventories

Inventories on hand at June 30, 2008 and 2007 (estimated at $257 million and $262 million, respectively, based on average cost) have been reported on the government-wide statement of net assets. Inventories are recorded as expenditures in governmental funds at the time of purchase, and accordingly have not been reported on the governmental funds balance sheet.

7. Restricted Cash and Investments

Certain proceeds of the City and 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. None of the government-wide statement of net assets is restricted by enabling legislation.

8. Capital Assets

Capital assets and improvements include substantially all land, buildings, equipment, water distribution and sewage collection system, and other elements of the City's infrastructure having a minimum useful life of five years, having a cost of more than $35,000, and having been appropriated in the Capital Budget (see Note C.1.). Capital assets which are used for general governmental purposes and are not available for expenditure are accounted for and reported in the government-wide financial statements. These statements also contain the City's infrastructure elements that are now required to be capitalized under GAAP. Infrastructure elements include the roads, bridges, curbs and gutters, streets and sidewalks, park land and improvements, and tunnels. The capital 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.

Capital 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 capital assets are stated at their fair market value as of the date of the donation. Capital leases are classified as capital 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 D.3.).

Accumulated depreciation and amortization are reported as reductions of capital assets. Depreciation is computed using the straight-line method based upon estimated useful lives of 40 to 50 years for buildings; 5 to 35 years for equipment; and 15 to 50 years for infrastructure. Capital lease assets and leasehold improvements are amortized over the term of the lease or the life of the asset, whichever is less.

9. Allowance for Uncollectible Mortgage Loans

Mortgage loans and interest receivable in the Debt Service Funds are net of an allowance for uncollectible amounts of $319.7 million and $317.0 million for fiscal years 2008 and 2007, respectively. The allowance is composed of the balance of refinanced first lien mortgages one or more years in arrears where payments to the City are expected to be completed between the years 2012 and 2021.

10. 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 in the fund financial statements. 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 as a liability in the government-wide financial statements.

11. Judgments and Claims

The City is uninsured with respect to risks including, but not limited to, property damage, personal injury, and workers' compensation. In the fund financial statements, 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 when the liability is estimable. In the government-wide financial statements, the estimated liability for all judgments and claims is recorded as a noncurrent liability.

12. Long-term Liabilities

For long-term liabilities, only that portion expected to be financed from expendable available financial resources is reported as a fund liability of a governmental fund. All long-term liabilities are reported in the government-wide financial statement of net assets. Long-term liabilities expected to be financed from discretely presented component unit operations are accounted for in those component unit financial statements.

13. Derivatives

The City did not enter into any new derivative transactions during fiscal years 2008 and 2007. On April 1, 2008, the City executed a bond refunding transaction pursuant to which $101.6 million of bonds associated with a swap that the City had entered into with UBS on January 22, 2003 in connection with a notional amount of $135.05 million were refunded. The swap has the City paying 3.259% and receiving 60.8% of LIBOR. Accordingly, $101.6 million of the swap was deemed terminated for tax purposes as of May 1, 2008. $33.45 million of the swap remains in effect for tax purposes as a hedge on the bonds. Nevertheless, the swap remains in full effect. The marked-to-market value of the swap as of June 30, 2008 was ($6.1) million. In April, 2007, the City and a counterparty did amend one swap confirmation in connection with a synthetic fixed rate swap that had been entered into in January, 2003 with a notional amount of $80 million. The City and the counterparty agreed to eliminate the counterparty's existing cancellation option in exchange for the City's agreement to increase its fixed rate payment from 2.818% per annum to 3.109% per annum starting on August 1, 2007. Certain disclosures have been made for the cumulative derivatives contracted since fiscal year 2003 which are reported at fair value on the government-wide statement of net assets and include disclosure of the objectives for entering into the derivatives and the derivatives' fair values and risk exposures.

Swap Transaction Summary

In an effort to lower its borrowing costs over the life of its bonds and to diversify some of its existing derivatives portfolio, the City has entered into Interest Rate Exchange Agreements (swaps) and sold options related to some of these swaps. As of June 30, 2008 and 2007, the total notional amount of the City's swaps and swaptions outstanding was $3.036 billion and $3.045 billion, respectively. The total marked to market value of the City's swaps and swaptions as of June 30, 2008 and 2007 was approximately $(55.7) million and $14.3 million, respectively, which were reported on the government-wide statement of net assets. The table includes certain significant terms and the marked to market values for the City's cumulative swap transactions.

Transaction Number	**Prior Years Since Fiscal Year 2003** **1-14(a)** **(in thousands)**
Notional Amount:	
as of 6/30/08	$3,035,780
as of 6/30/07	$3,044,785
Up-front Cash Payments to the City	$ 40,585
Option Premiums	$ 19,860
Payments Made by the City:	
as of 6/30/08	$ 390,613
as of 6/30/07	$ 294,385
Payments Received by the City(b):	
as of 6/30/08	$ 455,779
as of 6/30/07	$ 352,865
Marked to Market Value:	
as of 6/30/08	$ (55,662)
as of 6/30/07	$ 14,326

(a) No new swap transactions were entered into by the City during fiscal years 2008 and 2007.

(b) Includes Up-front Cash Payments and Option Premiums.

Risks

While the City did not enter into any new swap transactions during fiscal years 2008 and 2007, below is a list of risks inherent in the types of swap transactions that the City has entered into since fiscal year 2003.

Counterparty Risk: The risk that a counterparty (or its guarantor) will not meet its obligations under the swap. If a counterparty were to default under its agreement when the counterparty would owe a termination payment to the City, the City may have to pay another entity to assume the position of the defaulting counterparty. The City has sought to limit its counterparty risk by contracting only with highly rated entities or requiring guarantees of the counterparty's obligations under the swap documents.

Termination Risk: The risk that a counterparty will terminate a swap at a time when the City owes it a termination payment. The City has mitigated this risk by specifying that the counterparty has the right to terminate only as a result of certain events, including: a payment default by the City; other City defaults which remain uncured for 30 days after notice; City bankruptcy; insolvency of the City (or similar events); or a downgrade of the City's credit rating below investment grade (i.e., BBB-/Baa3). The total return swap has additional termination events in addition to those just described, including: the counterparty may terminate the swap on any business day on which the par value of the bonds exceeds the market value of the bonds by $75 million. The likelihood of such a discrepancy between the par and market values is mitigated by a reset mechanism which adjusts the bond coupon upward or downward by an amount equal to the movement of the AAA Municipal Market Data Index since its previous reset.

Basis Risk: The risk that the City's variable rate payments will not equal its variable rate receipts because they are based on different indices. Under the terms of its synthetic fixed rate swap transactions, the City pays a variable rate on its bonds based on the Securities Industry and Financial Markets Association Index (SIFMA) but receives a variable rate on the swap based on a percentage of the London Interbank Offered Rate (LIBOR). In its August, 2004 basis swap, the City's variable payer rate is based on SIFMA and its variable receiver rate on a percentage of LIBOR. However, the stepped percentages of LIBOR received by the City mitigate the risk that the City will be harmed in low interest rate environments by the compression of the SIFMA and LIBOR indices. As the overall level of interest rates decreases, the percentage of LIBOR received by the City increases.

Tax Risk: The risk that a change in Federal tax rates will alter the fundamental relationship between the SIFMA and LIBOR indices. A reduction in Federal tax rates, for example, will likely increase the City's payment on its underlying variable rate bonds in the synthetic fixed rate transactions and its variable payer rate in the basis swaps.

14. Real Estate Tax

Real estate tax payments for the fiscal year ended June 30, 2008 were due July 1, 2007 and January 1, 2008 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 2008 taxes was June 15, 2007. 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 for the fund financial statements. Additionally, the government-wide financial statements recognize real estate tax revenue (net of refunds) which are not available to the governmental fund type in the fiscal year for which the taxes are levied.

The City offered an actual 1.5% discount for the prepayment of real estate taxes for fiscal years 2009 and 2008. Payment of real estate taxes before July 15, 2008, on properties with an assessed value of $80,000 or less and before July 1, 2008, on properties with an assessed value over $80,000 received the discount. Collections of these real estate taxes received on or before June 30, 2008 and 2007 were $3.1 billion and $2.7 billion, respectively. These amounts were recorded as deferred revenue.

The City sold approximately $37.5 million of real property tax liens, fully attributable to fiscal year 2008, at various dates in fiscal year 2008. 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 5% surcharge. It has been estimated that $3.3 million worth of liens sold in fiscal year 2008 will require refunding. The estimated refund accrual amount of $4.0 million, including the surcharge and interest, resulted in fiscal year 2008 net sale proceeds of $33.5 million.

In fiscal year 2008, $1.9 million, including the surcharge and interest, was refunded for defective liens from the fiscal year 2007 sale. This resulted in an increase to fiscal year 2008 revenue of $2.1 million for the refund amount was less than the fiscal year 2007 accrual of $4 million and increased the net sale proceeds of the fiscal year 2007 sale to $43.3 million up from the original fiscal year 2007 net sale proceeds reported as $41.2 million.

The City sold approximately $45.2 million of real property tax liens, fully attributable to fiscal year 2007, at various dates in fiscal year 2007. 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 5% surcharge. It has been estimated that $3.3 million worth of liens sold in fiscal year 2007 will require refunding. The estimated refund accrual amount of $4 million, including the surcharge and interest, resulted in fiscal year 2007 net sale proceeds of $41.2 million.

In fiscal year 2007, $10 million, including the surcharge and interest, was refunded for defective liens from the fiscal year 2006 sale. This resulted in a decrease to fiscal year 2007 revenue of $1 million for the refund amount was in excess of the fiscal year 2006 accrual of $9 million and decreased the net sale proceeds of the fiscal year 2006 sale to $82 million down from the original fiscal year 2006 net sale proceeds reported as $83.0 million.

In fiscal years 2008 and 2007, $203 million and $353 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 in the governmental funds balance sheet but included in general revenues on the government-wide statement of activities.

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, 2008 and 2007, excess amounts of $672 million and $153 million, respectively, were transferred to the General Debt Service Fund.

15. 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 for the fund financial statements. Additionally, the government-wide financial statements recognize sales and income taxes (net of refunds) which are not available to the governmental fund type in the accounting period for which the taxes are assessed.

16. Federal, State, and Other Aid

For the government-wide and fund financial statements, categorical aid, net of a provision for estimated disallowances is reported as receivables when the related eligibility requirements are met. Unrestricted aid is reported as revenue in the fiscal year of entitlement.

17. Bond Discounts/Issuance Costs

In governmental fund types, bond discounts and issuance costs are recognized as expenditures in the period incurred. Bond discounts in the government-wide financial statements units are deferred and amortized over the term of the bonds using the straight-line method. Bond discounts are presented as a reduction of the face amount of bonds payable, whereas issuance costs are recorded as deferred charges. Bond issuance costs are amortized in the government-wide financial statements over the term of the bonds using the straight-line method.

18. Intra-entity Activity

Payments from a fund receiving revenue to a fund through which the revenue is to be expended are reported as transfers. Such payments include transfers for debt service and capital construction. In the government-wide financial statements, resource flows between the primary government and the discretely presented component units are reported as if they were external transactions.

19. 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 fiscal year paid.

20. Pensions

Pension cost is required to be measured and disclosed using the accrual basis of accounting (see Note E.6.), 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.

21. Other Postemployment Benefits

Other Postemployment Benefits (OPEB) cost for healthcare is required to be measured and disclosed using the accrual basis of accounting (see Note E.5.), regardless of the amount recognized as OPEB expense on the modified accrual basis of accounting. Annual OPEB cost should be equal to the annual required contributions to the OPEB plan, calculated in accordance with certain parameters.

22. 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.

23. Pronouncements Issued But Not Yet Effective

In November, 2006, GASB issued Statement No. 49, *Accounting and Financial Reporting for Pollution Remediation Obligations*. The Statement establishes accounting and financial reporting standards for pollution remediation obligations which are obligations to address the current or potential detrimental effects of existing pollution (e.g., hazardous wastes spills and asbestos contamination) by participating in pollution remediation activities such as site assessments and cleanups. Pollution remediation obligations exclude pollution prevention or control obligations relating to current operations and future pollution remediation activities such as landfill closure and postclosure care. Statement No. 49 identifies the obligating events which require a governmental entity to estimate the components of expected pollution remediation outlays and determine whether outlays for those components should be accrued as a liability or, if appropriate, capitalized when goods and services are acquired. The Statement amends: NCGA Statement 1, *Governmental Accounting and Financial Reporting Principles*, NCGA Statement 4, *Accounting and Financial Reporting Principles for Claims and Judgments and Compensated Absences*, NCGA Interpretation 6, *Notes to the Financial Statements Disclosure*, GASB Statement No. 10, *Accounting and Financial Reporting for Risk Financing and Related Insurance Issues*, and GASB Interpretation No. 6, *Recognition and Measurement of Certain Liabilities and Expenditures in Governmental Fund Financial Statements*, to provide specific reporting guidance for pollution remediation obligations, including disclosure requirements. Comparability of financial statements among governments will be enhanced by Statement No. 49 requiring all governments to account for pollution remediation obligations in the same manner, including required reporting of pollution remediation obligations that previously may not have been reported. The Statement also will enhance users' ability to assess governments' obligations by requiring more timely and complete reporting of obligations as their components become reasonably estimable.

The requirements of Statement No. 49 are effective for financial statements for periods beginning after December 15, 2007, with measurement of pollution remediation liabilities required at the beginning of that period so that beginning net assets can be restated. However, governments that have sufficient objective and verifiable information to apply the expected cash flow technique to measurements in prior periods are required to apply the provisions retroactively for all such prior periods presented. While earlier application of the Statement is encouraged, the City has not completed the process of evaluating the impact of Statement No. 49 on its financial statements.

In June, 2007, GASB issued Statement No. 51, *Accounting and Financial Reporting for Intangible Assets*. The Statement requires that all intangible assets not specifically excluded by its scope provisions be classified as capital assets. Accordingly, existing authoritative guidance related to the accounting and financial reporting for capital assets should be applied to these intangible assets, as applicable. Statement No. 51 also provides authoritative guidance that specifically addresses the nature of these intangible assets. Such guidance should be applied in addition to the existing authoritative guidance for capital assets. The objective of Statement No. 51 is to establish accounting and financial reporting requrements for intangible assets to reduce inconsistencies relating to recognition, initial measurement, and amortization, thereby enhancing the comparability of the accounting and financial reporting of such assets among state and local governments. The Statement requires that an intangible asset be recognized in the Statement of Net Assets only if it is considered indentifiable. Additionally, the Statement establishes a specified-conditions approach to recognizing intangible assets that are internally generated. Effectively, outlays associated with the development of such assets should not begin to be capitalized until certain criteria are met. Outlays incurred prior to meeting these criteria should be expensed as incurred. Statement No. 51 also provides guidance on recognizing internally generated computer software as an intangible asset. This guidance serves as an application of the specified-conditions approach described above to the development cycle of computer software. The Statement also establishes guidance specific to intangible assets related to amortization. Guidance is provided on determining the useful life of intangible assets when the length of their life is limited by contractual or legal provisions. If there are no factors that limit the useful life of an intangible asset, the Statement provides that the intangible asset be considered to have an indefinite useful life. Intangible assets with indefinite useful lives should not be amortized unless their useful life is subsequently determined to no longer be indefinite due to a change in circumstances.

The requirements of Statement No. 51 are effective for financial statements for periods beginning after June 15, 2009. The provisions of this Statement generally are required to be applied retroactively. For the City, retroactive reporting is required for intangible assets acquired in fiscal years ending after June 30, 1980, except for those considered to have indefinite useful lives as of the effective date of the Statement and those that would be considered internally generated. Early implementation of this Statement is not encouraged. The City has not completed the process of evaluating the impact of Statement No. 51 on its financial statements.

In November, 2007, GASB issued Statement No. 52, *Land and Other Real Estate Held as Investments by Endowments*. The Statement requires endowments to report their land and other real estate investments at fair value. Governments also are required to report the changes in fair value as investment income. Statement No. 52 amends the scope of Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools,* to apply the disclosure provisions of paragraph 15 of that Statement to land and other real estate held as investments by endowments. Accordingly, endowments should disclose "the methods and significant assumptions used to estimate the fair value of investments, if that fair value is based on other than quoted market prices." The objective of this Statement is to enhance the comparability and usefulness of financial reporting by endowments by establishing a common approach to reporting land and other real estate held as investments with other entities that exist for similar purposes.

While the provisions of Statement No. 52 are effective for financial statements for periods beginning after June 15, 2008 and its earlier implementation encouraged, there is presently no impact on the City's financial statements from the issuance of Statement No. 52 since the City's governmental funds category does not include a Permanent Funds fund type.

In June, 2008, GASB issued Statement No. 53, *Accounting and Financial Reporting for Derivative Instruments*. The objective of the Statement is to enhance the usefulness and comparability of derivative instrument information reported by state and local governments by providing a comprehensive framework for the recognition, measurement, and disclosure of derivative instrument transactions. Derivative instruments such as interest rate and commodity swaps, interest rate locks, options (caps, floors, and collars), swaptions, forward contracts, and futures contracts are entered into by governments as investments; as hedges of identified financial risks associated with assets or liabilities, or expected transactions (i.e., hedgeable items); to lower the costs of borrowings; to effectively fix cash flows or synthetically fix prices; or to offset the changes in fair value of hedgeable items. A key provision of Statement

No. 53 is that certain derivative instruments, with the exception of synthetic guaranteed investment contracts that are fully benefit-responsive are reported at fair value by governments in their government-wide financial statements. This provision should allow users of those financial statements to more fully understand a government's resources available to provide services. The application of interperiod equity means that changes in fair value are recognized in the reporting period to which they relate. The changes in fair value of hedging derivative instruments do not affect investment revenue but are reported as deferrals. Alternatively, the changes in fair value of investment derivative instruments (which include ineffective hedging derivative instruments) are reported as part of investment revenue in the current reporting period. Effectiveness is determined by considering whether the changes in cash flows or fair values of the potential hedging derivative instrument substantially offset the changes in cash flows or fair values of the hedgeable item. The Statement describes several quantitative methods and a qualitative method for evaluating effectiveness. The disclosures required by Technical Bulletin No. 2003-1, *Disclosure Requirements for Derivatives Not Reported at Fair Value on the Statement of Net Assets,* have been incorporated into Statement No. 53. The disclosures provide a summary of the government's derivative instrument activity and the information necessary to assess the government's objectives for derivative instruments, their significant terms, and the risks associated with the derivative instruments.

The requirements of Statement No. 53 are effective for financial statements for periods beginning after June 15, 2009. While earlier application of the Statement is encouraged, the City has not completed the task of evaluating the impact of Statement No. 53 on its financial statements.

B. Reconciliation of Government-wide and Fund Financial Statements

A summary reconciliation of the difference between total fund balances (deficit) as reflected on the governmental funds balance sheet and total net assets (deficit) of governmental activities as shown on the government-wide statement of net assets is presented in an accompanying schedule to the governmental funds balance sheet. The asset and liability elements which comprise the difference are related to the governmental funds using the current financial resources measurement focus and the modified accrual basis of accounting while the government-wide financial statements use the economic resources measurement focus and the accrual basis of accounting.

A summary reconciliation of the difference between net change in fund balances as reflected on the governmental funds statement of revenues, expenditures, and changes in fund balances and change in net assets of governmental activities as shown on the government-wide statement of activities is presented in an accompanying schedule to the governmental funds statement of revenues, expenditures, and changes in fund balances. The revenue and expense elements which comprise the reconciliation difference stem from governmental funds using the current financial resources measurement focus and the modified accrual basis of accounting while the government-wide financial statements use the economic resources measurement focus and the accrual basis of accounting.

C. Stewardship, Compliance, and Accountability

1. 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 $4.463 billion and $7.121 billion subsequent to its original adoption in fiscal years 2008 and 2007, 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.

2. Deficit Fund Balance

The New York City Capital Projects Fund has cumulative deficits of $3.5 billion and $3.3 billion at June 30, 2008 and 2007, respectively. These deficits 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.

D. Detailed Notes on All Funds

1. 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 and collateralized by Treasury Notes at 105% for balances in excess of $100,000 or collateralized by other securities ranging from 110% to 120% depending on the securities pledged by the bank for balances in excess of $100,000.

At June 30, 2008 and 2007, the carrying amount of the City's unrestricted cash and cash equivalents was $8.786 billion and $8.796 billion, respectively, and the bank balances were $2.881 billion and $2.371 billion, respectively. Of the unrestricted bank balances, $9.5 million and $11 million were exposed to custodial credit risk (this is the risk that in the event of a bank failure, the City's deposits may not be returned to it or the City will not be able to recover collateral securities that are in the possession of an outside party) because the respective bank balances were uninsured and uncollateralized at June 30, 2008 and 2007, respectively. The blended component units: SCA, HYDC, and Private Housing Loan Programs as of June 30, 2008 and 2007 did not have a deposit policy for custodial credit risk; also, TFA, a blended component unit lacked a deposit policy for custodial credit risk as of June 30, 2007. At June 30, 2008 and 2007, the carrying amount of the restricted cash and cash equivalents was $1.182 billion and $1.528 billion, respectively, and the bank balances were $.7 million and $4.1 million, respectively. Of the restricted bank balances, $.6 million and $4.0 million were exposed to custodial credit risk (this is the risk that in the event of a bank failure, the City's deposits may not be returned to it or the City will not be able to recover collateral securities that are in the possession of an outside party) because the respective bank balances were uninsured and uncollateralized at June 30, 2008 and 2007, respectively. The blended component units: TFA, HYIC, and FSC, lacked a deposit policy for custodial credit risk as of June 30, 2008 and 2007; also, the blended component unit STAR lacked a deposit policy for custodial credit risk as of June 30, 2007.

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 102% of the matured value of the repurchase agreements. The following is a summary of the fair value of investments of the City as of June 30, 2008 and 2007:

Governmental activities:

	Investment Maturities (in years)			
	2008		2007	
Investment Type	Less than 1	1 to 5	Less than 1	1 to 5
	(in thousands)			
Unrestricted				
U.S. Government securities	$2,959,910	$ 59,798	$1,139,158	$ —
U.S. Government agency obligations	477,492	—	349,328	—
Commercial paper	—	—	409,147	—
Repurchase agreements	11,309	—	—	—
Total unrestricted	$3,448,711	$ 59,798	$1,897,633	$ —
Restricted				
U.S. Government securities	$ 66,521	$ 309,137	$ 50,968	$ 311,868
Commercial paper	—	—	395,978	—
U.S. Government agency obligations	1,294,351	33,505	1,391,663	238,198
Repurchase agreements	4,935	1,544,859	77,153	1,787,760
Total restricted	$1,365,807	$1,887,501	$1,915,762	$2,337,826

Interest rate risk. As a means of limiting its exposure to fair value losses arising from rising interest rates, the City's investment policy limits the weighted average maturity to a period of less than 2 years. The City's current weighted average maturity is less than 90 days.

Credit risk. Investment guidelines and policies are designed to protect principal by limiting credit risk. This is accomplished through ratings, collateral, and diversification requirements that vary according to the type of investment. As of June 30, 2008 and 2007, investments in Federal National Mortgage Association (FNMA or Fannie Mae), Federal Home Loan Mortgage Corporation (FHLMC or Freddie Mac) and Federal Home Loan Bank (FHLB) were rated in the highest long-term or short-term ratings category (as applicable) by Standard & Poor's and/or Moody's Investor Service. These ratings were AAA and A-1+ by Standard & Poor's and Aaa and P-1 by Moody's for long-term and short-term instruments respectively. The majority of these investments were not rated by Fitch ratings, but those that were carried its highest long-term or short-term ratings of AAA or F1+, respectively. Investments in commercial paper were rated in the highest short-term category by at least two major rating agencies (A-1+ by Standard & Poor's, P-1 by Moody's, and/or F1+ by Fitch ratings). Repurchase agreements are not rated. Resolution Funding Strip investments are guaranteed by the U.S. Treasury.

Concentration of credit risk. The City's investment policy limits investments to no more than $250 million invested at any time in either commercial paper of a single issuer or investment agreement with a single provider.

Custodial credit risk-investments. For investments, custodial credit risk is the risk that in the event of the failure of the counter party, the City will not be able to recover the value of its investments or collateral securities that are in the possession of the outside party. Investment securities are exposed to custodial credit risk if the securities are uninsured, are not registered in the name of the City, and are held by either the counterparty or the counterparty's trust department or agent but not in the name of the City.

The City's investment policy related to custodial credit risk calls for limiting its investments to highly rated institutions and/or requiring high quality collateral be held by the counterparty in the name of the City.

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 Other Employee Benefit Trust Funds' and Other Trust Funds' investments are as follows:

1. Fixed income investments may be made in U.S. Government guaranteed securities or securities of U.S. Government agencies, securities of companies rated BBB or better by both Standard and 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 Laws, 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 or F1 by Standard & Poor's Corporation or Moody's Investors Service, Inc. or Fitch, respectively.
   c. Repurchase agreements collateralized in a range of 100% to 102% 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 worldwide 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 25% 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.

Securities Lending

State statutes and boards of trustees policies permit the Pension and certain Other Employee Benefit Trust Funds (Systems and 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' and 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. In return, the Systems and Funds receive collateral in the form of cash and U.S. Government agency securities at 100% to 105% of the principal plus accrued interest for reinvestment. At year-end, the Systems and Funds had no credit risk exposure to borrowers because the amounts the Systems and Funds owe the borrowers exceed the amounts the borrowers owe the Systems and Funds. The contracts with the Systems' and Funds' custodian requires borrowers to indemnify the Systems and Funds if the borrowers fail to return the securities, if the collateral is inadequate, and if the borrowers fail to pay the Systems and Funds for income distributions by the securities' issuers while the securities are on loan.

The securities lending program in which the Systems and Funds participate only allows pledging or selling securities in the case of borrower default.

All securities loans can be terminated on demand within a period specified in each agreement by either the Systems and Funds or the borrowers. The underlying fixed income securities have an average maturity of 10 years. Cash collateral is invested in the lending agents' short-term investment pools, which have a weighted-average maturity of 90 days. During fiscal year 2003, the value of certain underlying securities became impaired because of the credit failure of the issuer. Accordingly, the carrying amounts of the collateral reported in four of the Systems' statements of fiduciary net assets were reduced by a total of $80 million to reflect this impairment and reflect the net realizable value of the securities purchased with collateral from securities lending transactions. During fiscal years 2004 through 2007, $20.8 million was recovered as a distribution of bankruptcy proceeds and $31.6 million was received as a partial settlement from litigation. In fiscal year 2008, an additional $.8 million was recovered as an ongoing distribution of bankruptcy proceeds.

The City reports securities loaned as assets on the Statement of Fiduciary Net Assets. 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 Statement of Fiduciary Net Assets. 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.

2. Capital Assets

The following is a summary of capital assets activity for the fiscal years ended June 30, 2007 and 2008:

Primary Government	Balance June 30, 2006	Additions	Deletions	Balance June 30, 2007	Additions	Deletions	Balance June 30, 2008
				(in thousands)			
Governmental activities:							
Capital assets, not being depreciated:							
Land	$ 967,954	$ 99,417	$ —	$ 1,067,371	$ 29,470	$ —	$1,096,841
Construction work-in-progress	2,953,978	2,643,836	1,971,500	3,626,314	3,525,927	2,771,195	4,381,046
Total capital assets, not being depreciated	3,921,932	2,743,253	1,971,500	4,693,685	3,555,397	2,771,195	5,477,887
Capital assets, being depreciated:							
Buildings	31,706,005	1,971,500	54,197	33,623,308	2,771,195	861,605	35,532,898
Equipment	5,459,279	273,044	177,858	5,554,465	777,750	245,227	6,086,988
Infrastructure	11,614,409	1,151,884	391,451	12,374,842	1,209,719	224,417	13,360,144
Total capital assets, being depreciated	48,779,693	3,396,428	623,506	51,552,615	4,758,664	1,331,249	54,980,030
Less accumulated depreciation:							
Buildings	12,386,901	1,084,673	53,420	13,418,154	1,240,774	152,492	14,506,436
Equipment	4,065,922	353,235	165,148	4,254,009	418,662	237,690	4,434,981
Infrastructure	4,077,852	556,585	391,452	4,242,985	605,074	224,417	4,623,642
Total accumulated depreciation	20,530,675	1,994,493(1)	610,020	21,915,148	2,264,510(1)	614,599	23,565,059
Total capital assets, being depreciated, net	28,249,018	1,401,935	13,486	29,637,467	2,494,154	716,650	31,414,971
Governmental activities capital assets, net	$32,170,950	$4,145,188	$1,984,986	$34,331,152	$6,049,551	$3,487,845	$36,892,858

(1) Depreciation expense was charged to functions/programs of the City for the fiscal years ended June 30, 2008 and 2007 as follows:

	2008	2007
	(in thousands)	
Governmental activities:		
General government	$ 308,430	$ 299,883
Public safety and judicial	202,019	214,052
Education	784,181	622,883
City University	9,982	10,500
Social services	79,636	80,178
Environmental protection	87,847	97,786
Transportation services	476,153	402,983
Parks, recreation and cultural activities	214,881	187,378
Housing	49,535	35,771
Health	38,434	30,360
Libraries	13,412	12,719
Total depreciation expense—governmental activities	$2,264,510	$1,994,493

The following are the sources of funding for the governmental activities capital assets for the fiscal years ended June 30, 2008 and 2007. Sources of funding for capital assets are not available prior to fiscal year 1987.

	2008	2007
	(in thousands)	
Capital Projects Funds:		
Prior to fiscal year 1987	$ 5,857,898	$ 5,105,519
City bonds	50,451,422	45,872,338
Federal grants	538,015	1,073,013
State grants	128,476	105,538
Private grants	487,516	330,493
Capitalized leases	2,994,590	3,759,399
Total funding sources	$60,457,917	$56,246,300

At June 30, 2008 and 2007, governmental activities capital assets include approximately $1.2 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 governmental activities capital assets and are recorded in the respective component unit financial statements.

Included in buildings at June 30, 2008 and 2007 are leased properties that have elements of ownership. These assets are recorded as capital assets as follows:

	Capital Leases	
Governmental activities:	**2008**	**2007**
	(in thousands)	
Capital asset:		
Buildings, gross	$2,994,590	$3,759,399
Less accumulated amortization	969,927	927,480
Buildings, net	$2,024,663	$2,831,919

Capital Commitments

At June 30, 2008, the outstanding commitments relating to projects of the New York City Capital Projects Fund amounted to approximately $18.2 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 New York City Capital Projects Fund expenditures of $74.7 billion over the remaining fiscal years 2009 through 2017. To help meet its capital spending program, the City and TFA borrowed $4.1 billion in the public credit market in fiscal year 2008. The City and TFA plan to borrow $5.6 billion in the public credit market in fiscal year 2009.

3. Leases

The City leases a significant amount of property and equipment from others. Leased property having elements of ownership is recorded in the government-wide financial statements. The related obligations, in amounts equal to the present value of minimum lease payments payable during the remaining term of the leases, are also recorded in the government-wide financial statements. 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, 2008 and 2007 were approximately $665 million and $603 million, respectively.

As of June 30, 2008, 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)	
Governmental activities:			
Fiscal year ending June 30:			
2009	$ 157,332	$ 412,460	$ 569,792
2010	186,525	375,833	562,358
2011	185,677	343,342	529,019
2012	184,607	323,522	508,129
2013	183,060	302,662	485,722
2014-2018	815,269	1,267,788	2,083,057
2019-2023	657,286	805,045	1,462,331
2024-2028	399,969	335,480	735,449
2029-2033	271,414	22,440	293,854
2034-2038	97,177	14,166	111,343
2039-2043	19,001	—	19,001
Future minimum payments	3,157,317	$4,202,738	$7,360,055
Less interest	1,132,654		
Present value of future minimum payments	$2,024,663		

The present value of future minimum lease payments includes approximately $1.453 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 capital and operating leases for the fiscal years ended June 30, 2008 and 2007 was approximately $257 million and $211 million, respectively. As of June 30, 2008, the following future minimum rentals are provided for by the leases:

	Capital Leases	Operating Leases	Total
		(in thousands)	
Governmental activities:			
Fiscal year ending June 30:			
2009	$ 2,085	$ 171,847	$ 173,932
2010	2,127	165,172	167,299
2011	2,194	160,674	162,868
2012	2,281	156,524	158,805
2013	2,381	149,837	152,218
2014-2018	13,756	724,649	738,405
2019-2023	14,818	675,663	690,481
2024-2028	15,411	619,123	634,534
2029-2033	16,430	614,738	631,168
2034-2038	10,460	607,294	617,754
2039-2043	3,015	566,594	569,609
2044-2048	1,948	566,757	568,705
2049-2053	1,800	303,883	305,683
2054-2058	1,800	45,956	47,756
2059-2063	1,800	45,956	47,756
2064-2068	1,800	45,956	47,756
2069-2073	1,800	44,468	46,268
2074-2078	1,800	40,824	42,624
2079-2083	540	28,976	29,516
2084-2088	—	19,989	19,989
Thereafter until 2106	—	2	2
Future minimum lease rentals	98,246	$5,754,882	$5,853,128
Less interest	60,566		
Present value of future minimum lease rentals	$ 37,680		

4. Short-Term Liabilities

Changes in Short-term liabilities

In fiscal years 2007 and 2008, the changes in short-term liabilities were as follows:

Primary Government	Balance June 30, 2006	Additions	Deletions	Balance June 30, 2007	Additions	Deletions	Balance June 30, 2008
				(in thousands)			
Governmental activities:							
Notes payable:							
Bond anticipation notes (1)	$ —	$ 600,000	$ 600,000	$ —	$ —	$ —	$ —
Total notes payable	$ —	$ 600,000	$ 600,000	$ —	$ —	$ —	$ —

(1) The Bond anticipation notes were used by TFA to provide financing for the City's capital expenditures.

5. Long-Term Liabilities

Changes in Long-term liabilities

In fiscal years 2007 and 2008, the changes in long-term liabilities were as follows:

Primary Government	Balance June 30, 2006	Additions	Deletions	Balance June 30, 2007	Additions	Deletions	Balance June 30, 2008	Due Within One Year
				(in thousands)				
Governmental activities:								
Bonds and notes payable:								
General obligation bonds	$ 35,844,432	$ 1,947,830	$ 3,286,551	$ 34,505,711	$ 7,382,345	$ 5,787,825	$ 36,100,231	$1,566,786
TFA bonds	12,232,545	3,589,370	1,215,090	14,606,825	700,000	478,995	14,827,830	175,600
TSASC bonds	1,333,565	—	16,705	1,316,860	—	19,315	1,297,545	—
IDA bonds	104,490	—	1,860	102,630	—	1,950	100,680	2,040
STAR bonds	2,470,405	—	102,290	2,368,115	—	29,515	2,338,600	51,520
FSC bonds	386,560	—	49,440	337,120	—	16,110	321,010	16,850
HYIC bonds	—	2,000,000	—	2,000,000	—	—	2,000,000	—
HYIC notes	—	200,000	100,000	100,000	—	33,333	66,667	33,333
ECF bonds	83,945	51,340	12,095	123,190	—	13,665	109,525	7,465
Total before premiums/discounts (net)	52,455,942	7,788,540	4,784,031	55,460,451	8,082,345	6,380,708	57,162,088	1,853,594
Less (premiums)/discounts (net)	(743,871)	308,403	385,797	(821,265)	108,249	183,021	(896,037)	—
Total bonds and notes payable	53,199,813	7,480,137	4,398,234	56,281,716	7,974,096	6,197,687	58,058,125	1,853,594
Capital lease obligations	2,924,619	45,265	137,965	2,831,919	16,743	823,999	2,024,663	72,400
Other tax refunds	1,488,045	380,308	98,045	1,770,308	337,320	131,308	1,976,320	252,320
Judgments and claims	5,018,908	1,441,714	1,106,513	5,354,109	1,409,461	1,087,430	5,676,140	1,431,254
Real estate tax certiorari	568,345	233,986	51,377	750,954	239,718	98,006	892,666	86,163
Vacation and sick leave	2,840,213	522,766	252,020	3,110,959	493,347	215,299	3,389,007	215,299
Pension liability	764,000	61,100	98,500	726,600	58,200	92,600	692,200	—
OPEB liability	53,507,451	7,164,986	2,910,499	57,761,938	7,419,205	1,890,925	63,290,218	—
Landfill closure and postclosure care costs	1,652,000	13,066	52,195	1,612,871	174,277	88,658	1,698,490	82,987
Total changes in governmental activities long-term liabilities	$121,963,394	$17,343,328	$ 9,105,348	$130,201,374	$18,122,367	$10,625,912	$137,697,829	$3,994,017

Note: City bonds and notes payable are generally liquidated with resources of the General Debt Service Fund. Other long-term liabilities are generally liquidated with resources of the General Fund.

The bonds and notes payable at June 30, 2008 and 2007 summarized by type of issue are as follows:

Primary Government	2008 General Obligations	2008 Revenue	2008 Total	2007 General Obligations	2007 Revenue	2007 Total
	(in thousands)					
Governmental activities:						
Bonds and notes payable:						
General obligation bonds	$36,100,231	$ —	$36,100,231	$34,505,711	$ —	$34,505,711
TFA bonds	12,827,830	2,000,000	14,827,830	13,306,825	1,300,000	14,606,825
TSASC bonds	1,297,545	—	1,297,545	1,316,860	—	1,316,860
IDA bonds	100,680	—	100,680	102,630	—	102,630
STAR bonds	2,338,600	—	2,338,600	2,368,115	—	2,368,115
FSC bonds	321,010	—	321,010	337,120	—	337,120
HYIC bonds	—	2,000,000	2,000,000	—	2,000,000	2,000,000
HYIC notes	—	66,667	66,667	—	100,000	100,000
ECF bonds	—	109,525	109,525	—	123,190	123,190
Total bonds and notes payable	$52,985,896	$4,176,192	$57,162,088	$51,937,261	$3,523,190	$55,460,451

The following table summarizes future debt service requirements as of June 30, 2008:

Primary Government	Governmental Activities: General Obligation Bonds Principal	General Obligation Bonds Interest(1)	Revenue Bonds and Notes Principal	Revenue Bonds and Notes Interest
	(in thousands)			
Fiscal year ending June 30:				
2009	$ 1,793,976	$ 2,398,767	$ 59,618	$ 183,295
2010	1,851,210	2,322,487	69,494	196,266
2011	2,402,016	2,228,449	37,175	194,971
2012	2,607,920	2,175,633	43,155	193,437
2013	2,598,271	2,096,495	46,340	191,652
2014-2018	13,162,451	8,616,897	237,640	928,223
2019-2023	12,560,922	5,418,755	301,125	865,836
2024-2028	9,522,074	2,616,313	384,950	782,547
2029-2033	4,735,253	864,039	479,830	678,740
2034-2038	1,192,728	202,897	516,865	552,234
2039-2043	559,028	114,617	—	487,500
2044-2048	3	16	2,000,000	390,000
Thereafter until 2147	44	150	—	—
	52,985,896	29,055,515	4,176,192	5,644,701
Less interest component	—	29,055,515	—	5,644,701
Total future debt service requirements	$52,985,896	$ —	$4,176,192	$ —

(1) Includes interest for general obligation bonds estimated at 4% rate on tax-exempt adjustable rate bonds and at 6% rate on taxable adjustable rate bonds which are the rates at the end of the fiscal year.

The average (weighted) interest rates for outstanding City general obligation bonds as of June 30, 2008 and 2007 were both 4.7% and both ranged from 0% to 10%. The last maturity of the outstanding City debt is in the year 2147.

In fiscal years 2008 and 2007, the City issued $3.96 billion and $1.13 billion, respectively, of general obligation bonds to advance refund general obligation bonds of $4.02 billion and $1.11 billion, respectively, aggregate principal amounts. The net proceeds from the sales of the refunding bonds, together with other funds of $71.46 million and $1.86 million, respectively, 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 government-wide financial statements. In fiscal year 2008, the refunding transactions will decrease the City's aggregate debt service payments by $178.80 million and provide an economic gain of $131.96 million. In fiscal year 2007, the refunding transactions decreased the City's aggregate debt service payments by $71.58 million and provided an economic gain of $44.12 million. At June 30, 2008 and 2007, $13.91 billion and $10.820 billion, respectively, of the City's outstanding general obligation bonds were considered defeased.

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, 2008, the 10% general limitation was approximately $70.419 billion (compared with $60.102 billion as of July 1, 2007). Also, as of July 1, 2008, the City's remaining debt-incurring power totaled $27.783 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 2008, discretionary and other transfers of $3.083 billion were made from the General Fund to the General Debt Service Fund for fiscal year 2009 debt service. In addition, in fiscal year 2008, discretionary transfers of $591.95 million were made for lease purchase debt service and for a transfer to a component unit of the Debt Service Funds. In fiscal year 2007, discretionary and other transfers of $3.315 billion were made from the General Fund to the General Debt Service Fund for fiscal year 2008 debt service. In addition, in fiscal year 2007, discretionary transfers of $711 million were made for lease purchase debt service and for a transfer to a component unit of the Debt Service Funds.

Swap payments and associated debt

The table that follows represents debt service payments on certain general obligation variable-rate bonds, net of swap payments (see Note A.13.) associated with those bonds, as of June 30, 2008. Although interest rates on variable rate debt change over time, the calculations included in the table below are based on the assumption that the variable rate on June 30, 2008 remains constant over the life of the bonds.

	Governmental Activities			
	General Obligation Bonds			
Primary Government	Principal	Interest	Interest Rate Swaps, Net	Total
	(in thousands)			
Fiscal year ending June 30:				
2009	$ 22,670	$ 71,506	$ (8,814)	$ 85,362
2010	49,705	71,005	(8,846)	111,864
2011	37,900	70,447	(9,104)	99,243
2012	39,325	69,575	(9,317)	99,583
2013	30,590	68,877	(9,404)	90,063
2014-2018	538,530	301,080	(36,623)	802,987
2019-2023	731,585	227,343	(37,604)	921,324
2024-2028	427,395	170,995	(21,166)	577,224
2029-2033	691,150	82,466	(13,960)	759,656
Thereafter until 2034	21,135	533	(123)	21,545
Total	$2,589,985	$1,133,827	$(154,961)	$3,568,851

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 contract; alleged violations of law; and condemnation proceedings.

As of June 30, 2008 and 2007, claims in excess of $586 billion and $601 billion, respectively, were outstanding against the City for which the City estimates its potential future liability to be $5.7 billion and $5.4 billion, respectively.

As explained in Note A.11., the estimate of the liability for unsettled claims has been reported in the government-wide statement of net assets under noncurrent liabilities. 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.

Numerous proceedings alleging respiratory or other injuries from alleged exposures to World Trade Center dust and debris at the World Trade Center site or the Fresh Kills landfill have been commenced against the City and other entities involved in the post-September 11 rescue and recovery process. Plaintiffs include, among others, Department of Sanitation employees, firefighters, police officers, construction workers, and building clean-up workers. Complaints on behalf of approximately 11,900 plaintiffs alleging similar causes of action have been filed naming the City or other defendants. Approximately 5,000 of these plaintiffs have to date named the City as a defendant. It is not possible yet to evaluate the magnitude of liability arising from these claims. The actions were either commenced in or have been removed to Federal District Court pursuant to the Air Transportation and System Stabilization Act, which grants exclusive Federal jurisdiction for all claims related to or resulting from the September 11 attack. The City's motion to dismiss these actions on immunity grounds was denied on October 17, 2006 by the District Court. On March 26, 2008, the Second Circuit upheld the District Court's decision, holding that determining whether the City had immunity for its actions requires developing the factual record. The City has formed a not-for-profit "captive" insurance company, WTC Captive Insurance Company, Inc. (the WTC Insurance Company) to cover claims against the City and its private contractors relating to debris removal work at the World Trade Center site and the Fresh Kills landfill. The insurance company has been funded by a grant from the Federal Emergency Management Agency in the amount of $999,900,000. Most of the claims against the City and its private contractors set forth above that arise from such debris removal are expected to be eligible for coverage by the WTC Insurance Company. No assurance can be given that such insurance will be sufficient to cover all liability that might arise from such claims.

One property damage claim relating to the September 11 attack alleges significant damages. The claim, which relates to the original 7 World Trade Center (7 WTC), alleges damages to Con Edison and its insurers of $214 million, subject to clarification, for the loss of the electrical substation over which 7 WTC was built. The claim alleges that a diesel fuel tank, which stored fuel for emergency back-up power to the City's Office of Emergency Management facility on the 23rd floor, contributed to the building's collapse. Con Edison and its insurers filed suit based on the allegations in their claim. Plaintiff has submitted to the Court a claim form required of all property damage plaintiffs in the September 11 litigation in the amount of approximately $750 million for damages suffered at several different locations in the aftermath of the September 11 attacks. Although it is not clear what portion of the increased damages plaintiff alleges to be the responsibility of the City, it appears that no part of the increased claim can be attributed to the City's actions. In January, 2006, the City's motion for summary judgment was granted. The action, however, is proceeding against other defendants, and plaintiff intends to appeal the dismissal of its claim against the City when discovery is complete or at the conclusion of the case.

In March, 2005, the United Federation of Teachers, the union that represents the teachers in the New York City public school system, commenced an action and an Article 78 proceeding in New York Supreme Court, New York County, against the New York City Teachers' Retirement System and the City alleging that, due to certain miscalculations relating, *inter alia,* to the interest earned on member contributions to a retirement plan known as the 20 Year Pension Plan, teachers who retired under this plan do not receive the entire amount of retirement benefits to which they are entitled. Plaintiffs sought declaratory relief and an award to 20 Year Pension Plan members of not less than $800 million to equal the difference between what plaintiffs allege they are entitled to under the 20 Year Pension Plan and the amount actually received. The City moved to dismiss the Article 78 proceeding and submitted an answer in the action. By decision dated October 17, 2006, the Court denied the City's motion to dismiss the Article 78 proceeding but granted the City's motion to dismiss the petitioners' contract claims. In October, 2007, the action and Article 78 proceeding were resolved by agreement of the parties. The parties agreed to resolve the dispute by supplementing the retirement benefits for the affected group by a total of $160 million over the appropriate actuarially calculated period, which is normally approximately ten years. The settlement is subject to the approval of the Court and individual teachers may opt out of the settlement prior to its approval.

The Office of the Inspector General of the United States Department of Health and Human Services (HHS) has issued audit reports on claims submitted to the New York State Medicaid program by the New York City Department of Education (DOE) with respect to services for students with disabilities. The audits state generally that the State of New York improperly billed HHS approximately $800 million in Federal Financial Participation (FFP) for State Medicaid expenditures for services that were not sufficiently supported by documentation establishing the provision of such services in accordance with applicable standards. Of this $800 million, DOE and the State have each received approximately $400 million, as the State takes back from school districts approximately fifty percent of the Federal portion of Medicaid payments to such districts. The State Department of Health has formally submitted responses raising objections, based in law and policy, to the audits' findings and requesting no further Federal action be taken in response to the audits. The Centers for Medicare and Medicaid Services has not imposed any disallowances of FFP to date. The audits may be the subject of further administrative or judicial review that may result in changes in amounts alleged to be owed by the State. In the event that FFP is ultimately disallowed and found to be owed by the State to HHS, the State may in turn seek to collect amounts received by DOE for services that are the subject of such disallowances, or may attempt to offset amounts owed to DOE. Further, in agreements with DOE related to these audits concerning the tolling of any applicable statute of limitations, the United States Department of Justice has taken the position that the United States believes it has certain civil causes of action against DOE under the False Claims Act, the Civil Monetary Penalties Law, and the common law in relation to the submission of claims to the Medicaid Program with respect to school and preschool supportive health services. The False Claims Act, in certain circumstances, permits recovery by the United States of three times the amount of actual damages as well as penalties of up to $11,000 per claim, and the Civil Monetary Penalties Law provides for similarly substantial civil damages.

In 2002, more than 16,000 police officers and detectives opted into Scott v. City of New York, a collective action brought in the United States District Court for the Southern District of New York, pursuant to the Fair Labor Standards Act (the FLSA). The police officers allege that the New York City Police Department has violated the overtime provisions of the FLSA in a number of ways. Under the FLSA, successful plaintiffs would be entitled to double damages for a period going back three years from the filing of the case in 2002, and attorneys' fees. Plaintiffs seek damages in excess of $135 million. With the discovery phase of this matter completed, the trial is scheduled to start on November 10, 2008. An adverse determination in this case could result in substantial costs to the City. Although 16,000 police officers and detectives have opted in, the City estimates there are approximately 22,000 additional police officers and detectives who have not opted in but may have similar unasserted claims.

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, and including an estimated premium for inequality of assessment, the City estimates its potential liability for outstanding certiorari proceedings to be $892.7 million and $751 million at June 30, 2008 and 2007, respectively, as reported in the government-wide financial statements.

Pension Liability

For fiscal years 2001 through 2005 inclusive, the City incurred a pension liability that was the result of Chapter 125 of the Laws of 2000 (Chapter 125/00) which provided for a five-year phase-in schedule for funding the additional actuarial liabilities created by providing eligible retirees and eligible beneficiaries with increased Supplementation as of September, 2000 and with automatic Cost-of-Living Adjustments (COLA) beginning September, 2001. Chapter 278 of the Laws of 2002 (Chapter 278/02) extended the phase-in period for funding the additional liabilities attributable to the benefits provided under Chapter 125/00 to ten years from five years. Chapter 152 of the Laws of 2006 eliminated for fiscal year 2006 and thereafter the ten-year phase-in period arising under Chapter 278/02 and instead, the additional actuarial liabilities created by the benefits provided by Chapter 125/00 are funded as part of the normal contribution (see Note E.6.).

Landfill Closure and Postclosure Care Costs

Heretofore, the City's only active landfill available for waste disposal was the Fresh Kills landfill which initially ceased landfill operations in March, 2001. The landfill was reopened per the Governor's amended Executive Order No. 113, which authorized the City to continue the acceptance and disposal of waste materials received from the site of the World Trade Center disaster of September 11, 2001. The landfill subsequently closed in August, 2002. For government-wide financial statements, the measurement and recognition of the liability for closure and postclosure care is based on total estimated current cost and landfill usage to date. For fund financial statements, expenditures are recognized using the modified accrual basis of accounting where a liability is recognized only when liquidated with expendable financial resources.

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, 2008 which equates to the total estimated current cost is $1.426 billion based on the maximum cumulative landfill capacity used to date. There are no costs remaining to be recognized. 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 100%. 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 2008, expenditures for landfill closure and postclosure care costs totaled $94.8 million.

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 24, 2008, 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 recorded the long-term liability for these postclosure care costs in the government-wide financial statements.

The following represents the City's total landfill and hazardous waste sites liability which is recorded in the government-wide statement of net assets:

	Amount (in thousands)
Landfill	$1,426,251
Hazardous waste sites	272,239
Total landfill and hazardous waste sites liability	$1,698,490

6. Interfund Receivables, Payables, and Transfers

At June 30, 2008 and 2007, primary government and discretely presented component unit receivable and payable balances and interfund transfers were as follows:

Governmental activities:

Due from/to other funds:

Receivable Fund	Payable Fund	2008	2007
		(in thousands)	
General Fund	New York City Capital Projects Fund	$3,253,329[(1)]	$2,956,382[(1)]
New York City Capital Projects Fund	TFA	144,348	249,638
Total due from/to other funds		3,397,677	3,206,020

Component units:

Due from/to primary government and component units:

Receivable Entity	Payable Entity	2008	2007
Primary government—General Fund:	Component units: HDC	842,988	859,819
	OTB	—	201
		842,988	860,020
Primary government—New York City Capital Projects Fund	Component unit—Water Authority	518,467	361,860
Total due from component units		1,361,455	1,221,880
Component unit—Water Board	Primary government—General Fund	22,925	15,718
Total due to component units		22,925	15,718
Total due from/to primary government and component units		1,384,380	1,237,598
Total primary government and component units receivable and payable balances		$4,782,057	$4,443,618

(1) Net of eliminations within the same fund type.

Note: During both fiscal years 2008 and 2007, the New York City Capital Projects Fund reimbursed the General Fund for expenditures made on its behalf.

Governmental activities
Interfund transfers

	Transfer To:							
	New York City Capital Projects Fund		General Debt Service Fund		Nonmajor Debt Service Funds		Total	
	2008	2007	2008	2007	2008	2007	2008	2007
	(in thousands)							
Transfer From:								
General Fund	$ —	$ 300,000	$5,212,167	$4,024,185	$ 209,539	$1,336,388	$5,421,706	$5,660,573
General Debt Service Fund	—	—	—	—	4,789	4,605	4,789	4,605
Nonmajor Capital Projects Funds	1,656,409	2,383,609	—	—	154,931	114,492	1,811,340	2,498,101
Total	$1,656,409	$2,683,609	$5,212,167	$4,024,185	$ 369,259	$1,455,485	$7,237,835	$8,163,279

Transfers are used to: (i) move unrestricted General Fund revenues to finance various programs that the City must account for in other funds in accordance with budgetary authorizations, including amounts provided as aids or matching funds for grant programs, (ii) move restricted amounts borrowed by authorized fund or component unit to finance Capital Projects Fund expenditures, (iii) move unrestricted surplus revenue from the General Fund to finance Capital Projects Fund expenditures and prepay debt service coming due in the next fiscal year, and (iv) move revenue from the fund with collection authorization to the Debt Service Fund as debt service principal and interest payments become due.

In the fiscal year ended June 30, 2008, the City made the following one-time transfer:
A transfer of an unrestricted grant of $546 million on June 30, 2008 to TFA. These funds will be used to fund debt service requirements for tax secured debt during the fiscal year ending June 30, 2009.

In the fiscal year ended June 30, 2007, the City made the following one-time transfer:
A transfer of an unrestricted grant of $1.264 billion on June 28, 2007 to TFA. These funds are being used: (i) to fund debt service requirements for tax secured debt during fiscal year 2008, (ii) for a cash defeasance escrow of $546 million, and (iii) for the early retirement of $170.3 million of tax secured variable rate debt on September 4, 2007.

E. Other Information

1. Audit Responsibility

In fiscal years 2008 and 2007, respectively, the separately administered organizations included in the financial statements of the City audited by auditors other than Deloitte & Touche LLP are the Municipal Assistance Corporation for The City of New York, New York City Transitional Finance Authority, New York City School Construction Authority, New York City Health and Hospitals Corporation, Jay Street Development Corporation, New York City Housing Development Corporation, New York City Industrial Development Agency, New York City Economic Development Corporation, Business Relocation Assistance Corporation, Brooklyn Navy Yard Development Corporation, New York City Water Board and New York City Municipal Water Finance Authority, Deferred Compensation Plans, WTC Captive Insurance Company, Inc., New York City Capital Resource Corporation, and the New York City Educational Construction Fund. Fiscal year 2008 also includes the NYCTL Trusts and no longer includes the New York City Off-Track Betting Corporation.

The following describes the proportion of certain key financial information that is audited by other auditors in fiscal years 2008 and 2007:

	Government-wide				Fund-based			
	Governmental Activities		Component Units		Nonmajor Governmental Funds		Pension and Other Employee Benefit Trust Funds	
	2008	2007	2008	2007	2008	2007	2008	2007
	(percent)							
Total assets	4	6	53	85	52	51	8	6
Revenues / additions (deductions) and other financing sources	3	8	82	77	87	64	32	4

2. Subsequent Events

The following events occurred subsequent to June 30, 2008.

Long-term Financing

City Debt: On July 21, 2008, the City converted its Fiscal 1994 Series H bonds of $25 million from Commercial Paper Mode to Daily Mode and its Fiscal 1995 Series B bonds of $50 million from Daily Mode to Weekly Mode to mitigate volatility in the municipal credit markets.

On August, 20, 2008, the City converted its Fiscal 2003 Series G bonds of $33.45 million from Auction Rate Mode to Fixed Rate Mode to mitigate volatility in the municipal credit markets; also, the City sold its Fiscal 2009 Series A bonds of $965 million for capital purposes.

On September 30, 2008, the City sold its Fiscal 2009 Series B, C and D bonds of $1.140 billion for capital and refunding purposes.

On October 23, 2008, the City sold its Fiscal 2009 Series E bonds of $550 million for capital purposes.

TFA Debt: On October 7, 2008, TFA sold its Fiscal 2009 Series S-1 Building Aid Revenue bonds of $300 million for capital purposes.

Derivatives

On September 16, 2008, the City received a Notice of Trigger Event from Lehman Brothers Derivative Products Inc. (Lehman) informing the City that as a result of Lehman Brothers Holdings Inc.'s filing of a petition under Chapter 11 of the United States Bankruptcy Code with the United States Bankruptcy Court for the Southern District of New York, the City's derivative transaction with Lehman would be terminated. The derivative transaction, with a notional amount of $100 million, had been entered into in March, 2004, at which time Lehman paid the City an option premium of $2.9 million. The derivative transaction gave Lehman the option to enter into a derivative transaction with the City on various future dates. Lehman never exercised the option and no further payments were made. On September 25, 2008, the City received a letter from Lehman, setting forth a Termination Amount of $716.9 thousand that the City would owe Lehman. The City subsequently notified Lehman that the City believes that the amount is incorrect. The Termination Amount is being reviewed and has yet to be determined.

Deposits

Recent Congressional legislation has temporarily increased FDIC deposit insurance from $100,000 to $250,000 that an accountholder has at each FDIC-insured bank effective October 3, 2008 through December 31, 2009. On January 1, 2010, the standard coverage limit will return to $100,000 for all deposit categories except IRAs and certain retirement accounts which will continue to be insured up to $250,000 per owner. On October 14, 2008, FDIC announced the creation of the Temporary Liquidity Guarantee Program (TLGP) as part of a larger government effort to strengthen confidence and encourage liquidity in the nation's banking system. Unlimited deposit insurance coverage is available through December 31, 2009 for noninterest bearing transaction accounts at institutions participating in FDIC's TLGP.

Financial Market Developments

The City expects to release a modification to the Financial Plan in November 2008, which will contain updated revenue and expenditure projections. Management believes the modification to the Financial Plan will continue to provide for balance in fiscal year 2009, but is expected to show increases in previously-projected gaps in fiscal years 2010 through 2012. The modification is expected to include reduced projections of income tax revenues reflecting weakness in the financial services sector and the broader economy. In addition, management believes the modification is expected to include reduced real estate-related tax revenues reflecting fewer property transfers and lower property values.

The systemic risk elevation in global financial markets that first became apparent in the latter half of 2007 continued in 2008 and accelerated in September 2008 with significant financial institution stresses and failures and world-wide government interventions. With respect to Public Finance, these financial market developments have caused the City's exposure to risks inherent in a large debt issuance program and portfolio to rise. These risks include counterparty credit, such as exposure to banks that provide liquidity to variable rate debt obligations and to counterparties in derivative transactions; liquidity risks, including potentially persistent constraints on market access for debt issuance and remarketing and/or renewal of bank liquidity agreements; and budget risk, with the potential for higher debt service expense due to rising interest rates, higher costs of credit facilities, and the potential refinancing of variable rate debt with fixed rate debt that amortizes more rapidly. The City actively monitors and manages these risks to the extent possible. The City and its related financing entities reacted quickly in fiscal year 2008 to refinance the $1.3 billion of its $2 billion of auction rate securities which included credit wraps from the weaker municipal market bond insurers. Ongoing risk mitigations include careful initial selection of counterparties and structuring of contractual agreements; close monitoring of counterparty credit and remarketing performance; refinancing debt, reassigning remarketing and/or reconfiguring credit support; tailoring of debt offerings to meet investor demand, including the strong demand for the City and its component units' related bonds during retail order periods; and prudent use of debt strategies that can reduce costs, as market conditions permit.

The equity markets have also been impacted by the current market conditions, which have had a negative effect on the market value of the Citys employees' pension plan's assets. City contributions to the pension plans are based upon actuarial valuations and calculations that consist of many factors, including, investment returns on the assets. Therefore, in the event that the asset values do not recover by the end of the City's fiscal year ending June 30, 2009, the amounts the City is required to contribute to the pension plans will increase in the future.

3. Other Employee Benefit Trust Funds

Deferred Compensation Plans For Employees of The City of New York and Related Agencies and Instrumentalities (DCP)

DCP through the City offers its employees two defined contribution plans and a deemed IRA created in accordance with Internal Revenue Code Sections 457, 401(k), and 408(q). DCP is available to certain employees of The City of New York and related agencies and instrumentalities. The deemed IRA, called the NYCE IRA is available as both a traditional and Roth IRA to those employees eligible to participate in the 457 Plan and 401(k) Plan and their spouses along with former employees and their spouses. DCP permits employees to defer a portion of their salary on either a pre-tax (traditional) or after-tax (Roth) basis until future years. The compensation deferred is not available to employees until termination, retirement, death, or unforeseen emergency or hardship (as defined by the Internal Revenue Code). Deferred assets in the NYCE IRA are available for withdrawal at anytime.

Amounts maintained under a deferred compensation plan by a state or local government are to be held in trust (or in a custodial account) for the exclusive benefit of plan participants and their beneficiaries. Consequently, each plan is presented as an Other Employee Benefit Trust Fund in the City's financial statements.

Participants in DCP can choose among eight investment options, or one of twelve pre-arranged portfolios consisting of varying percentages of those investment options.

New York City Retiree Health Benefits Trust (RHBT)

RHBT was established for the exclusive benefit of the City's retired employees and their dependents who meet the eligibility requirements to fund the postemployment benefits (other than those paid through the Management Benefits Fund) provided through the welfare benefit plans and welfare benefit funds and the reimbursement of certain Medicare premiums. RHBT was enacted by local law to afford the City the ability to address the ongoing liability of funding the costs of health benefits for the City's retired workers and their dependents covered under the City's health and welfare plans. Amounts contributed to RHBT by the City are held in trust and are irrevocable and may not be used for any other purpose than to fund the costs of health and welfare benefits of its eligible participants. Consequently, RHBT is presented as an Other Employee Benefit Trust Fund in the City's financial statements. The separate annual financial statements of RHBT are available at: Office of the Comptroller, Bureau of Accountancy — Room 808, 1 Centre Street, New York, New York 10007.

Summary of Significant Accounting Policies:

Basis of Accounting. The measurement focus of RHBT is on the flow of economic resources. This focus emphasizes the determination of changes in trust net assets. With this measurement focus, all assets and liabilities associated with the operation of this fiduciary fund are included on the statement of fiduciary net assets. This fund uses the accrual basis of accounting whereby contributions from the employer are recognized when due. Benefits and refunds are recognized when due and payable in accordance with the terms of the plans.

Method Used to Value Investments. Investments are reported on the statement of fiduciary net assets at fair value based on quoted market prices.

Required Supplementary Information (Unaudited)

The schedule of funding progress presents the results of OPEB valuations as of June 30, 2007, 2006, and 2005 for the fiscal year ending June 30, 2008. The schedule provides a three year information trend about whether the actuarial values of plan assets are increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Actuarial Valuation Date	(1) Actuarial Value of Assets	(2) Actuarial Accrued Liability (AAL)*	(3) Unfunded AAL (UAAL)	(4) Funded Ratio	(5) Covered Payroll	(6) UAAL as a Percentage of Covered Payroll
			(2)-(1)	(1)÷(2)		(3)÷(5)
			(in thousands)			
6/30/07	$2,594,452	$62,135,453	$59,541,001	4.2%	$17,355,874	343.1%
6/30/06	1,001,332	56,077,151	55,075,819	1.8	16,546,829	332.8
6/30/05	0	50,543,963	50,543,963	0.0	15,737,531	321.2

*Based on the Frozen Entry Age Actuarial Cost Method.

4. Other Trust Funds

New York City Tax Lien Trusts (NYCTLT)

NYCTLT is a series of tax lien trusts (2008-A; 2006-A; 2005-A; 2004-A; 1999-1; 1998-2; 1998-1; and 1996-1) that were created to acquire certain tax liens securing unpaid real property taxes, assessments, sewer rents, sewer surcharges, water rents, and other charges payable to the City and the Water Board from the City in exchange for the proceeds from bonds issued by NYCTLT, net of reserves funded by bond proceeds and bond issuance costs. The City is the sole beneficiary of the trusts and is entitled to receive distributions from the trusts after payments to bondholders and certain reserve requirements have been satisfied. The City is not entitled to cause the trusts to make distributions to it and consequently, NYCTLT is presented as Other Trust Funds in the City's financial statements. The separate annual financial statements of NYCTLT are available at: Office of the Comptroller, Bureau of Accountancy—Room 808, 1 Centre Street, New York, New York 10007.

5. Other Postemployment Benefits

Plan Description. The New York City Health Benefits Program (Plan) is a single-employer defined benefit healthcare plan funded by RHBT, an Other Employee Benefit Trust Fund of the City, which provides Other Postemployment Benefits (OPEB) to eligible retirees and beneficiaries. OPEB includes: health insurance, Medicare Part B reimbursements, and welfare fund contributions. RHBT issues a publicly available financial report that includes financial statements and required supplementary information for funding the Plan's OPEB and the report is available at: Office of the Comptroller, Bureau of Accountancy—Room 808, 1 Centre Street, New York, New York 10007.

Funding Policy. The Administrative Code of The City of New York (ACNY) defines OPEB to include Health Insurance and Medicare Part B Reimbursments; Welfare Benefits stem from the City's various collective bargaining agreements all of which are to be funded by RHBT. The City is not required by law or contractual agreement to provide funding for RHBT other than the pay-as-you-go amount necessary to provide current benefits to retirees and eligible beneficiaries/dependents. For the fiscal year ended June 30, 2008, the City paid $1.9 billion on behalf of the Plan. Based on current practice (the Substantive Plan which is derived from ACNY), the City pays the full cost of basic coverage for non-Medicare-eligible/Medicare-eligible retiree participants. The costs of these benchmark plans are reflected in the actuarial valuations by using age-adjusted premium amounts. Plan retiree participants who opt for other basic or enhanced coverage must contribute 100% of the incremental costs above the premiums for the benchmark plans. The City also reimburses covered employees 100% of the Medicare Part B premium rate applicable to a given year and there is no retiree contribution to the Welfare Funds. The City pays per capita contributions to the Welfare Funds the amounts of which are based on negotiated contract provisions.

Annual OPEB Cost and Net OPEB Obligation. The City's annual OPEB cost (expense) is calculated based on the annual required contribution of the employer (ARC), an amount that was actuarially determined by using the Frozen Entry Age Actuarial Cost Method (one of the actuarial cost methods in accordance with the parameters of GASB45). Under this method, in general, the excess of the Actuarial Present Value of Projected Benefits over the sum of: (i) the Actuarial Value of Assets plus (ii) the Unfunded Frozen Actuarial Accrued Liability is allocated on a level basis over the earnings of the covered active employees between the valuation date and assumed exit. This allocation is performed for the group as a whole. The Frozen Actuarial Accrued Liability is determined using the Entry Age Actuarial Cost Method. The portion of this Actuarial Present Value allocated to a valuation year is called the Normal Cost. Under this method, actuarial gains/losses, as they occur, reduce/increase future Normal Costs. The following table shows the elements of the City's annual OPEB cost for the year, the amount actually paid on behalf of the Plan, and changes in the City's net OPEB obligation to the Plan for the year ended June 30, 2008:

	Amount (in thousands)
Annual required contribution	$65,181,143
Interest on net OPEB obligation	2,310,478
Adjustment to annual required contribution	(60,072,416)
Annual OPEB cost (expense)	7,419,205
Payments made	1,890,925
Increase in net OPEB obligation	5,528,280
Net OPEB obligation—beginning of year	57,761,938
Net OPEB obligation—end of year	$63,290,218

The City's annual OPEB cost, the percentage of annual OPEB cost contributed to the Plan, and the net OPEB obligation for the fiscal years ended June 30, 2008, 2007, and 2006 were as follows:

Fiscal Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Paid	Net OPEB Obligation
	(in thousands)		
6/30/08	$ 7,419,205	25.5%	$63,290,218
6/30/07	7,164,986	40.6	57,761,938
6/30/06	55,690,322	3.9	53,507,451

Funded Status and Funding Progress. As of June 30, 2007, the most recent actuarial valuation date, the Plan was 4.2% funded. The actuarial accrued liability for benefits was $62.1 billion, and the actuarial value of assets was $2.6 billion, resulting in an unfunded actuarial accrued liability (UAAL) of $59.5 billion. The covered payroll (annual payroll of active employees covered by the Plan) was $17.4 billion, and the ratio of the UAAL to the covered payroll was 343.1%. Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. The determined actuarial valuations of OPEB provided under the Plan incorporated the use of demographic and salary increase assumptions among others as reflected below. Amounts determined regarding the funded status of the Plan and the annual required contributions of the City are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, shown as required supplementary information in Note E.3. disclosures required by GASB43 for OPEB Plan reporting presents the results of OPEB valuations as of June 30, 2007, 2006, and 2005 and the schedule provides a three year information trend about whether the actuarial values of Plan assets are increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Actuarial Methods and Assumptions. The actuarial assumptions used in the June 30, 2007 and 2006 OPEB actuarial valuations are classified as those used in the New York City Retirement Systems (NYCRS) valuations and those specific to the OPEB valuations. NYCRS consist of: (i) New York City Employees' Retirement System; (ii) New York City Teachers' Retirement System; (iii) New

York City Board of Education Retirement System; (iv) New York City Police Pension Fund; and (v) New York City Fire Pension Fund. The OPEB actuarial valuations for NYCRS incorporate only the use of certain demographic and salary increase assumptions. The demographic assumptions requiring NYCRS Board approval were adopted by each respective Board of Trustees during fiscal year 2006. Those actuarial assumptions and methods that required New York State legislation were enacted, effective for fiscal year 2006 and later, as Chapter 152 of the Laws of 2006 (Chapter 152/06). These demographic assumptions are unchanged from the June 30, 2006 OPEB actuarial valuation. The OPEB-specific actuarial assumptions used in the June 30, 2007 OPEB actuarial valuation of the Plan are as follows:

Valuation Date . . . . June 30, 2007.

Discount Rate . . . . 4.0% per annum.(1)

Per Capita Claims Costs . . . . HIP HMO and GHI/EBCBS benefit costs reflect age adjusted premiums. Age adjustments from assumed average age of covered population for the June 30, 2006 valuation, and for non-Medicare retirees and HIP HMO Medicare retirees for the June 30, 2007 valuation. Age adjustment based on actual age distribution of the GHI/EBCBS Medicare covered population for June 30, 2007 valuation. Insured premiums without age adjustment for other coverage. Premiums assumed to include administrative costs.

Employer premium contribution schedules by month were reported by the Mayor's Office of Labor Relations. In most cases, the premium contributions remained the same throughout the year. HIP HMO Medicare rates varied by month and by specific Plan option. These variations are the result of differing Medicare Advantage reimbursements. The various monthly rates were blended by proportion of enrollment. The GHI/EBCBS rates increased during September, 2006 and the increased premium rates were reflected in the calculations.

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(1) 2.5% CPI, 1.5% real rate of return on short-term investments.

Initial monthly premium rates used in valuations are shown in the following tables:

Plan	Monthly Rate FY '08(1)	Monthly Rate FY '07(2)
HIP HMO		
Non-Medicare Single	$340.84	$311.67
Non-Medicare Family	835.05	763.57
Medicare	50.94	57.88
GHI/EBCBS		
Non-Medicare Single	327.31	306.51
Non-Medicare Family	849.37	796.94
Medicare	152.35	146.90
Others		
Non-Medicare Single	340.84	311.67
Non-Medicare Family	835.05	763.57
Medicare	152.35	146.90

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(1) Used in June 30, 2007 actuarial valuation.

(2) Used in June 30, 2006 actuarial valuation.

Welfare Funds . . . .

For the June 30, 2007 valuation, Welfare Fund contributions have been updated to reflect a three year trended average of reported annual contribution amounts for current retirees. A trended average is used instead of a single reported Welfare Fund amount to smooth out negotiated variations. The Welfare Fund rates reported for the previous two valuations were trended to current levels based on a historic increase rate of 4.3% per year, approximating overall recent growth of Welfare Fund contributions.

Reported annual contribution amounts for the last three years shown in Appendix B, Tables 2a to 2e of the Report on the Third Annual Actuarial Valuation of Other Postemployment Benefits Provided under the New York City Health Benefits Program dated September 25, 2008, for fiscal year 2008 used for current retirees. Annual contribution amount reported as of June 30, 2006 was used without adjustment for current retirees in the previous valuation.

Weighted average annual contribution rates used for future retirees:

	Annual Rate	
	FY'08	**FY'07**
NYCERS	$1,677	$1,629
TRS	1,661	1,684
BERS	1,689	1,643
POLICE	1,599	1,587
FIRE	1,679	1,686

Contributions were assumed to increase by Medicare Plans trend rates.

For Welfare Fund contribution amounts reflected in the June 30, 2006 actuarial valuation, see Report on the Second Annual Actuarial Valuation of Other Postemployment Benefits Provided under the New York City Health Benefits Program dated October 4, 2007.

Medicare Part B Premiums . . . .

Calendar Year	**Monthly Premium**
2006	$88.50
2007	93.50
2008	96.40*

* Reflected only in the June 30, 2007 actuarial valuation.

2008 Medicare Part B premium assumed to increase by Medicare Part B trend rates.

Overall Medicare Part B premium amounts assumed to increase by the following percentages to reflect the income-related increases in Medicare Part B premiums effective 2007 and later:

Fiscal Year Beginning	**Part B Increase**
6/30/2006	0.7%
6/30/2007	2.2
6/30/2008	3.7
6/30/2009	4.5
6/30/2010	4.6

Increasing by 0.1% each year thereafter.

The actual 2009 Medicare Part B premium was not announced at the time these calculations were prepared and, thus, was not reflected in the valuation.

Health Care Cost Trend Rate (HCCTR) . . Covered medical expenses are assumed to increase by the following percentages:

	HCCTR Assumptions		
Year Ending[1]	**Pre-Medicare Plans**	**Medicare Plans**	**Part B Premium**
2008[2]	9.5%	7.0%	9.5%
2009	9.0	6.0	9.0
2010	8.5	5.0	8.5
2011	8.0	5.0	8.0
2012	7.5	5.0	7.5
2013	7.0	5.0	7.0
2014	6.5	5.0	6.5
2015	6.0	5.0	6.0
2016	5.5	5.0	5.5
2017 and later	5.0	5.0	5.0

(1) Fiscal year for Pre-Medicare Plans and Medicare Plans and calendar year for Medicare Part B Premiums.

(2) For the June 30, 2007 actuarial valuation, rates shown for 2008 were not reflected since actual values for the fiscal year 2008 per capita costs, fiscal year 2008 Welfare Fund contributions, and calendar year 2008 Medicare Part B premium amounts were used.

Age-Related Morbidity . . . . Assumed increases in premiums per year of age for HIP HMO and GHI/EBCBS consistent with those set forth in a July, 2005 article in the North American Actuarial Journal by Jeffrey R. Petertil.

Age	**Annual Increase**
Under 40	0.0%
40 – 49	3.0
50 – 54	3.3
55 – 59	3.6
60 – 64	4.2
65 – 69	3.0
70 – 74	2.5
75 – 79	2.0
80 – 84	1.0
85 – 89	0.5
90 and over	0.0

The premiums are age adjusted for HIP HMO and GHI/EBCBS participants. The age adjustments were based on assumed age 40 for non-Medicare-eligible retirees and assumed age 73 for HIP HMO Medicare-eligible retirees and for Medicare-eligible GHI/EBCBS retirees for the June 30, 2006 valuation. An actual age distribution based on reported census information was used for Medicare-eligible GHI/EBCBS retirees and dependents for the June 30, 2007 valuation.

In addition to age adjustment and trend, the premiums for HIP HMO Medicare-eligible retirees were multiplied by the following factors for the June 30, 2007 actuarial valuation to reflect anticipated changes in Medicare Advantage reimbursement rates:

Fiscal Year Beginning	Factor
6/30/2007	1.0000
6/30/2008	0.8333
6/30/2009	0.8333
6/30/2010	0.9167
6/30/2011	1.0833
6/30/2012	1.2500
6/30/2013	1.4167
6/30/2014	1.5833
6/30/2015	1.7500
6/30/2016	1.9167
Thereafter	2.0000

Medicare . . . . Medicare is assumed to be the primary payer over age 65 and for retirees currently on Medicare. For future disability retirements, Medicare is assumed to start 2.5 years after retirement in the June 30 actuarial valuations for the following portion of retirees:

	Valuation as of June 30	
	2007	2006
NYCERS	35%	35%
TRS	45	45
BERS	45	45
POLICE	15	15
FIRE	20	20

Participation . . . . Active participation assumptions based on current retiree elections. Actual elections for current retirees. Portions of current retirees not eligible for Medicare are assumed to change elections upon attaining age 65 based on patterns of elections of Medicare-eligible retirees. Detailed assumptions appear in the following tables (while two tables are shown, the participation assumptions were the same in both years):

Plan Participation Assumptions

Benefits	June 30, 2007 Valuation				
	NYCERS	TRS	BERS	POLICE	FIRE
Pre-Medicare					
–GHI/EBCBS	65%	83%	73%	76%	71%
–HIP HMO	22	6	16	13	16
–Other HMO	8	4	3	9	12
–Waiver	5	7	8	2	1
Medicare					
–GHI	72	87	78	82	77
–HIP HMO	21	9	16	12	16
–Other HMO	4	2	2	4	6
–Waiver	3	2	4	2	1
Post-Medicare Migration					
–Other HMO to GHI	50	0	33	50	50
–HIP HMO to GHI	0	0	0	0	0
–Pre-Med. Waiver					
** to GHI @ 65	13	35	50	0	0
** to HIP @ 65	13	35	0	0	0

Plan Participation Assumptions

Benefits	NYCERS	TRS	BERS	POLICE	FIRE
	June 30, 2006 Valuation				
Pre-Medicare					
–GHI/EBCBS	65%	83%	73%	76%	71%
–HIP HMO	22	6	16	13	16
–Other HMO	8	4	3	9	12
–Waiver	5	7	8	2	1
Medicare					
–GHI	72	87	78	82	77
–HIP HMO	21	9	16	12	16
–Other HMO	4	2	2	4	6
–Waiver	3	2	4	2	1
Post-Medicare Migration					
–Other HMO to GHI	50	0	33	50	50
–HIP HMO to GHI	0	0	0	0	0
–Pre-Med. Waiver					
** to GHI @ 65	13	35	50	0	0
** to HIP @ 65	13	35	0	0	0

Dependent Coverage . . . . Dependent coverage is assumed to terminate when a retiree dies except in the following situations:

(i) Lifetime coverage is provided to the surviving spouse or domestic partner and to children (coverage to age 19 or 23 if full-time student) of uniformed members of the Police or Fire Departments who died in the Line-of-Duty.

(ii) Effective November 13, 2001, other surviving spouses of retired uniformed members of the Police and Fire Departments may elect to continue coverage for life by paying 102% of stated premium.

For survivors of POLICE and FIRE members who die other than in the Line-of-Duty (assumed to be all who terminate with Accidental Death Benefits), the valuation assumes that 30% of spouses eligible for survivor continuation will elect the benefit, with costs equal to 30% greater than the age-adjusted premiums for surviving spouses for HIP HMO and GHI/EBCBS participants. The valuation includes the entire cost of additional surviving spouse benefits, although the Office of the Actuary understands that some of this amount may be reimbursed through welfare funds. This assumption is unchanged from last year.

Dependents . . . . Dependent assumptions based on distribution of coverage of recent retirees which are shown in the following tables (while two tables are shown, the dependent assumptions were the same in both years). Wives assumed to be three years younger than husbands. Actual spouse data for current retirees. Child dependents of current retirees assumed to receive coverage until age 23. Child dependents of future retirees assumed to receive coverage for five years after retirement.

Dependent Coverage Assumptions

Group	June 30, 2007 Valuation				
	NYCERS	TRS	BERS	POLICE	FIRE
Male					
–Single Coverage	30%	45%	35%	15%	10%
–Spouse	40	35	55	15	20
–Child/No Spouse	5	5	2	5	5
–Spouse and Child	25	15	8	65	65
Total	100%	100%	100%	100%	100%
Female					
–Single Coverage	70%	60%	60%	45%	10%
–Spouse	20	32	35	10	20
–Child/No Spouse	5	3	2	25	5
–Spouse and Child	5	5	3	20	65
Total	100%	100%	100%	100%	100%

For accidental death, 80% of POLICE and FIRE members are assumed to have family coverage.

Dependent Coverage Assumptions

Group	June 30, 2006 Valuation				
	NYCERS	TRS	BERS	POLICE	FIRE
Male					
–Single Coverage	30%	45%	35%	15%	10%
–Spouse	40	35	55	15	20
–Child/No Spouse	5	5	2	5	5
–Spouse and Child	25	15	8	65	65
Total	100%	100%	100%	100%	100%
Female					
–Single Coverage	70%	60%	60%	45%	10%
–Spouse	20	32	35	10	20
–Child/No Spouse	5	3	2	25	5
–Spouse and Child	5	5	3	20	65
Total	100%	100%	100%	100%	100%

For accidental death, 80% of POLICE and FIRE members are assumed to have family coverage.

Demographic Assumptions . . . . The same assumptions that were used to value the pension benefits of NYCRS for determining employer contributions for fiscal years beginning 2006 were adopted by each respective Board of Trustees, with the addition of supplemental assumptions to estimate the impact of the optional TRS 55/25 plan (shown under NYCRS valuations — see Appendix D of the Report on the Third Annual Actuarial Valuation of Other Postemployment Benefits Provided under the New York City Health Benefits Program dated September 25, 2008).

COBRA Benefits . . . . Although COBRA beneficiaries pay 102% of "premiums," typical claim costs for COBRA participants run about 50% greater than other participants. There is no cost to the City for COBRA beneficiaries in community-rated HMOs, including HIP, since these individuals pay their full community rate. However, the City's costs under the experience-rated GHI/EBCBS coverage are affected by the claims for COBRA-covered individuals.

In order to reflect the cost of COBRA coverage, the cost of excess claims for GHI covered individuals and families is estimated assuming 15% of employees not eligible for other benefits included in the valuation elect COBRA coverage for 15 months. These assumptions are based on experience of other large employers. This percentage is

	applied to the overall enrollment in the active plan and reflects a load for individuals not yet members of the retirement systems who are still eligible for COBRA benefits. This results in an assumption in the June 30, 2007 actuarial valuation of a lump sum COBRA cost of $550 for terminations during fiscal year 2008 ($500 lump sum cost during fiscal year 2007 was assumed in the June 30, 2006 actuarial valuation). The $550 ($500) lump sum amount is increased by the HCCTR for future years but is not adjusted for age-related morbidity.
Stabilization Fund	A 1.6% load is applied on all City GASB45 obligations only.
Educational Construction Fund	The actuarial assumptions used for determining obligations for ECF are shown in Appendix E of the Report on the Third Annual Actuarial Valuation of Other Postemployment Benefits Provided under the New York City Health Benefits Program (Report) dated September 25, 2008. The Report was prepared as of June 30, 2007 in accordance with GASB43 and 45. The Report is available at the Office of the Comptroller, Bureau of Accountancy – Room 808, 1 Centre Street, New York, NY 10007.
CUNY TIAA	The actuarial assumptions used for determining obligations for CUNY TIAA are shown in Appendix F of the Report on the Third Annual Actuarial Valuation of Other Postemployment Benefits Provided under the New York City Health Benefits Program (Report) dated September 25, 2008. The Report was prepared as of June 30, 2007 in accordance with GASB43 and 45. The Report is available at the Office of the Comptroller, Bureau of Accountancy – Room 808, 1 Centre Street, New York, NY 10007.

6. Pension and Other Employee Benefit 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 actuarially-funded pension systems collectively known as the New York City Retirement Systems (NYCRS):

1. New York City Employees' Retirement System (NYCERS) is 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) is a cost-sharing, multiple-employer public employee retirement system, for pedagogical employees in the public schools of the City and Charter Schools and certain other specified school and college employees.

3. New York City Board of Education Retirement System-Qualified Pension Plan (BERS) is a cost-sharing, multiple-employer public employee retirement system, for nonpedagogical employees of the Department of Education and Charter Schools and certain employees of the School Construction Authority.

4. New York City Police Pension Fund (POLICE) is a single-employer public employee retirement system, for full-time uniformed employees of the Police Department. Note: In conjunction with the establishment of an administrative staff separate from the New York City Police Department in accordance with Chapter 292 of the Laws of 2001, the New York City Police Department, Subchapter Two Pension Fund is generally referred to herein as the New York City Police Pension Fund as set forth in the Administrative Code of The City of New York (ACNY) Section 13-214.1.

5. New York City Fire Pension Fund (FIRE) is a single-employer public employee retirement system, for full-time uniformed employees of the Fire Department. Note: The New York City Fire Department, Subchapter Two Pension Fund is generally referred to herein as the New York City Fire Pension Fund as set forth in ACNY Section 13-313.1.

The NYCRS provide pension benefits to retired employees based on salary, length of service, and member contributions. In addition, the NYCRS provide automatic Cost-of-Living Adjustments (COLA) 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. NYCRS 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 a NYCRS 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 and BERS 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 outstanding loan balances.

Plan Membership

As of June 30, 2007, June 30, 2006 and June 30, 2005, the membership of NYCRS[1] consisted of:

	NYCERS	TRS	BERS	POLICE	FIRE	TOTAL
Plan membership at June 30, 2007:						
Retirees and beneficiaries receiving benefits	129,281	68,492	12,991	43,731	17,479	271,974
Terminated vested members not yet receiving benefits	7,896	6,004	323	777	35	15,035
Other inactives*	29,753	10,666	4,019	2,636	28	47,102
Active members	180,482	109,868	21,947	34,956	11,528	358,781
Total plan membership	347,412	195,030	39,280	82,100	29,070	692,892

* Represents members no longer on payroll, including pending withdrawals, members on leaves of absence, members awaiting refunds of contributions or benefit determinations, etc.

1 Effective with Fiscal Year 2006, employer contributions are determined under One-Year Lag methodology (OYLM). Under OYLM, the actuarial valuation date is used for calculating the employer contributions for the second following Fiscal Year. Therefore, the June 30, 2006 (Lag) valuation date was used for determining the Fiscal Year 2008 employer contributions.

	NYCERS	TRS	BERS	POLICE	FIRE	TOTAL
Plan membership at June 30, 2006:						
Retirees and beneficiaries receiving benefits	128,863	67,576	12,573	42,474	17,485	268,971
Terminated vested members not yet receiving benefits	7,302	5,801	265	752	24	14,144
Other inactives*	29,119	10,604	3,185	2,405	31	45,344
Active members	178,741	109,992	23,095	35,194	11,641	358,663
Total plan membership	344,025	193,973	39,118	80,825	29,181	687,122

* Represents members no longer on payroll, including members on leaves of absence and members awaiting refunds of contributions or benefit determinations, etc.

	NYCERS	TRS	BERS	POLICE	FIRE	TOTAL
Plan membership at June 30, 2005:						
Retirees and beneficiaries receiving benefits	127,714	65,168	11,971	41,131	17,443	263,427
Terminated vested members not yet receiving benefits	6,775	5,172	200	650	21	12,818
Other inactives*	29,717	12,638	3,112	2,181	153	47,801
Active members	175,332	104,850	23,005	35,324	11,470	349,981
Total plan membership	339,538	187,828	38,288	79,286	29,087	674,027

* Represents members no longer on payroll, including members on leaves of absence and members awaiting refunds of contributions or benefit determinations, etc.

Funding Policy

The City's funding policy is to contribute statutorily-required contributions (statutory contributions). Together with member contributions and investment income, these statutory contributions would ultimately be sufficient to pay benefits when due.

Statutory contributions for the NYCRS, determined by the Actuary in accordance with State statutes and City laws, are generally funded by the employers within the appropriate fiscal year.

Member contributions are established by law and vary by Plan. In general, Tier I and Tier II member contribution rates are dependent upon the employee's age at membership and retirement plan election. In general, Tier III and Tier IV members make basic contributions of 3.0% of salary regardless of age at membership. Effective October 1, 2000, in accordance with Chapter 126 of the Laws of 2000, these members, except for certain Transit Authority employees, are not required to make contributions after the 10th anniversary of their membership date or completion of ten years of credited service, whichever is earlier. Effective December, 2000, certain Transit Authority Tier III and Tier IV members make basic member contributions of 2.0% of salary in accordance with Chapter 10 of the Laws of 2000. Certain members of NYCERS, TRS and BERS also make additional member contributions.

During the Spring 2000 session, the New York State Legislature approved and the Governor signed laws which provided Supplementation benefits and COLA for retirees (Chapter 125 of the Laws of 2000), additional service credits for certain Tier I and Tier II members, 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. Except for the statutory limitations for funding certain Supplementation benefits and COLA, these enhancements are fully reflected in the actuarial valuations as of June 30, 2004, 2003, 2002, 2001, and 2000.

Chapter 152 of the Laws of 2006 (Chapter 152/06) implemented changes in the actuarial procedures for determining employer contributions beginning fiscal year 2006. In particular Chapter 152/06 provided the One-Year Lag methodology and Chapter 152/06 also eliminated the use of the ten-year phase-in of Chapter 278 of the Laws of 2002 (Chapter 278/02) for funding the additional actuarial liabilities created by Chapter 125 of the Laws of 2000 (Chapter 125/00). These enhancements are fully reflected, without phase-in, in the June 30, 2006 (Lag) and the June 30, 2005 (Lag) actuarial valuations (i.e., fiscal year 2008 and fiscal year 2007 employer contributions, respectively).

Annual Pension Costs

The NYCRS annual pension costs and the City's statutory contributions beginning fiscal year 2006 were determined as part of the June 30 two years prior (Lag) actuarial valuations on the basis of revised actuarial assumptions and methods including the Frozen Initial Liability Actuarial Cost Method.

The changes in actuarial assumptions and methods effective fiscal year 2006 results in somewhat lesser statutory contributions for fiscal years 2006 and 2007 and increased statutory contributions for future fiscal years.

The annual pension costs for NYCRS, for the fiscal years ended June 30, 2008, 2007, and 2006 were as follows:

	2008	2007	2006
		(in millions)	
NYCERS	$1,874.2	$1,471.0	$1,024.4
TRS	1,916.5	1,600.9	1,316.6
BERS	143.1	129.8	90.8
POLICE	1,770.0	1,513.7	1,302.6
FIRE	773.6	676.4	601.7
Total annual pension costs	$6,477.4	$5,391.8	$4,336.1

For fiscal year 2008, the City's statutory contributions for the NYCRS, based on the actuarial valuations performed as of June 30, 2006 (Lag), plus other pension expenditures, were approximately $5,740.5 million.

For fiscal years 2008, 2007 and 2006, the annual pension costs for NYCERS, TRS and BERS, computed in accordance with GASB27 and consistent with generally accepted actuarial principles, are greater than the statutory contributions paid by the City, primarily because the City is only one of the participating employers in NYCERS, TRS, and BERS.

For fiscal years 2008, 2007 and 2006, the annual pension costs for POLICE and FIRE, computed in accordance with GASB27 and consistent with generally accepted actuarial principles, are less than the statutory contributions, primarily because of the interest on and amortization of the Net Pension Obligations for POLICE and FIRE.

The City's statutory contributions for the fiscal years ended June 30, 2008, 2007, and 2006 were as follows:

	2008	2007	2006
		(in millions)	
NYCERS*	$1,037.8	$824.1	$ 584.8
TRS*	1,891.9	1,581.3	1,300.8
BERS*	136.9	124.5	87.1
POLICE	1,797.8	1,544.3	1,337.7
FIRE	780.2	683.2	608.8
OTHER**	95.9	98.9	95.8
Total actual pension contributions	$5,740.5	$4,856.3	$4,015.0

* NYCERS, TRS, and BERS are cost-sharing, multiple-employer public employee retirement systems. The City's statutory contributions as a percentage of the total statutory contributions for all employers participating in NYCERS, TRS, and BERS for fiscal years ended June 30, 2008, 2007, and 2006 were:

	2008	2007	2006
NYCERS	55.37%	56.02%	57.09%
TRS	98.71	98.78	98.80
BERS	95.69	95.87	95.86

In accordance with GASB27, the City's obligation for NYCERS, TRS, and BERS is fulfilled by paying its portion of the total statutory contributions determined.

** 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 NYCRS. The City also contributes per diem amounts into certain union-administered annuity funds.

Net Pension Obligations

NYCERS, TRS, and BERS are cost-sharing, multiple-employer public employee retirement systems and the City has no net pension obligations to these systems. Note: The annual pension costs for these systems are the statutory contributions. For fiscal year 2008 the actuarially-required contributions equal the statutory contributions.

POLICE and FIRE are single-employer public employee retirement systems and the City's net pension obligations for fiscal year 2008 are as follows:

	POLICE	FIRE	TOTAL
		(in millions)	
(1) Annual Required Contribution	$1,797.8	$780.2	$2,578.0
(2) Interest on Net Pension Obligation	41.1	17.1	58.2
(3) Adjustment to Annual Required Contribution	68.9	23.7	92.6
(4) Annual Pension Cost=(1)+(2)-(3)	1,770.0	773.6	2,543.6
(5) Statutory Contribution	1,797.8	780.2	2,578.0
(6) Decrease in Net Pension Obligation=(4)-(5)	(27.8)	(6.6)	(34.4)
(7) Net Pension Obligation Beginning of Year	513.3	213.3	726.6
(8) Net Pension Obligation End of Year=(6)+(7)	$ 485.5	$206.7	$692.2

The following is 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	6/30/08	$1,770.0	102%	$485.5
	6/30/07	1,513.7	102	513.3
	6/30/06	1,302.6	103	543.9
FIRE	6/30/08	773.6	101	206.7
	6/30/07	676.4	101	213.3
	6/30/06	601.7	101	220.1

Additional information as of the latest actuarial valuation follows:

	NYCERS	TRS	BERS	POLICE	FIRE
Valuation Date(1)	June 30, 2006 (Lag)	June 30, 2006 (Lag)	June 30, 2006 (Lag)	June 30, 2006 (Lag)	June 30, 2006 (Lag)
Actuarial Cost Method(2)	Frozen Initial Liability (Aggregate)	Frozen Initial Liability (Aggregate)	Frozen Initial Liability (Aggregate)	Frozen Initial Liability (Aggregate)	Frozen Initial Liability (Frozen Entry Age)
Amortization Method					
Initial Unfunded	Increasing Dollar	Increasing Dollar	Increasing Dollar	Increasing Dollar	Increasing Dollar
ERI	Level Dollar	Level Dollar	Level Dollar	Level Dollar	Level Dollar
Remaining Amortization Period					
Initial Unfunded	NA	NA	NA	NA	3-Years
ERI	1-Year	1-Year	1-Year	NA	NA
Asset Valuation Method	6-Year Smoothed Market	6-Year Smoothed Market	6-Year Smoothed Market	6-Year Smoothed Market	6-Year Smoothed Market

Actuarial Assumptions and Methods

The more significant actuarial assumptions and methods used in the calculations of employer contributions to the actuarially-funded pension systems for the fiscal years ending June 30, 2008 and 2007 are as follows:

	2008	2007
Valuation Date	*June 30, 2006 (Lag).(1)*	*June 30, 2005 (Lag).(1)*
Actuarial Cost Method	*Frozen Initial Liability.(2)*	*Frozen Initial Liability.(2)*
Amortization Method for Unfunded Actuarial Accrued Liabilities (UAAL)	*Increasing dollar for FIRE.(3) Level dollar for UAAL attributable to NYCERS, TRS and BERS 2002 ERI (Part A only). (4) All outstanding components of UAAL are being amortized over closed periods.*	*Increasing dollar for FIRE.(3) Level dollar for UAAL attributable to NYCERS, TRS and BERS 2002 ERI (Part A only). (4) All outstanding components of UAAL are being amortized over closed periods.*
Remaining Amortization Period	*3 years for FIRE(3) and 1 year for 2002 ERI (Part A only).*	*4 years for FIRE(3) and 2 years for 2002 ERI (Part A only).*
Actuarial Asset Valuation Method	*Modified 6-year moving average of Market Value with Market Value Restart as of June 30, 1999.*	*Modified 6-year moving average of Market Value with Market Value Restart as of June 30, 1999.*
Investment Rate of Return	*8.0% per annum(5) (4.0% per annum for benefits payable under the variable annuity programs of TRS and BERS).*	*8.0% per annum(5) (4.0% per annum for benefits payable under the variable annuity programs of TRS and BERS).*
Post-Retirement Mortality	*Tables adopted by Boards of Trustees during fiscal year 2006.*	*Tables adopted by Boards of Trustees during fiscal year 2006.*
Active Service: Withdrawal Death, Disability, Retirement	*Tables adopted by Board of Trustees during fiscal year 2006.*	*Tables adopted by Board of Trustees during fiscal year 2006.*
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 3.0% per year.(5)*
Cost-of-Living Adjustments	*1.3% per annum.(5)*	*1.3% per annum.(5)*

(1) Under One-Year Lag methodology, the actuarial valuation determines the employer contribution for the second following fiscal year.

(2) Under the Frozen Initial Liability Actuarial Cost Method, the excess of the Actuarial Present Value (APV) of projected benefits of the membership as of the valuation date, over the sum of the Actuarial Value of Assets plus the UAAL, if any, and the APV 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. The Initial Liability was reestablished by the Entry Age Actuarial Cost Method as of June 30, 1999 but with the UAAL not less than $0. Actuarial gains and losses are reflected in the employer normal contribution rate. For NYCERS, TRS and BERS, the financial results using this Frozen Initial Liability Actuarial Cost Method differ minimally from those that would be produced using the Aggregate Actuarial Cost Method. For POLICE the financial results using this Frozen Initial Liability Actuarial Cost Method is identical to those that would be produced using the Aggregate Cost Method. For FIRE, the financial results using this Frozen Initial Liability Actuarial Cost Method are the same as those that would be produced using the Frozen Entry Age Actuarial Cost Method.

(3) In conjunction with Chapter 85 of the Laws of 2000 (Chapter 85/00), there is an amortization method. However, the initial 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 basis over periods of 5 years.

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

Pursuant to Section 96 of the New York City Charter, studies of the actuarial assumptions used to value liabilities of the five actuarially-funded NYCRS are conducted by an independent actuarial firm every two years.

The most recent actuarial study analyzed experience for fiscal years 2002 through 2005. In a report dated November 2006 the independent actuarial auditor made recommendations to the actuarial assumptions and methods. The Actuary is reviewing these recommendations.

In accordance with the ACNY and with appropriate practice, the Boards of Trustees of the five actuarially-funded NYCRS are to periodically review and adopt actuarial assumptions as proposed by the Actuary for use in the determination of employer contributions.

In August 2005, based upon a review of an October 2003 experience study, the Actuary issued reports for the NYCRS proposing changes in actuarial assumptions and methods for determining employer contributions for fiscal years beginning on and after July 1, 2005 (August 2005 Reports). Where required, the Boards of Trustees of the NYCRS adopted those changes to actuarial assumptions that required Board approval and the State Legislature and the Governor enacted Chapter 152/06 to provide for those changes to the actuarial assumptions and methods that required legislation, including the Actuarial Interest Rate (AIR) assumption of 8.0% per annum.

Chapter 152/06 provides effective for fiscal years 2006 and after for the changes in actuarial assumptions and methods that require legislation, including the continuation of the AIR assumption of 8.0% per annum and continuation of the current Frozen Initial Liability (FIL) Actuarial Cost Method and the existing Unfunded Actuarial Accrued Liability (UAAL). In addition, Chapter 152/06 provides for elimination of the use of the ten-year phase-in of Chapter 278/02 for funding the additional actuarial liabilities created by the benefits provided by Chapter 125/00.

Chapter 152/06 also established the One-Year Lag methodology (OYLM). Under this methodology a fiscal year 20XX employer contribution is determined using a June 20XX-2 valuation date. This methodology requires technical adjustments to certain components determined as of a valuation date used to compute a fiscal year employer contribution.

Beginning with the June 30, 2004 (Lag) actuarial valuations, the Actuarial Asset Valuation Method (AAVM) was changed to a method which reset the Actuarial Asset Values (AAV) to Market Values (ie., Market Value Restart) as of June 30, 1999. As of each June 30 thereafter the AAVM recognizes investment returns greater or less than expected over a period of six years.

Under this revised AAVM, any (Unexpected Investment Returns (UIR)) for fiscal years 2000 and later are phased into the AAV beginning the following June 30 at a rate of 15%, 15%, 15%, 15%, 20% and 20% per year (or cumulative rates of 15%, 30%, 45%, 60%, 80% and 100% over a period of six years).

These revised averaging factors were applied against the UIR computed under the prior five-year AAVM used for fiscal years 2000 to 2004.

For fiscal years 2000 through 2005, the AAVM was changed as of June 30, 1999 to reflect a market basis for investments held and was made as one component of an overall revision of actuarial assumptions and methods as of June 30, 1999.

Under this prior AAVM, any UIR for fiscal years 2000 through 2005 inclusive were phased into 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).

Chapter 85/00 reestablished UAAL and eliminated the Balance Sheet Liability (BSL) for actuarial purposes as of June 30, 1999. The schedule of payments 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 equals 103% of its preceding annual payment.

Chapter 86 of the Laws of 2000 established UAAL as of June 30, 2001 for an Early Retirement Incentive Program to be amortized on a level basis over a period of 5 years beginning in fiscal year 2002.

Chapter 69 of the Laws of 2002 established UAAL as of June 30, 2003 for an Early Retirement Incentive Program (Part A only) to be amortized on a level basis over a period of 5 years beginning in fiscal year 2004.

Other Employee Benefit 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 state law, VSFs are not to be construed as constituting pension or retirement system funds. Instead, they provide scheduled supplemental payments, 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 VSFs and the payments they provide.

POLICE administers 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 ACNY.

1. POVSF provides supplemental benefits to members who retire from POLICE for service (with 20 or more years) as police officers and who retired on or after October 1, 1968.

2. PSOVSF provides supplemental benefits to members who retire from POLICE for service (with 20 or more years) holding the rank of sergeant or higher, or detective and who retired on or after October 1, 1968.

FIRE administers 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 ACNY.

3. FFVSF provides supplemental benefits to members who retire from FIRE for service (with 20 or more years) as firefighters (or wipers) and who retired on or after October 1, 1968.

4. FOVSF provides supplemental benefits to members who retire from FIRE for service (with 20 or more years) holding the rank of lieutenant or higher and all pilots and marine engineers (uniformed) and who retired on or after October 1, 1968.

The New York City Employees' Retirement System administers 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), the Housing Police Superior Officers' Variable Supplements Fund (HPSOVSF), and the Correction Officers' Variable Supplements Fund (COVSF). These funds operate pursuant to the provisions of Title 13, Chapter 1 of ACNY.

5. TPOVSF provides supplemental benefits to members who retire from NYCERS for service (with 20 or more years) as Transit Police Officers on or after July 1, 1987. This plan provides for a schedule of defined supplemental benefits that became guaranteed by the City as a consequence of calculations performed by the Actuary during November 1993. With the passage of Chapter 255 of the Laws of 2000, NYCERS will be required to transfer assets to TPOVSF whenever the assets of TPOVSF are not sufficient to pay benefits.

6. TPSOVSF provides supplemental benefits to members who retire from NYCERS for service (with 20 or more years) as Transit Police Superior Officers on or after July 1, 1987. This plan provides for a schedule of defined supplemental benefits that, effective calendar year 2001, as a result of the enactment of Chapter 255 of the Laws of 2000 became guaranteed by the City. In addition, with the passage of Chapter 255 of the Laws of 2000, NYCERS will be required to transfer assets to TPSOVSF whenever the assets of TPSOVSF are not sufficient to pay benefits. As a result of insufficient fund assets to pay benefits as of June 30, 2004, NYCERS is required to transfer assets so that TPSOVSF can meet its benefit obligations when due.

7. HPOVSF provides supplemental benefits to members who retire from NYCERS for service (with 20 or more years) as Housing Police Officers on or after July 1, 1987. This plan provides for a schedule of defined supplemental benefits that became guaranteed by the City as a consequence of Chapter 719 of the Laws of 1994. With the passage of Chapter 255 of the Laws of 2000, NYCERS will be required to transfer assets to HPOVSF whenever the assets of HPOVSF are not sufficient to pay benefits. As a result of insufficient fund assets to pay benefits as of June 30, 2006, NYCERS is required to transfer assets so that HPOVSF can meet its benefit obligations when due.

8. HPSOVSF provides supplemental benefits to members who retire from NYCERS for service (with 20 or more years) as Housing Police Superior Officers on or after July 1, 1987. This plan provides for a schedule of defined supplemental benefits that, effective calendar year 2001, as a result of the enactment of Chapter 255 of the Laws of 2000 became guaranteed by the City. In addition, with the passage of Chapter 255 of the Laws of 2000, NYCERS will be required to transfer assets to HPSOVSF whenever the assets of HPSOVSF are not sufficient to pay benefits. As a result of insufficient fund assets to pay benefits as of June 30, 2001, NYCERS is required to transfer assets so that HPSOVSF can meet its benefit obligations when due.

9. COVSF provides supplemental benefits to members who retire from NYCERS for service (with 20 or 25 years of service, depending upon the plan) as members of the Uniformed Correction Force on or after July 1, 1999. Prior to calendar year 2019, total supplemental benefits paid are limited to the assets of COVSF. For calendar years 2019 and later, the plan provides for a schedule of defined supplemental benefits that are guaranteed by the City. Scheduled benefits to COVSF participants were paid for calendar years 2000 to 2005. Due to insufficient assets, no benefits were paid to COVSF participants for calendar year 2006 or 2007.

Funding Policy and Contributions

The Administrative Code of The City of New York provides that POLICE and FIRE transfer 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.

ACNY provides that NYCERS transfer to COVSF amounts equal to certain excess earnings on equity investments, less any cumulative deficiencies. ACNY also provides, as a consequence of Chapter 255 of the Laws of 2000, that NYCERS make the required transfers to TPOVSF, TPSOVSF, HPOVSF and HPSOVSF, inclusive of prior year's cumulative deficiencies, sufficient to meet their annual benefit payments.

For fiscal years 2008 and 2007, excess earnings on equity investments, inclusive of prior year's cumulative deficiencies, are estimated to be equal to zero and, therefore, no transfers will be due to VSFs as of June 30, 2008 and June 30, 2007, respectively.

For fiscal years 2008 and 2007, required transfers from NYCERS of approximately $2.4 million and $1.8 million, respectively, were made to HPOVSF.

For fiscal years 2008 and 2007, required transfers from NYCERS of approximately $3.0 million and $2.3 million, respectively, were made to HPSOVSF.

For fiscal years 2008 and 2007, required transfers from NYCERS of approximately $3.2 million and $2.4 million, respectively, were made to TPSOVSF.

As of June 30, 2008, NYCERS has accrued approximately $1.2 million, $1.4 million, and $1.6 million toward the amounts expected to be transferred to HPOVSF, HPSOVSF and TPSOVSF, respectively, to meet the December 2008 benefit obligations of those funds.

The funded status of each NYCRS as of June 30, 2006, the date of the most recent actuarial valuation under One-Year Lag methodology, where the Actuarial Accrued Liability is defined using the Entry Age Actuarial Cost Method, is as follows:

Funded Status
Entry Age Accrued Liability Basis
(in millions)

	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) —Entry Age (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
NYCERS	$38,367.1	$46,602.0	$ 8,234.9	82.3%	$10,127.8	81.3%
TRS	32,405.5	45,138.9	12,733.4	71.8	6,978.7	182.5
BERS	1,830.3	2,502.1	671.8	73.2	750.0	89.6
POLICE	18,689.5	26,902.1	8,212.6	69.5	2,816.9	291.5
FIRE	6,174.1	11,061.5	4,887.4	55.8	932.7	524.0

F. Required Supplementary Information (Unaudited)

The schedule of funding progress presents the following information for each of the past nine consecutive fiscal years for each of the NYCRS. All actuarially determined information has been calculated in accordance with the actuarial assumptions and methods reflected in the actuarial valuations as of the indicated actuarial valuation date.

		(1)	(2)	(3)	(4)	(5)	(6)
	Actuarial Valuation Date	Actuarial Asset Value (AAV)	Actuarial Accrued Liability (AAL)*	Unfunded Actuarial Accrued Liability (UAAL)	Funded Ratio	Annual Covered Payroll	UAAL as a Percentage of Covered Payroll
		(a)	(a) & (b)	(2) - (1) (in millions)	(1) ÷ (2)		(3) ÷ (5)
NYCERS	6/30/06(Lag)	$38,367.1	$38,431.3	$64.2	99.8%	$10,127.8	0.6%
	6/30/05(Lag)	39,692.4	39,797.1	104.7	99.7	9,670.8	1.1
	6/30/04(Lag)	40,638.6	40,786.6	148.0	99.6	9,361.2**	1.6
	6/30/04	40,088.2	40,236.2	148.0	99.6	9,157.4	1.6
	6/30/03	42,056.0	42,244.2	188.2	99.6	8,807.6	2.1
	6/30/02	43,561.1	43,619.9	58.8	99.9	8,901.1	0.7
	6/30/01	43,015.4	43,087.6	72.2	99.8	8,515.3	0.8
	6/30/00	42,393.6	42,418.7	25.1	99.9	7,871.0	0.3
	6/30/99	40,936.0	40,936.0	0.0	100.0	7,593.2	0.0
TRS	6/30/06(Lag)	32,405.5	32,410.5	5.0	100.0	6,978.7	0.1
	6/30/05(Lag)	32,865.1	32,872.3	7.2	100.0	6,273.9	0.1
	6/30/04(Lag)	33,149.3	33,159.7	10.4	100.0	6,175.9**	0.2
	6/30/04	32,817.1	32,827.5	10.4	100.0	6,219.8	0.2
	6/30/03	33,169.2	33,182.6	13.4	100.0	5,828.8	0.2
	6/30/02	34,177.8	34,181.1	3.3	100.0	5,469.2	0.1
	6/30/01	35,410.2	35,414.5	4.3	100.0	5,015.4	0.1
	6/30/00	36,142.4	36,147.5	5.1	100.0	4,721.5	0.1
	6/30/99	34,626.1	34,626.1	0.0	100.0	4,217.7	0.0
BERS	6/30/06(Lag)	1,830.3	1,834.0	3.7	99.8	750.0	0.5
	6/30/05(Lag)	1,841.0	1.846.3	5.3	99.7	715.1	0.7
	6/30/04(Lag)	1,843.8	1,850.6	6.8	99.6	624.9**	1.1
	6/30/04	1,822.7	1,829.5	6.8	99.6	624.9	1.1
	6/30/03	1,833.8	1,842.0	8.2	99.6	651.0	1.3
	6/30/02	1,835.8	1,835.8	0.0	100.0	736.7	0.0
	6/30/01	1,781.7	1,781.7	0.0	100.0	694.2	0.0
	6/30/00	1,749.4	1,749.4	0.0	100.0	666.0	0.0
	6/30/99	1,705.4	1,705.4	0.0	100.0	592.2	0.0
POLICE	6/30/06(Lag)	18,689.5	18,689.5	0.0	100.0	2,816.9	0.0
	6/30/05(Lag)	18,767.3	18,767.3	0.0	100.0	2,812.9	0.0
	6/30/04(Lag)	18,735.1	18,735.1	0.0	100.0	2,757.7**	0.0
	6/30/04	18,510.6	18,510.6	0.0	100.0	2,460.8	0.0
	6/30/03	18,781.4	18,781.4	0.0	100.0	2,433.9	0.0
	6/30/02	18,913.6	18,913.6	0.0	100.0	2,496.2	0.0
	6/30/01	18,141.7	18,141.7	0.0	100.0	2,500.1	0.0
	6/30/00	17,601.9	17,601.9	0.0	100.0	2,465.7	0.0
	6/30/99	16,877.8	16,877.8	0.0	100.0	2,332.0	0.0

FIRE	6/30/06(Lag)	6,174.1	6,252.0	77.9	99.8	932.7	8.4
	6/30/05(Lag)	6,169.2	6,261.5	92.3	98.5	908.3	10.2
	6/30/04(Lag)	6,277.3	6,382.5	105.2	98.4	864.8**	12.2
	6/30/04	6,185.8	6,291.0	105.2	98.3	805.0	13.1
	6/30/03	6,441.5	6,558.0	116.5	98.2	748.8	15.6
	6/30/02	6,612.3	6,738.7	126.4	98.1	789.7	16.0
	6/30/01	6,525.7	6,660.7	135.0	98.0	799.2	16.9
	6/30/00	6,388.1	6,530.6	142.5	97.8	741.5	19.2
	6/30/99	6,179.8	6,328.7	148.9	97.6	729.7	20.4

* Based on the Frozen Initial Liability Actuarial Cost Method.

** The annualized covered payrolls as of June 30, 2004 under the One-Year Lag methodology used to compute fiscal year 2006 employer contributions differ from that as of June 30, 2004 to compute fiscal year 2005 employer contributions due to changes in actuarial assumptions and more recent information on labor contract settlements.

(a) Beginning with the June 30, 2004 (Lag) actuarial valuation the Actuarial Asset Valuation Method ("AAVM") was changed to a method that reset the AAV to Market Value (i.e., "Market Value Restart") as of June 30, 1999. As of each June 30 thereafter the AAVM recognizes investment returns greater or less than expected over a period of six years.

Under this revised AAVM, any Unexpected Investment Returns ("UIR") for fiscal years 2000 and later are phased into the AAV beginning the following June 30 at rates of 15%, 15%, 15%, 15%, 20%, and 20% per year (or cumulative rates of 15%, 30%, 45%, 60%, 80% and 100% over a period of six years).

These revised averaging factors were applied against the UIR computed under the prior five-year AAVM used for fiscal years 2000 to 2004.

This revised AAVM was utilized for the first time in the June 30, 2004 (Lag) actuarial valuation to determine the fiscal year 2006 employer contribution in conjunction with the One-Year Lag methodology and the revised economic and noneconomic assumptions. As of June 30, 1999 the economic and noneconomic assumptions were revised due to experience review. The AAVM was changed as of June 30, 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, 1999.

Under the AAVM used for the June 30, 1999 to June 30, 2004 actuarial valuations, any UIR for Fiscal Years 2000 and later were phased into the AAV beginning the following June 30 at a rate of 10%, 15%, 20%, 25% and 30% per year (or cumulative rates of 10%, 25%, 45%, 70% and 100% over a period of five years).

(b) To effectively assess the funding progress of a Plan, it is usually appropriate to compare AAV and AAL calculated in a manner consistent with the Plan's funding method over a period of time. AAL is the portion of the actuarial present value of pension plan benefits and expenses which is not provided for by future employer normal costs and future member contributions.

Note, however, that UAAL is the excess of AAL over AAV. Under the FIL Actuarial Cost Method, the initial UAAL is frozen at date of establishment and amortized over time. That UAAL is not adjusted from one actuarial valuation to the next to reflect actuarial gains and losses.

Schedule of Employer Contributions

Total Employer Contributions to the NYCRS

(in millions)

	NYCERS		**TRS**		**BERS**		**POLICE**		**FIRE**	
Fiscal Year Ended June 30	**Annual Required Contribution**	**Percentage Contributed**	**Annual Required Contribution**	**Percentage Contributed**	**Annual Required Contribution**	**Percentage Contributed**	**Annual Required Contribution**	**Percentage Contributed**	**Annual Required Contribution**	**Percentage Contributed**
2008	$1,874.2	100.0%	$1,916.5	100.0%	$143.1	100.0%	$1,797.8	100.0%	$780.2	100.0%
2007	1,471.0	100.0	1,600.9	100.0	129.8	100.0	1,544.3	100.0	683.2	100.0
2006	1,024.4	100.0	1,316.6	100.0	90.8	100.0	1,337.7	100.0	608.8	100.0
2005	1,020.4	80.6	1,304.0	94.2	106.4	90.9	1,123.9	91.9	518.4	94.4
2004	542.2	57.3	1,015.3	90.6	95.0	88.5	917.7	88.5	427.7	91.8
2003	197.8	54.6	805.8	79.4	87.9	79.9	821.4	76.1	389.5	81.4
2002	105.7	100.0	607.8	83.9	66.7	84.8	636.5	84.0	346.2	87.3
2001	100.0	100.0	572.0	77.8	52.1	75.3	543.8	76.0	298.9	80.7
2000	68.6	100.0	181.8	100.0	9.5	100.0	250.0	100.0	182.9	100.0

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FOUNDED 1866

October 15, 2009

Honorable William C. Thompson, Jr.
Comptroller
The City of New York
Municipal Building
New York, New York 10007

Dear Comptroller Thompson:

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 the issuance of its General Obligation Bonds, Fiscal 2010 Series A, B and C (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. The City has covenanted to comply with applicable provisions of the Internal Revenue Code of 1986, as amended (the "Code"), relating to the exclusion from gross income of the interest on the Series B and C Bonds (the "Tax-Exempt Bonds") for purposes of federal income taxation. Assuming compliance by the City with such provisions of the Code, interest on the Tax-Exempt Bonds will not be included in the gross income of the owners thereof for purposes of federal income taxation. Failure by the City to comply with such applicable requirements may cause interest on the Tax-Exempt Bonds to be includable in the gross income of the owners thereof retroactive to the date of issue of the Bonds. Further, we render no opinion as to the effect on the exclusion from gross income of interest on the Tax-Exempt Bonds of any action taken or not taken after the date of this opinion without our approval.

4. Interest on the Tax-Exempt Bonds is not a specific preference item for purposes of the federal individual or corporate alternative minimum tax. The Code contains other provisions that could result in tax consequences, upon which we render no opinion, as a result of ownership of such Bonds or the

inclusion in certain computations (including without limitation those related to the corporate alternative minimum tax) of interest that is excluded from gross income.

5. The excess, if any, of the amount payable at maturity of any maturity of the Tax-Exempt Bonds over the initial offering price of such Tax-Exempt Bonds to the public at which price a substantial amount of such maturity is sold represents original issue discount which is excluded from gross income for federal income tax purposes to the same extent as interest on the Tax-Exempt Bonds. The Code further provides that such original issue discount excluded as interest accrues in accordance with a constant interest method based on the compounding of interest, and that a holder's adjusted basis for purposes of determining a holder's gain or loss on disposition of Tax-Exempt Bonds with original issue discount will be increased by the amount of such accrued interest.

The rights of the owners of the Bonds and the enforceability thereof may be subject to bankruptcy, insolvency, reorganization, moratorium and other similar laws affecting creditors' rights heretofore or hereafter enacted, to the extent constitutionally applicable, and the enforcement of related contractual and statutory covenants of the City and the State may also be subject to the exercise of the State's police powers and of judicial discretion in appropriate cases.

The opinions expressed herein are based on an analysis of existing laws, regulations, rulings and court decisions. Such opinions may be adversely affected by actions taken or events occurring, including a change in law, regulation or ruling (or in the application or official interpretation of any law, regulation or ruling) after the date hereof. We have not undertaken to determine, or to inform any person, whether such actions are taken or such events occur and we have no obligation to update this opinion in light of such actions or events.

Very truly yours,